

**Representative Kenneth W. Sumsion** 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

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**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;
- ▶ requires a school district in a county of the first class that receives property tax revenue from a capital outlay levy equalization program to report to the Education Interim Committee each year;
- ▶ requires the Education Interim Committee to consider reports of receiving school districts when determining whether to reauthorize certain capital outlay levy equalization programs during a sunset review;
- ▶ sunsets certain capital outlay levy equalization programs at the end of 2016; and



26           ▶ makes technical changes.

27 **Monies Appropriated in this Bill:**

28           None

29 **Other Special Clauses:**

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

32 **Utah Code Sections Affected:**

33 AMENDS:

34           **53A-16-107**, as last amended by Laws of Utah 2008, Chapter 236

35           **53A-16-107.1**, as enacted by Laws of Utah 2008, Chapter 236

36           **53A-19-102**, as last amended by Laws of Utah 2009, First Special Session, Chapter 5

37           **63I-1-253**, as last amended by Laws of Utah 2009, Chapter 299

38           **63I-1-259**, as renumbered and amended by Laws of Utah 2008, Chapter 382



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

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

42           **53A-16-107. Capital outlay levy -- Maintenance of school facilities -- Authority to**  
43 **use proceeds of .0002 tax rate -- Restrictions and procedure -- Limited authority to use**  
44 **proceeds for general fund purposes -- Notification required when using proceeds for**  
45 **general fund purposes.**

46           (1) Subject to Subsection (3) and except as provided in Subsection (5), a local school  
47 board may annually impose a capital outlay levy not to exceed .0024 per dollar of taxable value  
48 to be used for:

49           (a) capital outlay;

50           (b) debt service; and

51           (c) subject to Subsection (2), school facility maintenance.

52           (2) (a) A local school board may utilize the proceeds of a maximum of .0002 per dollar  
53 of taxable value of the local school board's annual capital outlay levy for the maintenance of  
54 school facilities in the school district.

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

56           (i) maintain the same level of expenditure for maintenance in the current year as it did

57 in the preceding year, plus the annual average percentage increase applied to the maintenance  
58 and operation budget for the current year; and

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

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

63 (3) Beginning January 1, 2009, in order to qualify for receipt of the state contribution  
64 toward the minimum school program described in Section 53A-17a-104, a local school board  
65 in a county of the first class shall impose a capital outlay levy of at least .0006 per dollar of  
66 taxable value.

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

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

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

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

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

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

84 (c) A local school board may not use the proceeds described in Subsection (5)(a) to  
85 fund the following accounting function classifications as provided in the Financial Accounting  
86 for Local and State School Systems guidelines developed by the National Center for Education  
87 Statistics:

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

89 (ii) 2500 Support Services - Central Services.

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

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

93 **53A-16-107.1. School capital outlay in counties of the first class -- Allocation --**  
94 **Report to Education Interim Committee.**

95 (1) For purposes of this section:

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

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

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

102 (ii) three.

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

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

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

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

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

117 ~~[(1)]~~ (2) The county treasurer of a county of the first class shall distribute revenues  
118 generated by the .0006 portion of the capital outlay levy required in Subsection 53A-16-107(3)

119 to school districts located within the county of the first class as follows:

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

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

128 [~~(2)~~] (3) If a new school district is created or school district boundaries are adjusted,  
129 the enrollment and average annual enrollment growth for each affected school district shall be  
130 calculated on the basis of enrollment in school district schools located within that school  
131 district's newly created or adjusted boundaries, as of October 1 enrollment counts.

132 [~~(3)~~] (4) On or before December 31 of each year, the State Board of Education shall  
133 provide a county treasurer with audited enrollment information from the fall enrollment audit  
134 necessary to distribute revenues as required by this section.

135 [~~(4)~~] (5) On or before March 31 of each year, a county treasurer in a county of the first  
136 class shall distribute the revenue generated within the county of the first class during the prior  
137 calendar year from the capital outlay levy described in Section 53A-16-107.

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

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

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

144 (7) The Education Interim Committee shall consider the reports of receiving school  
145 districts described in Subsection (6) as part of a review to reauthorize this section and  
146 provisions related to this section, if the committee is directed to conduct a review pursuant to  
147 Title 63I, Legislative Oversight and Sunset Act.

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

149 **53A-19-102. Local school boards budget procedures.**

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

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

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

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

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

162 (ii) file a copy of the proposed budget with the local school board's business  
163 administrator for public inspection at least 10 days prior to the hearing.

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

166 Section 4. Section **63I-1-253** is amended to read:

167 **63I-1-253. Repeal dates, Titles 53, 53A, and 53B.**

168 The following provisions are repealed on the following dates:

169 (1) Section 53-3-232, Conditional licenses, is repealed July 1, 2015.

170 (2) Title 53A, Chapter 1a, Part 6, Public Education Job Enhancement Program is  
171 repealed July 1, 2010.

172 (3) Title 53A, Chapter 1a, Part 9, Voluntary Extended-day Kindergarten Program, is  
173 repealed July 1, 2011.

174 (4) Section 53A-2-118.3 is repealed December 31, 2016.

175 ~~(4)~~ (5) The State Instructional Materials Commission, created in Section 53A-14-101,  
176 is repealed July 1, 2011.

177 (6) Subsections 53A-16-107(3) and (4) are repealed December 31, 2016.

178 (7) Section 53A-16-107.1 is repealed December 31, 2016.

179 ~~(5)~~ (8) Section 53A-17a-163, Performance-based Compensation Pilot Program is  
180 repealed July 1, 2011.

181 Section 5. Section **63I-1-259** is amended to read:

182 **63I-1-259. Repeal dates, Title 59.**

183 (1) Subsection 59-2-924(3)(g) is repealed on December 31, 2016.

184 (2) Section 59-2-924.3 is repealed on December 31, 2016.

185 (3) Section 59-2-924.4 is repealed on December 31, 2016.

186 (4) Section 59-9-102.5 is repealed December 31, 2010.

187 Section 6. **Retrospective operation.**

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

189 January 1, 2010.

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**Fiscal Note**

**S.B. 175 5th Sub. (Gray) - School District Capital Outlay Equalization  
Amendments**

2010 General Session

State of Utah

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**State Impact**

Enactment of this bill will not require additional appropriations.

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**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.

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