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SCHOOL TRUST FUND MODIFICATIONS

2019 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jefferson Moss

Senate Sponsor: Ann Millner

LONG TITLE

Committee Note:

The Retirement and Independent Entities Interim Committee recommended this bill.

General Description:

This bill amends provisions related to school and institutional trust fund management, advocacy, and distribution of funds.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ amends provisions related to board meetings and funding the office operations of the School and Institutional Trust Fund Office;
- ▶ amends provisions related to funding the office operations of the Land Trusts Protection and Advocacy Office;
- ▶ amends provisions related to the Trust Distribution Account;
- ▶ amends provisions related to the School LAND Trust Program;
- ▶ repeals outdated provisions; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None



28 **Utah Code Sections Affected:**

29 AMENDS:

30 **53D-1-203**, as enacted by Laws of Utah 2014, Chapter 426

31 **53D-1-304**, as last amended by Laws of Utah 2018, Chapter 448

32 **53D-2-204**, as enacted by Laws of Utah 2018, Chapter 448

33 **53F-2-404**, as last amended by Laws of Utah 2018, Chapter 448 and renumbered and
34 amended by Laws of Utah 2018, Chapter 2

35 **53F-9-201**, as last amended by Laws of Utah 2018, Chapter 448 and renumbered and
36 amended by Laws of Utah 2018, Chapter 2



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

39 Section 1. Section **53D-1-203** is amended to read:

40 **53D-1-203. Funding of office operations.**

41 (1) As used in this section, "trust fund earnings" includes any of the following that is in
42 excess of the trust fund corpus:

43 (a) realized or unrealized gains;

44 (b) interest;

45 (c) dividends;

46 (d) other income; or

47 (e) other sources of revenue.

48 ~~[(1)]~~ (2) There is created an enterprise fund known as the School and Institutional
49 Trust Fund Management Account.

50 ~~[(2)]~~ (3) The account is funded by money deposited into the account as provided in
51 Subsection ~~[(3)]~~ (4).

52 ~~[(3)]~~ (4) The director shall deposit into the account an amount of money from the
53 ~~[earnings from]~~ trust fund ~~[assets]~~ earnings equal to the annual appropriation that the
54 Legislature makes to the office, to pay for the office's operating costs.

55 ~~[(4)]~~ (5) (a) The office may use money in the account to pay for the office's operating
56 costs.

57 (b) If the amount of money deposited into the account under Subsection ~~[(3)]~~ (4) in any
58 fiscal year exceeds the amount required by the office during that fiscal year to fund its

59 operations, the office [~~shall distribute that excess money proportionately to the various funds~~
 60 ~~established for the beneficiaries of land grants under the enabling act, based on the balances of~~
 61 ~~those funds as of June 30~~] shall apply the excess amount against the subsequent fiscal year
 62 appropriation.

63 [~~(5)~~] (6) (a) [~~Before distributing earnings from trust fund assets, the~~] The office may
 64 deduct from trust fund earnings:

65 (i) the cost for any audit, risk management, consulting, equipment, legal [~~and~~
 66 ~~custodial costs and management~~] services, software, research, or custodial services; or

67 (ii) manager fees incurred in managing the trust fund assets.

68 (b) The costs and fees described in Subsection [~~(5)~~] (6)(a) are separate from and in
 69 addition to the office's operating costs that are paid from the account.

70 Section 2. Section **53D-1-304** is amended to read:

71 **53D-1-304. Board meetings.**

72 (1) The board shall hold at least six meetings per year to conduct business.

73 (2) The board chair or two board members:

74 (a) may call a board meeting; and

75 (b) if calling a board meeting, shall provide as much advance notice as is reasonable
 76 under the circumstances to all board members, the director, and the advocacy office director.

77 (3) Any board member may place an item on a board meeting agenda.

78 (4) The board shall [~~annually~~] adopt a set of parliamentary procedures to govern board
 79 meetings.

80 (5) The board may establish an attendance policy to govern the attendance of board
 81 members at board meetings.

82 Section 3. Section **53D-2-204** is amended to read:

83 **53D-2-204. Land Trusts Protection and Advocacy Account -- Funding of**
 84 **advocacy office operations.**

85 (1) As used in this section:

86 (a) "Account" means the Land Trusts Protection and Advocacy Account created in this
 87 section.

88 (b) "School and Institutional Trust Fund Office director" or "SITFO director" means
 89 the director of the School and Institutional Trust Fund Office, appointed under Section

90 [53D-1-401](#).

91 (c) "Trust fund" means the same as that term is defined in Section [53D-1-102](#).

92 (d) "Trust fund earnings" means the same as that term is defined in Section [53D-1-203](#).

93 (2) There is created an enterprise fund known as the Land Trusts Protection and

94 Advocacy Account.

95 (3) The account is funded by money deposited into the account as provided in

96 Subsection (4).

97 (4) (a) [~~During a fiscal year, the~~] The SITFO director shall deposit into the account a
 98 total amount of money, taken proportionately from trust fund [assets] earnings according to the
 99 value of the various funds established for the trust beneficiaries, that is equal to the annual
 100 appropriation that the Legislature makes to the advocacy office.

101 (b) The advocacy office may use money in the account to pay for the advocacy office's
 102 operating costs.

103 (c) If the amount of money deposited into the account under Subsection (4)(a) in any
 104 fiscal year exceeds the amount required by the advocacy office during that fiscal year to fund
 105 advocacy office operations, the SITFO director [~~shall distribute the excess money~~
 106 ~~proportionately to the various funds established for the trust beneficiaries, based on the~~
 107 ~~balances of those funds as of June 30]~~ shall, in the following fiscal year, reduce the amount
 108 deposited into the account under Subsection (4)(a) by the amount of the unspent appropriation.

109 Section 4. Section **53F-2-404** is amended to read:

110 **53F-2-404. School LAND Trust Program distribution of funds.**

111 [~~(1) (a) The School LAND Trust Program, established in Section [53G-7-1206](#), shall be~~
 112 ~~funded each fiscal year:]~~

113 [~~(i) from the Trust Distribution Account created in Section [53F-9-201](#); and]~~

114 [~~(ii) in the amount of the sum of the following:]~~

115 [~~(A) on or about July 15 each year, out of the distributions from the investment of~~
 116 ~~money in the permanent State School Fund deposited to the Trust Distribution Account; and]~~

117 [~~(B) interest accrued on the Trust Distribution Account in the immediately preceding~~
 118 ~~fiscal year:]~~

119 (1) (a) The School LAND Trust Program, established in Section [53G-7-1206](#), shall be
 120 funded on or before July 31 of each fiscal year:

121 (i) from the Trust Distribution Account, created in Section 53F-9-201; and
122 (ii) except as provided in Subsection (1)(b), in the total amount of the quarterly
123 deposits made to the Trust Distribution Account during the prior fiscal year.

124 (b) ~~[The program shall be funded as provided in Subsection (1)(a) up to an]~~ The
125 amount described in Subsection (1)(a)(ii) may not exceed an amount equal to 3% of the funds
126 provided for the Minimum School Program, [pursuant to] in accordance with this chapter, each
127 fiscal year.

128 ~~[(c) The Legislature shall annually allocate, through an appropriation to the State Board~~
129 ~~of Education, a portion of the Trust Distribution Account created in Section 53F-9-201 to be~~
130 ~~used for the administration of the School LAND Trust Program.]~~

131 (c) Independently from the funding for the School LAND Trust Program described in
132 Subsection (1)(a), the Legislature shall make an annual appropriation to the State Board of
133 Education from the Trust Distribution Account, created in Section 53F-9-201, for the
134 administration of the School LAND Trust Program.

135 (d) Any unused balance remaining from an amount appropriated under Subsection
136 (1)(c) shall be deposited in the Trust Distribution Account for distribution to schools in the
137 School LAND Trust Program.

138 (2) (a) The State Board of Education shall allocate the money referred to in Subsection
139 (1)(a) annually as follows:

140 (i) the Utah Schools for the Deaf and the Blind shall receive funding equal to the
141 product of:

142 (A) enrollment on October 1 in the prior year at the Utah Schools for the Deaf and the
143 Blind divided by enrollment on October 1 in the prior year in public schools statewide; and

144 (B) the total amount available for distribution under Subsection (1)(a);

145 (ii) charter schools shall receive funding equal to the product of:

146 (A) charter school enrollment on October 1 in the prior year, divided by enrollment on
147 October 1 in the prior year in public schools statewide; and

148 (B) the total amount available for distribution under Subsection (1)(a); and

149 (iii) of the funds available for distribution under Subsection (1)(a) after the allocation
150 of funds for the Utah Schools for the Deaf and the Blind and charter schools:

151 (A) school districts shall receive 10% of the funds on an equal basis; and

152 (B) the remaining 90% of the funds shall be distributed to school districts on a per
153 student basis.

154 (b) (i) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
155 the State Board of Education shall make rules specifying a formula to distribute the amount
156 allocated under Subsection (2)(a)(ii) to charter schools.

157 (ii) In making rules under Subsection (2)(b)(i), the State Board of Education shall:

158 (A) consult with the State Charter School Board; and

159 (B) ensure that the rules include a provision that allows a charter school in the charter
160 school's first year of operations to receive funding based on projected enrollment, to be
161 adjusted in future years based on actual enrollment.

162 (c) A school district shall distribute its allocation under Subsection (2)(a)(iii) to each
163 school within the school district on an equal per student basis.

164 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
165 State Board of Education may make rules regarding the time and manner in which the student
166 count shall be made for allocation of the money under Subsection (2)(a)(iii).

167 [~~(3) If the amount of money prescribed for funding the School LAND Trust Program
168 under this section is less than or greater than the money appropriated for the School LAND
169 Trust Program, the appropriation shall be equal to the amount of money prescribed for funding
170 the School LAND Trust Program in this section, up to a maximum of an amount equal to 3%
171 of the funds provided for the Minimum School Program.]~~

172 [~~(4) The State Board of Education shall distribute the money appropriated in
173 Subsection (3) in accordance with this section and rules established by the board in accordance
174 with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.]~~

175 Section 5. Section **53F-9-201** is amended to read:

176 **53F-9-201. Uniform School Fund -- Contents -- Trust Distribution Account.**

177 (1) As used in this section:

178 (a) "Average market value of the State School Fund" means the results of a calculation
179 completed each fiscal year that averages the value of the State School Fund for the past 12
180 consecutive quarters ending in the prior fiscal year.

181 (b) "State School Fund investment earnings distribution amount" or "distribution
182 amount" means, for a given fiscal year, the average of:

183 (i) 4% of the average market value of the State School Fund for that fiscal year; and
 184 (ii) the distribution amount for the prior fiscal year, multiplied by the sum of one plus
 185 the prior year changes in:

186 (A) the percentage of student enrollment growth; and

187 (B) the consumer price index.

188 ~~[(+)]~~ (2) The Uniform School Fund, a special revenue fund within the Education Fund,
 189 established by Utah Constitution, Article X, Section 5, consists of:

190 (a) distributions derived from the investment of money in the permanent State School
 191 Fund established by Utah Constitution, Article X, Section 5;

192 (b) money transferred to the fund pursuant to Title 67, Chapter 4a, Revised Uniform
 193 Unclaimed Property Act; and

194 (c) all other constitutional or legislative allocations to the fund, including revenues
 195 received by donation.

196 ~~[(2)]~~ (3) (a) There is created within the Uniform School Fund a restricted account
 197 known as the Trust Distribution Account.

198 ~~[(b) The Trust Distribution Account consists of the average of:]~~

199 ~~[(i) 4% of the average market value of the permanent State School Fund based on an~~
 200 ~~annual review each July of the past 12 consecutive quarters; and]~~

201 ~~[(ii) the prior year's distribution from the Trust Distribution Account as described in~~
 202 ~~Section 53F-2-404, increased by prior year changes in the percentage of student enrollment~~
 203 ~~growth and in the consumer price index.]~~

204 (b) The Trust Distribution Account consists of:

205 (i) except as provided in Subsection (4), quarterly deposits of the State School Fund
 206 investment earnings distribution amount from the prior fiscal year;

207 (ii) all interest earned on the Trust Distribution Account;

208 (iii) the current fiscal year appropriation for the administration of the School LAND
 209 Trust Program, as described in Section 53F-2-404, less any interest described in Subsection

210 (3)(b)(ii); and

211 (iv) any unused appropriation for the administration of the School LAND Trust
 212 Program, as described in Section 53F-2-404.

213 (c) If the interest earnings described in Subsection (3)(b)(ii) exceed the amount of

214 appropriation described in Subsection (3)(b)(iii), a deposit made under Subsection (3)(b)(i) will
215 be reduced by the excess amount.

216 ~~[(3)] (4) [Notwithstanding Subsection (2)(b), the distribution]~~ The distribution amount
217 deposited under Subsection (3)(b)(i) during a single fiscal year may not exceed 4% of the
218 average market value of the ~~[permanent]~~ State School Fund ~~[over the past 12 consecutive~~
219 ~~quarters]~~.

220 (5) On or before October 1 of each year, the director of the School and Institutional
221 Trust Fund Office, appointed under Section 53D-1-401, shall:

222 (a) in accordance with this section, determine the distribution amount for the following
223 fiscal year; and

224 (b) report the amount described in Subsection (5)(a) as the funding amount, described
225 in Section 53F-2-404, for the School LAND Trust Program, to:

226 (i) the State Treasurer;

227 (ii) the Legislative Fiscal Analyst;

228 (iii) the Division of Finance;

229 (iv) the director of the Land Trusts Protection and Advocacy Office, appointed under
230 Section 53D-2-203;

231 (v) the School and Institutional Trust Lands Administration created in Section
232 53C-1-201; and

233 (vi) the State Board of Education.

234 ~~[(4)]~~ (6) The School and Institutional Trust Fund Board of Trustees created in Section
235 53D-1-301 shall:

236 (a) annually review [distribution of the Trust Distribution Account] the distribution
237 amount; and

238 (b) make recommendations, if necessary, to the Legislature for changes to the formula
239 [described in Subsection (2)(b)] for calculating the distribution amount.

240 ~~[(5) (a) Upon appropriation by the Legislature, the director of the School and~~
241 ~~Institutional Trust Fund Office created in Section 53D-1-201 shall place in the Trust~~
242 ~~Distribution Account funds for:]~~

243 ~~[(i) the administration of the School LAND Trust Program as described in Sections~~
244 ~~53F-2-404 and 53G-7-1206;]~~

245 ~~[(ii) the School and Institutional Trust Fund Office; and]~~
246 ~~[(iii) the School and Institutional Trust Fund Board of Trustees created in Section~~
247 ~~53D-1-301.]~~
248 ~~[(b) The Legislature may appropriate any remaining balance for the support of the~~
249 ~~public education system.]~~