

PUBLIC EDUCATION FUNDING AMENDMENTS

2022 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

House Sponsor: _____

LONG TITLE

General Description:

This bill addresses the computation of a school district's contribution toward the cost of the district's basic school program.

Highlighted Provisions:

This bill:

- ▶ amends provisions to ensure that any tax increment that a school district dedicates to another entity or project is counted as the district's locally generated revenue when computing the total amount of state funding contributed to assist a district in covering the cost of the district's basic school program; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

53F-2-201, as last amended by Laws of Utah 2018, Chapter 456 and renumbered and amended by Laws of Utah 2018, Chapter 2

53F-2-301, as last amended by Laws of Utah 2021, Chapter 319

53F-2-301.5, as last amended by Laws of Utah 2021, Chapter 6



28 **59-2-902**, as last amended by Laws of Utah 1993, Chapters 4 and 227



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

31 Section 1. Section **53F-2-201** is amended to read:

32 **53F-2-201. Cost of operation and maintenance of Minimum School Program --**
33 **Division between state and school districts.**

34 (1) The total cost of operation and maintenance of the Minimum School Program in the
35 state is divided between the state and school districts [~~as follows:~~] in accordance with this
36 Subsection (1).

37 (a) Each school district shall impose a minimum basic tax rate on all taxable, tangible
38 property in the school district and shall contribute the tax proceeds toward the cost of the basic
39 program as provided in this chapter.

40 (b) Each school district may also impose a levy under Section **53F-8-301** or **53F-8-302**
41 for the purpose of participating in the respective local levy state guarantee programs described
42 in Section **53F-2-601**.

43 (c) The state shall contribute the balance of the total costs remaining after accounting
44 for the revenue described in Subsections (1)(a) and (b).

45 (d) In calculating the balance of the remaining total costs under Subsection (1)(c), the
46 amount of LEA-generated revenue described in Subsections (1)(a) and (b) shall include any tax
47 increment, as that term is defined in Section **17C-1-102**, that an LEA dedicates to another
48 entity or project and would have otherwise contributed to the locally-generated revenue but for
49 the tax increment dedication, including any rebate or return back from the entity or project.

50 (2) The contributions by the school districts and by the state are computed separately
51 for the purpose of determining their respective contributions to:

52 (a) the basic program; and

53 (b) the local levy state guarantee programs described in Section **53F-2-601**.

54 Section 2. Section **53F-2-301** is amended to read:

55 **53F-2-301. Minimum basic tax rate for a fiscal year that begins after July 1, 2022.**

56 (1) The provisions of this section are not in effect for a fiscal year that begins on July 1,
57 2018, 2019, 2020, 2021, or 2022.

58 (2) As used in this section:

- 59 (a) "Basic levy increment rate" means a tax rate that will generate an amount of
60 revenue equal to \$75,000,000.
- 61 (b) "Combined basic rate" means a rate that is the sum of:
62 (i) the minimum basic tax rate; and
63 (ii) the WPU value rate.
- 64 (c) "Commission" means the State Tax Commission.
- 65 (d) "Equity pupil tax rate" means the tax rate that will generate an amount of revenue
66 equal to the amount generated by the equity pupil tax rate as defined in Section 53F-2-301.5 in
67 the fiscal year that begins July 1, 2022.
- 68 (e) "Minimum basic local amount" means an amount that is:
69 (i) equal to the sum of:
70 (A) the school districts' contribution to the basic school program the previous fiscal
71 year;
72 (B) the amount generated by the basic levy increment rate;
73 (C) the amount generated by the equity pupil tax rate; and
74 (D) the eligible new growth, as defined in Section 59-2-924 and rules of the State Tax
75 Commission multiplied by the minimum basic rate; and
76 (ii) set annually by the Legislature in Subsection (3)(a).
- 77 (f) "Minimum basic tax rate" means a tax rate certified by the commission that will
78 generate an amount of revenue equal to the minimum basic local amount described in
79 Subsection (3)(a).
- 80 (g) "Weighted pupil unit value" or "WPU value" means the amount established each
81 year in the enacted public education budget that is multiplied by the number of weighted pupil
82 units to yield the funding level for the basic school program.
- 83 (h) "WPU value amount" means an amount:
84 (i) that is equal to the product of:
85 (A) the WPU value increase limit; and
86 (B) the percentage share of local revenue to the cost of the basic school program in the
87 immediately preceding fiscal year; and
88 (ii) set annually by the Legislature in Subsection (4)(a).
- 89 (i) "WPU value increase limit" means the lesser of:

90 (i) the total cost to the basic school program to increase the WPU value over the WPU
91 value in the prior fiscal year; or

92 (ii) the total cost to the basic school program to increase the WPU value by 4% over
93 the WPU value in the prior fiscal year.

94 (j) "WPU value rate" means a tax rate certified by the commission that will generate an
95 amount of revenue equal to the WPU value amount described in Subsection (4)(a).

96 (3) (a) The minimum basic local amount for the fiscal year that begins on July 1, 2018,
97 is \$408,073,800 in revenue statewide.

98 (b) The preliminary estimate of the minimum basic tax rate for a fiscal year that begins
99 on July 1, 2018, is .001498.

100 (4) (a) The WPU value amount for the fiscal year that begins on July 1, 2018, is
101 \$18,650,000 in revenue statewide.

102 (b) The preliminary estimate of the WPU value rate for the fiscal year that begins on
103 July 1, 2018, is .000069.

104 (5) (a) On or before June 22, the commission shall certify for the year:

105 (i) the minimum basic tax rate; and

106 (ii) the WPU value rate.

107 (b) The estimate of the minimum basic tax rate provided in Subsection (3)(b) and the
108 estimate of the WPU value rate provided in Subsection (4)(b) are based on a forecast for
109 property values for the next calendar year.

110 (c) The certified minimum basic tax rate described in Subsection (5)(a)(i) and the
111 certified WPU value rate described in Subsection (5)(a)(ii) are based on property values as of
112 January 1 of the current calendar year, except personal property, which is based on values from
113 the previous calendar year.

114 (6) (a) To qualify for receipt of the state contribution toward the basic school program
115 and as a school district's contribution toward the cost of the basic school program for the school
116 district, each local school board shall impose the combined basic rate.

117 (b) (i) The state is not subject to the notice requirements of Section 59-2-926 before
118 imposing the tax rates described in this Subsection (6).

119 (ii) (A) Except as provided in Subsection (6)(b)(ii)(B), the state is subject to the notice
120 requirements of Section 59-2-926 if the state authorizes a tax rate that exceeds the tax rates

121 described in this Subsection (6).

122 (B) For a calendar year that begins on January 1, 2018, the state is not subject to the
123 notice and public hearing requirements of Section 59-2-926 if the state authorizes a combined
124 basic rate that exceeds the tax rates authorized in this section.

125 (7) (a) The state shall contribute to each school district toward the cost of the basic
126 school program in the school district an amount of money that is the difference between the
127 cost of the school district's basic school program and the sum of revenue generated by the
128 school district by the following, including any tax increment, as that term is defined in Section
129 17C-1-102, that a school district has dedicated to another entity or project that would otherwise
130 have been included in the locally-generated revenue but for the tax increment dedication,
131 including any rebate or return back from the entity or project:

- 132 (i) the combined basic rate;
- 133 (ii) the basic levy increment rate; and
- 134 (iii) the equity pupil tax rate.

135 (b) (i) If the difference described in Subsection (7)(a) equals or exceeds the cost of the
136 basic school program in a school district, no state contribution shall be made to the basic
137 school program for the school district.

138 (ii) The proceeds of the difference described in Subsection (7)(a) that exceed the cost
139 of the basic school program shall be paid into the Uniform School Fund as provided by law and
140 by the close of the fiscal year in which the proceeds were calculated.

141 (8) Upon appropriation by the Legislature, the Division of Finance shall deposit an
142 amount equal to the proceeds generated statewide:

143 (a) by the basic levy increment rate into the Minimum Basic Growth Account created
144 in Section 53F-9-302;

145 (b) by the equity pupil tax rate into the Local Levy Growth Account created in Section
146 53F-9-305; and

147 (c) by the WPU value rate into the Teacher and Student Success Account created in
148 Section 53F-9-306.

149 (9) After July 1, 2021, but before November 30, 2022, the Public Education
150 Appropriations Subcommittee:

151 (a) shall review the WPU value rate, the impact of revenues generated by the WPU

152 value rate on public education funding, and whether local school boards should continue to
153 levy the WPU value rate; and

154 (b) may recommend an increase, repeal, or continuance of the WPU value rate.

155 Section 3. Section **53F-2-301.5** is amended to read:

156 **53F-2-301.5. Minimum basic tax rate for a fiscal year that begins on July 1, 2018,**
157 **2019, 2020, 2021, or 2022.**

158 (1) The provisions of this section are in effect for a fiscal year that begins before July 1,
159 2023.

160 (2) As used in this section:

161 (a) "Basic levy increment rate" means a tax rate that will generate an amount of
162 revenue equal to \$75,000,000.

163 (b) "Combined basic rate" means a rate that is the sum of:

164 (i) the rate floor; and

165 (ii) the WPU value rate.

166 (c) "Commission" means the State Tax Commission.

167 (d) "Equity pupil tax rate" means the tax rate that is:

168 (i) calculated by subtracting the minimum basic tax rate from the rate floor; or

169 (ii) zero, if the rate calculated in accordance with Subsection (2)(d)(i) is zero or less.

170 (e) "Minimum basic local amount" means an amount that is:

171 (i) equal to the sum of:

172 (A) the school districts' contribution to the basic school program the previous fiscal
173 year;

174 (B) the amount generated by the basic levy increment rate; and

175 (C) the eligible new growth, as defined in Section [59-2-924](#) and rules of the State Tax
176 Commission multiplied by the minimum basic tax rate; and

177 (ii) set annually by the Legislature in Subsection (3)(a).

178 (f) "Minimum basic tax rate" means a tax rate certified by the commission that will
179 generate an amount of revenue equal to the minimum basic local amount described in

180 Subsection (3)(a).

181 (g) "Rate floor" means a rate that is the greater of:

182 (i) a .0016 tax rate; or

- 183 (ii) the minimum basic tax rate.
- 184 (h) "Weighted pupil unit value" or "WPU value" means the amount established each
- 185 year in the enacted public education budget that is multiplied by the number of weighted pupil
- 186 units to yield the funding level for the basic school program.
- 187 (i) "WPU value amount" means an amount that is:
- 188 (i) equal to the product of:
- 189 (A) the WPU value increase limit; and
- 190 (B) the percentage share of local revenue to the cost of the basic school program in the
- 191 prior fiscal year; and
- 192 (ii) set annually by the Legislature in Subsection (4)(a).
- 193 (j) "WPU value increase limit" means the lesser of:
- 194 (i) the total cost to the basic school program to increase the WPU value over the WPU
- 195 value in the prior fiscal year; or
- 196 (ii) the total cost to the basic school program to increase the WPU value by 4% over
- 197 the WPU value in the prior fiscal year.
- 198 (k) "WPU value rate" means a tax rate certified by the commission that will generate
- 199 an amount of revenue equal to the WPU value amount described in Subsection (4)(a).
- 200 (3) (a) The minimum basic local amount for the fiscal year that begins on July 1, 2021,
- 201 is \$575,931,800 in revenue statewide.
- 202 (b) The preliminary estimate for the minimum basic tax rate for the fiscal year that
- 203 begins on July 1, 2021, is .001554.
- 204 (4) (a) The WPU value amount for the fiscal year that begins on July 1, 2021, is
- 205 \$22,484,800 in revenue statewide.
- 206 (b) The preliminary estimate for the WPU value rate for the fiscal year that begins on
- 207 July 1, 2021, is .000063.
- 208 (5) (a) On or before June 22, the commission shall certify for the year:
- 209 (i) the minimum basic tax rate; and
- 210 (ii) the WPU value rate.
- 211 (b) The estimate of the minimum basic tax rate provided in Subsection (3)(b) and the
- 212 estimate of the WPU value rate provided in Subsection (4)(b) is based on a forecast for
- 213 property values for the next calendar year.

214 (c) The certified minimum basic tax rate described in Subsection (5)(a)(i) and the
215 certified WPU value rate described in Subsection (5)(a)(ii) are based on property values as of
216 January 1 of the current calendar year, except personal property, which is based on values from
217 the previous calendar year.

218 (6) (a) To qualify for receipt of the state contribution toward the basic school program
219 and as a school district's contribution toward the cost of the basic school program for the school
220 district, a local school board shall impose the combined basic rate.

221 (b) (i) The state is not subject to the notice requirements of Section 59-2-926 before
222 imposing the tax rates described in this Subsection (6).

223 (ii) The state is subject to the notice requirements of Section 59-2-926 if the state
224 authorizes a tax rate that exceeds the tax rates described in this Subsection (6).

225 (7) (a) The state shall contribute to each school district toward the cost of the basic
226 school program in the school district an amount of money that is the difference between the
227 cost of the school district's basic school program and the sum of the revenue generated by the
228 school district by the following, including any tax increment, as that term is defined in Section
229 17C-1-102, that a school district has dedicated to another entity or project that would otherwise
230 have been included in the locally-generated revenue but for the tax increment dedication,
231 including any rebate or return back from the entity or project:

- 232 (i) the minimum basic tax rate;
- 233 (ii) the basic levy increment rate;
- 234 (iii) the equity pupil tax rate; and
- 235 (iv) the WPU value rate.

236 (b) (i) If the difference described in Subsection (7)(a) equals or exceeds the cost of the
237 basic school program in a school district, no state contribution shall be made to the basic
238 school program for the school district.

239 (ii) The proceeds of the difference described in Subsection (7)(a) that exceed the cost
240 of the basic school program shall be paid into the Uniform School Fund as provided by law and
241 by the close of the fiscal year in which the proceeds were calculated.

242 (8) Upon appropriation by the Legislature, the Division of Finance shall deposit an
243 amount equal to the proceeds generated statewide:

- 244 (a) by the basic levy increment rate into the Minimum Basic Growth Account created

245 in Section [53F-9-302](#);

246 (b) by the equity pupil tax rate into the Local Levy Growth Account created in Section
247 [53F-9-305](#); and

248 (c) by the WPU value rate into the Teacher and Student Success Account created in
249 Section [53F-9-306](#).

250 Section 4. Section **59-2-902** is amended to read:

251 **59-2-902. Minimum basic tax levy for school districts.**

252 (1) (a) If any county fails to comply with Section [59-2-704](#), then this section
253 determines the adjustment of the basic school levy for school districts within the county.

254 (b) Before June 15, the commission shall ascertain from the State Board of Education
255 the number of weighted pupil units in each school district in the state for the school year
256 commencing July 1 of the current calendar year, estimated according to the Minimum School
257 Program Act, and the money necessary for the cost of the operation and maintenance of the
258 minimum school program of the state for the school fiscal year beginning July 1 of the current
259 calendar year.

260 (c) The commission shall then estimate the amounts of all surpluses in the Uniform
261 School Fund, as of July 1 of the current calendar year, available for the operation and
262 maintenance of the program, and shall estimate the anticipated income to the fund available for
263 those purposes for the current school year from all sources, including revenues from taxes on
264 income or from taxes on intangible property pursuant to Article XIII, Sec. 12, Utah
265 Constitution.

266 (2) The commission shall then determine for each school district the amount to be
267 raised by the minimum basic tax levy as its contribution toward the cost of the basic
268 state-supported program, as required by the Minimum School Program Act.

269 (3) (a) Each county auditor shall be notified by the commission that the minimum basic
270 tax levy shall be imposed by the school district, to which shall be added an additional amount,
271 if any, due to local undervaluation as provided in this section.

272 (b) The auditor shall inform the county legislative body as to the amount of the levy.

273 (c) The county legislative body shall at the time and in the manner provided by law
274 make the levy upon the taxable property in the school district together with further levies for
275 school purposes as may be required by each school district to pay the costs of programs in

276 excess of the basic state-supported school program.

277 (4) (a) If the levy applied under this section raises an amount in excess of the total
278 basic state-supported school program for a school district, the excess amount shall be remitted
279 by the school district to the State Board of Education to be credited to the Uniform School
280 Fund for allocation to school districts to support the basic state-supported school program.

281 (b) The availability of money shall be considered by the commission in fixing the state
282 property levy as provided in the Minimum School Program Act.

283 (5) (a) If the levy does not raise an amount in excess of the total basic state-supported
284 school program for a district, ~~then~~ the commission shall compute the difference between the
285 amount which the local levy will raise within the district, and the total cost of the basic
286 state-supported school program within the district ~~[shall be computed. This difference].~~

287 (b) In computing the difference described in Subsection (5)(a), the commission shall
288 use the actual amount which the local levy will raise within the district, including any tax
289 increment, as that term is defined in Section 17C-1-102, that the district has dedicated to
290 another entity or project that would otherwise have been included in the locally-generated
291 revenue but for the tax increment dedication, including any rebate or return back from the
292 entity or project.

293 (c) The difference described in Subsection (5), if any, shall be apportioned from the
294 Uniform School Fund to each school district as the contribution of the state to the basic
295 state-supported school program for the district, subject to the [following conditions:]
296 conditions described in Subsection (5)(d).

297 ~~(a)~~ (d) Before the apportionment described in Subsection (5)(c) is made, the
298 commission shall:

299 (i) determine if the local taxable valuation of any school district is undervalued
300 according to law and if so, the dollar amount of the undervaluation~~[- The];~~

301 (ii) multiply the dollar amount of the undervaluation ~~[shall be multiplied]~~ described in
302 Subsection (5)(d)(i) by the district basic uniform school levy at 98%[- The resulting];

303 (iii) divide the dollar amount [shall be divided] resulting from the computation in
304 Subsection (5)(d)(ii) by the current year estimated yield of .0002 per dollar of taxable value at
305 98% based on the district's taxable valuation [prior to] before adjusting for undervaluation.

306 ~~(b) The resulting]~~ (iv) add the levy amount [shall be added] resulting from the

307 computation described in Subsection (5)(b)(ii) to the required district basic uniform levy to
308 determine the combined district basic school levy adjusted for undervaluation[~~-The~~]; and

309 (v) certify the combined rate of levy [~~shall be certified~~] described in Subsection
310 (5)(b)(iii) to the county auditor [~~and employed by the~~].

311 (vi) The county auditor and the county legislative body shall employ the combined rate
312 of levy described in Subsection (5)(b)(iii) in lieu of the required basic school local levy.

313 Section 5. **Effective date.**

314 This bill takes effect on July 1, 2022.