

Senator Patricia W. Jones proposes the following substitute bill:

SCHOOL FUNDING THROUGH INCOME TAX REVISIONS

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Patricia W. Jones

House Sponsor: Patrice M. Arent

LONG TITLE

General Description:

This bill modifies income taxes and creates a funding program for public schools.

Highlighted Provisions:

This bill:

- ▶ modifies the taxpayer tax credit calculation by limiting the number of personal exemptions;
- ▶ creates the School-Level Funding Program in which money is allocated to public schools for the implementation of school improvement plans;
- ▶ modifies requirements pertaining to a school improvement plan;
- ▶ authorizes the State Board of Education to make certain rules regarding the School-Level Funding Program;
- ▶ requires the State Board of Education to:
 - make reports evaluating the progress of the School-Level Funding Program in improving the academic achievement of the state's public school students; and
 - select an independent evaluator through a request for proposals process to evaluate the School-Level Funding Program after five years' implementation of the program; and
- ▶ makes technical amendments.



26 **Money Appropriated in this Bill:**

- 27 This bill appropriates in fiscal year 2015:
- 28 ▶ to Related to Basic Program as an ongoing appropriation:
- 29 • from the Education Fund, \$266,764,800.

30 **Other Special Clauses:**

31 This bill provides an effective date.

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

33 January 1, 2014.

34 **Utah Code Sections Affected:**

35 AMENDS:

- 36 **53A-1a-108.5**, as enacted by Laws of Utah 2002, Chapter 324
- 37 **53A-1a-511**, as last amended by Laws of Utah 2012, Chapter 347
- 38 **59-10-1018**, as last amended by Laws of Utah 2012, Chapter 295

39 ENACTS:

- 40 **53A-16-201**, Utah Code Annotated 1953
- 41 **53A-16-202**, Utah Code Annotated 1953
- 42 **53A-16-203**, Utah Code Annotated 1953
- 43 **53A-16-204**, Utah Code Annotated 1953
- 44 **53A-16-205**, Utah Code Annotated 1953
- 45 **53A-16-206**, Utah Code Annotated 1953



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

48 Section 1. Section **53A-1a-108.5** is amended to read:

49 **53A-1a-108.5. School improvement plan.**

50 (1) As used in this section:

51 (a) "Local school board" means a board elected pursuant to Title 20A, Chapter 14, Part

52 2, Nomination and Election of Members of Local Boards of Education, except:

53 (i) in applying this section to the Utah Schools for the Deaf and the Blind, "local school

54 board" means the State Board of Education; and

55 (ii) in applying this section to a charter school, "local school board" means a charter

56 school governing board.

57 (b) "School community council" means a school community council established
58 pursuant to Section 53A-1a-108, except in applying this section to a charter school, "school
59 community council" means a council established by a charter school governing board to
60 prepare a plan for the use of School LAND Trust Program money pursuant to Section
61 53A-16-101.5.

62 (c) "U-PASS test" means a statewide assessment that a school district or charter school
63 is required to administer pursuant to Section 53A-1-603.

64 ~~[(+)]~~ (2) (a) (i) Each school community council shall annually evaluate the school's
65 U-PASS test results and use the evaluations in developing a school improvement plan.

66 (ii) In addition to evaluating U-PASS test results, a school community council of a
67 high school shall consider the high school's graduation rate in developing a school
68 improvement plan.

69 (b) In evaluating U-PASS test results and developing a school improvement plan, a
70 school community council may not have access to data that reveal the identity of students.

71 ~~[(2)]~~ (3) Each school improvement plan shall:

72 (a) identify the school's most critical academic needs;

73 (b) recommend a course of action to meet the identified needs;

74 (c) list any programs, practices, materials, or equipment that the school will need to
75 implement its action plan to have a direct impact on the instruction of students and result in
76 measurable increased student performance; ~~[and]~~

77 (d) specify actions that school leadership will take to improve student achievement;

78 (e) specify what actions will be implemented to ensure that high quality instruction is
79 delivered to all students;

80 (f) describe how assessments will be used to inform instruction;

81 (g) describe how targeted interventions will be implemented to meet individual student
82 needs;

83 (h) specify what actions will be taken to ensure that professional development results
84 in improved student achievement;

85 ~~[(+)]~~ (i) describe how the school intends to ~~[enhance or improve academic~~
86 ~~achievement, including how]~~ use financial resources available to the school, such as School
87 LAND Trust Program money received under Section 53A-16-101.5, School-Level Funding

88 Program money received under Section 53A-16-203, and state and federal grants, [~~will be~~
89 ~~used~~] to enhance or improve academic achievement[~~;~~]; and

90 (i) specify goals for growth in student academic achievement, with a focus on
91 improving:

92 (i) the percentage of students proficient in English language arts, mathematics, or
93 science as measured by U-PASS tests;

94 (ii) student progress in mastering learning standards and objectives for English
95 languages arts, mathematics, and science as measured by U-PASS tests; and

96 (iii) for a high school, the high school's graduation rate.

97 [~~3~~] (4) The school improvement plan shall focus on the school's most critical
98 academic needs but may include other actions to enhance or improve academic achievement
99 and the community environment for students.

100 [~~4~~] (5) The school principal shall make available to the school community council the
101 school budget and other data needed to develop the school improvement plan.

102 [~~5~~] (6) The school improvement plan shall be subject to the approval of the local
103 school board of the school district in which the school is located.

104 [~~6~~] (7) A school community council may develop a multiyear school improvement
105 plan, but the plan must be presented to and approved annually by the local school board.

106 [~~7~~] (8) Each school shall:

107 (a) implement the school improvement plan as developed by the school community
108 council and approved by the local school board;

109 (b) provide ongoing support for the council's plan; [~~and~~]

110 (c) annually evaluate the school's progress in meeting the goals for growth in student
111 academic achievement as specified in the school improvement plan and submit the evaluation
112 to the local school board; and

113 [~~e~~] (d) meet local school board reporting requirements regarding performance and
114 accountability.

115 Section 2. Section 53A-1a-511 is amended to read:

116 **53A-1a-511. Waivers from state board rules -- Application of statutes and rules**
117 **to charter schools.**

118 (1) A charter school shall operate in accordance with its charter and is subject to Title

119 53A, State System of Public Education, and other state laws applicable to public schools,
120 except as otherwise provided in this part.

121 (2) (a) A charter school or any other public school or school district may apply to the
122 State Board of Education for a waiver of any state board rule that inhibits or hinders the school
123 or the school district from accomplishing its mission or educational goals set out in its strategic
124 plan or charter.

125 (b) The state board may grant the waiver, unless:

126 (i) the waiver would cause the school district or the school to be in violation of state or
127 federal law; or

128 (ii) the waiver would threaten the health, safety, or welfare of students in the district or
129 at the school.

130 (c) If the State Board of Education denies the waiver, the reason for the denial shall be
131 provided in writing to the waiver applicant.

132 (3) (a) Except as provided in Subsection (3)(b), State Board of Education rules
133 governing the following do not apply to a charter school:

134 (i) school libraries;

135 (ii) required school administrative and supervisory services; and

136 (iii) required expenditures for instructional supplies.

137 (b) A charter school shall comply with rules implementing statutes that prescribe how
138 state appropriations may be spent.

139 (4) The following provisions of Title 53A, State System of Public Education, and rules
140 adopted under those provisions, do not apply to a charter school:

141 (a) [~~Sections~~] Section 53A-1a-108 [~~and 53A-1a-108.5~~], requiring the establishment of
142 a school community council [~~and school improvement plan~~];

143 (b) Sections 53A-3-413 and 53A-3-414, pertaining to the use of school buildings as
144 civic centers;

145 (c) Section 53A-3-420, requiring the use of activity disclosure statements;

146 (d) Section 53A-12-207, requiring notification of intent to dispose of textbooks;

147 (e) Section 53A-13-107, requiring annual presentations on adoption;

148 (f) Chapter 19, Part 1, Fiscal Procedures, pertaining to fiscal procedures of school
149 districts and local school boards; and

150 (g) Section 53A-14-107, requiring an independent evaluation of instructional materials.

151 (5) For the purposes of Title 63G, Chapter 6a, Utah Procurement Code, a charter
152 school shall be considered a local public procurement unit.

153 (6) Each charter school shall be subject to:

154 (a) Title 52, Chapter 4, Open and Public Meetings Act; and

155 (b) Title 63G, Chapter 2, Government Records Access and Management Act.

156 (7) (a) The State Charter School Board shall, in concert with the charter schools, study
157 existing state law and administrative rules for the purpose of determining from which laws and
158 rules charter schools should be exempt.

159 (b) (i) The State Charter School Board shall present recommendations for exemption to
160 the State Board of Education for consideration.

161 (ii) The State Board of Education shall consider the recommendations of the State
162 Charter School Board and respond within 60 days.

163 Section 3. Section 53A-16-201 is enacted to read:

164 **Part 2. School-Level Funding Program**

165 **53A-16-201. Title.**

166 This part is known as the "School-Level Funding Program."

167 Section 4. Section 53A-16-202 is enacted to read:

168 **53A-16-202. Definitions.**

169 As used in this part:

170 (1) "District school" means a school under the control of a local school board elected
171 pursuant to Title 20A, Chapter 14, Nomination and Election of State and Local School Boards.

172 (2) "Public school" means a district school, charter school, or the Utah Schools for the
173 Deaf and the Blind.

174 Section 5. Section 53A-16-203 is enacted to read:

175 **53A-16-203. School-Level Funding Program created -- Use and allocation of**
176 **funds.**

177 (1) The School-Level Funding Program is created to provide funding for the
178 implementation of a school improvement plan required by Section 53A-1a-108.5.

179 (2) (a) A school district, charter school, or the Utah Schools for the Deaf and the Blind
180 shall use funds allocated to a school through the School-Level Funding Program to supplement,

181 not supplant, other state, federal, or local funds that would otherwise be made available for the
182 school's educational programs.

183 (b) The State Board of Education may eliminate or reduce a school's allocation of
184 funds provided through the School-Level Funding Program if the State Board of Education
185 finds the school district, charter school, or the Utah Schools for the Deaf and the Blind is in
186 violation of Subsection (2)(a) or rules enacted by the State Board of Education under Section
187 53A-16-205.

188 (3) Subject to future budget constraints, the Legislature shall:

189 (a) beginning with fiscal year 2014-15, make an appropriation from the Education
190 Fund for the School-Level Funding Program; and

191 (b) beginning with fiscal year 2015-16, annually increase the appropriation for the
192 School-Level Funding Program by a percentage equal to the annual percentage increase in
193 collections from an individual income tax imposed under Title 59, Chapter 10, Individual
194 Income Tax Act, during the prior year.

195 (4) (a) From money appropriated for the School-Level Funding Program, the State
196 Board of Education shall:

197 (i) distribute an amount specified in statute to school districts, charter schools, and the
198 Utah Schools for the Deaf and the Blind, in accordance with a distribution formula adopted by
199 the State Board of Education in rule, for training school community councils; and

200 (ii) allocate the remaining amount among the school districts combined, the charter
201 schools combined, and the Utah Schools for the Deaf and the Blind in proportion to the school
202 districts combined, charter schools combined, or the Utah Schools for the Deaf and the Blind
203 share of total enrollment statewide on October 1 in the prior year.

204 (b) (i) From the allocation for the school districts combined as determined under
205 Subsection [~~(5)~~] (4)(a)(ii), the State Board of Education shall distribute to school districts:

206 (A) 10% of the allocation on an equal basis to each school district; and

207 (B) 90% of the allocation on an equal per student basis.

208 (ii) A school district shall allocate money received under Subsection [~~(5)~~] (4)(b)(i) to
209 schools within the school district on an equal per student basis.

210 (c) From the allocation for the charter schools combined as determined under
211 Subsection [~~(5)~~] (4)(a)(ii), the State Board of Education shall distribute funds to charter schools

212 in accordance with a formula specified in rules adopted by the State Board of Education in
213 consultation with the State Charter School Board.

214 (d) The State Board of Education shall distribute to the Utah Schools for the Deaf and
215 the Blind the allocation for the Utah Schools for the Deaf and the Blind as determined under
216 Subsection ~~[(5)]~~ (4)(a)(ii).

217 Section 6. Section **53A-16-204** is enacted to read:

218 **53A-16-204. School improvement plan required to receive School-Level Funding**
219 **Program money -- School-Level Funding Program money to be used to implement a**
220 **school improvement plan.**

221 (1) (a) Except as provided in Subsection (1)(b), to receive an allocation of
222 School-Level Funding Program money under Section [53A-16-203](#), a public school shall have a
223 school improvement plan that is developed and approved in accordance with Section
224 [53A-1a-108.5](#).

225 (b) In accordance with rules adopted by the State Board of Education, a public school
226 that is a secure facility, juvenile detention facility, hospital program school, or other small
227 special program may receive School-Level Funding Program money without having a school
228 community council if the school:

229 (i) demonstrates and documents a good faith effort to recruit school community council
230 members, have meetings, and publicize results; and

231 (ii) develops a school improvement plan.

232 (2) A public school shall use its allocation of School-Level Funding Program money to
233 implement a school improvement plan that is developed and approved in accordance with
234 Section [53A-1a-108.5](#).

235 (3) A public school may carry forward unexpended School-Level Funding Program
236 money to implement a school improvement plan in the next year, if the public school has a
237 multiyear school improvement plan that:

238 (a) specifies how the unexpended money will be used in the next year; and

239 (b) is annually reviewed and approved by the local school board.

240 (4) The expenditure of School-Level Funding Program money allocated to a district
241 school shall be administered in accordance with policies of the local school board.

242 Section 7. Section **53A-16-205** is enacted to read:

243 **53A-16-205. State Board of Education authority to make rules.**

244 The State Board of Education may make rules in accordance with this part and Title
245 63G, Chapter 3, Utah Administrative Rulemaking Act, that:

246 (1) require a school district, charter school, or the Utah Schools for the Deaf and the
247 Blind to annually submit to the State Board of Education:

248 (a) school improvement plans; and

249 (b) each school's evaluation of progress in meeting goals for growth in student
250 academic achievement as specified in the school's school improvement plan;

251 (2) prohibit a school district or public school from using School-Level Funding
252 Program money to supplant other state, federal, or local funds that would otherwise be
253 available for a school's educational programs;

254 (3) establish a formula for distributing money allocated for training school community
255 councils among school districts, charter schools, and the Utah Schools for the Deaf and the
256 Blind;

257 (4) specify the time and manner in which a student count shall be determined for the
258 purpose of distributing School-Level Funding Program money on an equal per student basis
259 pursuant to Section [53A-16-203](#); and

260 (5) allow a secure facility, juvenile detention facility, hospital program school, or other
261 small special program to receive School-Level Funding Program money without having a
262 school community council if the school:

263 (a) demonstrates and documents a good faith effort to recruit school community
264 council members, have meetings, and publicize results; and

265 (b) develops a school improvement plan.

266 Section 8. Section **53A-16-206** is enacted to read:

267 **53A-16-206. Evaluation of School-Level Funding Program.**

268 (1) By November 1, 2016, 2017, and 2018, the State Board of Education shall make a
269 report to the Education Interim Committee evaluating the progress of the School-Level
270 Funding Program in improving the academic achievement of the state's public school students.

271 (2) (a) After the fifth year of implementation of the School-Level Funding Program, the
272 State Board of Education shall select an independent evaluator through a request for proposals
273 process to evaluate the impact of the School-Level Funding Program on the academic

274 achievement of the state's public school students.

275 (b) The independent evaluator shall use multiple indicators, including test scores, to
276 evaluate the School-Level Funding Program.

277 (c) By November 1, 2019, the State Board of Education shall report to the Education
278 Interim Committee on the evaluation conducted pursuant to Subsection (2)(a).

279 Section 9. Section **59-10-1018** is amended to read:

280 **59-10-1018. Definitions -- Nonrefundable taxpayer tax credits.**

281 (1) As used in this section:

282 (a) "Dependent adult with a disability" means an individual who:

283 (i) a claimant claims as a dependent under Section 151, Internal Revenue Code, on the
284 claimant's federal individual income tax return for the taxable year;

285 (ii) is not the claimant or the claimant's spouse; and

286 (iii) is:

287 (A) 18 years of age or older;

288 (B) eligible for services under Title 62A, Chapter 5, Services for People with
289 Disabilities; and

290 (C) not enrolled in an education program for students with disabilities that is
291 authorized under Section [53A-15-301](#).

292 (b) "Dependent child with a disability" means an individual 21 years of age or younger
293 who:

294 (i) a claimant claims as a dependent under Section 151, Internal Revenue Code, on the
295 claimant's federal individual income tax return for the taxable year;

296 (ii) is not the claimant or the claimant's spouse; and

297 (iii) is:

298 (A) an eligible student with a disability; or

299 (B) identified under guidelines of the Department of Health as qualified for Early
300 Intervention or Infant Development Services.

301 (c) "Eligible student with a disability" means an individual who is:

302 (i) diagnosed by a school district representative under rules the State Board of

303 Education adopts in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking

304 Act, as having a disability classified as autism, deafness, preschool developmental delay, dual

305 sensory impairment, hearing impairment, intellectual disability, multidisability, orthopedic
306 impairment, other health impairment, traumatic brain injury, or visual impairment;

307 (ii) not receiving residential services from the Division of Services for People with
308 Disabilities created under Section 62A-5-102 or a school established under Title 53A, Chapter
309 25b, Utah Schools for the Deaf and the Blind; and

310 (iii) (A) enrolled in an education program for students with disabilities that is
311 authorized under Section 53A-15-301; or

312 (B) a recipient of a scholarship awarded under Title 53A, Chapter 1a, Part 7, Carson
313 Smith Scholarships for Students with Special Needs Act.

314 (d) "Head of household filing status" means a head of household, as defined in Section
315 2(b), Internal Revenue Code, who files a single federal individual income tax return for the
316 taxable year.

317 (e) "Joint filing status" means:

318 (i) a husband and wife who file a single return jointly under this chapter for a taxable
319 year; or

320 (ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a
321 single federal individual income tax return for the taxable year.

322 (f) "Qualifying personal exemption deduction" means the sum of:

323 (i) the amount a claimant deducts as allowed as a personal exemption deduction for the
324 claimant on the claimant's federal individual income tax return for the taxable year; and

325 (ii) if the claimant deducts one or more personal exemption deductions on the
326 claimant's federal individual income tax return in addition to the personal exemption deduction
327 described in Subsection (1)(f)(i), the amount the claimant deducts as allowed for one personal
328 exemption deduction on the claimant's federal individual income tax return for the taxable year.

329 [(f)] (g) "Single filing status" means:

330 (i) a single individual who files a single federal individual income tax return for the
331 taxable year; or

332 (ii) a married individual who:

333 (A) does not file a single federal individual income tax return jointly with that married
334 individual's spouse for the taxable year; and

335 (B) files a single federal individual income tax return for the taxable year.

336 (2) Except as provided in Section 59-10-1002.2, and subject to Subsections (3) through
337 (5), a claimant may claim a nonrefundable tax credit against taxes otherwise due under this part
338 equal to the sum of:

339 (a) (i) for a claimant that deducts the standard deduction on the claimant's federal
340 individual income tax return for the taxable year, 6% of the amount the claimant deducts as
341 allowed as the standard deduction on the claimant's federal individual income tax return for
342 that taxable year; or

343 (ii) for a claimant that itemizes deductions on the claimant's federal individual income
344 tax return for the taxable year, the product of:

345 (A) the difference between:

346 (I) the amount the claimant deducts as allowed as an itemized deduction on the
347 claimant's federal individual income tax return for that taxable year; and

348 (II) any amount of state or local income taxes the claimant deducts as allowed as an
349 itemized deduction on the claimant's federal individual income tax return for that taxable year;
350 and

351 (B) 6%; and

352 (b) the product of:

353 (i) 75% of the ~~[total]~~ amount the claimant deducts as allowed as a qualifying personal
354 exemption deduction on the claimant's federal individual income tax return for that taxable
355 year, plus an additional 75% of the amount the claimant deducts as allowed as a personal
356 exemption deduction on the claimant's federal individual income tax return for that taxable
357 year with respect to each dependent adult with a disability or dependent child with a disability;
358 and

359 (ii) 6%.

360 (3) A claimant may not carry forward or carry back a tax credit under this section.

361 (4) The tax credit allowed by Subsection (2) shall be reduced by \$.013 for each dollar
362 by which a claimant's state taxable income exceeds:

363 (a) for a claimant who has a single filing status, \$12,000;

364 (b) for a claimant who has a head of household filing status, \$18,000; or

365 (c) for a claimant who has a joint filing status, \$24,000.

366 (5) (a) For taxable years beginning on or after January 1, 2009, the commission shall

367 increase or decrease the following dollar amounts by a percentage equal to the percentage
368 difference between the consumer price index for the preceding calendar year and the consumer
369 price index for calendar year 2007:

370 (i) the dollar amount listed in Subsection (4)(a); and

371 (ii) the dollar amount listed in Subsection (4)(b).

372 (b) After the commission increases or decreases the dollar amounts listed in Subsection
373 (5)(a), the commission shall round those dollar amounts listed in Subsection (5)(a) to the
374 nearest whole dollar.

375 (c) After the commission rounds the dollar amounts as required by Subsection (5)(b),
376 the commission shall increase or decrease the dollar amount listed in Subsection (4)(c) so that
377 the dollar amount listed in Subsection (4)(c) is equal to the product of:

378 (i) the dollar amount listed in Subsection (4)(a); and

379 (ii) two.

380 (d) For purposes of Subsection (5)(a), the commission shall calculate the consumer
381 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

382 **Section 10. Appropriation.**

383 Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, for
384 the fiscal year beginning July 1, 2014, and ending June 30, 2015, the following sums of money
385 are appropriated from resources not otherwise appropriated, or reduced from amounts
386 previously appropriated, out of the funds or accounts indicated. These sums of money are in
387 addition to any amounts previously appropriated for fiscal year 2015.

388 To Related to Basic Program

389 From Education Fund

\$266,764,800

390 Schedule of Programs:

391 School-Level Funding Program

\$266,764,800

392 The Legislature intends that of the \$266,764,800 appropriated for the School-Level
393 Funding Program, \$160,000 shall be distributed to school districts, charter schools, and the
394 Utah Schools for the Deaf and the Blind as provided in Section 53A-16-203 for training school
395 community councils.

396 **Section 11. Retrospective operation -- Effective date.**

397 (1) Section 59-10-1018 takes effect on May 13, 2014, and has retrospective operation

398 for a taxable year beginning on or after January 1, 2014.

399 (2) The following sections take effect on July 1, 2014:

400 (a) Section [53A-1a-108.5](#);

401 (b) Section [53A-1a-511](#);

402 (c) Section [53A-16-201](#);

403 (d) Section [53A-16-202](#);

404 (e) Section [53A-16-203](#);

405 (f) Section [53A-16-204](#);

406 (g) Section [53A-16-205](#);

407 (h) Section [53A-16-206](#); and

408 (i) [Uncodified Section 10. Appropriation.](#)