

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

2 **DISTRICT**

3 2011 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Kenneth W. Sumsion**

6 Senate Sponsor: Margaret Dayton

8 **LONG TITLE**

9 **General Description:**

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

13 **Highlighted Provisions:**

14 This bill:

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

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

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

20 ▶ makes technical amendments.

21 **Money Appropriated in this Bill:**

22 None

23 **Other Special Clauses:**

24 None

25 **Utah Code Sections Affected:**

26 AMENDS:

27 **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

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) ~~[The]~~ (a) Except as provided in Subsection (2)(b), the local school board of ~~[the-~~
72 remaining] a new district created prior to May 10, 2011 shall ~~[continue to]~~ levy a tax on
73 property within the new district sufficient to pay the new district's proportionate share of the
74 indebtedness determined under ~~[this section, and shall annually report the amount of the~~
75 proceeds of the tax to the business administrator of the new district] Subsection (1).

76 (b) If a new district has money available to pay the new district's proportionate share of
77 the indebtedness determined under Subsection (1), the new district may abate a property tax to
78 the extent of money available.

79 (3) As used in Subsections (4) and (5), "outstanding bonded indebtedness" means debt
80 owed for a general obligation bond issued by the divided school district:

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

82 (b) in accordance with a mutual agreement of the local school boards of the remaining
83 and new districts under Subsection (6).

84 (4) If a new district is created on or after May 10, 2011, property within the new
85 district and the remaining district is subject to the levy of a tax to pay the divided school

86 district's outstanding bonded indebtedness as provided in Subsection (5).

87 (5) (a) Except as provided in Subsection (5)(b), the local school board of the new
88 district and the local school board of the remaining district shall impose a tax levy at a rate that:

89 (i) generates from the combined districts the amount of revenue required each year to
90 meet the outstanding bonded indebtedness of the divided school district; and

91 (ii) is uniform within the new district and remaining district.

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

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

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