

2018 GENERAL SESSION – HOUSE BILL 293:
**TAX REBALANCING FOR UTAH
 EDUCATION (TRUE)**

Summary of Education Budget Changes


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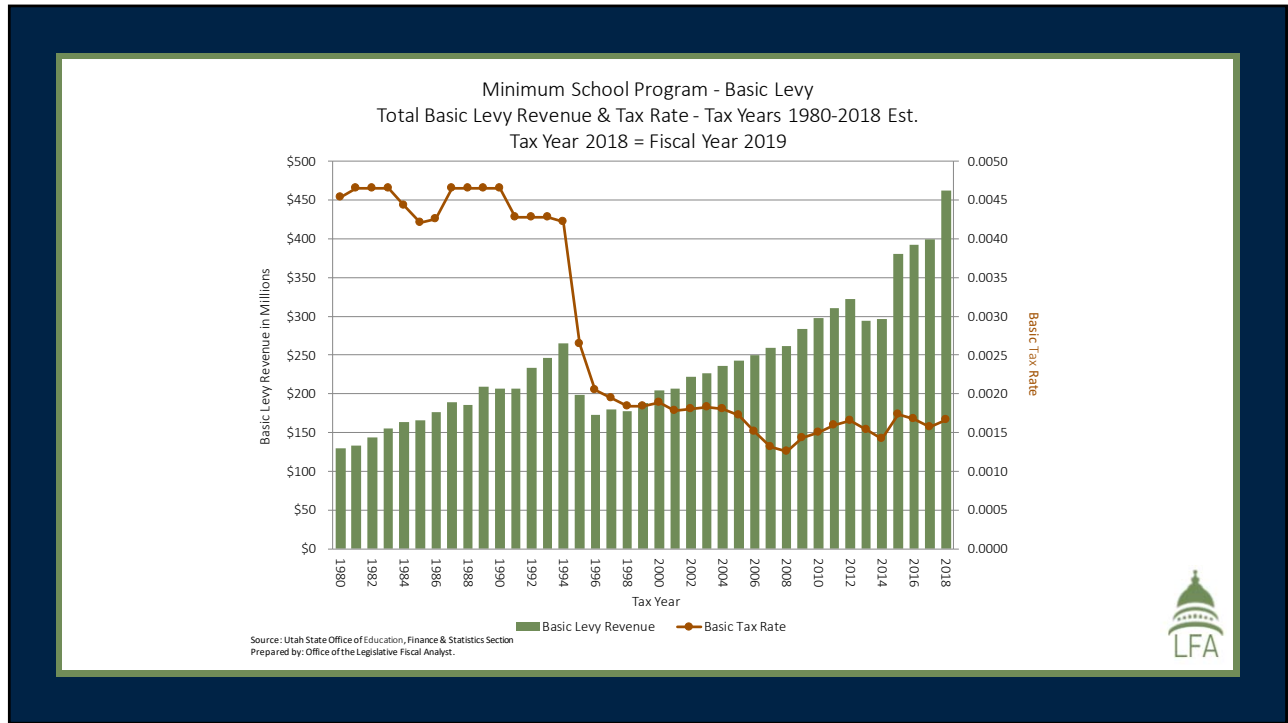
**State Basic Rate:
 “Basic Levy”**

In order to qualify for receipt of the state contribution toward the basic program and as its contribution toward its costs of the basic program, each school district shall impose a minimum basic tax rate per dollar of taxable value. . . (53F-2-301.5)

- Revenue Target Set by Legislature
 - Generates Est. \$477.8 M in FY 2020
 - \$15.0 M more than FY 2019
- Uniform Statewide Property Tax Rate
 - Actual rate set by the Tax Commission to meet revenue target
- Historically the Basic Rate “Floats Down” with Taxable Value Increases
 - Rate in FY 2019 – 0.001666
 - FY 2020 rate is lower do to higher taxable value of property (Estimated at 0.001588)
 - Statute Holds Rate at 0.0016 (FY 2023 Review)
- S.B. 97 (2015 GS) & H.B. 293 (2018 GS) Increased the Basic Rate Over Statutory Formula



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Tax Rebalancing Revisions – House Bill 293

2018 GS | Public Education Components

Equalization

- Local Levy Growth Account
 - Revenue Generated from Basic Rate “Freeze” (Hold Rate at 0.0016/5 Years)
 - \$36.1 M Generated in 1st Year (Est.)
 - Supports Voted & Board Local Levy Guarantee Programs:
 - Guarantees up to 20 Tax Increments (0.0001 Tax Rate) for All Districts
 - Increased the Guarantee Rate from \$41.26/WPU/Tax Increment to \$43.10

System Support

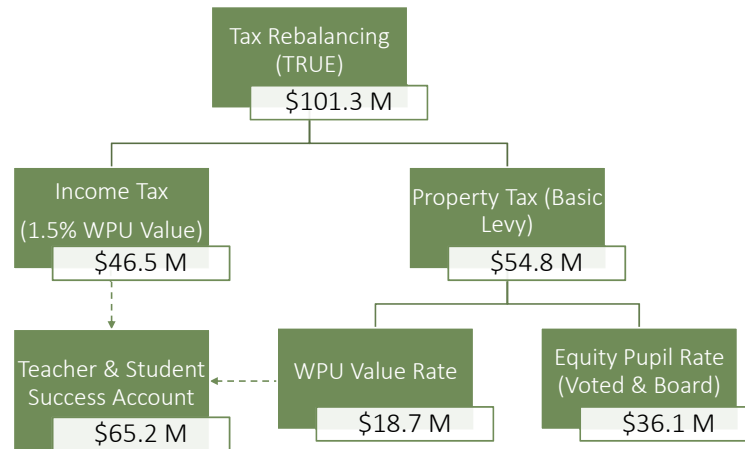
- Teacher & Student Success Account
 - Revenue Generated from WPU Value Rate (Tied to WPU Value Increase)
 - \$18.7 M Generated in 1st Year (Est.)
 - \$46.5 M Education Fund (Equivalent to a 1.5% WPU Value Increase)
 - Total of \$65.2 M One-time to the Flexible Allocation Program (FY 2019)
 - Ongoing \$65.2 M Available in FY 2020
- Legislature to Determine Ongoing Allocation in 2019 Session



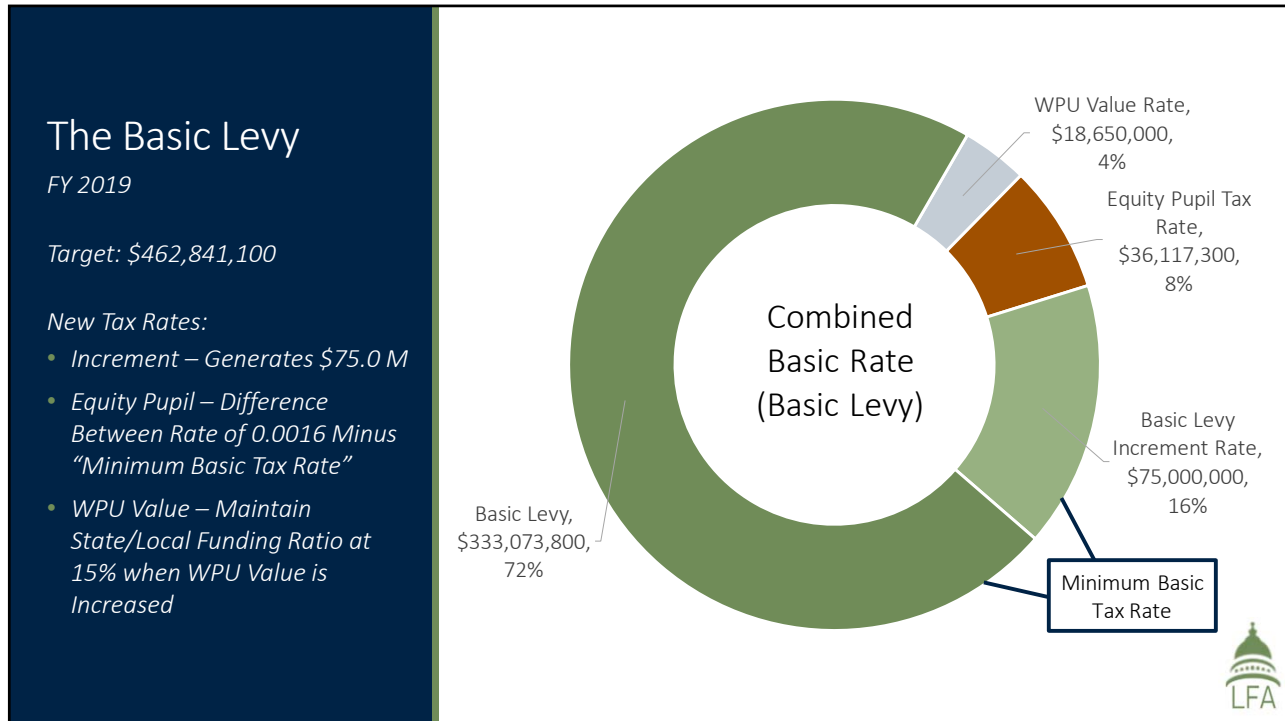
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Tax Rebalancing for Utah Education [TRUE]

FY 2019 | H.B. 293 (2018 GS) Education Components



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The Basic Levy: FY 2020 Estimated Revenue

Statute Provides for Certain Increases in Basic Levy Property Tax Revenue

- Basic Levy - \$14.9 M from “Net New Growth in Properties” historically used to offset the state cost of enrollment growth.
- Equity Pupil - \$12.8 M (Est.) Difference between the traditional “Basic Tax Rate” and the rate floor of 0.0016.
- WPU Value - \$4.7 M (Est.) for each 1% increase in WPU Value set by the Legislature

Minimum School Program: The Basic Levy

Basic Rate Components	FY 2019 Base Revenue	FY 2020 Net New Growth ⁽¹⁾	FY 2020 Formulaic Incr.	FY 2020 Discretionary	FY 2020 Total
Basic Levy	\$333,073,800	\$14,962,300	\$0	\$0	\$348,036,100
Basic Levy Increment Rate ⁽²⁾	\$75,000,000	\$0	\$0	\$0	\$75,000,000
Equity Pupil Tax Rate	\$36,117,300	\$0	\$12,880,600	\$0	\$48,997,900
WPU Value Rate ⁽¹⁾	\$18,650,000	\$0	\$0	\$4,700,000	\$18,650,000
Total	\$462,841,100	\$14,962,300	\$12,880,600	\$4,700,000	\$490,684,000

Notes:

(1) The WPU Value Rate adjusts with the percent increase in the WPU Value as determined by the Legislature. The adjustment is based on the ratio of state/local funding in the prior year (FY 2019 is 85/15 split). For FY 2020, the property tax increase would be approximately \$4.7 million for each 1 percent increase. The “FY 2020 Discretionary” amount is not included in the “FY 2020 Total” as the Legislature has yet to determine the WPU Value increase for FY 2020 to calculate the final tax impact amount.

(2) Statute allows the Basic Rate to collect property tax revenue on the net new growth of properties in the state. “Net New Growth” is an amount calculated by the Tax Commission each year. Historically, this revenue has accrued to the Basic School Program and offset the state cost for enrollment growth each year. The net new growth amount for the Basic Levy Increment Rate has accrued to the Basic School Program since the creation of that rate in FY 2016.

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The Basic Levy: How Does Increased Basic Levy Revenue Fund State Restricted Accounts?

It Doesn't – Not Directly

*Local Revenue Increases in
Basic Program, Freeing Up
State Revenue*

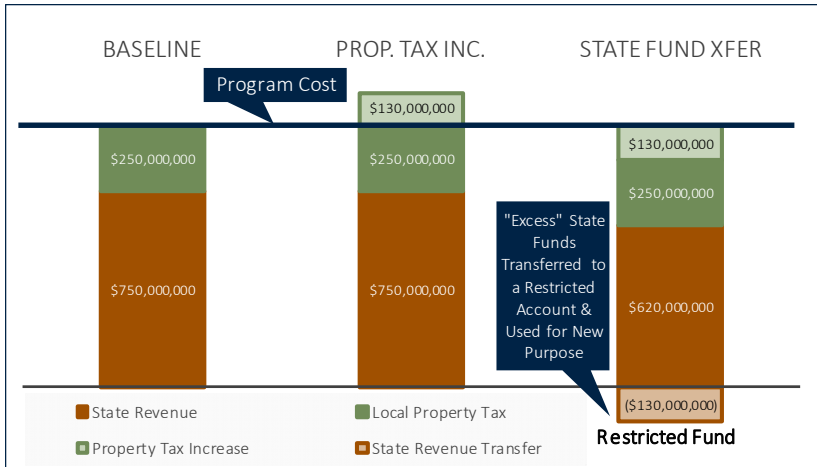
FY 2019

*\$130.0 Million Education Fund to
Restricted Accounts*

Restricted Accounts:

- \$75.0 M Minimum Basic Growth
- \$36.1 M Local Levy Growth
- \$18.7 M Teacher & Student Success

- H.B. 293 Programs for Equalization and Teacher & Student Success are Supported by Local Property Tax Revenues, How?



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QUESTIONS?

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