

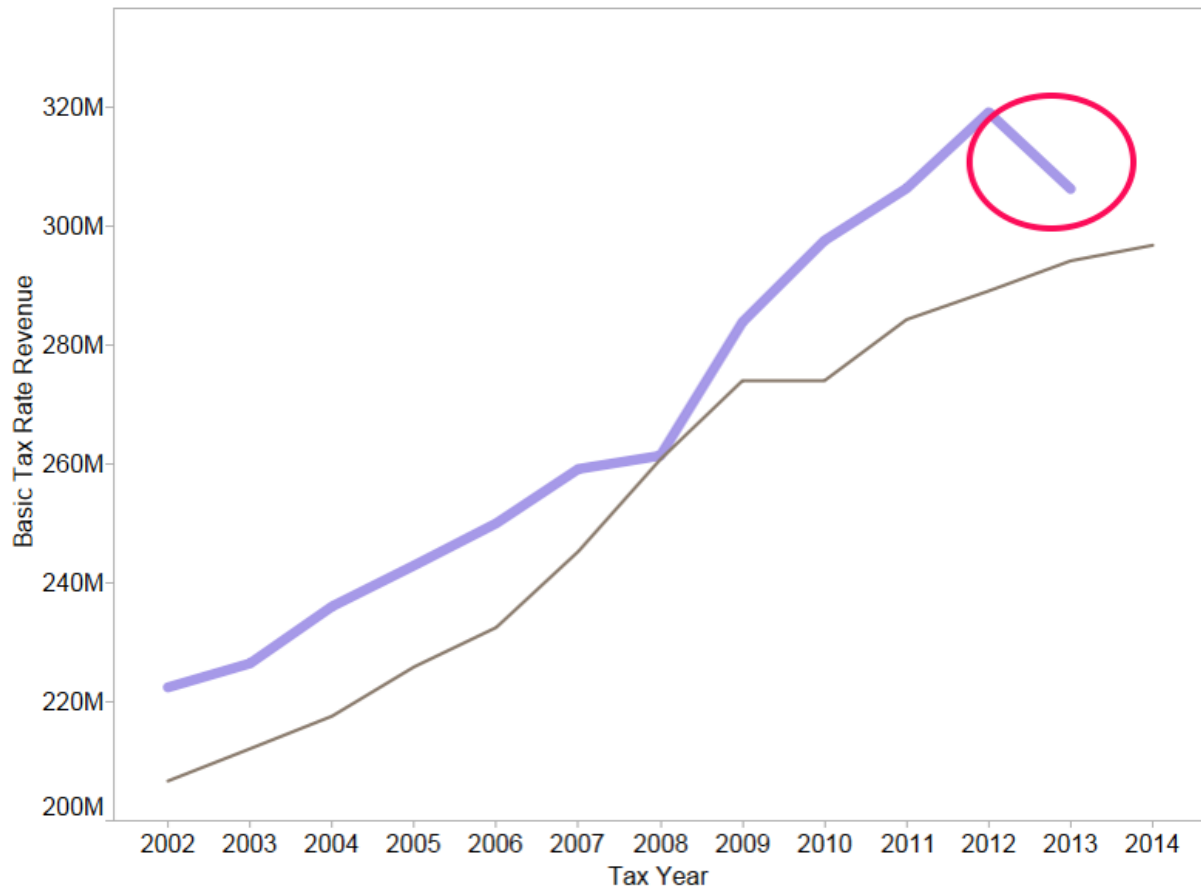
Fiscal Highlights

Getting Closer on PED Property Tax Estimates - Thomas E. Young

Every year leading up to the General Session staff presents you with public education estimates that are based upon projected property values and student enrollment. You then include those estimates in appropriations bills. Two of these are the Basic Rate estimate and the Voted & Board leeways estimates.

The Basic Rate and the revenue associated therewith showed up in H.B. 1 this year, with an estimated rate of 0.001477 and a revenue target of \$296.7 million. Each year, after Session ends, the Tax Commission and State Office of Education (USOE) set a certified tax rate that often differs from our estimate. In the past 12 years, the basic rate has always been set too high, collecting more property tax revenue than was budgeted. Last year, we convinced Tax and USOE to change their process for certifying the tax rate so that it was more accurate. As a result, as shown in the figure below, collections are closer to our estimate for FY 2014.

Actual and Estimated Revenue from Basic Property Tax Rate

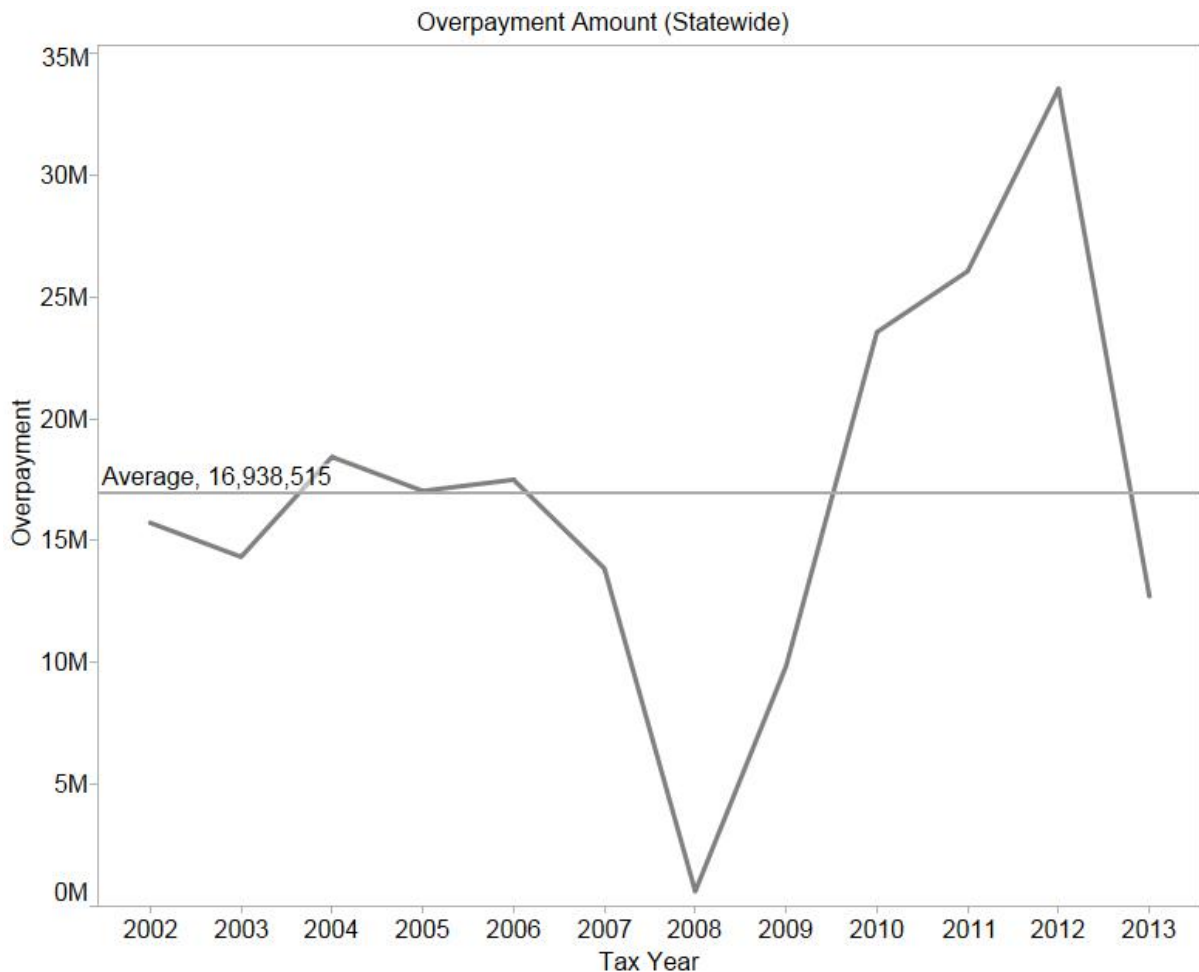


Sources: LFA, Tax Commission, USOE

Measure Names

- Statutory Revenue Target
- Actual Collections from Basic Rate

As shown in the figure below, the average over-collection amount since 2002 has been about \$17 million per year. In FY 2013, collections exceeded our estimate by more than \$30 million. For FY 2014, as a result of more accurate methodologies, collections exceeded our estimate by only \$12 million. Thus, the Basic School Program will still have a closing nonlapsing balance this year, but it will not be as big as it has been in the past.

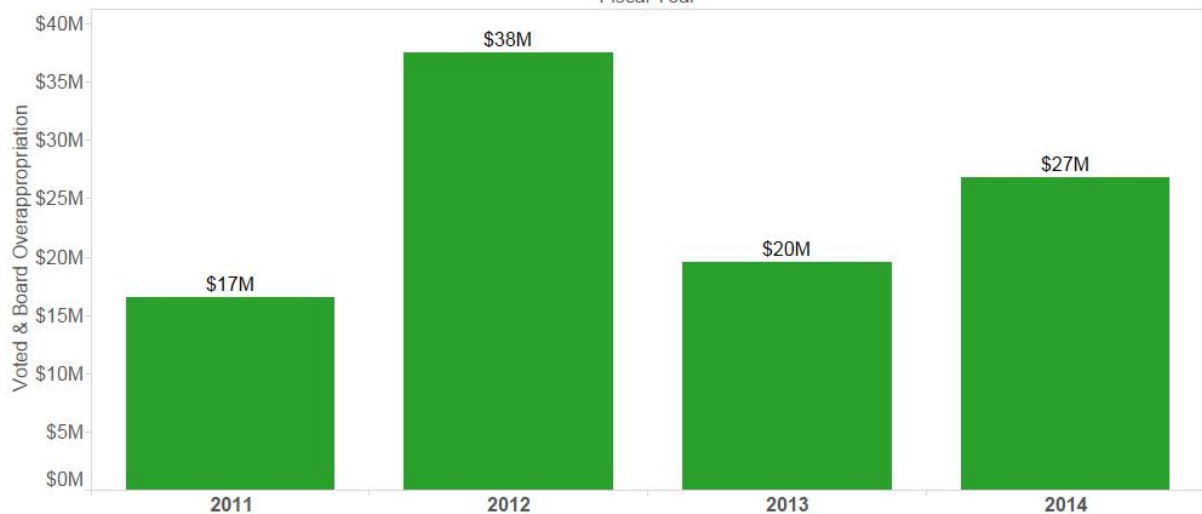


Sources: LFA, Tax Commission, USOE

Switching to Voted & Board leeways, the state guarantees that participating districts will collect a certain amount per WPU from these local property taxes. If a district's property values are insufficient to collect a capped amount per WPU, the state fills-in the difference with income tax appropriations.

As with the Basic Rate, staff provides you with estimates of property values and enrollment for the purpose of estimating property tax collections and, therefore, income tax appropriations. The estimated property values have been low, resulting in over-appropriation of income taxes ranging from \$17 million to \$38 million over the past four years (see below).

Voted & Board Leeway State Guarantee Portion - Estimates and Actual, Overappropriation
Fiscal Year



Source: LFA, USOE

During the 2014 General Session, we improved the method by which we estimate property values and thereby reduced FY 2015 income tax appropriations by \$23 million. The Legislature also retroactively corrected that same \$23 million over-appropriation for FY 2014. Thus, while property taxes will yield \$27 million more than we originally estimated for FY 2014, only \$4 million will remain as a non-lapsing balance in the Voted and Board Leeway State Guarantee at the end of FY 2014.

H.B. 49 of the 2013 General Session (Handy) directed that any non-lapsing balance remaining in the guarantee program shall go directly to school districts as a windfall. The following is a look at where the 2013 balance went and where early estimates indicate the 2014 balance will go.

Overappropriation Allocation

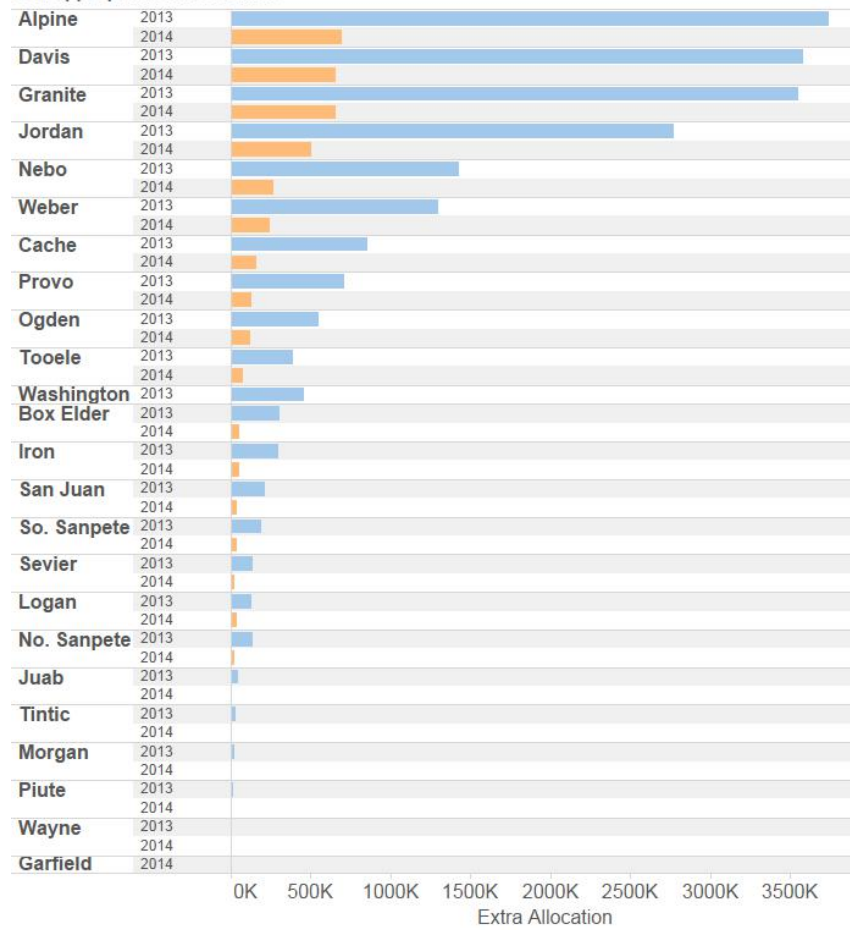


Table of Overappropriation Allocation

	Grand Total
Alpine	\$4.444M
Davis	\$4.244M
Granite	\$4.209M
Jordan	\$3.277M
Nebo	\$1.700M
Weber	\$1.540M
Cache	\$1.015M
Provo	\$0.845M
Ogden	\$0.673M
Tooele	\$0.464M
Washington	\$0.456M
Box Elder	\$0.361M
Iron	\$0.349M
San Juan	\$0.256M
So. Sanpete	\$0.230M
Sevier	\$0.167M
Logan	\$0.166M
No. Sanpete	\$0.162M
Juab	\$0.059M
Tintic	\$0.039M
Morgan	\$0.025M
Piute	\$0.016M
Wayne	\$0.012M
Garfield	\$0.001M

Year
■ 2013
■ 2014

In summary, our estimates for property values and tax collections are getting more accurate, thus unspent balances in the Basic School Program, and windfall allocations under the Voted and Board Leeway State Guarantee, will both be lower at the end of FY 2014.