



MINIMUM SCHOOL PROGRAM VOTED & BOARD LOCAL LEVY PROGRAMS

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
STAFF: BEN LEISHMAN & THOMAS YOUNG

BUDGET BRIEF

SUMMARY

The Voted Local Levy and Board Local Levy are state-supported property tax guarantee programs. School districts levy a property tax and the state guarantees the district will receive a certain amount of revenue per WPU. 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 by the school district. Only school districts that don't meet the minimum revenue level per WPU established by the Legislature receive a state funding allocation.

Charter schools do not participate in the programs in the same manner as school districts. The Charter School Local Replacement Program (CSLRP) formula includes local property tax revenues collected from the Voted Local Levy and Board Local Levy as factors in determining the per-student local replacement amount. As a result, the CSLRP provides funding to charter schools in lieu of direct participation in the local levy programs.

There are three state guarantee local levy programs: the Voted Local Levy, the Board Local Levy and the Board Local Levy – K-3 Reading Improvement. Charter schools receive an allocation of state funding through the K-3 Reading Improvement program.

ISSUES & RECOMMENDATIONS

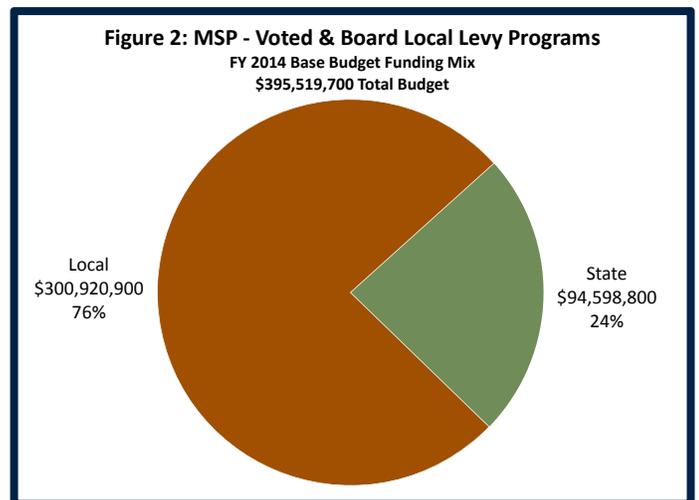
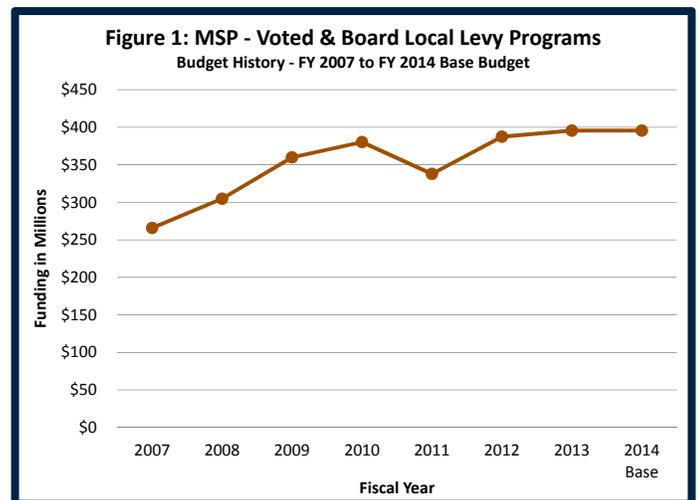
The following provide summaries of major issues and recommendations included in this brief. In cases where more detail is required, supporting Issue Briefs will be mentioned.

Base Budget

Senate Bill 1, "Public Education Base Budget" includes the ongoing funding levels appropriated in FY 2013. The base budget includes \$94,598,800 ongoing from the Education Fund for FY 2014. Local property tax revenues are also included in the base budget and estimated at \$300,920,900 for FY 2014.

Recommendation

- The Analyst recommends the ongoing base budget of \$94,598,800 from the Education Fund continue in FY 2014. This amount is included in the base budget bill. This amount does not include adjustments for projected student enrollment growth in FY 2014.



Student Enrollment Growth

The base budget does not include adjustments to program funding levels associated with student enrollment growth. Changes in the total number of WPUs in the Basic School Program may impact the total state funding required for the local levy programs. The state guarantee rate in FY 2013 is \$27.36 per WPU.

In FY 2014, estimates show that the number of WPUs may increase 19,998. An increase of \$4,870,000 from the Education Fund is required to maintain the FY 2013 state guarantee rate of \$27.36 in FY 2014 for these additional WPUs. Please see the Issue Brief titled “Minimum School Program – Annual Adjustment Variables” for additional information.

Recommendation

- The Analyst recommends that the subcommittee prioritize \$4,870,000 ongoing from the Education Fund for enrollment growth costs in the Voted & Board Local Levy Programs and maintain the state guarantee rate of \$27.36 per WPU in FY 2014.¹

State Guarantee

Statute (53A-17a-133) provides for an annual increase to the state guarantee rate each year. The increase is based on the prior-year WPU Value. Implementing this statutory increase in FY 2014 raises the guarantee rate from \$27.36 to \$29.97, at an estimated cost of \$27.3 million.

Please refer to the Issue Brief titled “Voted & Board Local Levy Programs – State Guarantee Rate” for more detail.

Recommendations

- The Analyst recommends that the Legislature delay the statutory rate change for one-year and revisit an increase to the state guarantee rate during the 2014 General Session. This will require a change in the governing statutes for the program.
- The Analyst recommends that the Legislature adjust the statutory index used to determine the state guarantee rate amount beginning on July 1, 2013 as outlined in the “State Guarantee Rate” Issue Brief.

Local Revenues

The base budget also does not include changes in local property tax revenues estimated for FY 2014. Estimates indicate that local property tax revenues collected from the Voted Local Levy will decrease by \$1,266,900 and will increase by \$7,159,900 for the Board Local Levy. The net increase in local revenue for the total program is \$5,893,000 in FY 2014.

Due to recent changes in the statutory provisions authorizing local property tax levies, questions have surfaced on how local property tax revenues for the leeway programs are reflected in the state budget. The Issue Brief titled “Voted & Board Local Levy Programs – Local Property Tax Revenues” details these questions.

Recommendations

- The Analyst recommends that the Legislature approve the changes in local revenue estimates for FY 2014 as detailed above.

¹ Statute, 53A-17a-105, requires the State Board of Education to reduce the state guarantee rate provided for each WPU if local revenues are overestimated or if the number of qualifying WPUs are underestimated. Not adjusting the total appropriation for additional WPUs will force a reduction in the state guarantee rate.

- The Analyst recommends that the Legislature only include the local revenues guaranteed by the state for the Voted Local Levy and the Board Local Levy in the state budget.

BUDGET SUMMARY

The FY 2014 base budget for the Voted & Board Local Levy Programs totals \$395,519,700. Most of the revenue, \$300.9 million comes from local property tax revenues. The remaining, \$94.6 million comes from the state Education Fund. In the base budget, the Voted Local Levy Program is appropriated total funding of \$298.2 million and the Board Local Levy Program is appropriated \$82.3 million. Finally, the Board Local Levy – K-3 Reading Improvement Program is appropriated a total of \$30 million, split evenly between state and local revenues.

Figure 1, on page one, shows the budget history for the Voted & Board Local Levy Programs since FY 2007. The decrease in FY 2011 is the result of reduced local property tax collections in the programs.

Figure 2 shows the revenue sources supporting the Voted & Board Local Levy Programs. The majority of funding, 76 percent comes from local property tax revenue collected in the school districts. The remaining 24 percent comes from the Education Fund. The state does not collect or distribute the local property tax revenue, but these revenues are included in the program formulas.

BUDGET DETAIL TABLE

The following budget detail table shows the FY 2013 appropriated budget, the FY 2014 base budget, and the FY 2014 base budget adjusted for student enrollment growth. This table is an excerpt from the Minimum School Program & School Building Program budget detail table.

Minimum School Program & School Building Program: Budget Detail Table						
2013 General Session						
FY 2013 Appropriation / FY 2014 Base Budget / FY 2014 with Enrollment Growth Adjustments						
A	B	C	D	E	F	G
	Fiscal Year 2013 Appropriation		Fiscal Year 2014 Base Budget		Fiscal Year 2014 Enrollment Growth Adjustments	
Part C: Voted & Board Local Levy Programs						
Revenue Sources	Changes	Amount	Changes	Amount	Changes	Amount
A. State Revenue						
1. Education Fund		\$94,598,800		\$94,598,800	\$4,870,000	\$99,468,800
B. Local Property Tax Revenue						
1. Voted Local Levy		223,502,700		223,502,700	(1,266,900)	222,235,800
2. Board Local Levy		62,418,200		62,418,200	7,159,900	69,578,100
3. Board Local Levy - Reading Improvement Program		15,000,000		15,000,000		15,000,000
C. Beginning Nonlapsing Balances		0	19,513,900	19,513,900		19,513,900
D. Closing Nonlapsing Balances		0	(19,513,900)	(19,513,900)		(19,513,900)
Total Revenue:		\$395,519,700	\$0	\$395,519,700	\$10,763,000	\$406,282,700
Expenditures by Program	Changes	Amount	Changes	Amount	Changes	Amount
<i>Guarantee Rate (per 0.0001 Tax Rate per WPU):</i>		<i>\$27.36</i>		<i>\$27.36</i>		<i>\$27.36</i>
A. Voted and Board Local Levy Programs						
1. Voted Local Levy Program		\$298,200,100		\$298,200,100	\$2,288,500	\$300,488,600
2. Board Local Levy Program		82,319,600		82,319,600	8,474,500	90,794,100
3. Board Local Levy - Reading Improvement Program		15,000,000		15,000,000		15,000,000
Total Expenditures:		\$395,519,700	\$0	\$395,519,700	\$10,763,000	\$406,282,700