

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

2011 GENERAL SESSION
STATE OF UTAH

Chief Sponsor: Kenneth W. Sumsion

Senate Sponsor: _____

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

- ▶ provides that, if a new district is created on or after May 10, 2011, a tax shall be imposed on property within the new district and the remaining district at a rate that:
 - generates the amount of revenue required each year to meet the outstanding bonded debt obligations of the divided school district; and
 - is uniform within the new district and remaining district; and
- ▶ makes technical amendments.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

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

29

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) ~~Ĥ→ [The]~~ **(a) Except as provided in Subsection (2)(b), the ←Ĥ** local school board of
71a [the] a Ĥ→ [remaining] new ←Ĥ district ~~Ĥ→~~ **created prior to May 10, 2011 ←Ĥ** shall

71b ~~Ĥ→~~ **[-continue to] ←Ĥ** levy a tax on

72 property within ~~Ĥ→~~ **[f] the [t] [a] ←Ĥ** new district

72a ~~Ĥ→~~ **[created prior to May 10, 2011] ←Ĥ** sufficient to pay the new

73 district's proportionate share of the indebtedness determined under ~~[this section]~~ Subsection

74 **(1) Ĥ→** ~~[, and shall annually report the amount of the proceeds of the tax to the business~~

75 ~~administrator of the new district]~~ **←Ĥ** .

75a ~~Ĥ→~~ **(b) If a new district has money available to pay the new district's proportionate share of**
75b **the indebtedness determined under Subsection (1), the new district may abate a property tax to**
75c **the extent of money available. ←Ĥ**

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

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

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

81 (4) If a new district is created on or after May 10, 2011 ~~Ĥ→~~ **[z]** ,

82 ~~[a)] ←Ĥ~~ property within the new district and the remaining district is subject to the levy of a
83 tax to pay the divided school district's outstanding bonded indebtedness ~~Ĥ→~~ **[; and] as provided in**
83a **Subsection (5).**

84 ~~[(b) the local school board of the remaining district shall:~~

85 ~~— (i) levy a tax each taxable year on property within the new district and remaining~~

86 ~~district until the outstanding bonded indebtedness of the divided school district is retired; and~~
87 ~~—— (ii) annually report the amount of the proceeds of the tax to the business administrator~~
88 ~~of the new district.] ←H~~

89 (5) H→ [The] (a) Except as provided in Subsection (5)(b), the local school board of the
89a ~~new district and the ←H~~ local school board of the remaining district shall impose a tax levy
89b H→ [~~under~~]

90 ~~[Subsection (4)]~~ ~~↔~~ at a rate that:

91 ~~↔~~ ~~[(a)]~~ (i) ~~↔~~ generates ~~↔~~ from the combined districts ~~↔~~ the amount of revenue
 91a required each year to meet the outstanding bonded
 92 indebtedness of the divided school district; and

93 ~~↔~~ ~~[(b)]~~ (ii) ~~↔~~ is uniform within the new district and remaining district.

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

94 ~~[(3)]~~ (6) (a) The local school boards of the remaining and new districts shall determine
 95 by mutual agreement the disposition of bonds approved but not issued by the ~~[existing]~~ divided
 96 school district before the creation of the new district based primarily on the representation
 97 made to the voters at the time of the bond election.

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

Legislative Review Note
 as of 12-3-10 12:02 PM

Office of Legislative Research and General Counsel

FISCAL NOTE

H.B. 195, 2011 General Session

SHORT TITLE: Debt Service Obligations of a Divided School District

SPONSOR: Sumsion, K.

STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill likely will not materially impact the state budget.

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Enactment of this bill likely will not result in direct, measurable expenditures by Utah residents or businesses.