

**Senator Benjamin M. McAdams** proposes the following substitute bill:

**SCHOOL DISTRICT CAPITAL OUTLAY  
EQUALIZATION AMENDMENTS**

2010 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Benjamin M. McAdams**

House Sponsor: Kenneth W. Sumsion

Cosponsor: Howard A. Stephenson

---

---

**LONG TITLE**

**General Description:**

This bill amends provisions related to public education financing and certain school property tax provisions.

**Highlighted Provisions:**

This bill:

- ▶ allows local school boards to use revenue collected from certain capital property tax levies for certain general fund purposes for fiscal years 2010-11 and 2011-12;
- ▶ requires a local school board to notify taxpayers of certain uses of property tax revenue;
- ▶ provides a cap on the amount of distributions a local school board located in a county of the first class may receive from the first class county capital outlay equalization program;
- ▶ requires a county treasurer to return remaining capital outlay monies to school districts in proportion to the school districts' percentage of the total amount collected;
- ▶ provides a deadline for the elimination of the requirement for a local school board



26 to participate in the first class county capital outlay equalization program;

27       ▶ requires a school district in a county of the first class that receives property tax

28 revenue from a capital outlay levy equalization program to report to the Education

29 Interim Committee each year; and

30       ▶ makes technical changes.

31 **Monies Appropriated in this Bill:**

32       None

33 **Other Special Clauses:**

34       This bill provides retrospective operation for a taxable year beginning on or after

35 January 1, 2010.

36 **Utah Code Sections Affected:**

37 AMENDS:

- 38       **53A-16-107**, as last amended by Laws of Utah 2008, Chapter 236
- 39       **53A-16-107.1**, as enacted by Laws of Utah 2008, Chapter 236
- 40       **53A-19-102**, as last amended by Laws of Utah 2009, First Special Session, Chapter 5



42 *Be it enacted by the Legislature of the state of Utah:*

43       Section 1. Section **53A-16-107** is amended to read:

44       **53A-16-107. Capital outlay levy -- Maintenance of school facilities -- Authority to**

45 **use proceeds of .0002 tax rate -- Restrictions and procedure -- Limited authority to use**

46 **proceeds for general fund purposes -- Notification required when using proceeds for**

47 **general fund purposes.**

48       (1) Subject to Subsection (3) and except as provided in Subsection (5), a local school

49 board may annually impose a capital outlay levy not to exceed .0024 per dollar of taxable value

50 to be used for:

- 51       (a) capital outlay;
- 52       (b) debt service; and
- 53       (c) subject to Subsection (2), school facility maintenance.

54       (2) (a) A local school board may utilize the proceeds of a maximum of .0002 per dollar

55 of taxable value of the local school board's annual capital outlay levy for the maintenance of

56 school facilities in the school district.

57 (b) A local school board that uses the option provided under Subsection (2)(a) shall:

58 (i) maintain the same level of expenditure for maintenance in the current year as it did  
59 in the preceding year, plus the annual average percentage increase applied to the maintenance  
60 and operation budget for the current year; and

61 (ii) identify the expenditure of capital outlay funds for maintenance by a district project  
62 number to ensure that the funds are expended in the manner intended.

63 (c) The State Board of Education shall establish by rule the expenditure classification  
64 for maintenance under this program using a standard classification system.

65 (3) [Beginning] Except as provided in Subsection 53A-16-107.1(8), beginning January  
66 1, 2009, in order to qualify for receipt of the state contribution toward the minimum school  
67 program described in Section 53A-17a-104, a local school board in a county of the first class  
68 shall impose a capital outlay levy of at least .0006 per dollar of taxable value.

69 (4) (a) The county treasurer of a county of the first class shall distribute revenues  
70 generated by the .0006 portion of the capital outlay levy required in Subsection (3) to school  
71 districts within the county in accordance with Section 53A-16-107.1.

72 (b) If a school district in a county of the first class imposes a capital outlay levy  
73 pursuant to this section which exceeds .0006 per dollar of taxable value, the county treasurer of  
74 a county of the first class shall distribute revenues generated by the portion of the capital outlay  
75 levy which exceeds .0006 to the school district imposing the levy.

76 (5) (a) Notwithstanding Subsections (1)(a), (b), and (c) and subject to Subsections  
77 (5)(b), (c) and (d), for fiscal years 2010-11 and 2011-12, a local school board may use the  
78 proceeds of the local school board's capital outlay levy for general fund purposes if the  
79 proceeds are not committed or dedicated to pay debt service or bond payments.

80 (b) If a local school board uses the proceeds described in Subsection (5)(a) for general  
81 fund purposes, the local school board shall notify the public of the local school board's use of  
82 the capital outlay levy proceeds for general fund purposes:

83 (i) prior to the board's budget hearing in accordance with the notification requirements  
84 described in Section 53A-19-102; and

85 (ii) at a budget hearing required in Section 53A-19-102.

86 (c) A local school board may not use the proceeds described in Subsection (5)(a) to  
87 fund the following accounting function classifications as provided in the Financial Accounting

88 for Local and State School Systems guidelines developed by the National Center for Education  
89 Statistics:

90 (i) 2300 Support Services - General District Administration; or

91 (ii) 2500 Support Services - Central Services.

92 (d) A local school board may not use the proceeds from a distribution described in  
93 Section 53A-16-107.1 for general fund purposes.

94 Section 2. Section **53A-16-107.1** is amended to read:

95 **53A-16-107.1. School capital outlay in counties of the first class -- Allocation.**

96 (1) For purposes of this section:

97 (a) "Average annual enrollment growth over the prior three years" means the quotient  
98 of:

99 (i) (A) enrollment in the current school year, based on October 1 enrollment counts;

100 minus

101 (B) enrollment in the year three years prior, based on October 1 enrollment counts;

102 divided by

103 (ii) three.

104 (b) "Capital outlay increment monies" means the amount of revenue equal to the  
105 difference between:

106 (i) the amount of revenue generated by a levy of .0006 per dollar of taxable value  
107 within a receiving school district during a fiscal year; and

108 (ii) the amount of revenue the receiving school district received during the same fiscal  
109 year from the distribution described in Subsection (2).

110 (c) "Contributing school district" means a school district in a county of the first class  
111 that in a fiscal year receives less revenue from the distribution described in Subsection (2) than  
112 it would have received during the same fiscal year from a levy imposed within the school  
113 district of .0006 per dollar of taxable value.

114 (d) "Receiving school district" means a school district in a county of the first class that  
115 in a fiscal year receives more revenue from the distribution described in Subsection (2) than it  
116 would have received during the same fiscal year from a levy imposed within the school district  
117 of .0006 per dollar of taxable value.

118 (e) "Remaining capital outlay monies" means the difference between:

119 (i) the amount of revenue collected from the a .0006 portion of the capital outlay levy  
 120 required in Subsection 53A-16-107(3) for a calendar year; and

121 (ii) the amount of revenue distributed pursuant to Subsection (2) from the revenue  
 122 described in Subsection (1)(e)(i) for the same calendar year.

123 ~~[(1)]~~ (2) ~~[The]~~ Except as provided in Subsections (6) and (8), the county treasurer of a  
 124 county of the first class shall distribute revenues generated by the .0006 portion of the capital  
 125 outlay levy required in Subsection 53A-16-107(3) to school districts located within the county  
 126 of the first class as follows:

127 (a) 25% of the revenues shall be distributed in proportion to a school district's  
 128 percentage of the total enrollment growth in all of the school districts within the county that  
 129 have an increase in enrollment, calculated on the basis of the average annual enrollment growth  
 130 over the prior three years in all of the school districts within the county that have an increase in  
 131 enrollment over the prior three years, as of the October 1 enrollment counts; and

132 (b) 75% of the revenues shall be distributed in proportion to a school district's  
 133 percentage of the total current year enrollment in all of the school districts within the county, as  
 134 of the October 1 enrollment counts.

135 ~~[(2)]~~ (3) If a new school district is created or school district boundaries are adjusted,  
 136 the enrollment and average annual enrollment growth for each affected school district shall be  
 137 calculated on the basis of enrollment in school district schools located within that school  
 138 district's newly created or adjusted boundaries, as of October 1 enrollment counts.

139 ~~[(3)]~~ (4) On or before December 31 of each year, the State Board of Education shall  
 140 provide a county treasurer with audited enrollment information from the fall enrollment audit  
 141 necessary to distribute revenues as required by this section.

142 ~~[(4)]~~ (5) On or before March 31 of each year, a county treasurer in a county of the first  
 143 class shall distribute the revenue generated within the county of the first class during the prior  
 144 calendar year from the capital outlay levy described in Section 53A-16-107.

145 (6) (a) Notwithstanding Subsection (2), a distribution to a school district described in  
 146 Subsection (2) may not exceed ~~H~~ → [the lesser of the following amounts:

147 —— (i) ~~H~~ ← the distribution the local school board received pursuant to this section for revenue  
 148 collected for the 2009 calendar year ~~H~~ → [; or] .

149 ~~(ii) the distribution the local school board received pursuant to this section for revenue~~

150 ~~collected for the year prior to the current calendar year.] ←H~~

151 (b) If there are remaining capital outlay monies after all distributions described in  
152 Subsection (2) are made, the county treasurer shall return the remaining capital outlay monies  
153 to a school district in proportion to the school district's percentage of the total amount collected  
154 from the .0006 portion of the capital outlay levy required in Subsection 53A-16-107(3).

155 (7) On or before the November meeting of the Education Interim Committee of each  
156 year, a receiving school district shall report to the committee:

157 (a) how the receiving school district spent the district's capital outlay increment monies  
158 during the prior fiscal year; and

159 (b) the receiving school district's plan to increase student capacity of existing school  
160 buildings within the district.

161 (8) Notwithstanding Subsections 53A-16-107(3) and (4), a local school board in a  
162 county of the first class is not required to impose a capital outlay levy of .0006 per dollar of  
163 taxable value nor subject to the requirements of this section beginning with the calendar year  
164 that all school districts that were receiving school districts in the 2009 calendar year are no  
165 longer receiving school districts.

166 Section 3. Section **53A-19-102** is amended to read:

167 **53A-19-102. Local school boards budget procedures.**

168 (1) (a) Prior to June 22 of each year, [~~each~~] a local school board shall adopt a budget  
169 and make appropriations for the next fiscal year.

170 (b) If the tax rate in the proposed budget exceeds the certified tax rate defined in  
171 Section 59-2-924, the local school board shall comply with Section 59-2-919 in adopting the  
172 budget, except as provided by Section 53A-17a-133.

173 (2) (a) Prior to the adoption or amendment of a budget containing a tax rate which does  
174 not exceed the certified tax rate, [~~the~~] a local school board shall hold a public hearing, as  
175 defined in Section 10-9a-103, on the proposed budget or budget amendment.

176 (b) In addition to complying with Title 52, Chapter 4, Open and Public Meetings Act,  
177 in regards to the public hearing described in Subsection (2)(a), the board shall:

178 (i) publish the required newspaper notice at least 10 days before the day on which the  
179 hearing is held; and

180 (ii) file a copy of the proposed budget with the local school board's business

181 administrator for public inspection at least 10 days prior to the hearing.

182 (3) ~~[The]~~ A local school board shall file a copy of the adopted budget with the state  
183 auditor and the State Board of Education.

184 Section 4. **Retrospective operation.**

185 This bill provides retrospective operation for a taxable year beginning on or after  
186 January 1, 2010.

---

---

**Fiscal Note**

**S.B. 175 3rd Sub. (Ivory) - School District Capital Outlay Equalization  
Amendments**

2010 General Session

State of Utah

---

---

**State Impact**

Enactment of this bill will not require additional appropriations.

---

**Individual, Business and/or Local Impact**

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.

---