

Issue Brief – Basic Levy: Local Contribution to the MSP

MINIMUM SCHOOL PROGRAM

NUMBER: MSP 3

SUMMARY

Although the establishment of the public education system is largely a state function, local school districts “should be required to participate on a partnership basis in the payment of a reasonable portion of the cost of a minimum program.”¹ Each year, the State of Utah requires school districts to “impose a minimum basic tax rate per dollar of taxable value” as the district’s “contribution toward its costs of the basic program.”² This property tax is commonly referred to as the “Basic Levy”. The actual tax rate imposed school districts is referred to as the “Basic Rate” or “Minimum Basic Tax Rate”.

DISCUSSION AND ANALYSIS

The state requires by law a certain dollar amount be generated statewide by the basic rate, and estimates in law the value of the rate itself. The Utah State Tax Commission certifies by June 20 of each year a final Basic Rate based on central and local assessments.

Basic Rate

The table “Public Education: Basic Tax Rates and Yield” provides a history of the Basic Rate from 1990 to 2008 legislative estimates. Included in this table are the annual Basic Rate and the amount of revenue generated statewide over the same time frame.

Since 1990, the Basic Rate has decreased from 0.004656 to an estimated rate of 0.001250 in 2008. However, over the same time frame revenues generated from the Basic Rate have increased from \$206.5 million to \$260.7 million.

In 1994-95 and 1995-06 the Legislature instituted a series of property tax reductions. These reductions reduced the Basic Rate from 0.004220 to .002046, a reduction of more than 50 percent.

The charts on page 2 show the change changes in the Basic Rate and revenues generated since 1990.

Equalizing Basic Rate Proceeds

School districts must impose the Basic Rate in order receive state funds allocated to the Basic School Program. Proceeds from the Basic Rate offset the cost of the Basic School Program to the state. State funds are used to equalize the revenue differences between ‘richer’ and ‘poorer’ school districts.

Public Education: Basic Tax Rates and Yield

1990 to 2008 Estimated

Tax Year	Basic Rate	Statewide Revenue Yield
1990 (1)	0.004656	\$206,547,092
1991 (1)	0.004275	206,980,205
1992 (1)	0.004275	233,270,047
1993 (1)	0.004275	246,061,605
1994 (1)	0.004220	265,169,587
1995	0.002640	198,601,148
1996	0.002046	173,139,225
1997	0.001950	179,999,007
1998	0.001840	177,151,434
1999	0.001840	188,076,348
2000	0.001881	204,833,990
2001	0.001785	206,375,916
2002	0.001807	222,423,539
2003	0.001825	226,447,025
2004	0.001800	236,027,265
2005	0.001720	242,913,297
2006 (2)	0.001515	232,483,090
2007 (2)	0.001311	245,254,790
2008 (2)	0.001250	260,731,750

Notes:

- Years in which funds were recaptured as a revenue source to the USF the following year from diestricts which collected more from the Basic Rate than they generated from the Basic School Program (WPU). Since recapture funds are not available to the Basic School Program and are deposited as part of the total USF the following year, no recapture funds are shown in these data.
- Yield shown is Legislative target rather than actual collections.

Sources: Utah State Office of Education, Finance and Statistics.

Found at: www.schools.utah.gov/finance/tax/rates

Legislative Fiscal Analyst. 2006-2007 Appropriations Report.

Prepared by: Office of the Legislative Fiscal Analyst (11/07BL).

¹ UCA 53A-17a-102

² UCA 53A-17a-135

Because property values differ from school district to school district, state funds supplement the local property tax revenue to varying degrees across school districts. State funds supporting a school districts 'basic program' equals the difference between the proceeds of the basic levy and the cost of the basic program as established by the total number of Weighted Pupil Units (WPU) allocated to a school district. This mechanism 'equalizes' the revenue supporting the provision of basic educational services across school districts on a weighted pupil basis.

Charter schools also participate in the equalized Basic School Program. However, since charter schools do not have the ability to levy property taxes, they do not contribute to the cost of the program. Basic School Program allocations to charter schools come entirely from state revenues.

Recapture

If a school district's Basic Rate yields more revenue than the amount to which the district is entitled under the Basic School Program, the state 'recaptures' the difference and deposits it into the Uniform School Fund to benefit the entire public education system. The state has not recaptured local property tax revenue from the school districts since 1994.

FY 2009 BASE BUDGET

The "Minimum School Program Base Budget Amendments" (H.B. 1, 2008 General Session) requires statewide property tax revenue of at least \$260.7 million in FY 2009 as a condition of participating in the Minimum School Program. The bill asserts that a tax rate of approximately 0.001250 will be necessary to collect this amount of revenue.

Growth in the number of new properties generates additional local revenue to support the Basic School Program. This revenue provides an offset to the state cost towards the Minimum School Program. In FY 2009, revenue projections indicate that the Basic Rate will generate an additional \$15.4 million. This additional revenue was used in the Minimum School Program base budget to offset the costs of student enrollment growth that will occur in FY 2009.

LEGISLATIVE ACTION

Enactment of the Minimum School Program base budget bill (H.B. 1) will establish the level of revenue to be generated through the Basic Levy for FY 2009. The bill also provides the estimated Basic Rate for FY 2009.

