

**DEBT SERVICE OBLIGATIONS OF A DIVIDED SCHOOL  
DISTRICT**

2011 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Kenneth W. Sumsion**

Senate Sponsor: Margaret Dayton

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**LONG TITLE**

**General Description:**

This bill modifies requirements for the imposition of a tax on property within a new district and remaining district to pay the debt service obligations of a divided school district.

**Highlighted Provisions:**

This bill:

► provides that, if a new district is created on or after May 10, 2011, a tax shall be imposed on property within the new district and the remaining district at a rate that:

• generates the amount of revenue required each year to meet the outstanding bonded debt obligations of the divided school district; and

• is uniform within the new district and remaining district; and

► makes technical amendments.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**53A-2-120**, as last amended by Laws of Utah 2007, Chapters 215 and 306



28           **53A-2-121**, as last amended by Laws of Utah 2008, Chapter 92

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

31           Section 1. Section **53A-2-120** is amended to read:

32           **53A-2-120. Transfer of school property to new school district.**

33           (1) (a) (i) On July 1 of the year following the school board elections for ~~[the new and~~  
34 ~~existing districts]~~ a new district created pursuant to a citizens' initiative petition or school board  
35 request under Section 53A-2-118 and an existing district as provided in Section 53A-2-119, the  
36 board of the existing district shall convey and deliver to the board of the new district all school  
37 property which the new district is entitled to receive.

38           ~~[(b)-(i)]~~ (ii) Any disagreements as to the disposition of school property shall be  
39 resolved by the county legislative body.

40           ~~[(ii)]~~ (iii) Subsection (1)~~[(b)-(i)]~~(a)(ii) does not apply to disagreements between  
41 transition teams about the proper allocation of property under Subsection 53A-2-118.1(4).

42           (b) An existing district shall transfer property to a new district created under Section  
43 53A-2-118.1 in accordance with Section 53A-2-118.1.

44           (2) Title vests in the new school board, including all rights, claims, and causes of  
45 action to or for the property, for the use or the income from the property, for conversion,  
46 disposition, or withholding of the property, or for any damage or injury to the property.

47           (3) The new school board may bring and maintain actions to recover, protect, and  
48 preserve the property and rights of the district's schools and to enforce contracts.

49           ~~[(4)-(a) The intangible property of the existing school district shall be prorated between~~  
50 ~~it and the new district on the same basis used to determine the new district's proportionate~~  
51 ~~share of the existing district's indebtedness under Section 53A-2-121.]~~

52           ~~[(b) Subsection (4)(a) does not apply to the allocation of intangible property between a~~  
53 ~~remaining district and a new district created under Section 53A-2-118.1.]~~

54           Section 2. Section **53A-2-121** is amended to read:

55           **53A-2-121. Tax to pay for indebtedness of divided school district.**

56           (1) (a) ~~[The]~~ For a new district created prior to May 10, 2011, the local school boards  
57 of the remaining and new districts shall determine the portion of the ~~[existing]~~ divided school  
58 district's bonded indebtedness and other indebtedness for which the property within the new

59 district remains subject to the levy of taxes to pay a proportionate share of the ~~[existing]~~  
60 divided school district's outstanding indebtedness.

61 (b) The proportionate share of the ~~[existing]~~ divided school district's outstanding  
62 indebtedness for which property within the new district remains subject to the levy of taxes  
63 shall be calculated by determining the proportion that the total assessed valuation of the  
64 property within the new district bears to the total assessed valuation of the ~~[existing]~~ divided  
65 school district:

66 (i) in the year immediately preceding the date the new district was created; or

67 (ii) at a time mutually agreed upon by the ~~[school district board]~~ local school boards of  
68 the new district and ~~[the school district board of]~~ the remaining district.

69 (c) The agreement reflecting the determinations made under this Subsection (1) shall  
70 take effect upon being filed with the county legislative body and the State Board of Education.

71 (2) ~~Ĥ→ [The]~~ **(a) Except as provided in Subsection (2)(b), the ←Ĥ** local school board of  
71a [the] a Ĥ→ [remaining] new ←Ĥ district ~~Ĥ→~~ **created prior to May 10, 2011 ←Ĥ** shall

71b ~~Ĥ→~~ **[-continue to] ←Ĥ** levy a tax on

72 property within ~~Ĥ→~~ **[f] the [t] [a] ←Ĥ** new district

72a ~~Ĥ→~~ **[created prior to May 10, 2011] ←Ĥ** sufficient to pay the new

73 district's proportionate share of the indebtedness determined under ~~[this section]~~ Subsection

74 **(1) Ĥ→** ~~[, and shall annually report the amount of the proceeds of the tax to the business~~

75 ~~administrator of the new district]~~ **←Ĥ** .

75a ~~Ĥ→~~ **(b) If a new district has money available to pay the new district's proportionate share of**

75b **the indebtedness determined under Subsection (1), the new district may abate a property tax to**

75c **the extent of money available.** **←Ĥ**

76 (3) As used in Subsections (4) and (5), "outstanding bonded indebtedness" means debt

77 owed for a general obligation bond issued by the divided school district:

78 (a) prior to the creation of the new district; or

79 (b) in accordance with a mutual agreement of the local school boards of the remaining

80 and new districts under Subsection (6).

81 (4) If a new district is created on or after May 10, 2011 ~~Ĥ→~~ **[z]** ,

82 ~~[a)] ←Ĥ~~ property within the new district and the remaining district is subject to the levy of a

83 tax to pay the divided school district's outstanding bonded indebtedness ~~Ĥ→~~ **[; and] as provided in**

83a **Subsection (5).**

84 ~~[(b) the local school board of the remaining district shall:~~

85 ~~(i) levy a tax each taxable year on property within the new district and remaining~~

86 ~~district until the outstanding bonded indebtedness of the divided school district is retired; and~~  
87 ~~—— (ii) annually report the amount of the proceeds of the tax to the business administrator~~  
88 ~~of the new district.] ←H~~

89 (5) H→ [The] (a) Except as provided in Subsection (5)(b), the local school board of the  
89a ~~new district and the ←H~~ local school board of the remaining district shall impose a tax levy  
89b H→ [~~under~~]

90 ~~[Subsection (4)]~~ ~~↔~~ at a rate that:

91 ~~↔~~ ~~[(a)]~~ (i) ~~↔~~ generates ~~↔~~ from the combined districts ~~↔~~ the amount of revenue  
 91a required each year to meet the outstanding bonded  
 92 indebtedness of the divided school district; and

93 ~~↔~~ ~~[(b)]~~ (ii) ~~↔~~ is uniform within the new district and remaining district.

93a ~~↔~~ (b) A local school board of a new district may abate a property tax required to be imposed  
 93b under Subsection (5)(a) to the extent the new district has money available to pay to the  
 93c remaining district the amount of revenue that would be generated within the new district from  
 93d the tax rate specified in Subsection (5)(a). ~~↔~~

94 ~~[(3)]~~ (6) (a) The local school boards of the remaining and new districts shall determine  
 95 by mutual agreement the disposition of bonds approved but not issued by the ~~[existing]~~ divided  
 96 school district before the creation of the new district based primarily on the representation  
 97 made to the voters at the time of the bond election.

98 (b) Before a determination is made under Subsection ~~[(3)]~~ (6)(a), a remaining  
 99 district may not issue bonds approved but not issued before the creation of the new district if  
 100 property in the new district would be subject to the levy of a tax to pay the bonds.

**Legislative Review Note**  
 as of 12-3-10 12:02 PM

**Office of Legislative Research and General Counsel**

# FISCAL NOTE

H.B. 195, 2011 General Session

SHORT TITLE: Debt Service Obligations of a Divided School District

SPONSOR: Sumsion, K.

STATE OF UTAH

## STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill likely will not materially impact the state budget.

## LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

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

## DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Enactment of this bill likely will not result in direct, measurable expenditures by Utah residents or businesses.