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 due 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
Minimum School Program - Basic Levy
Total Basic Levy Revenue & Tax Rate - Tax Years 1980-2018 Est.
Tax Year 2018 = Fiscal Year 2019

Basic Levy Revenue & Tax Rate - Tax Years 1980-2018 Est.

Source: Utah State Office of Education, Finance & Statistics Section
Prepared by Office of the Legislative Fiscal Analyst.

Basic Rate Revenue as a Percent of Total Basic School Program
FY 2004 to FY 2019

Basic Rate Increases
Recession
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

Tax Rebalancing for Utah Education [TRUE]
FY 2019 | H.B. 293 (2018 GS) Education Components
The Basic Levy

FY 2019

Target: $462,841,100

New Tax Rates:
- Increment – Generates $75.0 M
- Equity Pupil – Difference Between Rate of 0.0016 Minus “Minimum Basic Tax Rate”
- WPU Value – Maintain State/Local Funding Ratio at 15% when WPU Value is Increased

Combined Basic Rate (Basic Levy)

Basic Levy, $333,073,800, 72%

Equity Pupil Tax Rate, $36,117,300, 8%

WPU Value Rate, $18,650,000, 4%

Minimum Basic Tax Rate

Basic Levy Increment Rate, $75,000,000, 16%

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

<table>
<thead>
<tr>
<th>Basic Rate Components</th>
<th>FY 2019 Base Revenue</th>
<th>FY 2020 Net New Growth(1)</th>
<th>FY 2020 Formulas Incl.</th>
<th>FY 2020 Discretionary</th>
<th>FY 2020 Total</th>
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<tbody>
<tr>
<td>Basic Levy</td>
<td>$333,073,800</td>
<td>$14,962,300</td>
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<td>$4,700,000</td>
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<tr>
<td>Total</td>
<td>$462,841,100</td>
<td>$14,962,300</td>
<td>$12,880,600</td>
<td>$4,700,000</td>
<td>$490,684,000</td>
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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.
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

$130,000,000

<table>
<thead>
<tr>
<th>BASELINE</th>
<th>PROP. TAX INC.</th>
<th>STATE FUND XFER</th>
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<tr>
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<td>Local Property Tax</td>
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<td>Property Tax Increase</td>
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<tr>
<td>State Revenue Transfer</td>
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H.B. 293 Programs for Equalization and Teacher & Student Success are Supported by Local Property Tax Revenues, How?

QUESTIONS?

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