

Representative Robert M. Spendlove proposes the following substitute bill:

PUBLIC EDUCATION FUNDING STABILIZATION

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Robert M. Spendlove

Senate Sponsor: Ann Millner

LONG TITLE

General Description:

This bill provides for growth and stabilization in public education funding.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ amends the allowable purposes for the capital local levy in certain circumstances;
- ▶ provides for the Minimum School Program to be funded from the Uniform School Fund;
- ▶ provides for ongoing funding, including an additional amount for enrollment growth and inflation, for the Minimum School Program;
- ▶ provides for funding to and appropriations from a restricted account to stabilize education funding in circumstances in which revenues are insufficient to fund the public education system;
- ▶ provides for certain tax revenue to be distributed to the Uniform School Fund; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:



26 This bill provides a special effective date.

27 **Utah Code Sections Affected:**

28 AMENDS:

29 **53F-8-303**, as last amended by Laws of Utah 2018, Chapters 281, 288, 456 and
30 renumbered and amended by Laws of Utah 2018, Chapter 2

31 **53F-9-201**, as last amended by Laws of Utah 2019, Chapter 191

32 **53F-9-204**, as renumbered and amended by Laws of Utah 2018, Chapter 2

33 **59-7-532**, as last amended by Laws of Utah 2007, Chapter 122

34 **59-10-544**, as last amended by Laws of Utah 2009, Chapter 212

35 ENACTS:

36 **53F-2-208**, Utah Code Annotated 1953

37 **53F-9-201.1**, Utah Code Annotated 1953

38 REPEALS:

39 **53F-9-202**, as last amended by Laws of Utah 2019, Chapter 186



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

42 Section 1. Section **53F-2-208** is enacted to read:

43 **53F-2-208. Cost of adjustments for growth and inflation.**

44 (1) In accordance with Subsection (2), the Legislature shall annually determine:

45 (a) the estimated state cost of adjusting for inflation in the next fiscal year, based on a
46 rolling five-year average ending in the current fiscal year, ongoing state tax fund appropriations
47 to the following programs:

48 (i) education for youth in custody, described in Section [53E-3-503](#);

49 (ii) the Basic Program, described in Title 53F, Chapter 2, Part 3, Basic Program
50 (Weighted Pupil Units), except for charter school administration described in Section

51 [53F-2-306](#);

52 (iii) the Adult Education Program, described in Section [53F-2-401](#);

52a **Ŝ→ (iv) state support of pupil transportation, described in Section [53F-4-402](#); ←Ŝ**

53 **Ŝ→ ~~(iv)~~ (v) ←Ŝ** the Enhancement for Accelerated Students Program, described in Section
54 [53F-2-408](#);

55 **Ŝ→ ~~(v)~~ (vi) ←Ŝ** the Concurrent Enrollment Program, described in Section [53F-2-409](#);

56 **Ŝ→ ~~(vi)~~ (vii) ←Ŝ** the Enhancement for At-Risk Students Program, described in Section
56a [53F-2-410](#);

57 and

58 ~~§~~ → [(vii)] (viii) ← ~~§~~ Centennial Scholarships, described in Section 53F-2-501; and
 59 (b) the estimated state cost of adjusting for enrollment growth, in the next fiscal year,
 60 the current fiscal year's ongoing state tax fund appropriations to the following programs:

61 (i) a program described in Subsection (1)(a), including charter school administration
 62 described in Section 53F-2-306;

63 (ii) educator salary adjustments, described in Section 53F-2-405;

64 (iii) the Teacher Salary Supplement Program, described in Section 53F-2-504;

65 (iv) the Voted and Board Local Levy Guarantee programs, described in Section
 66 53F-2-601; and

67 (v) charter school local replacement funding, described in Section 53F-2-702.

68 (2) (a) In or before December each year, the Executive Appropriations Committee shall
 69 determine:

70 (i) the cost of the inflation adjustment described in Subsection (1)(a); and

71 (ii) the cost of the enrollment growth adjustment described in Subsection (1)(b).

72 (b) The Executive Appropriations Committee shall make the determinations described
 73 in Subsection (2)(a) based on recommendations developed by the Office of the Legislative
 74 Fiscal Analyst, in consultation with the state board and the Governor's Office of Management
 75 and Budget.

76 Section 2. Section **53F-8-303** is amended to read:

77 **53F-8-303. Capital local levy.**

78 (1) As used in this section:

79 (a) "Cost of the basic program" means the cost of the programs described in Title 53F,
 80 Chapter 2, Part 3, Basic Program (Weighted Pupil Units) in a school district.

81 (b) "Low-revenue year" means a fiscal year for which the Legislature appropriates
 82 ongoing funding from the Public Education Economic Stabilization Restricted Account under
 83 Subsection 53F-9-204(3)(b).

84 ~~[(+)]~~ (2) Subject to the other requirements of this section, a local school board may
 85 levy a tax to fund the school district's:

86 (a) capital projects; [or]

87 (b) technology programs or projects[-]; or

88 (c) subject to Subsection (4), operational expenses for a low-revenue year.

89 ~~[(2)]~~ (3) A tax rate imposed by a school district pursuant to this section may not exceed
90 .0030 per dollar of taxable value in any calendar year.

91 (4) For a low-revenue year, a local school board may transfer an amount of revenue
92 from the school district's capital project fund to the school district's general fund for the local
93 school board's school district for operational expenses in an amount equal to:

94 (a) for a local school board in a county of the first, second, or third class, revenue
95 generated by up to .0002 per dollar of taxable value of the capital local levy; or

96 (b) for a local school board in a county of the fourth, fifth, or sixth class, up to the
97 lesser of:

98 (i) 10% of the cost of the basic program; or

99 (ii) 25% of the revenue that the school district's capital local levy generates.

100 (5) The state board shall notify local school boards, school district superintendents, and
101 business administrators in the event of a low-revenue year.

102 Section 3. Section **53F-9-201** is amended to read:

103 **53F-9-201. Uniform School Fund -- Contents -- Trust Distribution Account.**

104 (1) As used in this section:

105 (a) "Annual distribution calculation" means, for a given fiscal year, the average of:

106 (i) 4% of the average market value of the State School Fund for that fiscal year; and

107 (ii) the distribution amount for the prior fiscal year, multiplied by the sum of:

108 (A) one;

109 (B) the percent change in student enrollment from the school year two years prior to
110 the prior school year; and

111 (C) the actual total percent change of the consumer price index during the last 12
112 months as measured in June of the prior fiscal year.

113 (b) "Average market value of the State School Fund" means the results of a calculation
114 completed by the SITFO director each fiscal year that averages the value of the State School
115 Fund for the past 12 consecutive quarters ending in the prior fiscal year.

116 (c) "Consumer price index" means the Consumer Price Index for All Urban
117 Consumers: All Items Less Food & Energy, as published by the Bureau of Labor Statistics of
118 the United States Department of Labor.

119 (d) "SITFO director" means the director of the School and Institutional Trust Fund
120 Office appointed under Section 53D-1-401.

121 (e) "State School Fund investment earnings distribution amount" or "distribution
122 amount" means, for a fiscal year, the lesser of:

123 (i) the annual distribution calculation; or

124 (ii) 4% of the average market value of the State School Fund.

125 (2) The Uniform School Fund, a special revenue fund within the Education Fund,
126 established by Utah Constitution, Article X, Section 5, consists of:

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

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

131 (c) all other constitutional or legislative allocations to the fund, including:

132 (i) appropriations for the Minimum School Program, enrollment growth, and inflation
133 under Section 53F-9-201.1; and

134 (ii) revenues received by donation.

135 (3) (a) There is created within the Uniform School Fund a restricted account known as
136 the Trust Distribution Account.

137 (b) The Trust Distribution Account consists of:

138 (i) in accordance with Subsection (4), quarterly deposits of the State School Fund
139 investment earnings distribution amount from the prior fiscal year;

140 (ii) all interest earned on the Trust Distribution Account in the prior fiscal year; and

141 (iii) any unused appropriation for the administration of the School LAND Trust
142 Program, as described in Subsection 53F-2-404(1)(c).

143 (4) If, at the end of a fiscal year, the Trust Distribution Account has a balance
144 remaining after subtracting the appropriation amount described in Subsection 53F-2-404(1)(a)
145 for the next fiscal year, the SITFO director shall, during the next fiscal year, apply the amount
146 of the remaining balance from the prior fiscal year toward the current fiscal year's distribution
147 amount by reducing a quarterly deposit to the Trust Distribution Account by the amount of the
148 remaining balance from the prior fiscal year.

149 (5) On or before October 1 of each year, the SITFO director shall:

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

152 (b) report the amount described in Subsection (5)(a) as the funding amount, described
153 in Subsection 53F-2-404(1)(c), for the School LAND Trust Program, to:

154 (i) the State Treasurer;

155 (ii) the Legislative Fiscal Analyst;

156 (iii) the Division of Finance;

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

159 (v) the School and Institutional Trust Lands Administration created in Section
160 53C-1-201;

161 (vi) the State Board of Education; and

162 (vii) the Governor's Office of Management and Budget.

163 (6) The School and Institutional Trust Fund Board of Trustees created in Section
164 53D-1-301 shall:

165 (a) annually review the distribution amount; and

166 (b) make recommendations, if necessary, to the Legislature for changes to the formula
167 for calculating the distribution amount.

168 (7) Upon appropriation by the Legislature, the SITFO director shall place in the Trust
169 Distribution Account funds for the School LAND Trust Program as described in Subsections
170 53F-2-404(1)(a) and (c).

171 Section 4. Section 53F-9-201.1 is enacted to read:

172 **53F-9-201.1. Appropriations to the Minimum School Program from the Uniform**
173 **School Fund.**

174 (1) As used in this section:

175 (a) "Base budget" means the same as that term is defined in legislative rule.

176 (b) "Enrollment growth and inflation estimates" means the cost estimates regarding
177 enrollment growth and inflation described in Section 53F-2-208.

178 (2) Except as provided in Subsection 53F-9-204(3), for a fiscal year beginning on or
179 after July 1, 2021, when preparing the Public Education Base Budget, the Office of the
180 Legislative Fiscal Analyst shall include appropriations to the Minimum School Program from

181 the Uniform School Fund, and, subject to Subsection 53F-9-204(3), the Public Education
 182 Economic Stabilization Restricted Account, in an amount that is greater than or equal to ~~Ŝ~~ **→ the**
 182a **sum of** ~~←Ŝ~~ :

- 183 (a) the ongoing Education Fund and Uniform School Fund appropriations to the
 184 Minimum School Program in the current fiscal year; and
 185 (b) subject to Subsection 53F-9-204(3)(b), enrollment growth and inflation estimates.
 186 (3) The total annual amount deposited into the Uniform School Fund, including the
 187 deposits through the distributions described in Sections 59-7-532 and 59-10-544, for a given
 188 fiscal year may not exceed the amount appropriated from the Uniform School Fund for that
 189 fiscal year.

190 Section 5. Section 53F-9-204 is amended to read:

191 **53F-9-204. Public Education Economic Stabilization Restricted Account.**

192 (1) There is created within the Uniform School Fund a restricted account known as the
 193 "~~[Growth in Student Population]~~ Public Education Economic Stabilization Restricted
 194 Account."

195 (2) (a) ~~[The]~~ Except as provided in Subsection (2)(b), the account shall be funded from
 196 the following revenue sources:

197 ~~[(a) any voluntary contributions received to help alleviate the anticipated surge in~~
 198 ~~student growth in public elementary and secondary schools during the early part of the 21st~~
 199 ~~Century; and]~~

200 ~~[(b) appropriations made to the fund by the Legislature.]~~

201 ~~[(3) The account shall be used to help school districts meet the challenges created by~~
 202 ~~anticipated significant increases in student growth in the state's public schools.]~~

203 (i) 15% of the difference between, as determined by the Office of the Legislative Fiscal
 204 Analyst:

205 (A) the estimated amount of ongoing Education Fund and Uniform School Fund
 206 revenue available for the Legislature to appropriate for the next fiscal year; and

207 (B) the amount of ongoing appropriations from the Education Fund and Uniform
 208 School Fund in the current fiscal year; and

209 (ii) other appropriations as the Legislature may designate.

210 (b) If the appropriation described in Subsection (2)(a) would cause the ongoing
 211 appropriations to the account to exceed 11% of Uniform School Fund appropriations described

212 in Section 53F-9-201.1 for the same fiscal year, the Legislature shall appropriate only those
 213 funds necessary to ensure that the ongoing appropriations to the account equal 11% of Uniform
 214 School Fund appropriations for that fiscal year.

215 (3) Subject to the availability of ongoing appropriations to the account, in accordance
 216 with Utah Constitution, Article X, Section 5, Subsection (4), the ongoing appropriation to the
 217 account shall be used to fund:

218 (a) except for a year described in Subsection (3)(b), one-time appropriations to the
 219 public education system; and

220 (b) the Minimum School Program for a year in which Education Fund revenue and
 221 Uniform School Fund revenue are insufficient to fund:

222 (i) ongoing appropriations to the public education system; and

223 (ii) enrollment growth and inflation estimates, as defined in Section 53F-9-201.1.

224 (4) (a) The account shall earn interest.

225 (b) All interest earned on account money shall be deposited in the account.

226 (5) On or before December 31, 2023, and every three years thereafter, the Office of the
 227 Legislative Fiscal Analyst shall:

228 (a) review the percentages described in Subsections ~~5~~ (2) (a)(i) and ~~6~~

228a (2) (b); and

229 (b) recommend to the Executive Appropriations Subcommittee any changes based on
 230 the review described in Subsection (5)(a).

231 Section 6. Section 59-7-532 is amended to read:

232 **59-7-532. Revenue received by commission -- Deposit with state treasurer --**

233 **Distribution or crediting to Education Fund -- Refund claim payments.**

234 (1) (a) [AH] The commission shall deposit at least quarterly all revenue collected or
 235 received by the commission under this chapter [shall be deposited daily] with the state
 236 treasurer. [Such revenue]

237 (b) The commission shall, subject to the refund provisions of this section, [shall be
 238 periodically distributed or credited] distribute or credit, at least quarterly and based on a pro
 239 rata share of Education Fund and Uniform School Fund appropriations for the current fiscal
 240 year, the revenue described in Subsection (1)(a) to:

241 (i) the Education Fund[-]; and

242 (ii) the Uniform School Fund in accordance with Section 53F-9-201.1.

243 (c) The commission may credit to or draw from the Education Fund and the Uniform
244 School Fund:

245 (i) annually to adjust for differences between estimates and actual amounts; or

246 (ii) in the proportion described in Subsection (1)(b) to issue a refund.

247 (2) The commission shall from time to time certify to the state auditor the amount of
248 any refund authorized by it, the amount of interest computed on it under the provisions of
249 Section 59-7-533, from whom the tax to be refunded was collected, or by whom it was paid,
250 and such refund claims shall be paid in order out of the funds first accruing to the Education
251 Fund from the provisions of this section.

252 Section 7. Section 59-10-544 is amended to read:

253 **59-10-544. General powers and duties of the commission -- Deposit, distribution,**
254 **or credit of revenues -- Refund reverts to state under certain circumstances.**

255 (1) (a) The commission shall administer and enforce a tax imposed under this chapter
256 for which purpose it may divide the state into districts in each of which a branch office of the
257 commission may be maintained.

258 (b) A county may not be divided in forming a district.

259 (2) (a) The commission shall ~~[daily]~~ deposit at least quarterly all revenue collected or
260 received by the commission under this chapter with the state treasurer.

261 (b) Subject to Sections 59-10-529 and 59-10-531, the ~~[balance of the revenue described~~
262 ~~in Subsection (2)(a)]~~ commission shall [be periodically distributed and credited] distribute and
263 credit, at least quarterly and based on a pro rata share of Education Fund and Uniform School
264 Fund appropriations for the current fiscal year, the revenue described in Subsection (2)(a) to:

265 (i) the Education Fund[-]; and

266 (ii) the Uniform School Fund in accordance with Section 53F-9-201.1.

267 (c) The commission may credit to or draw from the Education Fund and the Uniform
268 School Fund:

269 (i) annually to adjust for differences between estimates and actual amounts; or

270 (ii) in the proportion described in Subsection (2)(b) to issue a refund.

271 ~~[(e)]~~ (d) If a refund the commission makes is not claimed within two years from the
272 date the commission issues the refund:

273 (i) the refund reverts to the state to be credited to the Education Fund; and

274 (ii) no further claim may be made on the commission for the amount of the refund.

275 Section 8. **Repealer.**

276 This bill repeals:

277 Section **53F-9-202, Duty of Division of Finance -- Apportionment of fund by state**
278 **board -- Certification of apportionments.**

279 Section 9. **Effective date.**

280 This bill takes effect January 1, 2021, if the amendment to the Utah Constitution

281 proposed by S.J.R. 9, Proposal to Amend Utah Constitution - Use of Tax Revenue, 2020

282 General Session, passes the Legislature and is approved by a majority of those voting on it at

283 the next regular general election.