Education 101

Governance and Funding

Bagels and Briefings
01.24.17
Introducing the OLRGC Education Team

• Victoria Ashby (Associate General Counsel)
• Rebekah M. Bradway (Associate General Counsel)
• Amy L. West (Associate General Counsel)
• Allyson Goldstein (Policy Analyst)
• Nathan Brady (Policy Analyst)
Topics that our presentation will cover:

• State level education governance (Victoria)

• Local level education governance (Nathan)

• How education is funded in Utah (Allyson)
Education Governance

• Legislature
• Public Education
  • State Board of Education
• Higher Education
  • State Board of Regents (Utah System of Higher Education)
• Utah College of Applied Technology Board of Trustees
Utah Constitution Powers & Duties

Legislature

• Provide for the establishment and maintenance of public education system and higher education system
• Public education system: elementary, secondary, other schools and programs as designated by the Legislature
• Higher education system: public universities, colleges, and other institutions and programs as designated by the Legislature
Utah Constitution Powers & Duties

State Board of Education

• General control and supervision of public education
• Board membership established and elected as provided by statute
• Appoints state superintendent

Higher Education

• General control and supervision as provided by statute
Utah Constitution Powers and Duties

Funding

- All revenue from taxes on intangible property or from a tax on income shall be used to support the systems of public and higher education.

- Income tax or intangible property tax
- Higher ed or Public ed
- Public ed: State Board general control and supervision
Statutes and Rules

- **Statute**: The Legislature passes bills that become statutes. May direct education institutions to adopt rules to work out details not addressed in statute.

- **Rule**: State Board of Education, State Board of Regents, UCAT Board adopt rules subject to Administrative Rulemaking Act and under the guidance of statute to administer programs and regulate schools.

- Both have the effect of law.
Constitutional Questions

• What are the Legislature’s duties to “establish and maintain”? 
• What are the State Board’s duties under “general control and supervision”? 
• Where do the Legislature’s powers end and the State Board’s begin? 
• To what extent can the Legislature designate a program or other school as part of the public or higher education system?
  ➢ Local control?
Local Governance
Demographics Overview

• Utah has an Average Daily Membership (ADM) of 628,882 students

• 41 school districts (880 schools, K-12)
  • The four largest school districts in Utah are Alpine (74,927), Davis (69,589), Granite (66,766) and Jordan (52,394)
  • There are six school districts with less than 1,000 ADM

• Roughly 100 charter schools serving approximately 65,000 students
## Student distribution by region type, 2012-2013

<table>
<thead>
<tr>
<th>State</th>
<th>City schools</th>
<th>Suburban schools</th>
<th>Town schools</th>
<th>Rural schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td>16.40%</td>
<td>62.30%</td>
<td>11.20%</td>
<td>10.10%</td>
</tr>
<tr>
<td>Arizona</td>
<td>49.40%</td>
<td>30.80%</td>
<td>10.50%</td>
<td>9.30%</td>
</tr>
<tr>
<td>Colorado</td>
<td>37.60%</td>
<td>39.60%</td>
<td>9.10%</td>
<td>13.70%</td>
</tr>
<tr>
<td>Nevada</td>
<td>48.80%</td>
<td>37%</td>
<td>7.50%</td>
<td>6.70%</td>
</tr>
<tr>
<td>U.S. averages</td>
<td>30%</td>
<td>39.80%</td>
<td>11.50%</td>
<td>18.70%</td>
</tr>
</tbody>
</table>

Local Education Agencies

• Public education in Utah is broken into administrative units: School Districts and Charter Schools

• The local education agencies can:
  • Set curriculum
  • Hire employees
  • Manage their budgets

• Subject to specified reporting requirements
  • Annual financial audit
  • Monthly budget report
  • Statewide testing
School Districts

• Each local school district is governed by a locally elected school board that is independent of the State Board of Education, but which is tasked with operating the schools within its district in compliance with the laws and rules created by the Legislature and the State Board of Education.

• The State Board of Education administers statewide programs and local school districts set curriculum, hiring, set school boundaries, and maintain facilities.

• Local school districts have the power to purchase property and raise money through local property tax and bonds.
Charter Schools

• Charter schools are tuition-free, public schools that are open to any state resident.
• Charter schools have a governing board and are treated like an individual school district.
• Except where specifically exempted, charter schools are subject to all of the same laws and rules including:
  • student assessment
  • accountability
• General exemptions
  • 53A-1a-511 (human resources)
Public Education Funding
Basics of Education Funding

- Statutory requirements
- Revenue sources and fiscal year 2017 appropriation
- Minimum School Program
  - Basic Program
  - Related to Basic Program
  - Voted and Board Local Levy Guarantee Programs
- Other Programs
Statutory Requirement – 53A-17a-102

• “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 Revenue Source – Income Tax

59-10-104. Tax basis -- Tax rate -- Exemption.
(1) For taxable years beginning on or after January 1, 2008, a tax is imposed on the state taxable income of a resident individual as provided in this section.
(2) For purposes of Subsection (1), for a taxable year, the tax is an amount equal to the product of:
   (a) the resident individual's state taxable income for that taxable year; and
   (b) 5%.
(3) This section does not apply to a resident individual exempt from taxation under Section 59-10-104.1.
## Local Revenue Sources – Property Tax

<table>
<thead>
<tr>
<th>Levy</th>
<th>Description</th>
<th>Maximum Allowed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Levies assessed by each district, statewide</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Levy (U.C.A. 53A-17a-135)</td>
<td>Local-state shared portion of each school district's Maintenance and Operations Expenditures</td>
<td>Uniform Statewide – estimated at .001695 for the 2016-2017 school year</td>
</tr>
<tr>
<td><strong>Local discretionary levies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voted Local Levy (U.C.A. 53A-17a-133)</td>
<td>Levy approved by the majority of the electors of a school district to be used for maintenance and operations</td>
<td>Up to .0020</td>
</tr>
<tr>
<td>Board Local Levy (U.C.A. 53A-17a-164)</td>
<td>Levy approved by a local school board to fund operations and maintenance</td>
<td>Up to either .0025 or .0018 depending on the district historic tax rates</td>
</tr>
<tr>
<td>Capital Local Levy (U.C.A. 53A-16-107)</td>
<td>Levy to fund capital projects and, in some cases, maintenance of school facilities</td>
<td>Up to .0024</td>
</tr>
<tr>
<td>Debt Service Levy (U.C.A. 11-14-310)</td>
<td>Levy to fund general obligation bond principal and debt payment</td>
<td>None</td>
</tr>
</tbody>
</table>
Fiscal Year 2017 Appropriated Public Education Funding

- **State revenue**: $3,084,032,500 (67%)
- **Local revenue**: $783,265,500 (17%)
- **Other revenue**: $726,502,000 (16%)

Total: $4.6 billion

Source: Office of the Legislative Fiscal Analyst, [2016 Compendium of Budget Information](#)
Minimum School Program

• Largest budget program appropriated by the Legislature
• $3.84 billion appropriated budget for 2017
• Includes:
  • The Basic School Program
  • The Related to Basic Program
  • Voted & Board Local Levy Guarantee Programs
• Does not include:
  • School building program
  • Utah Schools for the Deaf and the Blind
  • Other State Board of Education Functions, like Initiative Programs
Minimum School Program Fiscal Year 2017 Appropriated

- Basic Program: $2,688,267,300 (70%)
- Related to Basic Program: $581,530,000 (15%)
- Voted & Board Local Levies plus State Guarantee: $570,660,000 (15%)

Source: Office of the Legislative Fiscal Analyst 2016 Compendium of Budget Information
The Basic School Program

- Utah’s Foundation Program
- Guarantees each district or charter school a level of funding based on:
  - number of students attending the district or charter school
  - characteristics of the students and the district or charter school
  - value of the Weighted Pupil Unit (WPU) determined by the Legislature
- WPU Value
  - $3,184 in FY 2017
  - WPUs x WPU Value = Program Cost
**Basic Program Example**

**Hypothetical School District**

- 2016-2017 value of the WPU: $3,184
- Total Assessed Value: $4,000,000,000
- Basic Rate: 0.001675
- WPUs: 10,000

**Guaranteed Basic Program Revenue for District**

- Value of the WPU X Number of WPUs
  - $3,184 X 10,000 = $31,840,000

**Locally Funded Amount**

- Basic Rate X Total Assessed Value
  - 0.001675 X $4,000,000,000 = $6,700,000

**State Income Tax Funded Amount**

- Guaranteed Revenue for Basic Program – Revenue Received from Basic Rate
  - $31,840,000 – 6,700,000 = $25,140,000
Example: 3 Hypothetical School Districts

- Same Number of WPUs
- Same WPU Value
- Same Basic Rate
- Different Taxable Value

How the Basic School Program Works

District A

District B

District C

Local Property Tax Revenue: State Revenue:

Recapture

WPU Cost
Basic School Program – Funding Equalization

Public Education: Minimum School Program - Basic School Program
Percent of State and Local Revenues Contributing to Total WPU Cost by School District
FY 2016 - Estimated
Related to Basic Program

• Revenues from state income tax (no local contributions)

• Money set aside for specific programs, e.g.
  • Transportation
  • Youth-in-custody
  • Adult education
  • At-risk students
  • Enhancement for accelerated students

• School districts and charter schools qualify for program funds based on program criteria and must spend funds on allowed program uses.
Voted and Board Guarantee Programs

Voted Local Levy
Subsection 53A-17a-133(4)(a)
“In addition to the revenue a school district collects from the imposition of a levy pursuant to [Section 53A-17a-133], the state shall contribute an amount sufficient to guarantee $35.55 per weighted pupil unit for each .0001 of the first .0016 per dollar of taxable value.”

Board Local Levy
Subsection 53A-17a-164(3)(a)
“In addition to the revenue a school district collects from the imposition of a levy pursuant to this section, the state shall contribute an amount sufficient to guarantee that each .0001 of the first .0004 per dollar of taxable value generates an amount equal to the state guarantee per weighted pupil unit described in Subsection 53A-17a-133(4).”

Subsection 53A-17a-133(4)(b):
“The same dollar amount guarantee per weighted pupil unit for the .0016 per dollar of taxable value under Subsection (4)(a) shall apply to the portion of the board local levy authorized in Section 53A-17a-164, so that the guarantee shall apply up to a total of .002 per dollar of taxable value if a school district levies a tax rate under both programs.”
Voted and Board Local Levy Guarantee

- Voted guarantees the guaranteed amount for 16 increments of .0001 versus 4 increments for the Board Local Levy Guarantee
- For fiscal year 2017:
  - $617/WPU maximum for the Voted Local Levy guarantee
  - $154.25/WPU maximum for the Board Local Levy guarantee
School building programs

- Most capital costs are funding through local levies
- State has two programs to use state funding to supplement these local levies:
  - Capital Outlay Foundation Program
  - Capital Outlay Enrollment Growth Program
Legislative Fiscal Analyst Compendium of Budget Information

Please feel free to contact any member of the education team with questions

Office of Legislative Research and General Counsel – 801-538-1032
Victoria Ashby, Associate General Counsel
Rebekah Bradway, Associate General Counsel
Nathan Brady, Policy Analyst
Allyson Goldstein, Policy Analyst
Amy West, Associate General Counsel

Office of the Legislative Fiscal Analyst – 801-538-1034
Jill Curry, Fiscal Analyst
Ben Leishman, Fiscal Analyst