TRUE Proposal

Tax Re-balancing for Utah Education
More Reliant on Most Volatile Revenue Stream

Rainy Day Fund Caps

Recurring Cycle
Real Per-pupil State Appropriations
Motor Fuel Tax as Proportion of Utah Income and GDP

Local Participation in Public Education

Source: “Simple Arithmetic”, Utah Foundation, February 2018, p. 6
Basic Levy as Percent of Basic Program

Our Schools Now Initiative

- Increase Personal Income Tax Rate from 5% to 5.45%
- Increase State Sales Tax Rate from 4.7% to 5.15%
What is TRUE v.2?

Revenue Side:

- **Income Tax:**
  - Broaden base (Federal Tax Reform) [+80 m]
  - Lower rate (5% to 4.95%) [-53 m]
  - Apportion Corporate Income using Single Factor (Utah Sales) [-28 m FY 22]

- **Property Tax:**
  - Set basic levy floor at 0.0016 for 5 years [+36 m]
  - Adjust levy upward for WPU value increases [+19 m]
  - Increase "circuit breaker" property tax relief for low-income homeowners [-0.2 m]

- **Gas Tax:**
  - Place opinion question on ballot
  - Potentially raise motor fuel taxes by 10 cents per gallon [-180 m in FY 20]

- **Sales Tax:** Potentially decrease roads earmarks [-125 m in FY 20]
What is TRUE v.2?

Spending Side:

- Public Education:
  - Typical effort from our expanding economy:
    - Formulaic Student Population Growth [$36 m]
    - 2.5% WPU Value Increase [$77 m]
    - 1.5% Below-the-line [$46 m]
  - Property Tax Equalization [$36 m]
  - Teacher and Student Success Account (via Flexible Allocation, WPU Distribution)
    - 1.5% WPU Equivalent from our expanding economy [$46 m]
    - New revenue from basic levy indexing [$19 m]
    - Potentially 56% of new revenue from future gas tax increases [~100 m FY 20]

- Higher Education: Potentially 14% of new revenue from gas tax increases [~$25 m FY 20]
- B&C Roads: Potentially 30% of future gas tax increases [~$55 m FY 20]

Known Unknowns 😊

- How will Student & Teacher Success $ be distributed?
- Will gas tax opinion question pass?
- Will Legislature increase gas tax?
- What might be timing of gas tax increase?
- Will Legislature reduce earmarks?