

PUBLIC EDUCATION – EQUALIZATION PROGRAMS

Overview of State Programs to Equalize Local Property Tax Collections



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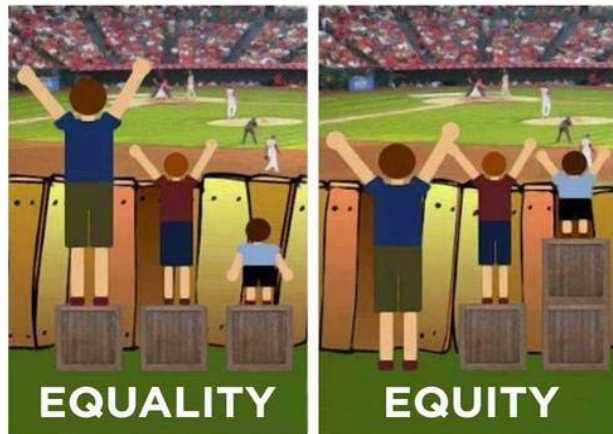
Funding Equity – What does it mean?

Equality vs. Equity

- Equality – Cost same for all students
- Equity – Cost varies depending on student

Equalization

- Process of making equal or providing equity



Achieving Equity – What does it look like?

Horizontal Equity

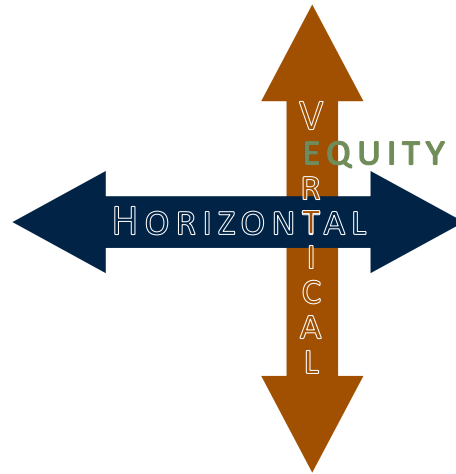
- Equals Treated Equally
- Easy to Quantify

Vertical Equity

- Differences Treated Differently
- Difficult to Quantify – Value Choices

Tax Equity

- Wealth of Whole State
- Taxpayer Effort



Statutory Requirement – 53F-2-103

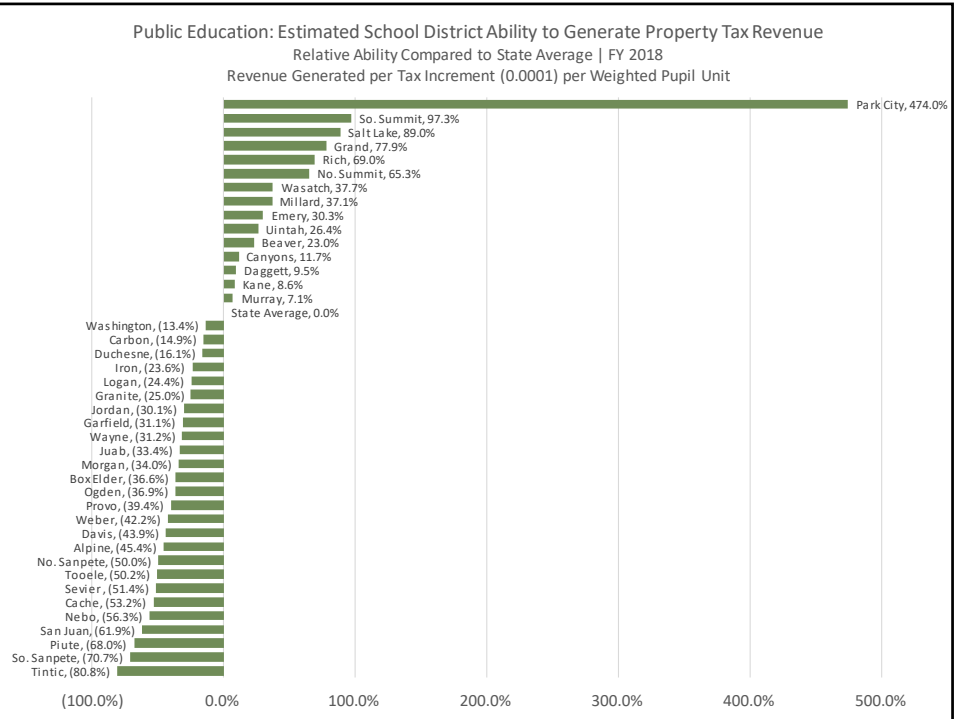
“All children of the state are *entitled to reasonably equal educational opportunities* regardless of their place of residence in the state and of the economic situation of their respective school districts”

“Establishment of an educational system is primarily a state function, *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”

“Each locality should be *empowered to provide educational facilities and opportunities beyond the minimum program* and accordingly provide a method whereby that latitude of action is permitted and encouraged”

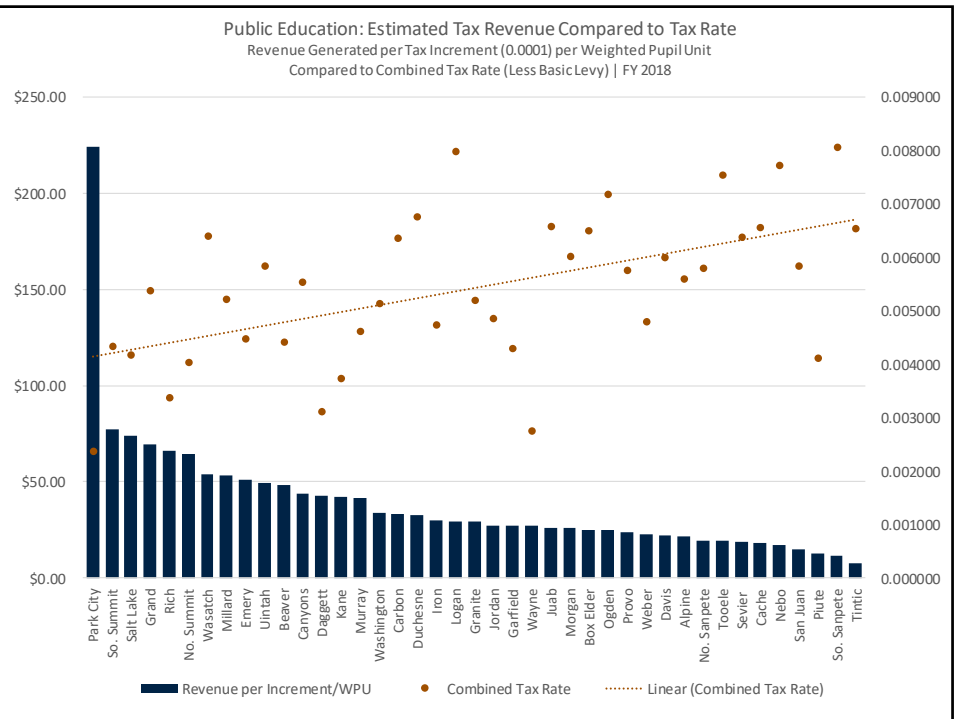
State Equalization Programs

State Funds Applied to Reduce Differences in Property Tax Collections Operations & Capital



Variables That May Cause Difference in Collections

*Rate Levied
Statutory Caps on Rates
Taxable Value of Property
Number of Students*




Equalization Programs

Three Programs

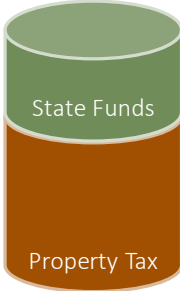
State Funds "Equalize" Local Property Tax Revenue

Different Rates & Units of Measurement

District A



District B



Property Tax Levy	Basic	Voted & Board	Capital Outlay
Equity Factor	Weighted Pupil Unit (WPU)	State Guarantee Rate	Foundation Rate
FY18 Equity Rate	\$3,311	\$39.68	\$1,064
Unit of Measurement	WPU	WPU & Tax Rate	Average Daily Membership (ADM) & Tax Collections

Basic School Program – Basic Levy

Fully Equalized | Weighted Pupil Units

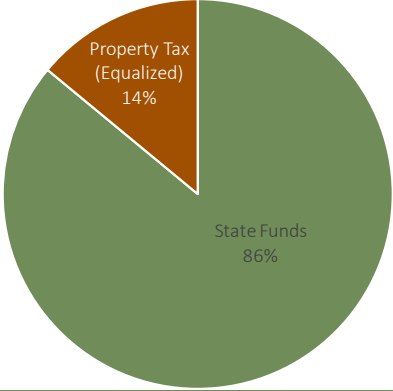
Basic School Program

- Foundation Program
- The Weighted Pupil Unit (WPU)
 - 1 WPU = 1 Student (Average Daily Membership)
 - WPU Value - \$3,311

The Basic Levy

- Uniform Statewide Rate (0.001498)
- School Districts Must Levy Rate to Participate in Program
- Legislature Approves Target Revenue & Rate (Guaranteed Revenue)

Basic School Program Equalization
State Funding & Local Property Tax Revenue | FY 2018 Estimated
Total Funding: \$2,849,024,700

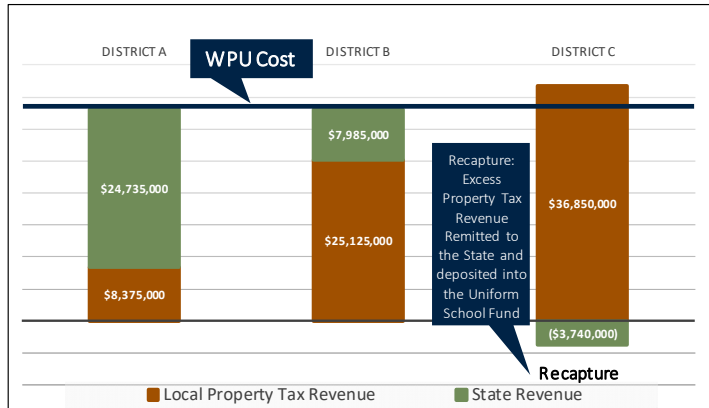


Basic School Program:
How Equalization Works

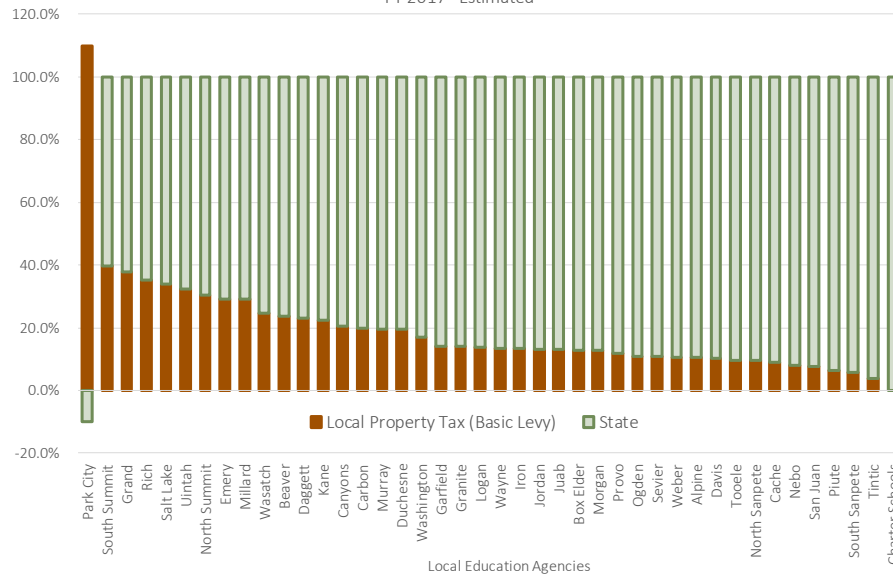
Interaction of State & Local Property Tax Recapture

Minimum School Program: Basic School Program Equalization
Basic Levy Revenue Equalization Example Using the Weighted Pupil Unit (WPU)

Cost	District A	District B	District C
WPU Value:	\$3,311	\$3,311	\$3,311
Number of WPUs:	10,000	10,000	10,000
Basic School Program (WPU) Cost:	\$33,110,000	\$33,110,000	\$33,110,000
Revenues			
Taxable Value of Property in District:	\$5,000,000,000	\$15,000,000,000	\$22,000,000,000
Basic Rate (Set by State):	0.001675	0.001675	0.001675
Local Property Tax Revenue	\$8,375,000	\$25,125,000	\$36,850,000
State Revenue	\$24,735,000	\$7,985,000	(\$3,740,000)



Public Education: Minimum School Program - Basic School Program
Percent of State and Local Revenues Contributing to Total WPU Cost by School District
FY 2017 - Estimated



Voted & Board Local Levies

Partially Equalized | WPU & Property Tax Increments

State Guarantee

- Minimum Revenue per WPU & Tax Increment
 - Guarantee Rate = \$41.26
 - 1 Tax Increment = Tax Rate of 0.0001
- Up to 20 Tax Increments Guaranteed by State
 - 16 Increments in Voted & 4 Increments in Board
- School Districts Receive Funding if Property Tax Generates Less than the State Guarantee Rate
- State Guarantee Rate Increased Each Year by Statute
- Supports Maintenance & Operations

Guarantee Formula

Tax Increment
(Tax Rate = 0.0001)

State = \$10.31
Local = \$30.95

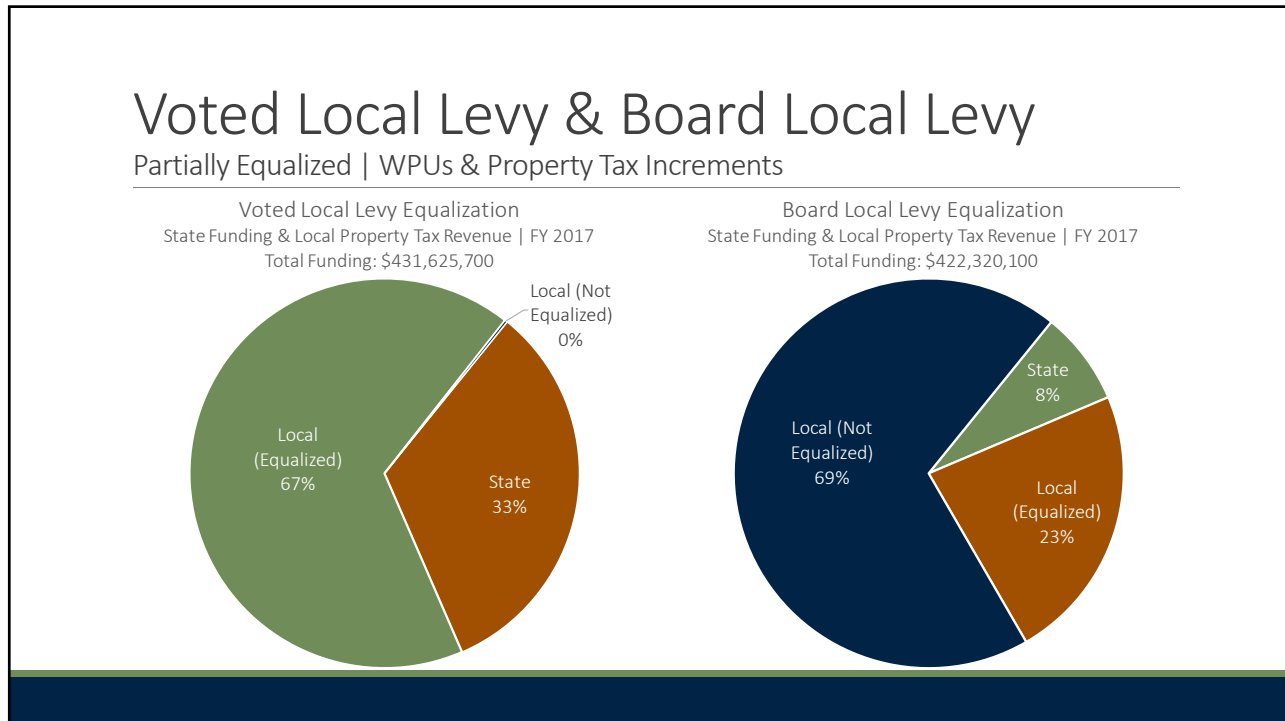
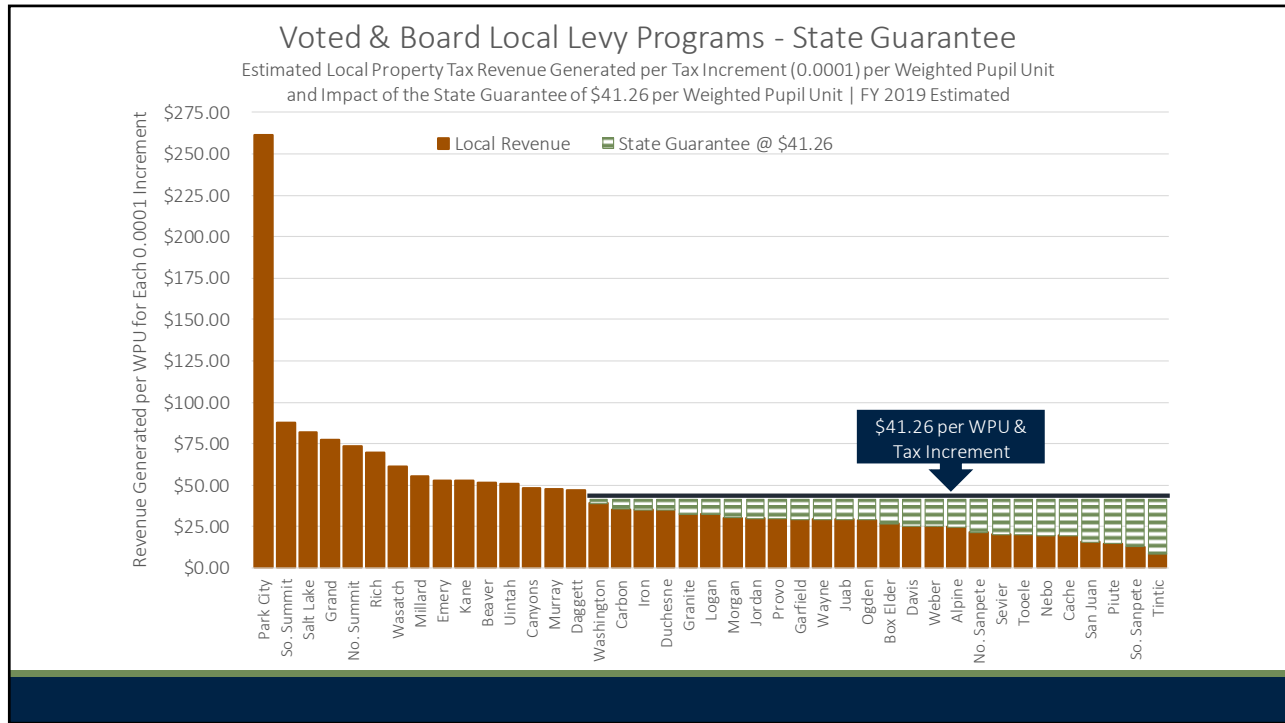
State Guarantees \$41.26/Increment

WPU

Voted & Board Formula

FY 2019 | How The Formula Works

<p>Hypothetical School District</p> <ul style="list-style-type: none"> • FY 2019 State Guarantee: \$41.26/WPU/.0001 Tax Increment • Total Assessed Value: \$2,000,000,000 • Voted Local Levy Rate: 0.0010 • Weighted Pupil Units: 10,000 	Minimum Guaranteed Revenue		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="font-size: small;">Guarantee amount X # increments .0001 X WPU</td> <td style="text-align: right;">\$41.26 X 10 X 10,000 = \$4,126,000</td> </tr> </table>	Guarantee amount X # increments .0001 X WPU	\$41.26 X 10 X 10,000 = \$4,126,000
	Guarantee amount X # increments .0001 X WPU	\$41.26 X 10 X 10,000 = \$4,126,000	
↓			
	Property Tax Revenue Generated by Rate		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="font-size: small;">Voted Local Levy Rate X Total Assessed Value</td> <td style="text-align: right;">0.0010 X \$2,000,000,000 = \$2,000,000</td> </tr> </table>	Voted Local Levy Rate X Total Assessed Value	0.0010 X \$2,000,000,000 = \$2,000,000
Voted Local Levy Rate X Total Assessed Value	0.0010 X \$2,000,000,000 = \$2,000,000		
	↓		
	State Contribution		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="font-size: small;">Minimum Guaranteed Revenue – Property Tax Revenue</td> <td style="text-align: right;">\$4,126,000 – 2,000,000 = \$2,126,000</td> </tr> </table>	Minimum Guaranteed Revenue – Property Tax Revenue	\$4,126,000 – 2,000,000 = \$2,126,000
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Capital Local Levy

Partially Equalized | Average Daily Members & Property Tax Collections

Two Capital Levies

- Capital Local Levy
- Debt Service Levy

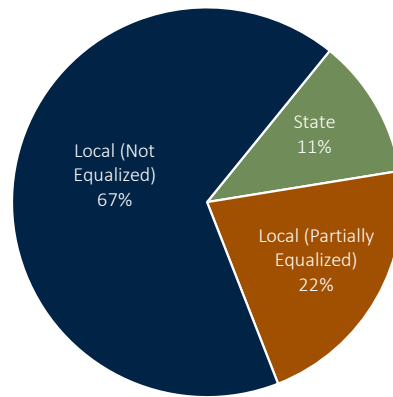
Revenue Restricted to Capital

- Less Robust Equalization
 - No Set Guarantee (Varies w/Funding)
 - Minimum Level of Equity
 - Subject to Appropriation

Equalization Programs

- Capital Outlay Foundation
- Capital Outlay Enrollment Growth

Capital Local Levy Equalization
State Funding & Local Property Tax Revenue | FY 2018 Estimated
Total Funding: \$286,762,300



Capital Equalization – Foundation Program

Partially Equalized | Average Daily Members & Property Tax Collections

No Statutory Guarantee

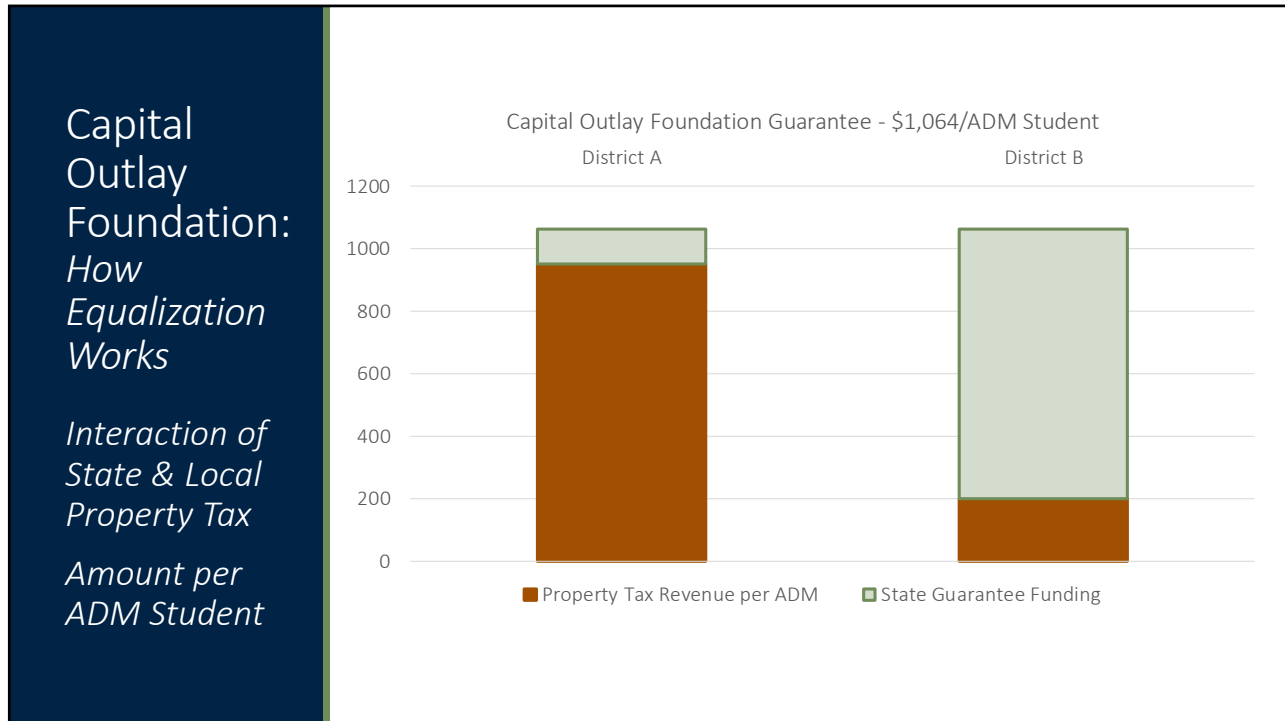
- State Board Calculates a “Foundation Rate” to Allocate Funds
 - FY 2018 Rate = \$1,064/ADM Student
 - Rate Varies Annually

School District Qualification

- “Combined Capital Levy Rate”
 - Capital + Debt Service Levies
- Must Levy a Rate Greater Than the “Base Tax Effort Rate”
 - Average of the Highest Rate and Statewide Average

District Allocation

- Difference Between the District Combined Levy & Foundation Rate
- Rewards Districts with High Tax Effort and Low Tax Yield Per Student
- Base Allocation for Districts Under 1,000 Students
 - Regardless of Revenue Yield Per Student
 - \$50,000/\$100,000/\$200,000



Capital Equalization – Enrollment Growth Program

Partially Equalized | Average Daily Members & Property Tax Collections

Not Tied to Tax Rate

- Funding to Growing Districts
- More of an “Equity Supplement” Because No Minimum Guarantee

School District Qualification

- Net Increase in Student Enrollment
 - Based on 3-year Average
- Property Tax Base per ADM Student Less than 2x State Average
 - Based on Past 2 Years

District Allocation

- Proportional Based on Qualifying District Enrollment
 - Increase Over Statewide Average Enrollment Increase

