

Constitutional Amendment G

Public Education Funding Stabilization &
Proposal to Amend Utah Constitution
Use of Tax Revenue

(S.J.R. 9, HB 357, and HB 5011)





Public Education Funding Stabilization

HB357: Senator Ann Millner &
Representative Robert Spendlove

AND



Proposal to Amend Utah Constitution Use of Tax Revenue

SJR 9: Senator Daniel McCay
& Representative Mike Schultz

Constitutional Amendment G

(5) All revenue from taxes on intangible property or from a tax on income shall be used:

(a) to support the systems of public education and higher education as defined in Article X, Section 2;

and

(b) to support children and to support individuals with a disability.

Utah Const. Article XIII, Section 5



WHAT

Allows use of income tax revenue to support services for children and individuals with disabilities.

Protects public education funding.

Auto-Adjusts education funding for enrollment growth and inflation.

Reserves above-trend revenues to meet Ed. funding during economic downturns.

WHY

Educators are increasingly focused on the role that physical and mental health play in academic success.

Mechanism to constitutionally protect funding for K-12 public education despite allowing the income tax to be used for children and individuals with disabilities

Income tax is historically unstable. Mechanism to stabilize education funding through economic downturns.

HOW

- | Expands the Constitutional earmark.
- | Moves current funding to a constitutionally protected account for K-12 education - approximately \$3.4 billion beginning in FY 2021.
- | Includes enrollment growth and the annual inflation for the Minimum School Program in the base budget.
- | Creates an ongoing public education budget stabilization account to meet future education needs.

HB5011: Representative Mike Schultz & Senator Ann Millner

Requires the Legislature to appropriate at least 10% of new education revenues, up to \$140.5 million, to increase the WPU Value.

This is in addition to enrollment growth and inflation found in HB 357.

Does not prevent the Legislature from appropriating additional funding to further increase the WPU value.

Subject to Public Passage of Constitutional Amendment G.

SJR 9 Financial Implications



As new revenues become available, how much appropriated from the General Fund would this enable to be transitioned to the Education Fund?

SJR 9 Financial Implications



- Difficult to determine
- Depends on legislative interpretation and action

Possible Line Items Opened Up By SJR 9

Department	Line Item	FY 2021 - GF (Ongoing)
Health	Children's Health Insurance Program	\$ 20,162,100
Health	Family Health and Preparedness	\$ 26,446,200
Human Services	Aging and Adult Services	\$ 15,703,000
Human Services	Child and Family Services	\$ 129,742,600
Human Services	Office of Public Guardian	\$ 696,300
Human Services	Office of Recovery Services	\$ 14,089,900
Human Services	Services for People with Disabilities	\$ 134,850,800
Human Services	Substance Abuse and Mental Health	\$ 137,450,500
Total		\$ 479,141,400

Important Note:

Not all GF spending identified above would fall under the new category and there are likely other GF appropriations that would fall under the new category.



SJR 9 Financial Implications

**NEW
REVENUE**



**EDUCATION
FUND**

**ESTIMATE
\$200-\$400
Million**



When would this fund transition happen?

This transition process would take place slowly, over many years.

Why?

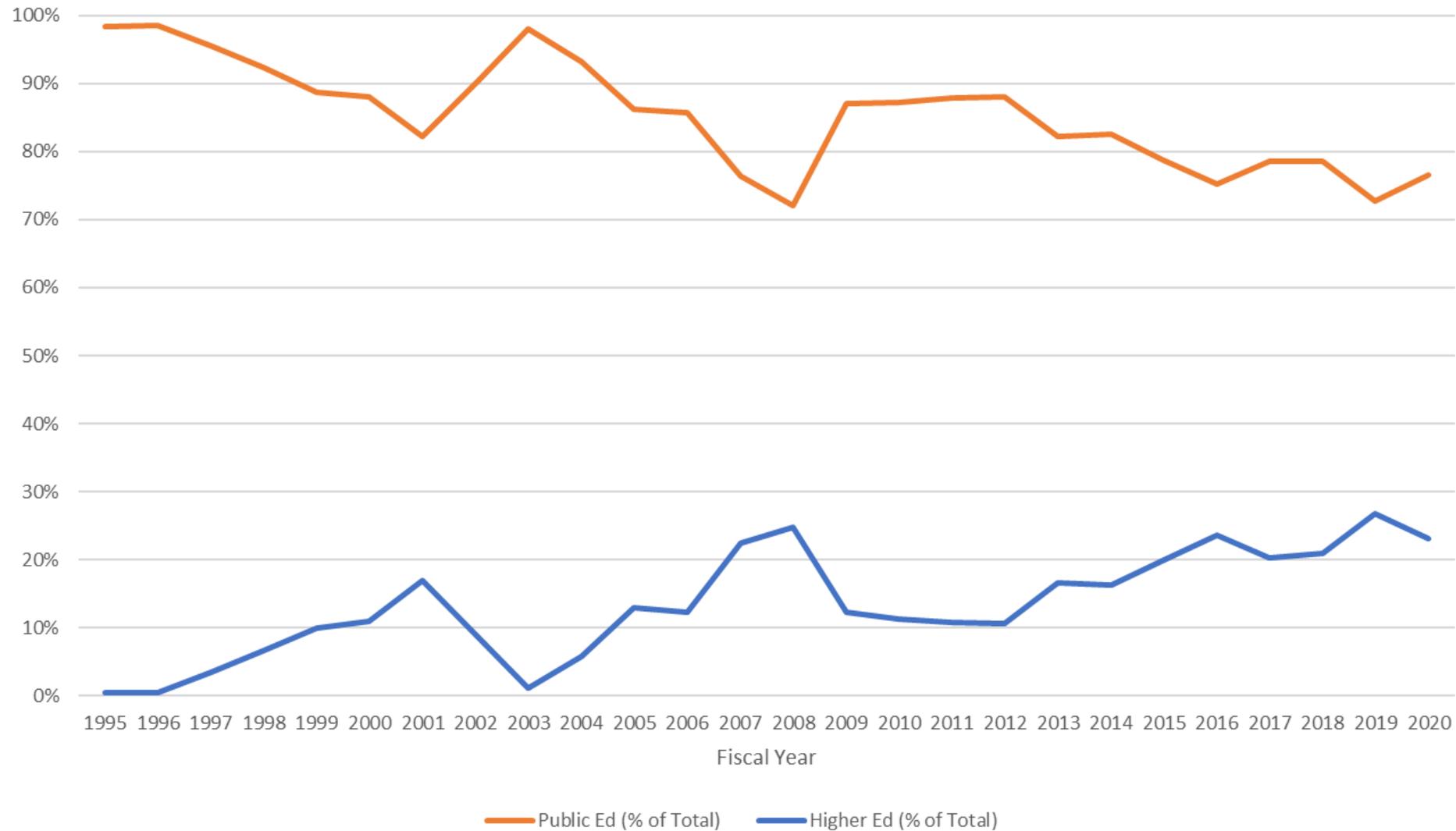
The Legislature would likely transition only a portion of new revenues to the Education Fund to the new spending category.

All Education Fund revenues are appropriated. Immediately transitioning spending would require reductions to public or higher education.

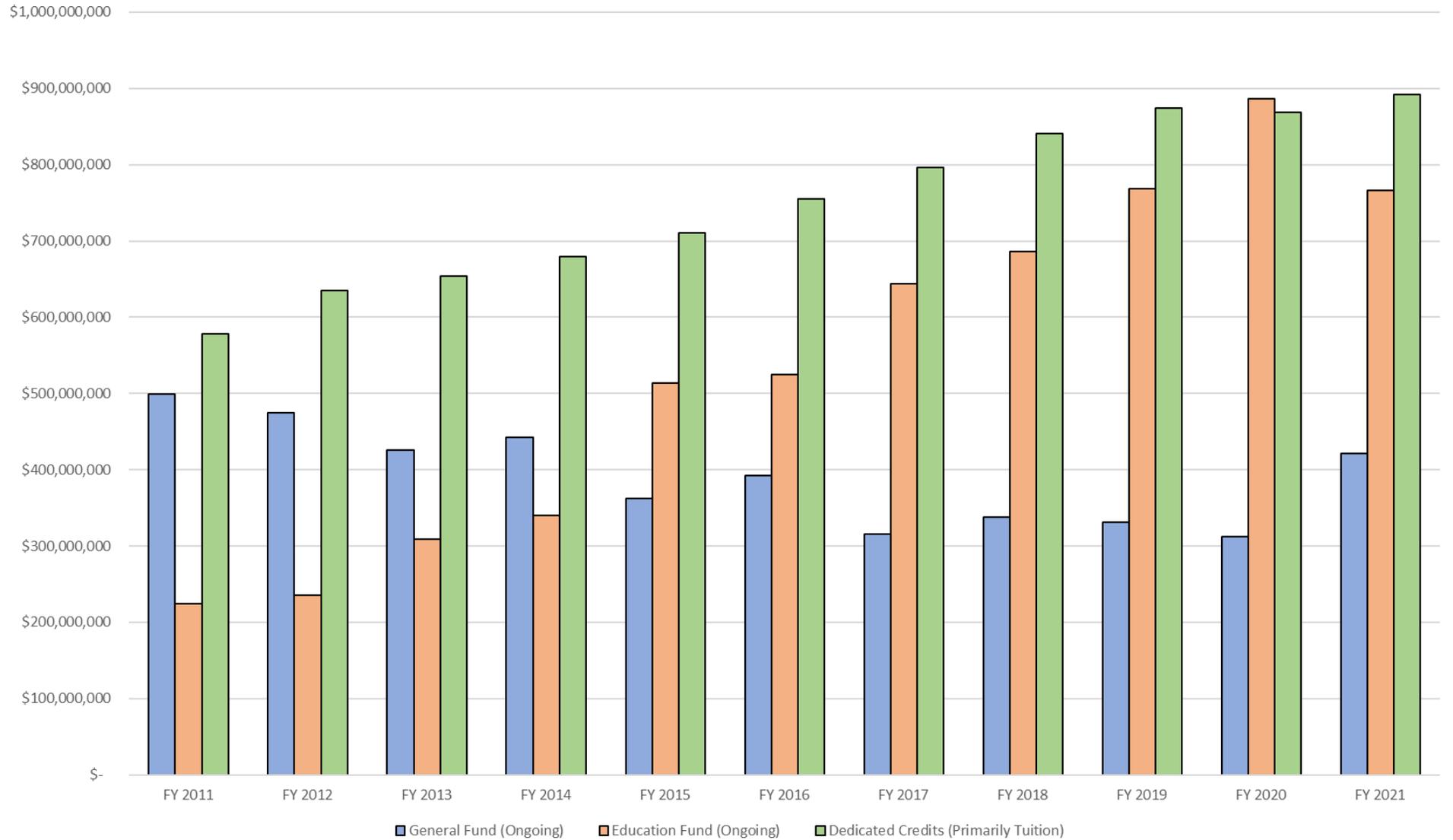
**Utah's experience with allowing higher
education to be paid for with the
Education Fund.**



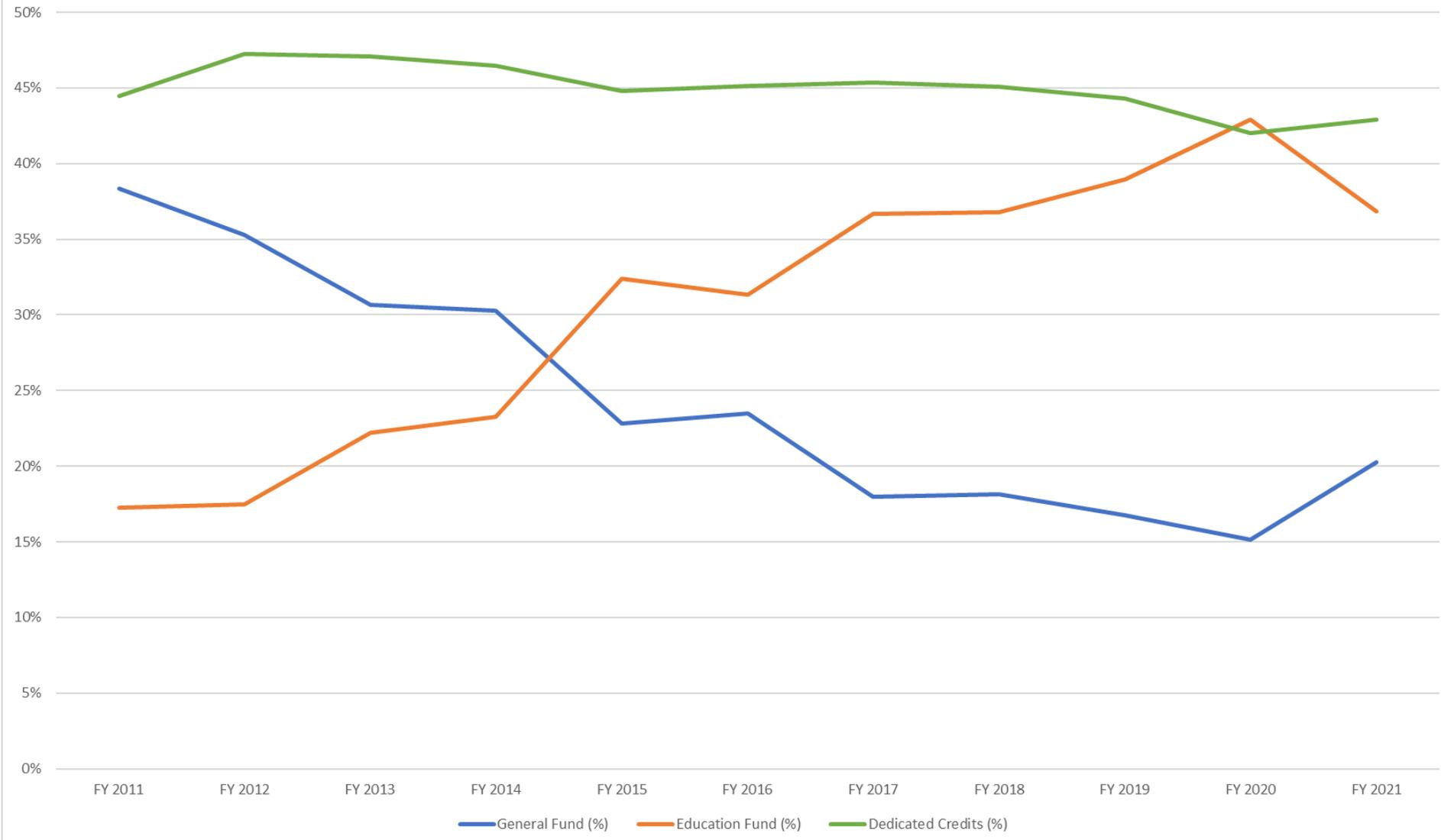
Distribution of Education & Uniform School Funds



Higher Education Primary Funding Sources



Higher Education Primary Funding Sources



HB 357 Financial Implications

- ▶ Protects more than \$3.4 Billion in public education spending
 - ▶ Moves the *Minimum School Program* to the *Uniform School Fund*, which cannot be spent for purposes other than public education



HB 357 Financial Implications

- ▶ Provides for enrollment growth and inflation to the WPU in the base budget
 - ▶ LFA Fiscal Note: \$99.6 million ongoing per year
 - ▶ Example:
 - ▶ Base Budget
 - ▶ Enrollment Growth: \$50 million
 - ▶ Inflation Factor (1.5% WPU Value Increase): \$51 million
 - ▶ Final Budget
 - ▶ 4% Total Increase in the WPU (\$135 million)
 - ▶ Final Budget Includes 2.5% WPU Value Increase: \$84 million



HB 357 Financial Implications

- ▶ For bad budget years:
 - ▶ Creates a stabilization restricted account to pay for growth and inflation
 - ▶ Enables school districts to utilize capital local levies for operating costs
- ▶ Takes effect if SJR 9 passes in November



HB 5011 Financial Implications

- ▶ Requires the Legislature to appropriate at least 10% of new Education and Uniform School Fund revenues, up to \$140.5 million, to increase the WPU Value
- ▶ Once increases exceed \$140.5 million, rolls these WPU Value increases into the Base Budget



HB 5011 Financial Implications

▶ Hypothetical Example:

▶ Base Budget

▶ Enrollment Growth: \$50 million

▶ Inflation Factor: \$51 million

▶ For FY 2022, state estimates \$250 million in new revenues to the Education and Uniform School Funds

▶ Requires Legislature to increase WPU Value by at least \$25 million more (\$76 million in total)

▶ Final Budget

▶ Legislature decides to increase WPU value by 4% in total (\$135 million)

▶ Increases WPU Value by an additional \$59 million



Principles Adopted by the Board

The Board emphasizes the importance of policy that aligns with the following principles:

- Maintaining stability in funding for education
- Increasing strategic investment in education
- Accounting for variation in school districts' ability to raise local revenue
- Maintaining a constitutional guarantee for education funding



Previous Support of SJR 9 and HB 357

On March 5, 2020, the Board passed a motion to take a favorable position on 1st Substitute H.B. 357 and 1st Substitute S.J.R. 9

Limits to Advocacy of SJR 9

“A public entity may not:

(a) make an expenditure from public funds for political purposes, to influence a ballot proposition, or to influence a proposed initiative or proposed referendum; or

(b) publish on the public entity's website an argument for or against a ballot proposition, a proposed initiative, or a proposed referendum.”

Utah Code Section [20A-11-1203](#)