



## GENERAL SESSION

February 06, 2013

### **Program: HB55 Amendments Related to Education Funding**

**Presented by: Education Committee**

**Director: Chris Bray**

**Director: Donna Murphy**

**Speakers: Rep. Joel K. Briscoe (D) Dist. 25 (Salt Lake County – sponsor, HB55 Amendments Related to Education Funding Royce Van Tassell – Vice Pres., Utah Taxpayers Assoc.**

**Rep. Briscoe** described his bill as one that would protect education funding in times of recession as well as being a modest, reasonable tax increase – not a massive one. It is a simplified form of a bill run last year by Sen. Ben McAdams. It would generate an additional \$9.1M annually by providing two new funding mechanisms for education.

First, **HB55** would change the personal exemption component of the individual income tax credit calculation. When paying state income tax, the taxpayer is allowed to deduct up to 75% of individual federal exemptions from gross income before calculating the state tax owed. The federal exemption grows with inflation, as does the state exemption based on it.

Under **HB55** the individual exemption would change to a fixed amount of \$2,850 per exemption. The value of the fixed exemption would decrease over time with inflation. Thus, the revenue generated would increase. The change could increase school

revenue from income tax next year by nearly \$9 million.

Second, the bill would “put a floor” on current property tax rates, so they could not drop lower in a worsening economy. Currently, the property tax rate is based on estimated property values, which fluctuate with the economy. Every taxable property pays the same basic levy, which goes into the Uniform School Fund and becomes the Weighted Pupil Unit (WPU).

The basic levy operates inversely to property evaluations, meaning that as property values go up, the basic levy goes down. Rep. Briscoe said if the levy had been frozen from 1994 to the present, schools might have received an additional \$600M.

Responding to questions, Rep. Briscoe said he believes his education bill is the most sensible of those being proposed this legislative session. Funding needs are more pressing since the 1996 modification of the

Utah tax code to include higher education as a recipient of education funding. For more information, Rep. Briscoe may be reached at [jbriscoe@le.utah.gov](mailto:jbriscoe@le.utah.gov).

**Royce Van Tassell**, speaking against the bill, said he believes the fact that Utah spends less per student than most other states will probably never change, and there are reasons for that. We have 50% more children than any other state. Also, 63%-70% of our lands are federally owned. Property taxes cannot be generated from these lands; neither can they be developed.

**HB55** would change how the “Truth in Taxation” system works, specifically the basic levy, or the property tax imposed. The basic levy rate all property owners now pay guarantees schools predictable annual revenue. The revenue goes up when property evaluations decrease and decreases when property values increase.

Utah’s commonly called Truth in Taxation (TNT) law was passed in 1985. It states that entities (cities, counties, school boards, etc.) seeking to collect more money from property

taxes must declare a tax increase and hold public hearings on the matter.

Truth in Taxation essentially did away with *automatic* property tax increases. **HB55** would allow those taxes to increase without any public input. Mr. Van Tassell believes this is unfair to taxpayers.

Essentially the TNT system guarantees the schools the same revenue this year as last year, assuming no population growth. If there is growth, additional revenue will be received. Mr. Van Tassell believes the system has been very effective at keeping property tax growth in check.

Responding to questions, Mr. Van Tassell said Medicaid costs have increased much more rapidly than other parts of the state budget. It is one reason the portion of the state budget devoted to public education appears “on paper” to have decreased. National studies, he noted, do not show a correlation between dollars spent and student success outcomes. He stressed his belief that one of the best ways to improve Utah education is to be increasingly efficient with available revenue.

**Reported by Stuart Gygi**

## **General Session II**

### **Program: HB254 College Credits for Veterans**

**Presented by: Education Committee**

**Director: Chris Bray**

**Chair: Donna Murphy**

**Speaker: Rep. Paul Ray (R) Dist. 13 (Davis County)**

**– sponsor, HB254 College Credits for Veterans**

**Rep. Ray** said the issue of post 9/11 veterans re-integrating into the civilian

workforce after military service is at the heart of his bill **HB254**. It would require

colleges or universities within the state system to award credit for certain military service training and experience. It would also provide for the transfer of credits among schools.

Rep. Ray explained that military experience often doesn't fall within the categories of accepted training or certification for civilian employers. For example, a combat medic may be just as qualified as a civilian EMT – however, that medic doesn't return home from service in possession of an actual EMT certification. As a result, the returning veteran must invest both time and money attending classes that teach skills he or she may already have acquired.

Responding to questions, Rep. Ray said he sought input from veterans groups and higher education representatives before drafting the bill. He also said eligibility to fill requirements should not be based on fees.

Passage of **HB254** would not mean veterans could automatically receive a degree or certification upon return to civilian life. Eligibility to qualify for either the awarding or transferring of credits would be verified by a post-secondary accreditation agency designated by the State Board of Regents. Higher learning institutions would cross-reference the veteran's service record with what the American Council on Education recommends as comparable college credit.

**Reported by Pam Grange**

## **General Session III**

### **Program: HB264 Property Tax Notice Amendments**

**Presented by: Education Committee**

**Director: Chris Bray**

**Chair: Donna Murphy**

**Speakers: Rep. Kraig Powell (R) Dist 54 (Summit, Wasatch Counties)**

**– sponsor, HB264 Property Tax Notice Amendments**

**Chris Bleak – Utah Assoc. of Public Charter Schools**

**Rep. Powell** began by pointing out the growing influence of charter schools in the state. He said taxpayers often assume they are not paying for charter schools. That isn't the case. Even though charter schools are independently run, they are part of the public school system and they use tax dollars, as well.

Utah property tax revenue is applied to state education. **HB264** would modify the content of a property tax notice. It would

“require the notice to state the amount of property taxes imposed on the taxpayer that represents revenue distributed to charter schools.”

Rep. Powell considers his bill to be one that addresses the issue of transparency. Taxpayers, he stressed, should know more about how their education dollars are being spent. The Utah School Boards and Utah School Superintendents support the bill.

Responding to questions, the legislator acknowledged that the distribution of education funding in the state is more complicated than a one line item on a property tax notice may suggest. However, he said taxpayers are still better served knowing 100% of their property taxes are going not only to the school district and school board they voted for, but also to charter schools.

**Chris Bleak** said charter schools are responsible for the same audits, performance reports, and other reporting requirements as are traditional public schools. The “charter” dictates what the school will provide in terms of classroom size, student/teacher ratio, special needs students, etc. These charters are also constrained by the funding constraints of the WPU (Weighted Pupil Unit – the unit of measure used to determine a uniform cost for educating each student) and property taxes.

Mr. Bleak said he remains skeptical of **HB265** because it oversimplifies the complicated funding mechanism between traditional public schools and charter schools. The narrow focus of the bill on property tax, he said, does not provide the

transparency it implies. Instead, he believes it will leave a false impression with taxpayers.

Commenting on the methods of school funding, Mr. Bleak said the WPU follows each child in public school. That should also include the public charter school. Charter schools, unlike school districts, can’t raise property taxes on their own so they also receive “local replacement money.” Most of that money comes from the state. A small portion comes from school districts. This year, nearly \$78M of local replacement money came from the state and \$10M from school districts, based on each district’s share.

Responding to questions, Mr. Bleak explained there is a cap on the student population of charter schools. If a school is over-subscribed, prospective applicants are subject to a lottery for admission. The school facilities themselves are funded by WPU and property tax dollars. The physical facilities, he noted, have been shown to be quite cost efficient.

**Reported by Pam Grange**

**THIS BULLETIN IS A PUBLICATION OF  
THE WOMEN’S STATE LEGISLATIVE COUNCIL OF UTAH, INC.**  
<http://www.wslcofutah.org>

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*Printed by AlphaGraphics  
117 West 900 South  
Salt Lake City, UT 84101*