

Issue Brief – Charter School Local Replacement Funding

NUMBER PEDIB-05-08

SUMMARY

The Charter School Local Replacement Funding program was established within the Minimum School Program to provide revenue to charter schools to assist with facility needs. Charter schools do not have bonding authority or the ability to tax their patrons to cover facility costs. Because of this, the Legislature created a statutory formula that provides an equalized per pupil amount for each charter school student to replace some of this locally generated revenue.

OBJECTIVE

This brief provides FY 2006 budget information on the Charter School Local Replacement Funding program within the Minimum School Program.

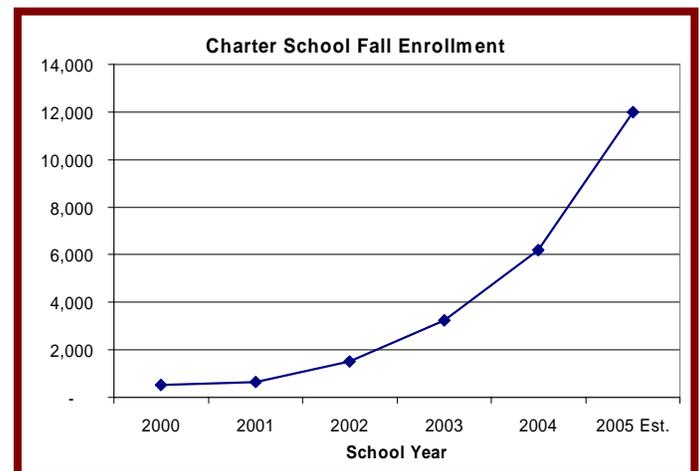
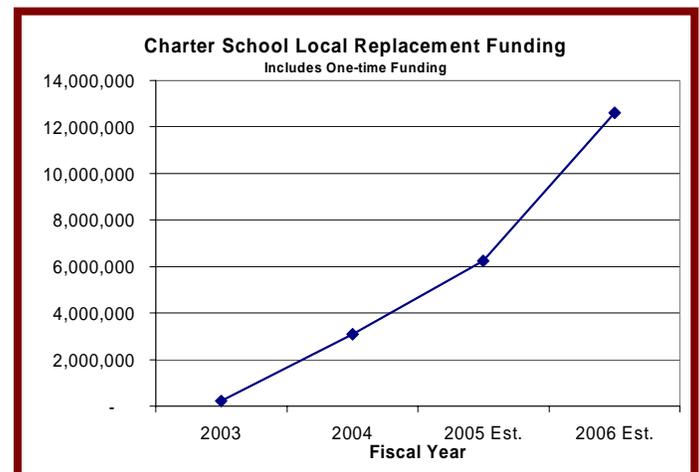
DISCUSSION AND ANALYSIS

The Local Replacement Funding program originated with local school districts and the state sharing in the cost of the program. The state provided an appropriation equal to half the per pupil revenue generated in the school districts through property tax collections. School districts in turn transferred the other half to a charter school when a student enrolled. This program resulted in funding inequities among the charter schools, because only half of the revenue was equalized by the state.

During the 2003 General Session, the Legislature provided a change in statute that enabled a school district to retain all locally generated property tax revenue. The state now provides an equalized average amount directly to the charter school to replace this revenue.

Statutory Formula

Statute provides a formula that calculates a statewide average for local property tax generated per student in the school districts. Utah code section 53A-1a-513(4) details the formula: “The amount of money provided for each charter school student shall be determined by: (i) calculating the sum of: (A) school districts' operations and maintenance revenues derived from local property taxes, except revenues from imposing a minimum basic tax rate pursuant to Section 53A-17a-135; (B) school districts' capital projects revenues derived from local property taxes; and (C) school districts' expenditures for interest on debt.” The table on page 3 provides the detail for this calculation.



Charter School Enrollment

The primary difficulty in determining the amount of revenue needed in the MSP – Local Replacement Funding program is estimating the number of students that will enroll in charter schools in the fall. Estimating the enrollment of state chartered schools is fairly accurate. However, local school boards may authorize an unlimited number of schools which makes estimating enrollments difficult. Each year actual charter school fall enrollment has exceeded estimates made during the General Session to establish the funding level for the program.

Charter schools currently enroll approximately 6,200 students. Estimates made by USOE during the budget request process indicated that approximately 10,000 students may enroll in charter schools in fall 2005. Charter schools currently in operation or that have received approval to open in fall 2005, have an approved enrollment limit of 12,300 students. With the potential of charter schools receiving approval from local school boards and an inability to estimate these enrollments, a fall 2005 charter school enrollment of 13,000 is not entirely out of the question.

Speculation exists as to whether the 11 charter schools slated to open in fall 2005 will be able to open at their student capacity level in the fall. The capacity of these schools may reach 5,200 under current charter provisions. When combined with the current fall enrollment for charter schools, enrollment could be 11,400.

The Analyst recommends that the Legislature provide funding for approximately 12,000 new charter school students. This estimate provides enough revenue for students currently enrolled in a charter schools, the anticipated enrollment of the 11 State Board Chartered schools, and growth.

Formula Funding

In FY 2005, the statutory formula provided for \$1,006 per student enrolled in a charter school. Per student funding amount increases \$45 in FY 2006 to \$1,051. The table on page 3 provides formula detail on the per student funding level for FY 2006. The Minimum School Program – Local Replacement Funding program has a \$4,602,450 ongoing appropriation.

The Analyst recommends that the Legislature appropriate \$1,051 for each charter school student enrolled in fall 2005. The total appropriation required to fund the estimated 12,000 charter school students is \$12,612,000.

Original estimates by the State Office of Education indicate that FY 2006 per student funding amount would be \$1,026. When multiplied by the USOE projected enrollment, a total of \$10,260,000 would be required to fund the program. The Governor and USOE recommend providing an additional \$5,257,550 in new Uniform School Fund revenue.

Minimum School Program statutes provide the ability for USOE to use MSP carry-forward balances to provide the full statutory formula amount to charter schools when actual enrollments exceed projections. This provision enables the Legislature to fund the best estimates for charter school enrollment, and ensure that the schools receive the total per student formula amount.

Debt Service Expenditures vs. Debt Service Revenue

The formula provided in statute excludes the portion of local property tax revenue collected by the school districts for debt service. Caution was used during the 2003 General Session not to double count bond revenue and the revenue generated by districts to repay the bonds. Because of this, the formula was created using local revenue for capital projects and district expenditures on debt service.

School Districts report bond revenue in the “other” revenue category; it is not accounted for in local property tax revenue for debt service. Because of this, the total property tax revenue generated by school districts for debt service could be included in the formula without double counting. Estimates indicate that including property tax revenue generated for debt service, instead of the expenditures made on debt, would increase the per student amount by approximately \$267.

LEGISLATIVE ACTION

The Analyst recommends that the Legislature consider the following in establishing the FY 2006 budget for the Charter School Local Replacement Funding:

1. Provide a total of \$8,009,500 in Uniform School Fund revenues to provide \$1,051 for each student enrolled in a charter school. An increase or decrease in the per student funding level may require statutory change.
2. The Legislature may consider amending charter school statutory provisions to make estimating charter school enrollments more solid. The statute could be amended to include that a charter school seeking to open in a given school year, receive approval of that charter and estimated 1st year enrollment by the appropriate chartering entity (either the State Charter School Board or Local School Board), by November 31 of the year prior to opening.

BUDGET DETAIL TABLE

School District	Local Revenue General Fund	MSP Basic Rate	General Fund Formula Total	Capital Projects Local Revenue Formula Total	Debt Interest Expenditures Formula Total	Total Formula Amount	2003-2004 ADM	LRF - Funding Per Student
Alpine	34,548,048	(16,458,632)	18,089,416	8,699,415	12,397,230	39,186,061	50,436	777
Beaver	1,849,086	(867,291)	981,795	258,260	519,563	1,759,618	1,461	1,204
Box Elder	6,887,643	(4,335,713)	2,551,930	2,656,554	525,649	5,734,133	10,455	548
Cache	8,529,669	(3,943,638)	4,586,031	541,190	2,454,867	7,582,088	13,217	574
Carbon	5,301,055	(2,828,073)	2,472,982	3,482,581	770,008	6,725,571	3,542	1,899
Daggett	382,673	(346,589)	36,084	230,173	47,600	313,857	130	2,419
Davis	45,225,323	(18,303,166)	26,922,157	9,801,214	7,898,464	44,621,835	59,191	754
Duchesne	2,273,122	(1,270,261)	1,002,861	2,565,796	55,499	3,624,156	3,842	943
Emery	4,446,636	(2,498,373)	1,948,263	2,949,907	56,150	4,954,320	2,396	2,068
Garfield	873,105	(644,477)	228,628	1,032,606	392,426	1,653,660	938	1,763
Grand	1,655,512	(1,207,707)	447,805	1,302,916	350,273	2,100,994	1,451	1,448
Granite	64,650,081	(29,670,778)	34,979,303	42,925,427	0	77,904,730	67,704	1,151
Iron	6,490,688	(3,577,653)	2,913,035	1,988,055	2,313,101	7,214,191	7,401	975
Jordan	60,027,374	(32,837,749)	27,189,625	55,525,732	8,465,287	91,180,644	74,409	1,225
Juab	1,160,350	(849,811)	310,539	1,030,652	440,812	1,782,003	1,920	928
Kane	1,779,355	(1,268,782)	510,573	847,245	250,293	1,608,111	1,192	1,349
Logan	4,642,431	(2,731,184)	1,911,247	3,302,930	1,040,688	6,254,865	5,817	1,075
Millard	6,685,557	(3,732,795)	2,952,762	3,475,640	223,796	6,652,198	3,025	2,199
Morgan	1,376,754	(1,084,730)	292,024	1,408,025	140,193	1,840,242	1,955	941
Murray	9,018,749	(4,385,764)	4,632,985	4,018,017	1,293,853	9,944,855	6,433	1,546
Nebo	11,878,053	(7,192,070)	4,685,983	6,441,653	4,661,463	15,789,099	23,914	660
North Sanpete	1,902,620	(840,685)	1,061,935	565,823	183,283	1,811,041	2,337	775
North Summit	1,270,003	(937,723)	332,280	1,152,761	49,737	1,534,778	973	1,577
Ogden	9,799,213	(4,889,807)	4,909,406	8,329,194	77,000	13,315,600	12,662	1,052
Park City	20,876,239	(10,657,233)	10,219,006	6,080,286	1,727,773	18,027,065	4,051	4,450
Piute	171,268	(113,691)	57,577	116,464	19,430	193,471	308	629
Provo	12,410,623	(7,160,703)	5,249,920	7,315,096	1,548,614	14,113,630	13,102	1,077
Rich	899,544	(594,717)	304,827	489,429	85,860	880,116	448	1,962
Salt Lake	51,586,978	(24,440,448)	27,146,530	16,286,639	5,079,212	48,512,381	23,650	2,051
San Jaun	1,242,138	(880,997)	361,141	2,125,142	240,553	2,726,836	2,973	917
Sevier	2,618,372	(1,449,358)	1,169,014	1,224,153	886,690	3,279,857	4,292	764
South Sanpete	1,685,732	(728,608)	957,124	545,526	231,205	1,733,855	2,743	632
South Summit	(3,760,844)	(1,948,366)	(5,709,210)	2,488,035	149,060	(3,072,115)	1,301	(2,362)
Tintid	117,267	(50,187)	67,080	20,722	29,973	117,775	244	482
Tooele	4,977,500	(3,386,278)	1,591,222	4,093,008	2,670,372	8,354,602	10,472	798
Uintah	4,278,570	(3,168,736)	1,109,834	6,534,383	0	7,644,217	5,536	1,381
Wasatch	6,469,201	(3,396,486)	3,072,715	2,759,762	799,961	6,632,438	3,979	1,667
Washington	18,956,575	(11,418,302)	7,538,273	5,151,141	5,560,344	18,249,758	20,194	904
Wayne	403,605	(322,746)	80,859	459,296	0	540,155	515	1,049
Weber	18,164,621	(10,026,718)	8,137,903	8,189,364	3,735,207	20,062,474	28,065	715
Totals	433,750,489	(226,447,025)	207,303,464	228,410,212	67,371,489	503,085,165	478,675	1,051