

## Fiscal Highlights

### School Funding Equalization - Ben Leishman

Utah is continually ranked as one of the most equalized states in the nation when it comes to funding education. It is also one of only a few states that has not experienced an equity lawsuit. One of the primary reasons for these equity outcomes is the unique way state Education Fund revenues are allocated to equalize local property tax revenues generated by local school districts. Over the next several months, articles in this newsletter will explain various components of the State's equalization system.

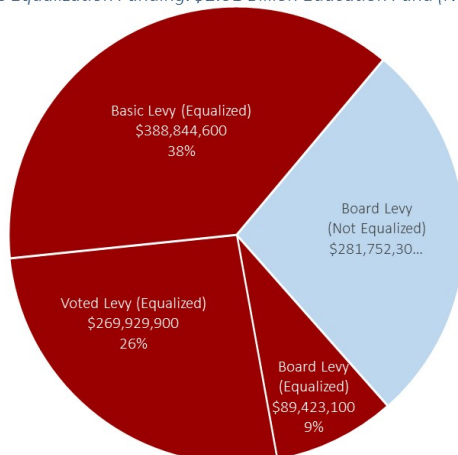
As an introduction, this article focuses on the types of local property tax levies and the extent to which equalization occurs within these levies. Subsequent articles will discuss the mechanics of how equalization works for each of the property tax levies. The extent to which equalization occurs depends on the type of property tax revenue generated. State funds are used to equalize local property tax collections in two different categories. First, and the most extensive as far as equalization, are property tax revenues used to support the operation of public schools. Property tax levies that support school operations include the Basic School Levy, the Voted Local Levy, and the Board Local Levy. Second, and less robust when it comes to equalization, are property tax revenues used for capital outlay (construction and renovation and debt service). Property tax levies that support capital include the Capital Local Levy and the Debt Service Levy.

The following pie charts show the estimated amount of local property tax revenue generated by each tax levy in FY 2016. The charts are divided between tax levies for Operations and Capital.

#### Property Tax Levies for Operations

In FY 2016, school districts generated approximately \$1.03 billion in local property tax revenue to support the operation of public schools. Approximately 73 percent of this property tax revenue is equalized with state Education Fund allocations to school districts based on their participation in state programs, namely, the Basic School Program and the Voted & Board State Guarantee Programs. Equalization of the Board Local Levy is not as comprehensive as the Basic Levy and the Voted Local Levy. Approximately 27 percent of Board Local Levy revenue is not equalized and does not qualify for state guarantee funding based on statute. The State uses approximately \$2.31 billion in Education Fund appropriations to equalize operations revenues.

Equalization of Property Tax Levies for Operations  
Basic, Voted, & Board Levies | Equalized at State Guarantee Rate  
Estimated FY 2016 Property Tax Revenue: \$1.03 Billion  
State Equalization Funding: \$2.31 Billion Education Fund (Not Included)

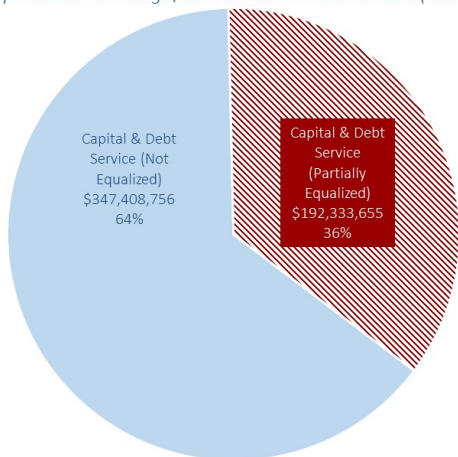


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## Property Tax Levies for Capital

School districts generated an additional \$539.7 million in FY 2016 to support capital outlay and debt service. The equalization of property tax revenues for capital is much less robust than for operations, with approximately 36 percent partially equalized. The remaining 64 percent is not equalized. The state uses approximately \$33.2 million in Education Fund appropriations to provide partial equalization of capital property tax revenues through the School Building Program.

Equalization of Property Tax Levies for Capital Outlay  
Capital & Debt Service Levies | Equalized at Foundation Rate  
Estimated FY 2016 Property Tax Revenue: \$539.7 Million  
State Equalization Funding: \$33.2 Million Education Fund (Not Included)



Subsequent newsletter articles will explain how equalization works by highlighting each state equalization program, beginning with the Basic School Program.