

BASIC RATE and VOTED/BOARD LOCAL LEVY CALCULATIONS
September 11, 2013

The process to track and estimate local revenue collections to verify that estimated revenue is coming in, that state funds are sufficient, and potential year-end balances follow the steps indicated below:

1. The Common Data Committee (CDC) meets to estimate assessed valuations that are used in calculating the basic rate revenue and the voted and board local levies state guarantee amounts that are necessary to establish budget estimates.
2. The Utah State Office of Education (USOE) determines the estimated assessed valuations of all redevelopment projects in the state. These redevelopment valuations are subtracted from the total assessed valuations. These valuation numbers are then used to determine the amount of the basic rate local revenue.
3. After the initial CDC estimate of assessed valuations, the basic rate and the voted and board local levy state guarantee spreadsheets are updated in November to reflect more current data: the number of WPUs, tax rates, and assessed valuations.
4. The final calculations for the basic rate revenue and the voted and board local levies state guarantee are done around the April/May time frame when we get the actual tax collections from each of the respective county treasurers.
5. Once the actual tax collections are gathered from the respective county treasurers, the tax collection data is recorded into a spreadsheet and sent out to the individual school districts for verification of the property taxes collected.
6. The balances of the basic rate and the voted and board local levies are tracked on a spreadsheet that is reviewed by two or more individuals from the USOE and audited by our internal auditor.

**Basic Tax Rates and Yield
Tax Years 1980 Through 2012**

Tax Year	Basic Tax Rate**	Actual Dollars Yielded State-Wide	Basic Rate Revenue in Statute	Differences Between Statute and Actual Collections	Actual/Estimate % Difference
1993*	0.004275	246,061,605			
1994*	0.004220	265,169,587			
1995	0.002640	198,601,148			
1996	0.002046	173,139,225	164,837,930	8,301,295	5.036%
1997	0.001950	179,999,007	171,589,730	8,409,277	4.901%
1998	0.001840	177,151,434	175,959,630	1,191,804	0.677%
1999	0.001840	188,076,348	182,893,646	5,182,702	2.834%
2000	0.001881	204,833,990	189,329,826	15,504,164	8.189%
2001	0.001785	206,375,916	196,908,771	9,467,145	4.808%
2002	0.001807	222,423,539	206,690,578	15,732,961	7.612%
2003	0.001825	226,447,025	212,110,681	14,336,344	6.759%
2004	0.001800	236,027,265	217,590,703	18,436,562	8.473%
2005	0.001720	242,913,297	225,872,138	17,041,159	7.545%
2006	0.001515	249,985,190	232,483,090	17,502,100	7.528%
2007	0.001311	259,115,489	245,254,790	13,860,699	5.652%
2008*	0.001250	261,345,275	260,731,750	613,525	0.235%
2009*	0.001433	283,799,229	273,950,764	9,848,465	3.595%
2010*	0.001495	297,509,243	273,950,764	23,558,479	8.600%
2011*	0.001591	310,279,300	284,221,713	26,057,587	9.168%
2012*	0.001651	322,574,011	289,021,900	33,552,111	11.609%
2013	0.001535	294,092,000 ****	294,092,000	0	

Estimated Eighteen Year Loss:

MSP CARRYOVER FUNDING**FY13
GRAND TOTAL***Reasons for Balances:***SOURCES****PPAA Appropriation**

PPA Kindergarten		
PPB Grades 1-12	33,603,884	
PPB Public Education Online Distribution	6,243	
PPC Necessarily Existent Small Schools	71,932	
PPD Professional Staff	(6,486,603)	<i>Underestimation of WPU's</i>
PPE Administrative Costs	170,500	
PPF Special Education - Add-on	(648,613)	<i>Underestimation of WPU's</i>
PPG Special Education - Preschool	64,219	
PPH Special Education - Self-contained	208,881	
PPI Special Education - Extended Year	7,288	
PPJ Special Education - State Programs	3,176,672	<i>Not all Stipends for Special Educators funding distributed.</i>
PPK Career & Technical Ed District Add-on	590,316	
PPL Class Size Reduction	739,241	
ENDING BALANCE - BASIC PROGRAM	\$ 31,503,960	<i>Other balances mainly due to Park City's recapture and overestimate of local basic rate revenue</i>

PQAA Appropriation

PQY Flexible Allocation - WPU Distribution	-	
PQB To & From School - Pupil Transportation	-	
PQC Guarantee Transportation Levy	-	
PUD Early Interventions	-	
PUF Youth In Custody (FY13)	530,385	
PQF Enhancement for At-Risk Students (Reg. & Gang)	351,551	
PQG Adult Education	298,124	
PQH Enhancement for Accelerated Students (G & T)	-	
PQI Concurrent Enrollment	-	
PQN Charter School Local Replacement (FY11 and 12)	1,972,525	
PQO Charter School Administration	426,500	
PQP K-3 Reading Improvement	-	
PQQ Public Education Job Enhancement (FY09, 10, & 11)	2,845,160	
PQR Educator Salary Adjustments	-	
PQT Library Books & Electronic Resources	-	
PQU Matching Fund for School Nurses	-	
PQV Critical Language & Dual Immersion	-	
PQW Extended Year for Special Education	-	
PQX USTAR Centers (Year-Round Math & Science) (FY11 & 12)	3,341,755	
PQZ Performance Based Compensation (FY11)	10,000	
PUB Beverley Taylor Sorenson Elementary Arts (FY11 & 12)	116,522	
ENDING BALANCE - RELATED TO BASIC	9,892,522	<i>Balances not yet distributed, but will be.</i>
	9,892,522	

PRAA Appropriation

PRA Voted Leeway	12,703,703	
PRB Board Leeway	9,924,015	
PRC Board Leeway - Reading Improvement	-	
ENDING BALANCE - VOTED & BOARD LEEWAY	\$ 22,627,718	<i>Balances due to an underestimation of WPU's and an overestimation of assessed valuations in the budgeting process.</i>

TOTAL CARRY FORWARD \$ 64,024,200

VOTED AND BOARD LOCAL LEVIES
RATE SETTING PROCESS
STATE COST ESTIMATION
September 10, 2013

To impose a voted local levy, a majority of the electors of a district voting at an election must vote in favor of this tax. The tax rate may not exceed 0.002000 per dollar of taxable value. A school district may ask for approval up to the 0.002000 but may invoke only a portion of that tax every year until the school district gets to the maximum. A school district may only ask voters to approve a portion of the tax and not the ceiling of 0.002000.

In addition to the revenue a school district collects from the imposition of a levy, the state shall contribute an amount sufficient to guarantee (for FY14) \$27.36 per weighted pupil unit for each 0.0001 of the first 0.0016 per dollar of taxable value (this is the "formula" amount). The local levy proceeds are then calculated (voted local levy multiplied by the assessed valuations multiplied by the 5-year collection rate). If the "formula" amount is larger than the local levy proceeds, a school district would receive the difference from state funds.

A local school board may also levy a board local levy to fund the school district's general fund. A tax rate imposed by the school district may not exceed 0.001800 or 0.002500 per dollar of taxable value in any calendar year. The difference in the ceiling was dependent on the combined tax rate for the following levies-if the sum was greater than 0.001800, the school district would have the 0.002500 ceiling;

- Recreation
- Transportation
- Board-authorized
- Impact aid
- The portion of a 10% of basic levy that is budgeted for purposes other than capital outlay or debt service
- Reading
- Tort liability

The state also contributes an amount sufficient to guarantee \$27.36 per weighted pupil unit for each 0.0001 of the first 0.000400 per dollar of taxable value (again, the "formula" amount). The local levy proceeds are then calculated (the 0.000400 of the board local levy multiplied by the assessed valuations multiplied by the 5-year collection rate). If the "formula" amount is larger than the local levy proceeds, a school district would receive the difference from state funds.

The state guarantee amount is calculated on the prior year's voted and board local levies. The local proceeds are based on current year's tax rates.

The state guarantee estimate for the upcoming budget year is calculated using estimated assessed valuations (Common Data Committee (CDC) estimates), estimated WPU's, and known tax rates at the time of the estimation.

The mid-year estimates are based on the initial roll values from the Utah State Tax Commission (USTC) and the final state guarantee amounts are based on actual tax collections (received from the county treasurers in the April/May time frame).

BASIC RATE CALCULATION
September 10, 2013

To establish the basic rate that goes into statute, the Utah State Office of Education (USOE) takes the prior year's basic rate revenue (in statute) and adds new growth. The USOE then subtracts estimated, derived tax increment valuations from the Common Data Committee (CDC) estimates for assessed valuations. The USOE then multiplies that figure by the collection rate and then divide the basic rate revenue into the adjusted estimated assessed valuations. For FY14, the calculation was as follows:

289,021,900	Basic Rate Revenues-FY13		
5,070,123	New Growth		
294,092,023			
193,353,000,000	CDC estimates for assessed valuations		
14,335,022,598	RDA estimates		
179,017,977,402			
173,944,659,113	Assessed Valuations Times the Collection Rate in		
0.001691	Estimated Basic Rate for FY14		

By June 22 of every year, the Utah State Office of Education (USOE) and the Utah State Tax Commission (USTC) would calculate a rate independently and come together to set the final rate. USOE's calculation would involve taking initial roll values from the USTC subtracting the Board of Equalization (BOE) adjustments and adding motor vehicle values. From that number, the USOE would subtract the estimated, derived tax increment valuations. Knowing the basic rate revenue had to be a number as close as possible to the revenue number in statute and using the adjusted assessed valuations, the USOE calculated a rate to get as near that revenue number as possible.

For FY14, the CDC estimated assessed valuations at \$193,353,000,000. Estimated redevelopment tax increment valuation at that time, were \$14,335,022,598. What is interesting is that initial roll values from the USTC were \$196,601,412,526. Current redevelopment valuations are now \$14,630,630,714. Plugging in the actual basic rate of 0.001535 into the spreadsheet that calculates the basic rate revenue, that rate does not generate the basic rate revenue stipulated in statute of \$294,092,000. We are short by \$22.7 million. Using the "historical" methodology of determining the basic rate, the USOE calculated a rate of 0.001675. This practice has shown that when actual tax collections come in, the basic rate revenue usually comes in well over the projected revenue in statute.

The process of calculating the basic rate was reviewed in 2013. It was determined that prior calculation methods needed to be adjusted to ensure the collection of the requested legislative revenue target and also not to have huge balances for the basic rate revenue.

The formula for determining a certified revenue levy is in [UCA 53A-17a-103](#). Using that formula, the USTC determined a rate of 0.001492 for FY14. However, the 2013 values used are before the Board of Equalization process is complete. The values from the assessment roll are not the same values that will

be billed in November. If the values used do not have any adjustment, the 0.001492 would not guarantee the revenue of \$294,092,000.

The initial roll values of \$196,999,051,173 were adjusted using a 3-year average BOE adjustment to account for the change in value from the beginning year valuation to the November 1st stated property tax valuation.

$\$196,999,051,173 - \$1,690,512,022 \text{ (BOE)} = \$195,317,072,528$
Revenue $\$294,092,000 / \$196,999,051,173 = 0.001505$ (basic tax rate)

There are several moving variables that can cause a fluctuation either up or down in the target revenue. Moving variables include: an increased or decreased collection rate, board of equalization value changes, changes in collections from motor vehicle revenues, miscellaneous collections, and redemption collections which are included in the revenue yield.

A 2% margin was added to the tax rate of 0.001505 to set a rate of 0.001535 to ensure the revenue yield of \$294,092,000.

The revenue yield was checked using the UCA [59-2-924](#) adjustments to value to estimate the property tax revenue yield. This calculation typically yields within 2% of the budgeted revenue.

A tax rate of 0.001535 is expected to generate \$298,049,437 to \$302,529,575. The estimate of \$298,049,437 is based on current values adjusted for RDA estimate, 3 year BOE average, **a 5 year collection rate**, a 3 year average of collections from motor vehicle revenue, miscellaneous collections, and redemptions.

The estimate of \$302,529,575 is based on current values adjusted for RDA estimate, 3 year BOE average, the **2012 collection rate**, a 3 year average of collections from motor vehicle revenue, miscellaneous collections, and redemptions.

NONLAPSING BALANCES IN THE MINIMUM SCHOOL PROGRAM

PROGRAM GROUP	FY2009	FY2010	FY2011	FY2012	FY2013
FY08 and FY09 Carryover	23,953,556	22,928,153		30,300,043	
Basic School Program	162,242	5,834,345	30,834,700	36,183,139	31,503,460
Related to Basic School	13,640,902	9,527,632	12,703,490	6,603,865	9,892,522
Voted and Board Leeway	(5,851,600)	4,793,770	16,504,410	21,213,853	22,627,718
TOTAL CARRYOVER	31,905,100	43,083,900	60,042,600	94,300,900	64,023,700
<i>Designated Funds from Carryover</i>	28,276,266	20,266,676		18,007,966	13,437,702
<i>Legislature Took these funds:</i>			10,300,000	69,793,700	
Final Balance:	3,628,834	22,817,224	49,742,600	6,499,234	50,585,998
	31,905,100	43,083,900	60,042,600	94,300,900	64,023,700
	-	-	-	-	-
<i>Detail of funds legislature took for FY12:</i>			basic	43,954,823	
				(10,486,100)	
				(13,000,000)	
				(10,157,700)	
				(298,100)	94,300,856
				10,012,923	
			RTB	12,827,780	
				(3,837,900)	
				(500,000)	
				8,489,880	
			levy	37,518,253	
				(12,000,000)	
				(19,513,900)	
				6,004,353	

FY	Five-Year History of Estimated VS Actual Program Revenues				STATE	LOCAL
	Estimated Program Revenues		Actual Program Revenues		Difference	Difference
	State	Local	State	Local	Actual vs Est	Actual vs Est
2014	\$ 99,590,700	\$ 290,946,200				
2013	94,598,800	285,920,900	\$ 73,699,895	\$ 327,131,993	\$ (20,898,905)	\$ 41,211,093
2012	81,292,848	291,112,460	58,550,150	322,432,720	(22,742,698)	31,320,260
2011	57,928,148	295,463,914	41,423,734	321,295,197	(16,504,414)	25,831,283
2010	38,613,528	250,468,222	31,890,167	257,355,807	(6,723,361)	6,887,585
2009	28,525,980	316,387,224	37,636,037	308,546,092	9,110,057	(7,841,132)
2008	41,873,282	247,893,831	25,899,384	295,701,641	(15,973,898)	47,807,810

FIVE YEAR HISTORY OF ESTIMATED VS ACTUAL WPUs

Year	Budgeted WPUs	Actual WPUs	Difference
(1)	(2)	(3)	Col. (2) - Col.(3)
2008-09	714,055	712,463.880	1,591.120
2009-10	731,519	728,185.865	3,333.135
2010-11	745,100	746,824.965	(1,724.965)
2011-12	764,725	764,775.678	(50.678)
2012-13	773,104	784,553.165	(11,449.165)

*Due to the underestimation
of the WPUs during the budget process.*