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

<table>
<thead>
<tr>
<th>Property Tax Levy</th>
<th>Basic</th>
<th>Voted &amp; Board</th>
<th>Capital Outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Factor</td>
<td>Weighted Pupil Unit (WPU)</td>
<td>State Guarantee Rate</td>
<td>Foundation Rate</td>
</tr>
<tr>
<td>FY18 Equity Rate</td>
<td>$3,311</td>
<td>$39.68</td>
<td>$1,064</td>
</tr>
<tr>
<td>Unit of Measurement</td>
<td>WPU</td>
<td>WPU &amp; Tax Rate</td>
<td>Average Daily Membership (ADM) &amp; Tax Collections</td>
</tr>
</tbody>
</table>

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: How Equalization Works**

**Interaction of State & Local Property Tax Recapture**

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### Minimum School Program: Basic School Program Equalization

**Basic Levy Revenue Equalization Example Using the Weighted Pupil Unit (WPU)**

<table>
<thead>
<tr>
<th>Cost</th>
<th>District A</th>
<th>District B</th>
<th>District C</th>
</tr>
</thead>
<tbody>
<tr>
<td>WPU Value</td>
<td>$3,311</td>
<td>$3,311</td>
<td>$3,311</td>
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<tr>
<td>Number of WPUs</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
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<tr>
<td>Basic School Program (WPU) Cost</td>
<td>$33,110,000</td>
<td>$33,110,000</td>
<td>$33,110,000</td>
</tr>
</tbody>
</table>

**Revenues**

- **Taxable Value of Property in District:**
  - District A: $5,000,000,000
  - District B: $15,000,000,000
  - District C: $22,000,000,000
- **Basic Rate (Set by State):**
  - District A: 0.001675
  - District B: 0.001675
  - District C: 0.001675
- **Local Property Tax Revenue**
  - District A: $8,375,000
  - District B: $25,125,000
  - District C: $36,850,000
- **State Revenue**
  - District A: $24,735,000
  - District B: $7,985,000
  - District C: ($3,740,000)
Voted & Board Local Levies
Partially Equalized | WPU's & 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

Voted & Board Formula
FY 2019 | How The Formula Works

Hypothetical School District
• 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
Guarantee amount X # increments .0001 X WPU's
$41.26 X 10 X 10,000 = $4,126,000

Property Tax Revenue Generated by Rate
Voted Local Levy Rate X Total Assessed Value
0.0010 X $2,000,000,000 = $2,000,000

State Contribution
Minimum Guaranteed Revenue - Property Tax Revenue
$4,126,000 – $2,000,000 = $2,126,000
Voted & Board Local Levy Programs - State Guarantee

Estimated Local Property Tax Revenue Generated per Tax Increment (0.0001) per Weighted Pupil Unit and Impact of the State Guarantee of $41.26 per Weighted Pupil Unit | FY 2019 Estimated

<table>
<thead>
<tr>
<th>County</th>
<th>Local Revenue</th>
<th>State Guarantee @ $41.26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park</td>
<td></td>
<td>$275.00</td>
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<tr>
<td>City</td>
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<tr>
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<tr>
<td>Summit</td>
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<tr>
<td>Salt</td>
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<td>$175.00</td>
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<tr>
<td>Lake</td>
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<td>$150.00</td>
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<tr>
<td>Utah</td>
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<td>$125.00</td>
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<tr>
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<tr>
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<tr>
<td>Utah</td>
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<td>$0.00</td>
</tr>
</tbody>
</table>

$41.26 per WPU & Tax Increment
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

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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

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

- Local (Not Equalized) 67%
- Local (Partially Equalized) 22%
- State 11%
Capital Outlay Foundation: How Equalization Works

Interaction of State & Local Property Tax

Amount per ADM Student

Capital Outlay Foundation Guarantee - $1,064/ADM Student

District A
District B

Property Tax Revenue per ADM Student
State Guarantee Funding

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