

School Finance Fundamentals --

A 2020 Look

USBA 97th Annual Conference




2020
UTAH SCHOOL BOARDS ASSOCIATION
Building Better Boards

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Why are We Here?

TO BE REMINDED AND INFORMED ABOUT
OUR ROLES AND RESPONSIBILITIES
REGARDING THE DISTRICT BUDGET AND
BE PROVIDED A VALUABLE BASIC
UNDERSTANDING OF HOW FUNDING
FLOWS TO UTAH'S PUBLIC SCHOOLS.



Discussion Topics

- BUDGETS – ROLES AND RESPONSIBILITIES
 - SCHOOL FINANCE FUNDAMENTALS
 - MINIMUM SCHOOL PROGRAM
 - Q & A
- 

SCHOOL BOARDS AND BUDGETS



Who's Responsible?
What's my Responsibility?

SCHOOL BOARDS AND BUDGETS --- Continued

Title 53 G --- Utah Code Annotated --- Public Education System – Local Administration

- Chapter 4 --- School Districts

- 53G-4-402(2) --- Local school boards shall spend minimum school program funds for programs and activities for which the State Board of Education has established minimum standards or rules under Section 53E-3-501.
- 53G-7-303(2)(a) --- A board may purchase, sell, and make improvements on school sites, buildings, and equipment and construct, erect, and furnish school buildings.

SCHOOL BOARDS AND BUDGETS --- Continued

Title 53 G --- Utah Code Annotated --- Public Education System – Local Administration

- Chapter 7 --- Public School General Requirements

- 53G-7-302(2) --- Before June 1 of each year, the budget officer shall prepare a tentative budget, with supporting documentation, to be submitted to the budget officer's LEA governing board.
- 53G-7-303(2)(a) --- For a school district, before June 30 of each year, a local school board shall adopt a budget and make appropriations for the next fiscal year.
- 53G-7-303(3)(a) --- For a school district, before the adoption or amendment of a budget, a local school board shall hold a public hearing, as defined in Section 10-9a-103, on the proposed budget or budget amendment.

TRIVIA

C H A L L E N G E

Who is the “Budget Officer”?

- a) District Budget Director
- b) Business Administrator
- c) District Superintendent
- d) Local Board President



SCHOOL BOARDS AND BUDGETS --- Continued

Title 53 G --- Utah Code Annotated --- Public Education System – Local Administration

- Chapter 7 --- Public School General Requirements

➤ 53G-7-302(1)(a) --- “Budget Officer” means:

(i) for a school district, the school district’s superintendent;

SCHOOL BOARDS AND BUDGETS --- Continued

Title 53 G --- Utah Code Annotated --- Public Education System – Local Administration

- Chapter 4 --- School Districts

- **53G-4-303** --- Duties of business administrator.
- **53G-4-303(4)** --- prepare and submit to the local school board each month a written report of the district's receipts and expenditures;
- **53G-4-303(6)** --- prepare and submit to the local school board a detailed annual statement for the period ending June 30, of the revenue and expenditures, including beginning and ending fund balances;

SCHOOL FINANCE FUNDAMENTALS



How Does the
Funding Flow?



CALENDARS

CALENDAR YEAR (CY)

TAX YEAR (TY)

FISCAL YEAR (FY)

SCHOOL YEAR (SY)



MOVING TARGET

PRELIMINARY ESTIMATES

MID-YEAR UPDATES

FINAL UPDATES

ENROLLMENTS

- YEAR-END AVERAGE DAILY MEMBERSHIP
- OCTOBER 1ST



BUCKETS OF FUN(DS)

GENERAL FUND

STUDENT SERVICES FUND

TAX INCREMENT FUND

DEBT SERVICE FUND

CAPITAL PROJECTS FUND

FOOD SERVICES FUND



OTHER FUNDS

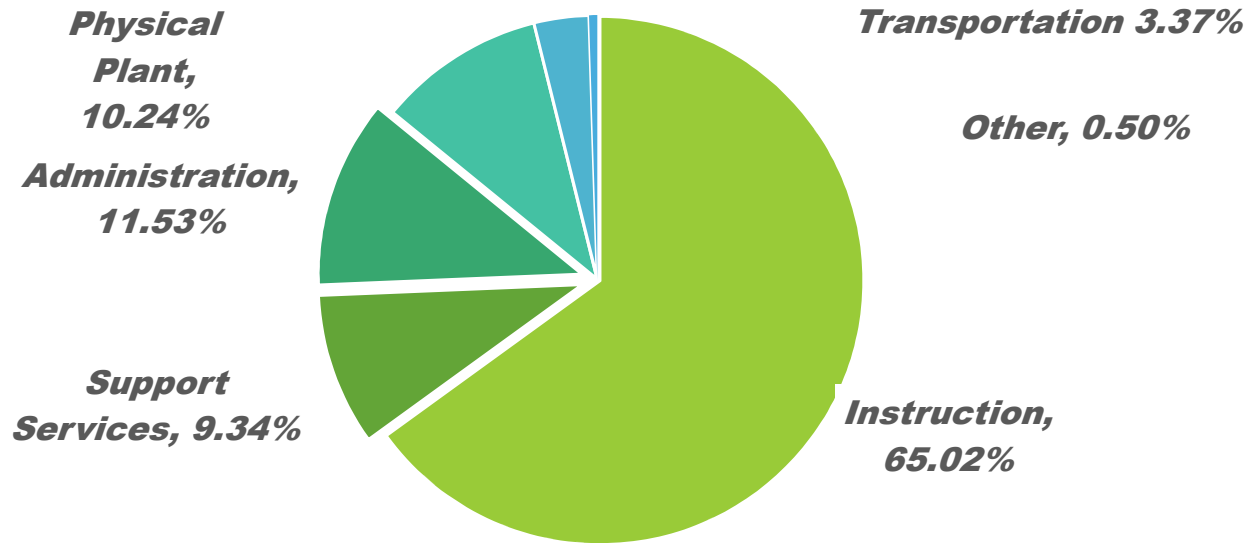
BUILDING RESERVE FUND
ENTERPRISE FUND
INTERNAL SERVICE FUND
TRUST AND AGENCY FUND



WHERE DOES IT GO?

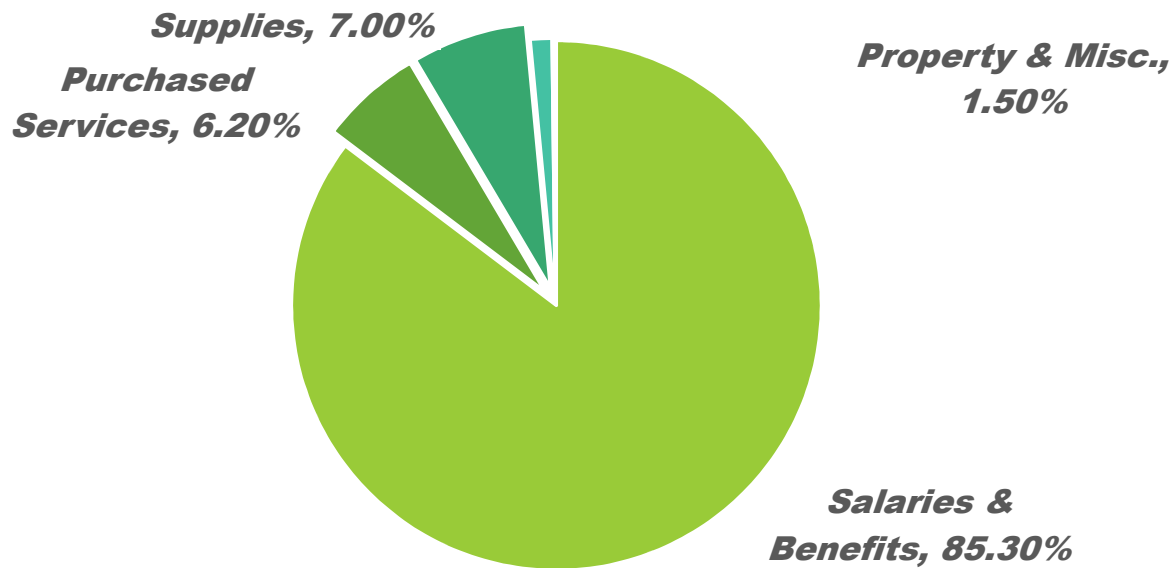
2018 Public Education General Fund --- Expenditures \$4,685,422,001

USOE FINGER TIP FACTS 2018-19



WHERE DOES IT GO? --- *Another View*

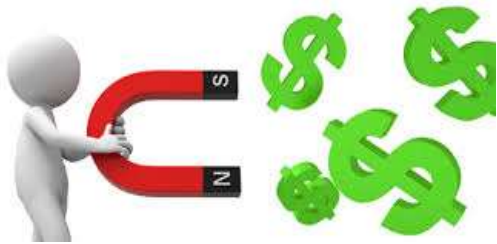
2018 Public Education General Fund --- Expenditures



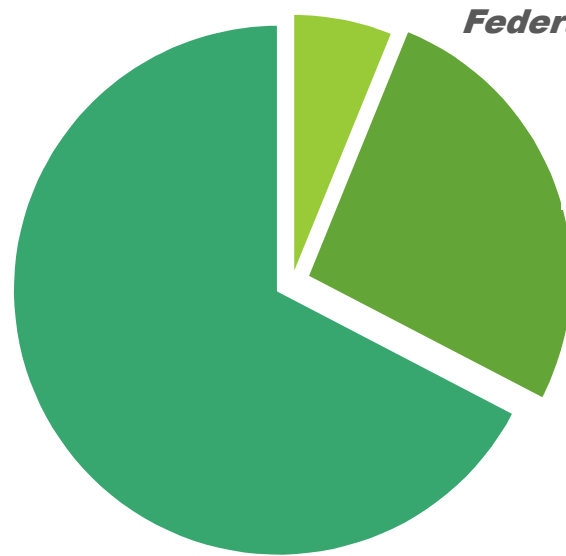
WHERE DOES IT COME FROM?

2018 Public Education General Fund --- Total Revenue \$4,859,875,213

USOE Fingertip Facts 2018-19



State, 67.35%



Federal, 6.15%

Local, 26.50%

23.45% Property Taxes

3.05% Tuition, Fees & Investments

FEDERAL REVENUE

TITLE PROGRAMS

- *Poverty*
- *Mobility & Homeless*
- *English Language Learners*
- *Quality Teaching / Professional Development*
- *21st Century Schools*

IDEA – SPECIAL EDUCATION PROGRAMS

- *Medicare & Medicaid Reimbursement Programs*

FEDERAL IMPACT AID

DIRECT GRANTS



LOCAL REVENUE

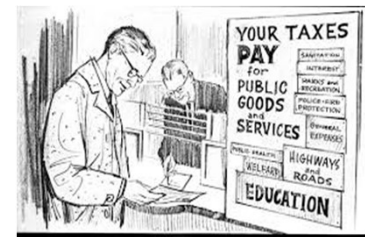
PROPERTY TAXES (*General Fund*)

- Basic Levy (*Set by State*) → .001661 --- *Same for all School Districts*)
- Board Local Levy (*Legal Max* → .002500)
- Voted Local Levy (*Voter Authorized, Max* → .002000)

PROPERTY TAXES (*Other Funds*)

- GO Bond Payments Levy → *Sufficient to Pay Voter Authorized Debt Payments*
- Capital Local Levy (*Legal Max* → .003000)
- Discharge of Judgement → *As Permitted to Pay Property Tax Refunds*

Charter School Levy → *Included in calculation of Board Local Levy Max*



LOCAL REVENUE

Governor Gary R. Herbert:

Budget Recommendations – Fiscal Year 2021



“Local taxing authority represents an important and significant opportunity for local school boards and citizens to exercise local control. While the local decision to increase property taxes can be complex and politically challenging, **approximately \$1 billion in unused local taxing authority (\$495 million for operations and \$575 million for capital facilities and technology) is available to meet local needs.** Local taxing effort through property tax needs to be a key part of the school funding discussion. In recent years state effort has outpaced local effort: real (CPI adjusted) ongoing state funding per-pupil has increased 36% since 2010 while local per-pupil funding has only increased 11%.”

Property Tax Matters

Tax Rate Formula:

Assessed Valuation X Tax Rate = Tax Revenue

Assessed Valuation?

- *The Sum of Taxable Value of All Properties within the Jurisdiction*
- *Based on Fair Market Value of Properties*
 - *Primary Residential (Real) Property Taxed @ 55% of Market Value*
 - *Other Locally Assessed Real Property (Second Homes) Taxed @ 100% of Market Value*
 - *Centrally Assessed Property (Utilities, Mines, Airlines, Railroads, Oil & Gas) Taxed @ 100% of Market Value*

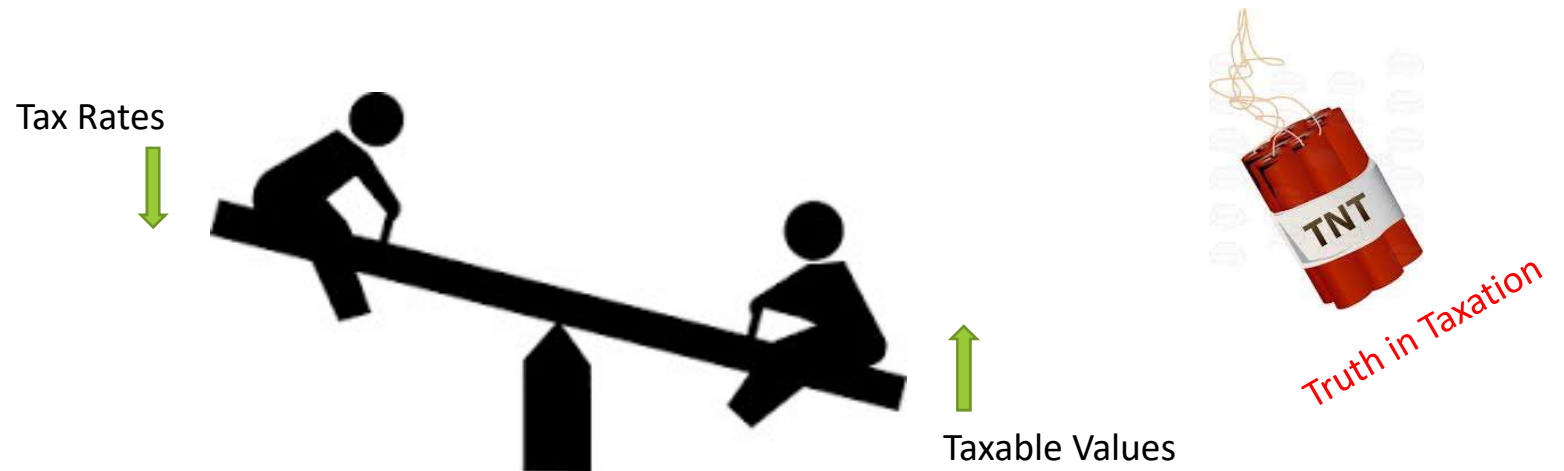


Local properties assessed by County Assessor

Centrally Assessed Properties assessed by Utah State Tax Commission

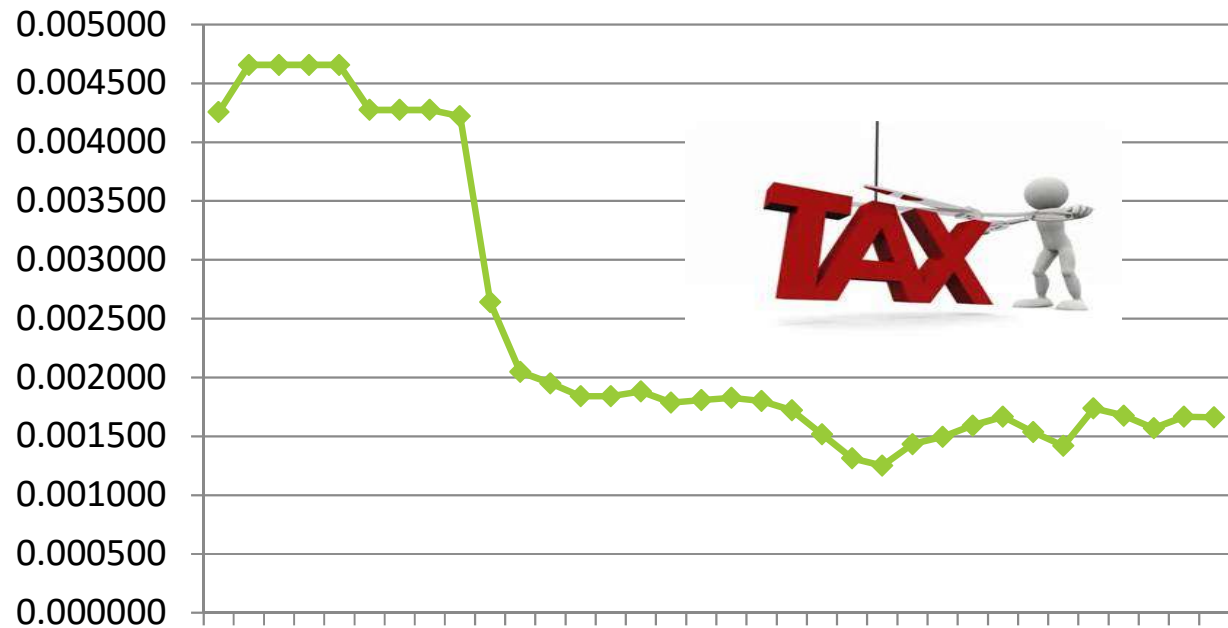
Certified Tax Rate

- *That rate which will yield the same property tax revenue that it budgeted in the previous year (and includes an allowance for revenue generated from real new growth in its tax base).*
- *Includes the rate required to pay the debt service associated with Voter Authorized General Obligation Bonds.*



BASIC LEVY HISTORY

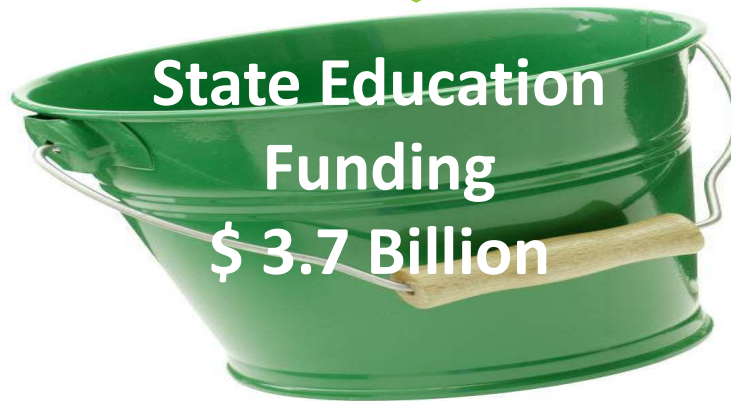
FISCAL YEAR	BASIC LEVY
1994-95	.004220
1995-96	.002640
2005-06	.001720
2008-09	.001250
2012-13	.001650
2014-15	.001419
2015-16	.001736
2019-20	.001661



BASIC LEVY 1987-Present

STATE REVENUE

- **STATE INCOME TAX** (*Primary Source*)
- SCHOOL LAND TRUST (*INTEREST & DIVIDENDS*)
- OTHER

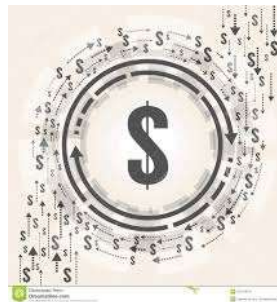


STATE FUNDING

HOW DOES THE MONEY FLOW ?



Funding Distribution?



MINIMUM SCHOOL PROGRAM -- Origins

Legal Authority:

Utah Constitution

- Article X – Education
- Article XIII – Revenue & Taxation

- Legislature
 - Establish & Maintain a Public Education System
- State Board
 - General Control & Supervision of the System
- Other Constitution Provisions
 - Elementary & Secondary Schools shall be Free
 - Legislature May Authorize Student Fees in Secondary Schools.
 - Restricts the Income Tax to Support the Public & Higher Education
 - Establishes the Permanent State School Fund & Uniform School Fund

MINIMUM SCHOOL PROGRAM -- Origins

Legal Authority: Utah Code


➤ Equity

- All children are entitled to reasonably equal educational opportunities regardless of residence or economic situation of their school district.

➤ State & Local Participation

- Establishment is primarily a state function and school districts should be required to pay a portion of the cost of a minimum program.

➤ Local Control & Determination

- School districts empowered to provide educational facilities and opportunities beyond the minimum program
 - Latitude of action is permitted and encouraged.
- 

MINIMUM SCHOOL PROGRAM

Implementing the Constitutional Mandate

- Equalizes State & Some Local Property Tax Revenues
- Divided into Three Parts
 - Basic School Program
 - Related to Basic School Program
 - Voted & Board Local Levy Programs
- Programs Distribute State Funding to LEA's
- Programs Designed to Meet Several Functional Principals:
 - Maintain System Equity
 - Consider Different LEA Cost Structures
 - Address Individual Student Characteristics/Requirements
 - Meet Statewide Educational Goals
 - Support Local Control

MINIMUM SCHOOL PROGRAM -- Origins

“The Utah school formula has had an excellent local and nationwide reputation. The State has long been in a leadership role in providing equality of educational opportunity, but that leadership is threatened unless revisions and improvements are made.”

Utah School Finance Study
1972



MINIMUM SCHOOL PROGRAM -- Origins

- Current Program Created Early 1970's
- Program First Funded 1974
- Reviewed 1990
 - "A Study of the Utah Public School Finance System"
 - Found that "Utah's school finance system provides a high degree of equity."


MINIMUM SCHOOL PROGRAM -- (MSP)

Primary funding source for school districts and charter schools in Utah. The Fiscal Year (FY) 2020 total budget is \$4,773,657,200, including State & Local Revenue

Used to support over 1,000 traditional, alternative, special education and charter schools for about 667,000 Utah students.

Distributed according to formulas provided by State Law and State Board Rules.

Weighted Pupil Unit

- PRIMARY DISTRIBUTION UNIT WITHIN MSP
- 180 DAYS OF MEMBERSHIP  ONE WPU
(Membership Driven not Attendance Driven)

WPU VALUE



2019 -- \$ 3,395

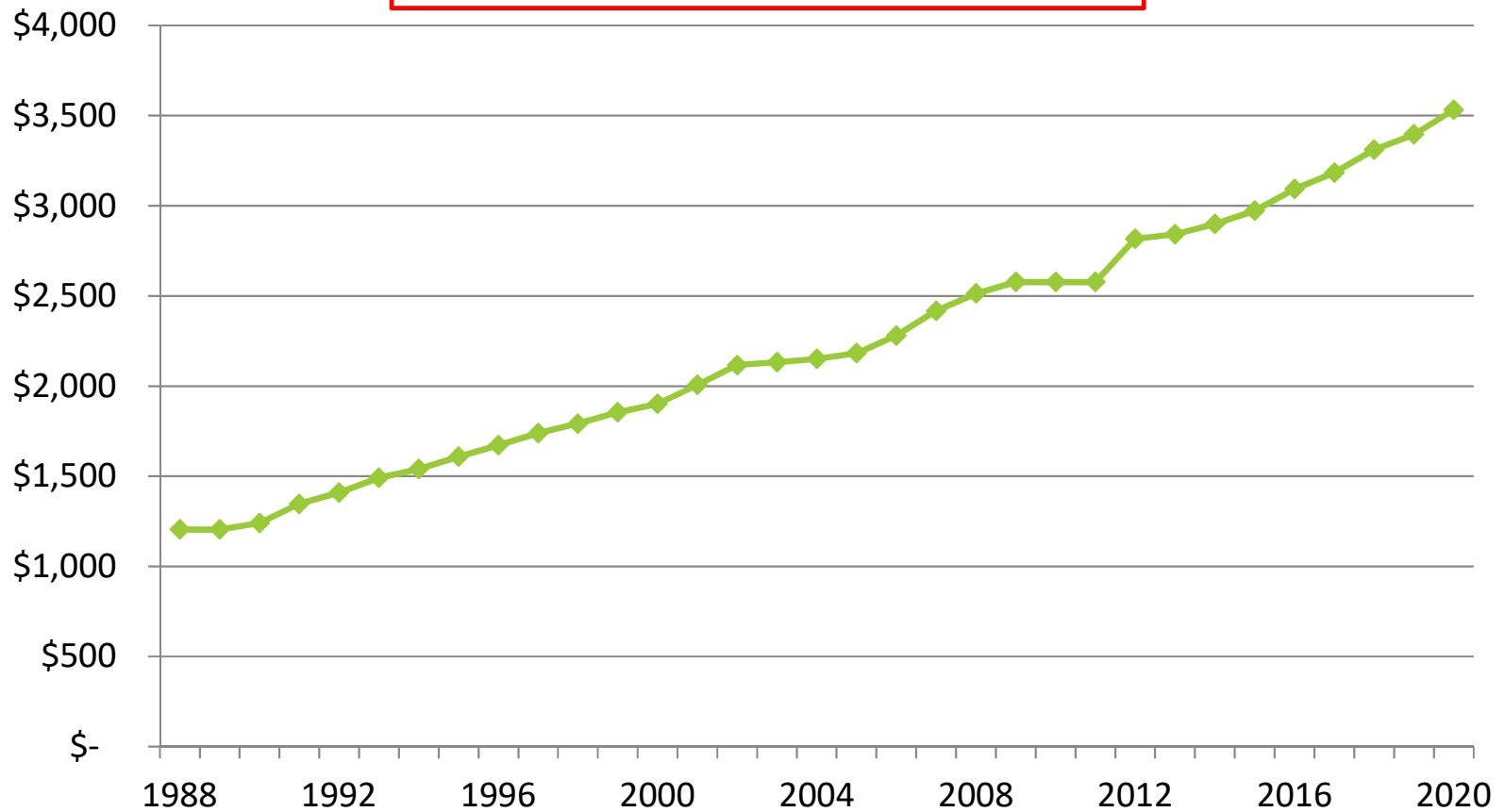
2020 -- \$ 3,532

4.00 %



1 % Increase in the WPU costs about \$34 Million

WPU Value History





Minimum School Programs

A. Basic School Programs

- Regular
- Restricted



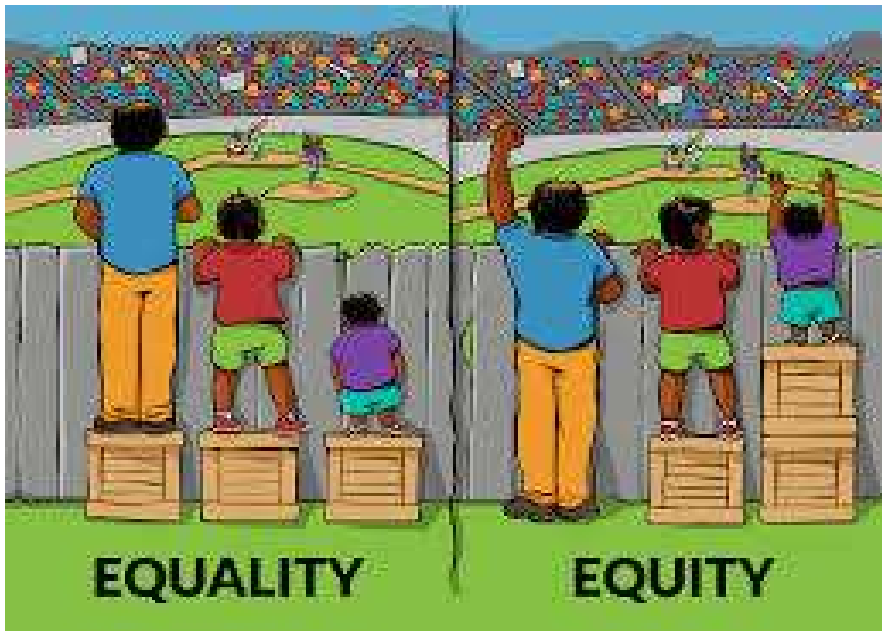
B. Related to Basic School Programs

C. Board and Voted Local Levy Programs

D. School Building Programs (Funded Separately from MSP)



Minimum School Programs



- **Equality** – Same Funding for All Students
- **Equity** – Funding Varies Depending on Student Need
- **Equalization**
 - Process of Distributing Funding to Provide Reasonably Equal Education Opportunity
 - Providing Equity Introduces Complexity into the System
 - State Education Fund Revenue Used to “Equalize” Local Property Tax Revenue

MSP ---- The Equalizer

(FY 20 Basic Rate → .001661)

DISTRICT	ALPINE	SALT LAKE	PARK CITY	TINTIC	IRON
BASIC SCHOOL PROGRAMS	\$ 360,907,239	\$ 103,232,318	\$ 20,827,633	\$ 2,796,515	\$ 44,441,910
Locally Generated	\$ 44,087,467	\$ 44,847,984	\$ 26,039,838	\$ 113,740	\$ 7,141,595
MSP STATE FUNDED	\$ 316,819,772	\$ 58,384,334	N/A	\$ 2,682,775	\$ 37,300,315
Percent State Funded	88%	57%	Zero	96%	84%



Average All Districts – 83%

Source: USOE -- FY20 Preliminary Estimates



The Infamous “**LINE**”



And Why Does It Matter?

Minimum School Programs

A. Basic School Programs (WPU Driven)

THE "LINE"

B. Related to Basic School Programs

C. Board and Voted Local Levy Programs

D. School Building Programs

(Funded Separately from MSP)



Minimum School Program --- Continued

Basic School Programs
(WPU DRIVEN FUNDING)



ABOVE

The "LINE"

BELOW



Related to Basic School Programs
(Non-WPU Formula Driven Funding)

Basic School Programs –Regular

(Above the Line)

1. Kindergarten (27,277 WPU, \$96.3 Million)
2. Grades 1-12 (599,952 WPU, \$2.119 Billion)
3. **N**ecessarily **E**xistent **S**mall **S**chools (9,730 WPU, \$34.4 Million)
4. Professional Staff Cost (55,919 WPU, \$197 Million)
5. Administrative Costs (1,490 WPU, \$5.3 Million)

Per MSP FY20 Preliminary Estimates



Minimum School Program --- Continued

Basic School Programs – Restricted

(Above the Line)

RESTRICTED

- **Special Education Programs** (113,366 WPU's, \$400 Million)
- **Career & Technology Education – Add On**
(28,761 WPU's, \$102 Million)
- **Class Size Reduction** (41,873 WPU's, \$148 Million)
 - Note: Based on the average teacher's salary --- about 1,900 teachers state-wide.



Related to Basic Programs (Below the Line)

1. To & From School Transportation → (\$98.4 Million)
2. Rural Transportation Grants → (\$1 Million)
3. Transportation -- Rural School Reimbursement → (\$500K)
4. Flexible Allocation Distribution → (\$7.8 Million)
5. Charter School Local Replacement → (\$195 Million)
6. Charter School Administrative Costs → (\$7.5 Million)

Related to Basic Programs (Continued)

Focus Populations

- Enhancement for At-Risk Students → (\$44.8 Million)
- Youth in Custody → (\$25 Million)
- Adult Education → (\$14 Million)
- Enhancement for Accelerated Students → (\$5.5 Million)
- Concurrent Enrollment → (\$11.5 Million)
- Early Literacy Program → (\$14.5 Million)
- Early Intervention → (\$7.5 Million)
- Misc. Other Programs → (\$569K)



Related to Basic Programs (Continued)

- *Educator Supports*

- 1. Educator Salary Adjustment → (\$178 Million)**
- 2. Teacher Salary Supplement → (\$19 Million)**
- 3. Teacher Supplies & Materials → (\$5.5 Million)**
- 4. Elementary School Counselor Program → (\$2.1 Million)**
- 5. Misc. Other Programs → (\$1 Million)**

Related to Basic Programs (Continued)

- *Statewide Initiatives*

1. School LAND Trust → (\$82.6 Million)

2. Teacher & Student Success Program → (\$99 Million)

3. Student Health & Counseling Support → (\$16 Million)

4. Digital Teaching & Learning → (\$20 Million)

5. Beverly Taylor Sorenson Arts Learning → (\$12 Million)

Related to Basic Programs (Continued)

◦ *Statewide Initiatives -- Continued*

6. Year Round Math & Science (USTAR Centers) → (\$6.2 Million)
7. Dual Immersion → (\$5 Million)
8. Matching Fund for School Nurses → (\$1 Million)
9. School Library Books & Electronic Resources → (\$850 K)

VOTED AND BOARD LOCAL LEVY PROGRAMS

*** Guarantee Rate (per 0.0001 Tax Rate per WPU) → \$44.98

1. Voted Local Levy Program → \$521 Million ***
2. Board Local Levy Program → \$251 Million ***
3. Board Local Levy – Reading Improvement Program → \$15 Million

*** (First .002000 tax rate guaranteed of combined Board & Voted Levies)

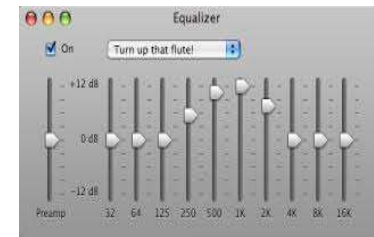
Voted & Board Levy Guarantee

DISTRICT	CACHE	Jordan	SOUTH SUMMIT	PROVO	SOUTH SANPETE
Voted and Board Levy Program	\$ 21,655,766	\$ 64,594,925	\$ 4,692,887	\$ 18,418,255	\$ 4,427,889
LOCAL TAX RATE (EFFORT)	.002748	.002000	.002925	.002865	.003179
Local Tax Rate Generated	\$ 9,866,777	\$ 50,298,391	\$ 1,884,757	\$ 12,845,245	\$ 1,358,252
MSP STATE FUNDED	\$ 11,788,989	\$ 14,296,534	N/A	\$ 5,573,010	\$ 3,069,637
Percent State Funded	54%	22%	N/A	30%	69%
Return On Tax Effort	1.19	.28	N/A	.43	2.26



26 Districts Participating

Source: USBE -- FY20 Preliminary Estimates



School Building Programs

Capital Outlay Programs

(Reference: Utah Code 53A-21-101,201,301)

1. Foundation → (\$27.6 Million)

Based on local property **tax effort and tax yield** per student based on a foundation guaranteed funding level. (16 Districts)

2. Enrollment Growth → (\$5.6 Million)

Provides funding to school **districts experiencing net enrollment increases**. (20 Districts)



QUESTIONS ???



“If we got one-tenth of what was promised to us in these acceptance speeches there wouldn't be any inducement to go to heaven”

--Will Rogers--



Pulling Together, Great Things Can Happen !!!

