

Fiscal Highlights

Voted & Board Local Levy: Additional \$20 Million Distributed to Certain School Districts - Ben Leishman

A new statute allows for the distribution of prior-year nonlapsing balances in the Voted & Board Local Levy programs to qualifying school districts. House Bill 49, 2013 General Session, directs the State Board of Education to "use a voted and board local levy balance in the prior fiscal year to increase the value of the state guarantee per weighted pupil unit in the current fiscal year."¹ The Utah State Office of Education estimates that the nonlapsing balance available in the programs at the close of FY 2013 will be a total of \$20.9 million; with \$11.0 million coming from the Voted Local Levy program and \$9.9 million coming from the Board Local Levy. House Bill 49 allows the State Board of Education to distribute this funding to qualifying school districts during FY 2014.

The FY 2013 appropriation for the Voted and Board Local Levy Programs totaled \$380.5 million, with \$94.6 million coming from state Income Tax revenues and \$285.9 million coming from local property tax revenues. Given the amount of nonlapsing balances remaining at the end of the fiscal year, the state fund appropriation was approximately \$20.9 million too high.

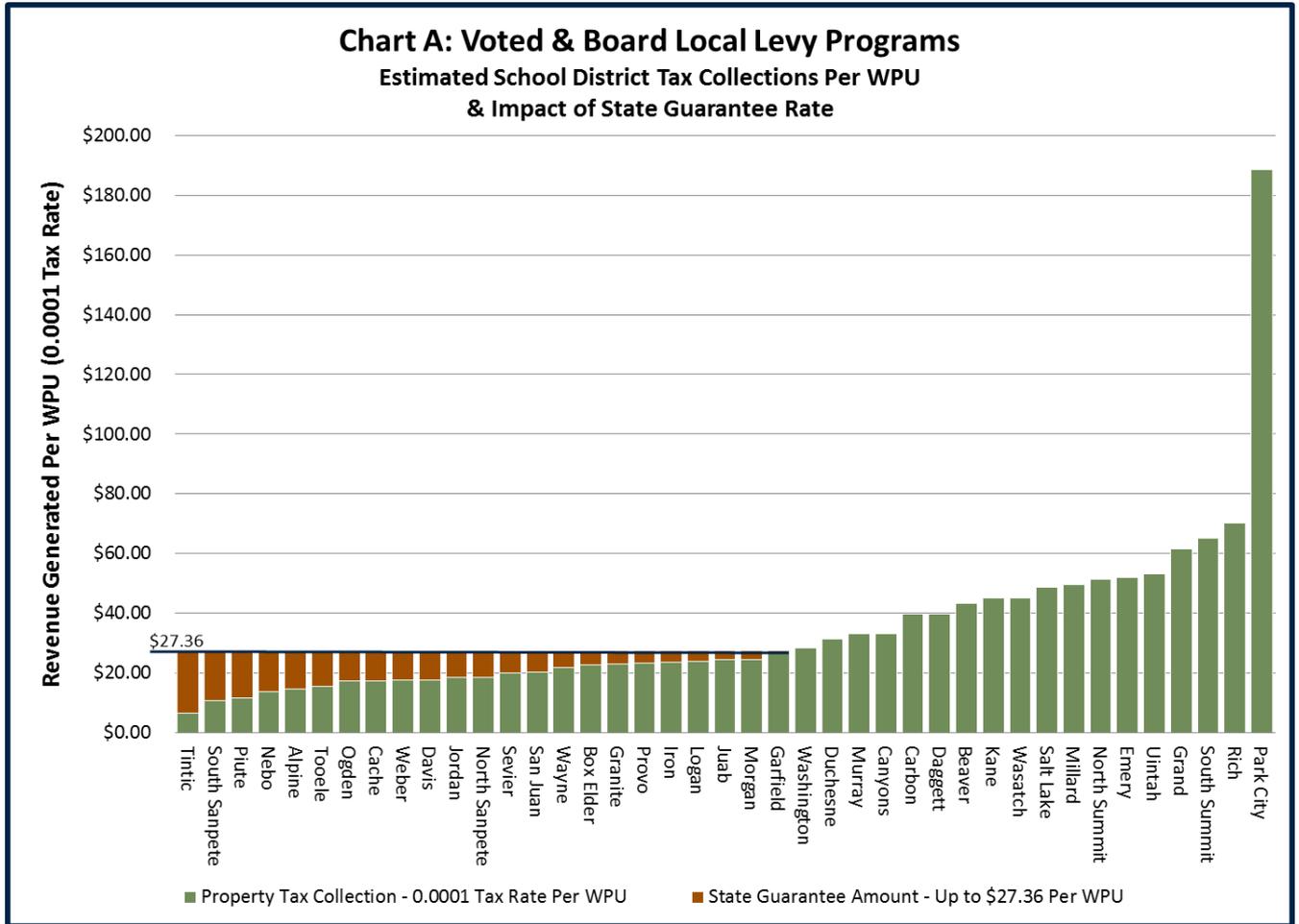
Statute defines a funding balance in the programs as the difference between "the amount appropriated for the voted and board local levy program in a fiscal year; and the amount necessary to provide the state guarantee per weighted pupil unit (WPU) . . . in the same fiscal year."² The appropriation made by the Legislature each year is based on a number of estimates. How well these estimates tie to actual experience through a fiscal year determines the amount of balance (positive or negative) in the program at the end of the fiscal year.

The Voted & Board Local Levy Programs are state-supported property tax guarantee programs. A school district opts into the programs by levying either the Voted Local Levy (approved by the voters), Board Local Levy (approved by the local board), or both. The state then guarantees that the district will receive a minimum amount of revenue per WPU based on statutory provisions ([53A-17a-133](#)). This "state guarantee" is set by the Legislature and determines the amount of state funding required to fund the programs. State funding supplements school districts with lower per-student property tax collections due to having relatively low property values when compared to other districts and not due to a lower taxing effort. Only school districts that don't meet the minimum revenue per WPU established by the Legislature receive an allocation of state funding.

During the 2013 General Session, the Legislature set the state guarantee rate at \$27.36 for both programs. This guarantee rate is applied to each 0.0001 property tax increment levied by a school district up to a maximum of 0.002 for both programs (0.0016 for the Voted and 0.0004 for the Board). In short, the state guarantees that a school district will generate at least \$27.36 per WPU for each tax increment of 0.0001 up to a maximum of 0.002. This is a total of 20 possible increments.

The state only provides the difference between the amount of property tax generated per WPU by a school district and the state guarantee rate. For example, if a school district generates \$22.50 per WPU in property taxes, the state will provide \$4.86 to bring the district up to the guarantee. As a result, the amount of state funding a school district receives per WPU will vary depending on the property tax revenue generated by the district.

State funding acts in a manner that provides greater equity in the ability of school districts to generate additional revenue through property taxes. For the same tax rate of 0.0001, Park City School District can generate \$188.57 per WPU where Tintic School District can only generate \$6.35 per WPU. The state guarantee brings all districts below the guarantee rate up to a minimum amount of funding. The following chart shows how the state guarantee rate equalizes the amount of revenue available per WPU. The state guarantee rate provides equitable funding for approximately 75% of all school district WPU's.



The state fund appropriation is based on two estimates: the total number of qualifying WPUs and the taxable value of property within the school districts. This last factor is used to determine the amount of property tax revenue the school district will generate with its given tax rate. During the fall, representatives of the Legislative Fiscal Analyst, Governor's Office of Management and Budget, and the Utah State Office of Education determine consensus estimates on both of these factors. How these consensus estimates compare to the actual experience in the school districts will determine the amount of nonlapsing balances available at the end of a fiscal year. The following bullets illustrate this effect:

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- **Weighted Pupil Units** - The state guarantee applies to each WPU in each qualifying school district. The WPU estimate tries to predict the total number of qualifying WPUs statewide in the coming fiscal year. A high estimate may result in an appropriation that is too high, and as a result, a nonlapsing balance. A low estimate may result in an appropriation that is too low. In this case, the State Board of Education has two options: transfer excess funds from other WPU funded programs or reduce the amount of the state guarantee.
 - **Property Tax Collections** - In order to qualify, a school district must generate less than the state guarantee rate per WPU. Estimating the taxable value of property in each school district provides the total number of districts that may qualify and the estimated amount of state funding per WPU. If school districts generate more revenue than estimated, the state appropriation may be too high, resulting in a nonlapsing balance. If the qualifying school districts generate less revenue than estimated, the cost to the state increases and the appropriation may be too low. The remedy for this situation is the same as described above.

Based on information from the Utah State Office of Education (USOE), the primary source of the \$20.9 million nonlapsing balance in FY 2013 is an under-estimation of local property tax collections. The estimates, and as a result the state appropriation, deal with 41 different school districts/ taxing entities, the value of property in each of these jurisdictions, and the enrollment specifics of 600,000 students. As a result, the actual outcome of these estimates and the corresponding state appropriation are often wrong. In September, we hope to provide more information to the Legislature on the error rate in these estimates and try to explain other factors that might be driving the level of nonlapsing balances remaining at the end of a fiscal year.

On June 12, 2013, the USOE notified school districts on the \$20.9 million nonlapsing balance and the estimated distribution of this funding. Implementing statute, the USOE estimates that the state guarantee rate will increase from \$27.36 to \$29.51 in FY 2014. Because the nonlapsing balance is one-time funding, the state guarantee rate will go back to the \$27.36 in FY 2015 unless the Legislature changes the rate in the 2014 General Session. The USOE also cautioned school districts to consider the increase in funding as "a one-time increase" and not to "count of these additional funds continuing in the future."³ The core of the FY 2014 allocation to school districts is still based on estimates created in fall 2012. As a result, individual school district amounts may change by the end of the fiscal year in June 2014.

The following chart details the estimated distribution of state guarantee funding to qualifying school districts. Column "B" shows the distribution of the FY 2014 appropriation for the \$27.36 guarantee rate. Column "C" shows the distribution of the FY 2014 appropriation plus the \$20.9 million nonlapsing balance. Finally, Column "D" shows only the increased amount due to the nonlapsing balance.

Chart B: Voted & Board Local Levy Programs
 Distribution of FY 2014 State Fund Appropriation
 & FY 2013 Nonlapsing Balances

A	B	C	D
District	Distribution of State Funding		Difference
	FY 2014 Original Appropriation	FY 2014 Estimate with Nonlapsing	
Guarantee Rate	\$27.36	\$29.51	
Alpine	\$25,167,231	\$29,099,182	\$3,931,951
Beaver	70,130	0	(70,130)
Box Elder	857,979	1,176,461	318,482
Cache	4,304,272	5,204,868	900,596
Carbon	0	0	0
Daggett	0	0	0
Davis	16,852,431	20,592,437	3,740,006
Duchesne	0	0	0
Emery	0	0	0
Garfield	11,951	32,284	20,333
Grand	0	0	0
Granite	10,030,617	13,694,749	3,664,132
Iron	513,775	813,861	300,086
Jordan	12,454,905	15,323,265	2,868,360
Juab	69,642	123,268	53,626
Kane	0	0	0
Millard	0	0	0
Morgan	35,894	65,088	29,194
Nebo	9,528,580	11,017,037	1,488,457
North Sanpete	654,550	799,478	144,928
North Summit	0	0	0
Park City	0	0	0
Piute	104,285	118,060	13,775
Rich	0	0	0
San Juan	790,683	1,022,239	231,556
Sevier	531,368	680,781	149,413
South Sanpete	1,538,971	1,741,631	202,660
South Summit	0	0	0
Tintic	339,836	374,296	34,460
Tooele	2,281,335	2,692,816	411,481
Uintah	0	0	0
Wasatch	0	0	0
Washington	0	746,756	746,756
Wayne	27,158	37,873	10,715
Weber	7,085,678	8,431,271	1,345,593
Salt Lake	0	0	0
Ogden	2,845,508	3,429,288	583,780
Provo	1,929,912	2,662,532	732,620
Logan	332,630	537,358	204,728
Murray	0	0	0
Canyons	0	0	0
Total	\$98,359,321	\$120,416,879	\$22,057,558

Source: Utah State Office of Education, July 2013.

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