



# Utah Education Funding Study

## Summary 1: Executive Summary



*This summary is drawn from a report that is the first of two components of a broader study of funding for the K–12 education system in Utah. This first Phase 1 report examines alignment between Utah’s vision for students and the Minimum School Program (MSP) as defined by statute, the equity of the current MSP, the role and balance of state and local funding, the incentives created by and alternatives to enrollment-based funding, and the impact of year-round schooling.*

*Through its analyses, this report provides a baseline assessment of the distance between Utah’s expectations of a minimum program and the current state and sets up a deeper evaluation for the second phase of this study in 2020 by identifying potential areas of exploration.*

Utah is a changing state — it currently ranks as the youngest and one of the fastest growing in the country, with major shifts in its economic and demographic profile.<sup>1</sup> Moreover, the student body of Utah is becoming more diverse and presents a wider set of needs and assets within the public education system. The number of English Learner (EL) students is increasing, the number of students from non-White families is increasing, and enrollment trends are shifting as well, with more students being homeschooled and a greater proportion of students served by the charter sector. In order to serve the educational and economic demands of the next generations of Utahns, the state’s education system must adjust to provide the appropriate supports for students and families.

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## Methods

### Organizational Framework

There are four central terms utilized in this report to support evaluation of the current system: core components, input, outputs/outcomes, and measures of success. In short, each term describes an aspect of the system examined by the study team and described in this report.

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<sup>1</sup> Johnson, D. (2017, November). These Are the Youngest States in America. *Time*. Retrieved from <https://time.com/5000792/youngest-oldest-us-states/>; U.S. Census Bureau. (2019, December 19). Nevada and Idaho Are the Nation’s Fastest-Growing States [press release]. Retrieved from <https://www.census.gov/newsroom/press-releases/2018/estimates-national-state.html>.

## Exhibit 1. Understanding Key System Terms: Core Components, Inputs, Outputs, and Measures of Success

Core Components	Inputs	Outcomes	Measures of Success
 Categories of Inputs Linked to Outputs	 Programs, Policies, Practices	 Results	 Success Indicators

WestEd researchers employed a mix of quantitative and qualitative methods to address the study research objectives. This included a document review process, engagement with stakeholders, and quantitative data analysis.

The details of these methods are described in the main report.

## Key Findings

The findings generated by Phase 1 of the study are organized under three parts which are included below along with the key findings from each part.

### Part 1. What are the current expectations in Utah for an MSP?

- ▶ Identification of the core components of a minimum school program
  - » Utah stakeholders reported that the vision set by the USBE strategic plan aligns to their own vision for Utah's schools.
  - » Stakeholders emphasized the importance of early learning, safe and healthy schools, and a focus on the teacher shortage.
  - » Stakeholders expressed confidence in the core standards and the related scope and sequence, noting them as the right path.
  - » However, stakeholders noted that there is one significant exception with respect to social-emotional learning and emphasized the need for integrating this within a holistic academic program.

### Part 2: How does the current system align with these expectations?

- ▶ Evaluation of current distribution formulas
  - » There is general alignment between the expectations of the minimum school program, the target outcomes based on the PoG, and the assignment of funding based on statute in the MSP and related categorical programs.
  - » Stakeholders noted the burden of pursuing grant funding under the MSP as an area for additional exploration.
- ▶ Equitable Access to the Minimum School Program

» Per-student resources, revenues or expenditures, increase across the quintiles along with wealth per pupil. This may suggest that a relationship exists between local wealth and the educational resources available per ADM, and that Utah’s school funding system is not as equitable as it could be.

» With respect to horizontal equity — comparing resources across school districts — using a standard metric in the research literature, in both years examined (2013–14 and 2017–18), only average teacher salary meets the equity standard.

» In regard to vertical equity, using the method of comparing resources with weighting for the need of students, for both years examined, there is little difference in the standard metric, when compared with horizontal equity findings. This indicates that the funding formula is not providing sufficient additional resources for students with greater needs, such as economically disadvantaged students, English Learners, and students with disabilities.

» In regard to fiscal neutrality examining the relationship between the wealth of a district and the resources it has for educating its students, many of the fiscal neutrality measures exceeded the standard, indicating that to some degree, district resource levels are related to district wealth.

▶ Alignment with Evidence-Based Practice

» A growing body of rigorous research nationally provides evidence to inform future policy discussions in Utah, including directing resources to high need students, targeting investments, and building effective decision-making practices.

▶ Analysis of the role and balance of the state and local contribution

» This analysis finds that Utah is generally more reliant on state funds than the national average, but finds no evidence that the division of funding by source bears any relationship to overall equity.

» Based on the review of the balance of state and local contributions, the study team recommends that Utah continue to both set a required local contribution amount, while still being cognizant of the equity issues that may arise without limits or equalization of the local revenues raised above the minimum program.

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**Part 3: What do other pathways offer?**

▶ Examination of the behaviors the current enrollment-based funding model incentivizes and alternative proxies

» A key takeaway from the review of methods by which states count students for the purpose of education funding is that most states still utilize more traditional methods of counting students for state funding purposes, even in states that are pursuing competency-based systems.

» Given that no state has implemented a broad-scale state funding mechanism for competency-based education statewide, any change to how states count students for funding purposes should be modeled to demonstrate the potential impact of that change on a variety of student, school and district scenarios.

► Analysis of the impact of year-round schooling models

» While there is some suggestive evidence in Utah and other states regarding the impact of year-round schooling on costs and student outcomes, the findings are mixed and limited. This suggests that any consideration of year-round schooling as a policy matter might benefit from pilot testing or other approaches to assessing the effectiveness of the policy in meeting the intended goals within the specific implementation context in Utah.



# Utah Education Funding Study

## Summary 2 – What are the current expectations in Utah for a minimum school program?



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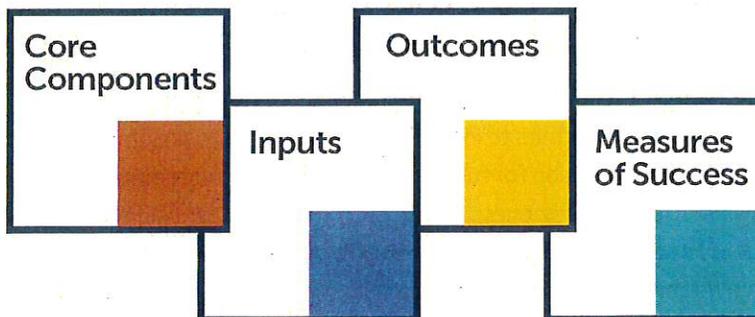
*Through its analyses, this report provides a baseline assessment of the distance between Utah's expectations of a minimum program and the current state and sets up a deeper evaluation for the second phase of this study in 2020 by identifying potential areas of exploration.*

### Organizational Framework

For the purposes of this study, we employ the target outcomes or outputs of Utah's public education system defined by the PoG. The Minimum School Program and other relevant state statutes consist of the inputs under implementation by Local Education Agencies (LEAs) to meet the target outputs/outcomes. By examining the alignment or lack thereof between the target system outcomes and the current inputs, we identify considerations for system adjustments.

There are four central terms utilized in this report to support evaluation of the current system: core components, input, outputs/outcomes, and measures of success.

#### Exhibit 5. Understanding Key System Terms: Core Components, Inputs, Outputs, and Measures of Success



## Inputs

Inputs refer to the conditions, programs, practices, and individuals working in the classroom, school, and district setting to directly support students. Example inputs could be teachers, facilities, or access to high-quality curriculum.

## Outcomes

An outcome is a measurable result from implementation of collected inputs. Academic mastery for a student is the outcome of a series of inputs related to academic and social supports provided in the school.

## Measures of Success

Measures of success are results from assessments or trends in data related to an output. The output may be an individual graduate's demonstrated mastery through graduation, but the measures of that graduate's performance refer to the assessment results or other data collected.

## Core Components

Core components refer to categories of inputs that link to specific output measures. Core components organize inputs based on their intended output. For example, academic programs supporting literacy would be a core component. Given the universal nature of these components, in some cases the same language is used in existing policy. Any overlap is incidental, and the terms are intended to be distinct.

These terms are used in the report as a organizational framework to evaluate how Utah defines the minimum school program across collected state-produced sources, stakeholder input, and available data, and then compares this definition to the funding of the system. The purpose of this task is to identify potential areas for exploration in Phase 2 of the study, not to draw conclusions about the system's effectiveness.

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## Research Objective 1a: Identification of the core components of a minimum school program

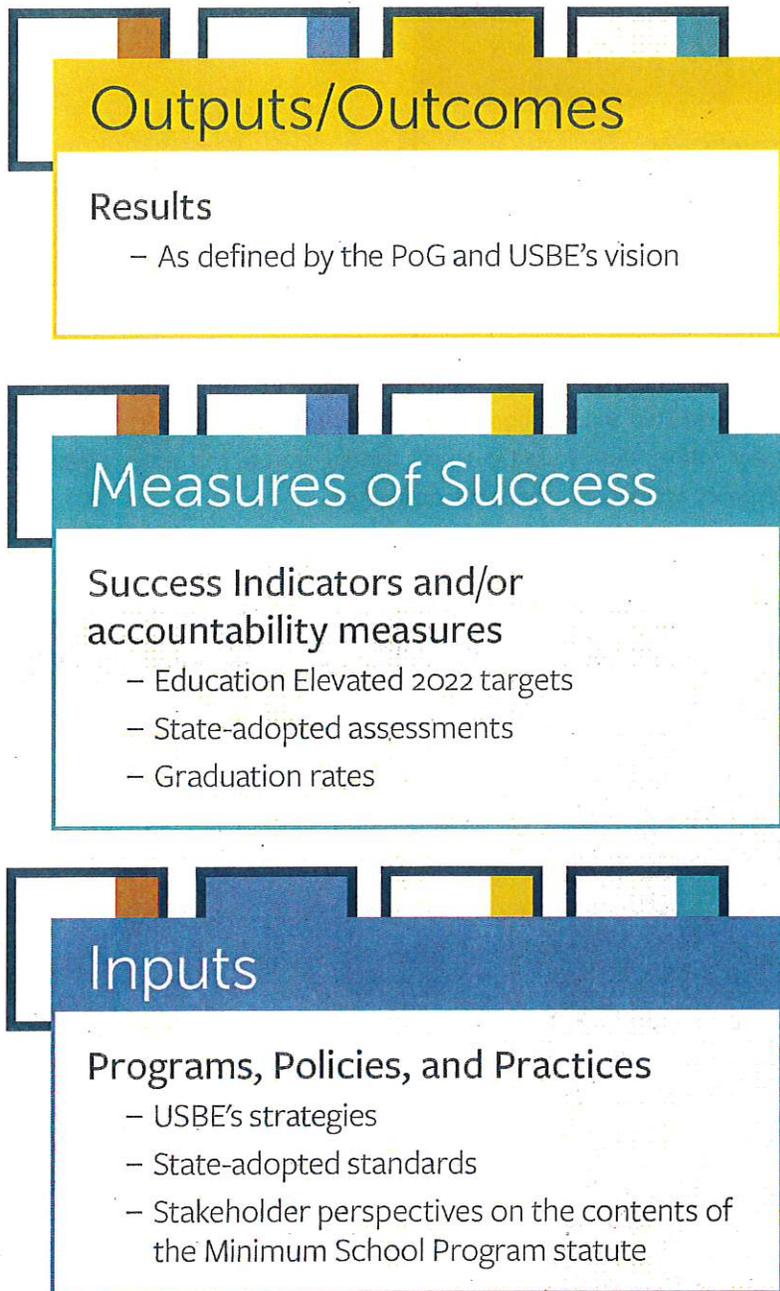
In this section, we examine the minimum school program from multiple angles: stakeholder definition, statute definition, and reflection in state-endorsed documents and guidance. We then analyze the alignment across those areas in order to identify topics for further exploration in Phase 2 of this study.

To approximate a shared view of the minimum school program for Utahns, this study applies a conceptual framework of mapping outputs to inputs represented in state documents and by Utahn stakeholders to identify further areas of consideration for funding alignment. The study compiles and analyzes descriptions of the inputs (programs, policies, and practices), target outcomes (results), and their related measures (success indicators) of the Utah system via stakeholders, the Portrait of a Graduate (PoG), USBE's 2022 targets, state-adopted standards, accountability measures, and relevant portions of statute. By examining where different system sources reinforce a common definition and where they diverge, the study spotlights potential areas for USBE's calibration

between inputs and target outcomes. In order to identify the inputs associated with a specific outcome, we first explore the state's vision for the outcome of the public education system.

Each of these elements are described briefly below and in detail in the full report for the purpose of identifying the core components of the minimum school program.

## Defining Key Elements in Utah



Finding: Stakeholder expectations and state-endorsed documents reflect a generally common definition of the minimum school program. Social-emotional learning and mental health supports are the exceptions, with stakeholders strongly supporting expanded integration of Utah's existing standards into the core academic program.



## Core Components

### Categories of Inputs linked to Outputs

- Identified as part of this report's analysis

The following list of core components was generated and organized using identified levels of support across the sources. Please note, in some cases similar terminology is used in Utah's existing statute and state standards. References here are distinct from existing policy and denote core components only:

**Exhibit 10. Minimum school program core components and subcomponents**

Core Components	Subcomponents (if any)
Core Academic Program	Social Studies, English/Language Arts, Mathematics, Science  Early Learning and Preschool
Expanded Curriculum Program	World Languages (1–12), Library Media (K–12), Fine Arts (K–12), Physical Education, Health, Financial Literacy
Social-Emotional Learning (integrated throughout the Core Academic Program and the Expanded Curriculum Program)	
Career & Technical Education	
Digital Literacy/Computer Science	
Qualified Educators	Qualified Teachers Qualified Leadership
Safe Facilities	
Mental and Physical Health Supports	

Based on input from stakeholders, and our analysis of state-endorsed documents, the academic program is clearly and consistently defined. The definition, role, purpose, and scope of social-emotional learning (SEL) are clearly present in the PoG and the strategic plan, and SEL is reported as in significant need of expansion by stakeholders. It is not, however, consistently present across all sources or defined consistently across the sources examined for this analysis.

This interest expressed by stakeholders in expanding SEL through deeper integration into academics reflects a national trend, with the Aspen Institute National Commission on Social, Emotional, and Academic Development reporting SEL as a top demand for expansion by teachers and parents. Additionally, a research review cited by the Commission “found students’ skills, behaviors, attitudes, and academic performance improved significantly while their emotional distress and behavior problems decreased” with integrated SEL programming.<sup>1</sup> The stakeholder request for expanded SEL programming is aligned with the research, but the details of which programs and definitions to adopt would require further exploration on the part of the state. The Collaborative for Academic, Social, and Emotional Learning (CASEL), a recognized leader in the field, defines SEL as “the processes through which children and adults acquire and effectively apply the knowledge, attitudes, and skills necessary to understand and manage emotions, set and achieve positive goals, feel and show empathy for others, establish and maintain positive relationships, and make responsible decisions.”<sup>2</sup> This definition, while expansive, is not completely clear on the boundaries between social-emotional learning and traditionally defined mental and physical health supports. This is an area of debate in the field and Utah may determine where that line is drawn in future explorations that determine state policy. For example, currently in Utah, elements and themes related to SEL are included within the Health standards for K–12. Yet, stakeholders did not reference these standards when discussing the need for SEL integration into the regular academic program and highlighted the need for expanded mental health support for their communities.

Similarly, stakeholders included nutrition and athletics as critical features of a minimum school program, but these were not consistently defined or reflected across resources and were therefore not included in the final list. Nutrition, for example, is included in Health standards to educate students about healthy eating habits. In their description of a minimum school program, stakeholders referred to the importance of supplying students with healthy food, which is a program and not an educational standard. Nutrition as a program has separate funding and refers to the direct food provision at schools, but this funding stream is not within the MSP. Athletics links to physical education (which has a set of standards), but this usage of the term was focused on afterschool and community sports. This set of distinctions does not mean that they are not implicit within the other sources (e.g., safe and healthy schools) or that these are not important to the positive experiences and development of students. This could be an area of further examination for alignment.

The definition of minimum school program in Utah currently focuses on academic programs, with stakeholders and the USBE demonstrating a strong value and need for a wider definition of academic programs that includes social-emotional learning, the arts, and physical education.

*“The demands of schooling have changed in the 21st century, and autonomy and purpose are just as important as mastery. We need a greater focus on what it takes in the classroom to build autonomy and purpose through integrated social-emotional learning supports.”*

– Superintendent Input Session Participants<sup>3</sup>

1 Aspen Institute National Commission on Social, Emotional, and Academic Development. (2019). *From a Nation at Risk to a Nation at Hope*. Retrieved from [http://nationathope.org/wp-content/uploads/2018\\_aspen\\_final-report\\_full\\_webversion.pdf](http://nationathope.org/wp-content/uploads/2018_aspen_final-report_full_webversion.pdf); p. 19

2 Bridgeland, J., Bruce, M., & Hariharan, A. (2013). *The Missing Piece: A National Teacher Survey on How Social and Emotional Learning Can Empower Children and Transform Schools*. A Report for CASEL. Civic Enterprises. Retrieved from <https://casel.org/wp-content/uploads/2016/01/the-missing-piece.pdf>; p. 16

3 This quote is an amalgamation of multiple participants with the removal of district details to ensure anonymity.



# Utah Education Funding Study

## Summary 3 – Part 2: How does the current funding system align with these expectations? – Equitable Access



*This summary is drawn from a report that is the first of two components of a broader study of funding for the K–12 education system in Utah. This first Phase 1 report examines alignment between Utah’s vision for students and the Minimum School Program (MSP) as defined by statute, the equity of the current MSP, the role and balance of state and local funding, the incentives created by and alternatives to enrollment-based funding, and the impact of year-round schooling.*

*Through its analyses, this report provides a baseline assessment of the distance between Utah’s expectations of a minimum program and the current state and sets up a deeper evaluation for the second phase of this study in 2020 by identifying potential areas of exploration.*

### Equitable Access to the Minimum School Program

As part of Phase 1, the study team conducted an equity analysis of Utah’s school finance system. As a school finance term, “equity” is concerned with how resources are allocated across school districts and, ultimately, across schools and students. While the most common notion of equity assumes that a school finance system that distributes resources *equally* is equitable, school systems vary in a variety of ways that have implications on their ability to provide *equal opportunity*. Ultimately, a strong finance system that is truly equitable will accommodate for differences between districts in terms of (1) student resource needs, (2) district revenue-raising abilities, and (3) district characteristics.

Finally, some districts also face factors beyond their control that can lead to higher operating costs, such as small student enrollments, low population density, or geographic isolation.

## Defining Equity

The most common equity concepts addressed in school finance equity analyses are horizontal equity, vertical equity, and fiscal neutrality.<sup>1</sup> These are described below.

### Exhibit 18. Common Equity Analysis Concepts

Equity Analysis Concept	Description
Horizontal Equity	Concerned with how equally resources are allocated to districts or students in similar situations. It is sometimes said that horizontal equity addresses the "equal treatment of equals." Under a school finance system with high horizontal equity, students with no additional needs are funded roughly equally, regardless of which school district they attend.
Vertical Equity	Measures how well school finance systems take into account varying student and district needs. A system with high vertical equity will provide more resources for students with greater educational needs or districts with characteristics that impact costs, such as very small size or geographical isolation.
Fiscal Neutrality	Assesses the link between local wealth and the amount of revenue available to support a school district. A school finance system with high fiscal neutrality minimizes the relationship between local wealth, or capacity, and district spending.

These three dimensions of school finance are the focus of this equity analysis.<sup>2</sup>

## Horizontal Equity, Vertical Equity, and Fiscal Neutrality

While there are a number of generally accepted statistical approaches to analyzing equity,<sup>3</sup> the study team has identified several statistical measures that they have found are most useful for policymakers trying to understand the equity of a school finance system. These include Range, Coefficient of Variation (CV), McLoone Index and Versteegen Index, and Correlation Coefficient. These are described in detail in the full report.

The range and CV may be used for measuring both horizontal and vertical equity. However, measures of vertical equity use weighted student counts while horizontal equity uses non-weighted student counts. By using weighted student counts, which provide a measure of student need, the study team is able to assess how spending varies with student need. The study team's expectation is that higher spending will be associated with higher levels of student need.

1 Berne, R., & Stiefel, L. (1984). *The measurement of equity in school finance: Conceptual, methodological, and empirical dimensions*. Baltimore, MD: Johns Hopkins University Press.

2 Several terms and measures of district revenues and expenditures are relevant to this analysis. Definitions of these terms are provided in the full report.

3 Berne, R., & Stiefel, L. (1984). *The measurement of equity in school finance: Conceptual, methodological, and empirical dimensions*. Baltimore, MD: Johns Hopkins University Press.; Odden, A. R., & Picus, L. O. (2014). *School finance: A policy perspective* (5th ed). New York, NY: McGraw-Hill.

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## Horizontal Equity

Horizontal equity is a measure of how equally similarly situated students are funded across school districts. A state school finance system that is horizontally equitable should meet or exceed the standards of all of the equity statistical measures described above.

The variation in revenues or spending that exists among districts should be largely explained by differences in student need.

The two years 2013–14 and 2017–18 were examined to assess at two points in time the equity characteristics of Utah’s school finance system.

Using the standard of the CV being equal to or less than 0.10, these results show that in both years, only one variable, average teacher salary, meets the equity standard. Another, student-teacher ratio, is relatively close to the standard, but still exceeds it.<sup>4</sup>

The other variables all exceed the standard by a factor of two to four. The McCloone and Versteegen indices also show that inequity in the system exists across the entire distribution of districts, whether below or above the median state and local revenues per ADM, since each falls short of meeting the standard.<sup>5</sup>

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## Vertical Equity

The results for vertical equity are similar to the horizontal equity results. Vertical equity assumes that a greater amount of resources are needed to effectively educate students with greater need. This vertical equity analysis used WADM counts in the CV calculation, thereby taking into account, or controlling for, the variations in spending between districts with different numbers of students with greater need. If the school funding formula is providing enough additional resources for serving students with greater needs, the CVs should improve compared to the horizontal equity analysis using unweighted ADMs.

Comparing the horizontal and vertical equity analyses show that for both years, there is little difference in the CVs whether using ADM or WADM. In fact, most of the CVs are somewhat larger in the vertical equity analysis. This result indicates the funding system may not be providing sufficient additional resources for students with greater needs, such as the economically disadvantaged students, English Learners, and students with disabilities.<sup>6</sup>

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## Fiscal Neutrality

Fiscal neutrality examines the relationship between the wealth of a district and the resources it has for educating its students. In an equitable school finance system, there should be little or no relationship between local wealth and resource levels.

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- 4 One potential reason for less variation in average teacher salaries across districts is the ongoing shortage of qualified teachers in a number of subject areas, which may lead districts to raise salaries to compete in the teacher labor market.
  - 5 It is likely that some of the apparent inequity indicated by the equity statistics may be due to the number of smaller districts in the state. The issue of how equity may vary by district characteristics such as enrollment size and locale (rural, suburban or urban) is an issue that should be explored further in Phase 2 of the study.
  - 6 This finding is supported by several correlations between the need factor and other resource measures. The correlation between the need factor and state and local revenues per WADM is -0.169, indicating a very weak — and negative — relationship between need and per WADM state and local revenues. The relationship between need and total expenditures per WADM is similar, with a very weak correlation coefficient of -0.075. Both of these correlations show that there is little relationship between the concentration of students with greater needs and additional funding for districts.

The results show that many of the fiscal neutrality measures exceed the standard of a correlation coefficient less than or equal to 0.50, indicating that to some degree, district resource levels are related to district wealth.

This analysis presents the correlation between per pupil assessed value and a number of different resource variables, including state and local revenues per ADM and WADM revenues; total revenue per ADM and WADM, per ADM and WADM instructional and total expenditures, and teacher salaries, teachers per 1,000 ADM, certified staff per 1,000 ADM, and the student-teacher ratio.

The 2017–18 correlations with per ADM and WADM revenues and expenditures (with the exception of instructional expenditures) all exceed the 0.50 standard, although not by a very large amount.

The correlations between local wealth and the other resource factors such as average teacher salary (in 2017–18 only), teachers per 1,000 ADM, and certified staff per 1,000 ADM all fall below the standard in both years.

The correlation between wealth and student-teacher ratio is just above the standard in 2017–18 and is negative, an indication that there is a slightly higher than desired relationship between local wealth and smaller class sizes.

Of some concern is the fact that all of the correlations with revenues became larger between 2013–14 and 2017–18, indicating the relationship between local wealth and revenues has become stronger over time. This change over time occurred despite two recent legislative actions designed to improve equity across districts.<sup>7</sup> The study team will take a closer look at why these equity measures worsened over time during Phase 2 of the study. Conversely, the relationship between local wealth and expenditures and local wealth and the other resource variables became somewhat smaller over that same period of time.

## Findings Summary: Equity Study

This analysis raises some questions about Utah’s school funding system with respect to horizontal and vertical equity and fiscal neutrality. The majority of variables examined in this analysis fell short of meeting generally accepted benchmarks for equity statistics, although in many cases, the margin was not substantial. The analysis showed that there was greater than desired variability in per ADM and per WADM revenues, expenditures, and other resource indicators such as average teacher salaries, teachers per 1,000 ADM, certified staff per 1,000 ADM, and student-teacher ratios.<sup>8</sup>

Two recent reports present more positive assessments of the equity of Utah’s school finance system. However, differences in the focus and data and analysis approaches make comparisons difficult, if not impossible. In the Education Law Center’s *Is School Funding Fair? A National Report Card*, researchers used multiple federal datasets from 2015 to examine school finance in all 50 states. In its one finance equity measure, a measure of how much per pupil funding changes between districts with zero percent poverty and those with 30 percent poverty, Utah is ranked number one and given an “A” grade. However, this is a narrow measure of vertical equity, focused

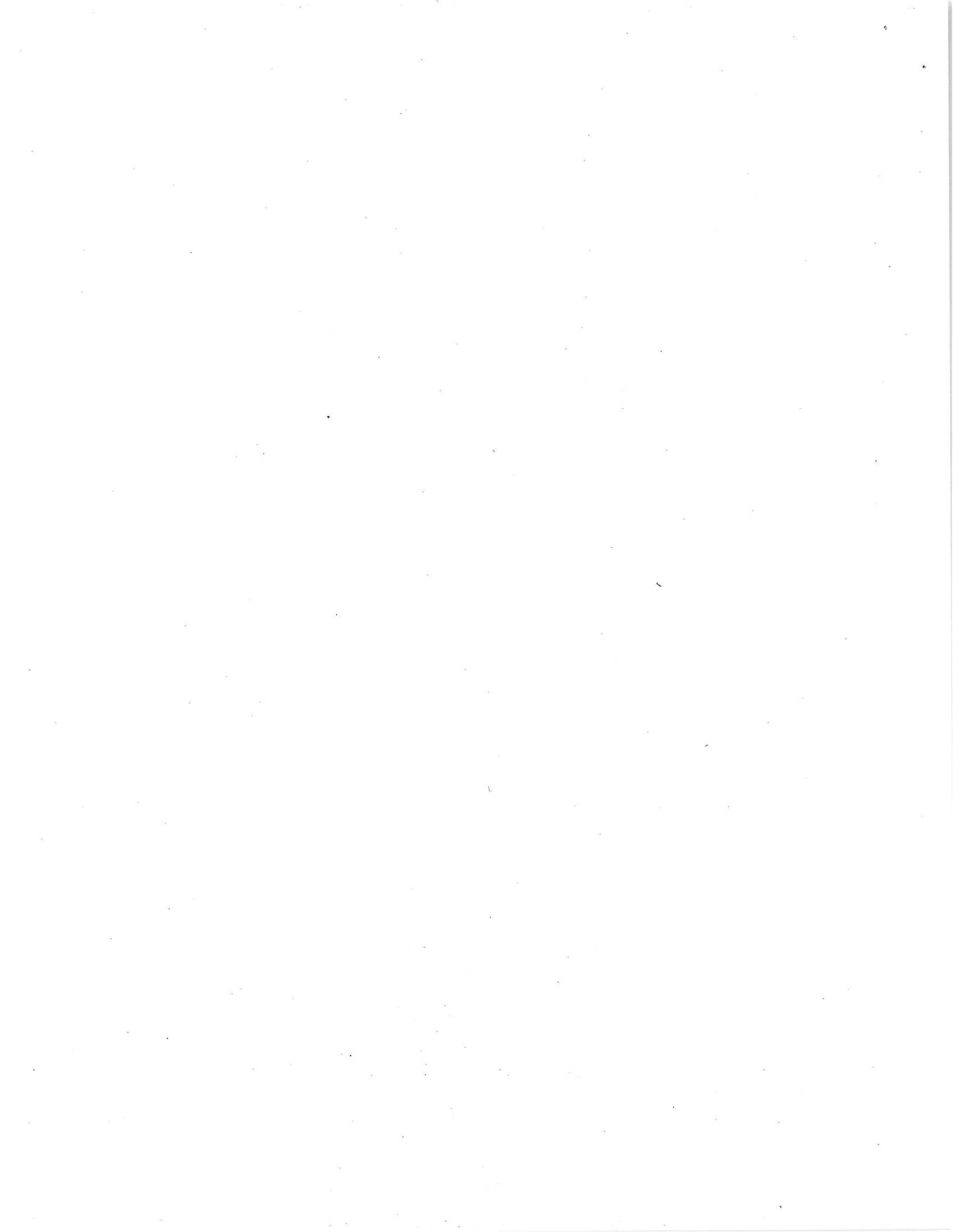
<sup>7</sup> See Senate Bill 97 passed during the 2015 General Session and House Bill 293 passed during the 2018 General Session.

<sup>8</sup> Additional analyses to assess the equity impact of revenue streams that are not directly related to instruction or student support, such as transportation, food services and student activities funding, should be considered for Phase 2 of this study.

entirely on poverty-based changes in funding, that ignores other student needs (EL and special education) and the issues of fiscal neutrality and funding variation. *Education Week's* Quality Counts issue also grades the finance systems in the 50 states and District of Columbia. It includes three measures similar to those used in this analysis, including a correlation between assessed value per student and per student state and local revenues, the CV for per student expenditures, and the McLoone Index. All three of these measures are more favorable than what this analysis found.<sup>9</sup> However, *Education Week's* analysis also uses federal datasets rather than state-provided data, adjusts student counts to account for student need using different weights than used here, and makes adjustments for differences in cost of living. *Education Week's* analysis also does not provide detail on which specific revenues and expenditures were included in its analyses. A deeper investigation of equity and raise the possibility that there is room for improvement in providing an equitable school finance system.

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9 Baker, B. D., Sciarra, D. G., & Farrie, D. (2018). *Is School Funding Fair? A National Report Card* (7th ed). Newark, N.J.: Education Law Center. [https://edlawcenter.org/assets/files/pdfs/publications/Is\\_School\\_Funding\\_Fair\\_7th\\_Editi.pdf](https://edlawcenter.org/assets/files/pdfs/publications/Is_School_Funding_Fair_7th_Editi.pdf). Education Week, Quality Counts 2019. Grading the State. <https://www.edweek.org/ew/collections/quality-counts-2019-state-finance/index.html>. The Quality Counts analysis, using 2016 federal data, found a correlation of 0.221 between per student assessed value and per student state and local revenues. Its CV for per student expenditures was 0.175, and its McLoone Index was 0.96.



# Utah Education Funding Study

## Summary 4 – Part 2: How does the current funding system align with these expectations? – Balancing State and Local Contributions



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### Research Objective 1c: Analysis of the role and balance of the state and local contribution

States fund K–12 education through a mix of federal, state, and local sources. Federal funding is generally provided to serve specific student populations or purposes, such as special education (IDEA funding), low-income students (Title I), and CTE (Perkins). State revenues include a state's share of its funding formula(s) for unrestricted operating revenues and often also include specific funding for special student populations, and any additional funding streams a state may have, such as categorical and grant funding to be used for specific educational purposes. Local revenues include the local contributions required by state level funding formulas and any additional funds raised by local LEAs or municipalities to support students.

Each state varies in the mix of state, local, and federal revenues included in the total amount of funding available for students. To examine these differences, the study team used Common Core of Data (CCD) information from the National Center for Education Statistics (NCES) for the 2015–16, 2010–11, and 2005–06 school years. The 2015–16 school year is the most recent year for which fiscal data is available for all states and the two additional years allow for examination of how revenues have changed over time.

While state revenue accounts for 50% of funding on average nationally, Illinois provides the lowest level of state support at 24%. Illinois' local share is the highest in the country at 67%. Vermont provides the vast majority of total funding for its districts with 89% of revenues from the state and just 4% coming from locals. Vermont's local share is only exceeded by Hawaii's, which operates as a single statewide school district. Mississippi receives the highest share of federal funds at 15% of all revenues, with New Jersey having the lowest reliance on federal funding at just 4% of total funding.

The included maps display by state the percent of total revenue in 2015–16 for each funding source; federal, state, and local.

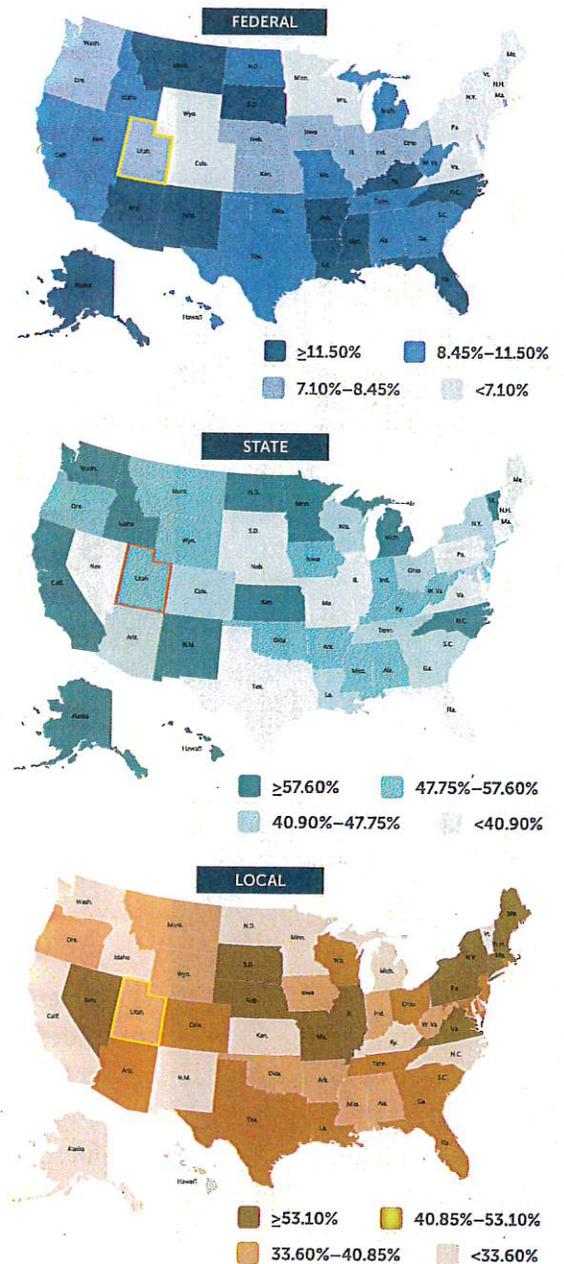
In 2005–06, the national average split between state, local, and federal funding was very similar to 2015–16, with 49% of funding coming from the state, 41% from local, and 10% from the federal government. The 2010–11 numbers show the impact of the Great Recession nationally. State funding dropped to 47% of total revenue, while federal stimulus dollars, known as American Recovery and Reinvestment Act (ARRA) dollars, helped to increase federal share to 13%.

Utah saw a very similar pattern in funding over this 10-year period. The 2005–06 figures are consistent with the 2015–16 figures, with state share at 55%, local share slightly lower at 35%, and federal funding slightly higher at 10%. In 2010–11, state share dipped by 4 percentage points to 51%, while local share increased to 37% and federal share rose to 13%. Overall, Utah's state share was higher than the national average in all years, while its local share was lower than the national average. Utah also had lower than average federal share in all years.

Examining the 50 states shows a wide variation in the distribution found across the three revenue sources. There is no specific research on the “best” distribution, and each state's finance system and state policies and laws dictate its final distribution. This includes the required local match each state mandates and the ability for local districts to generate additional funding above that provided by the state funding system.

Using Education Week's Equity Score from their *Quality Counts 2019* publication, which examines 2015–16 revenue data, the study team examined the relationship between state and local share percentages and each state's Equity Score. The study team examined the correlation between both the state and local share percentages and equity score for the states.

Exhibit 25. Revenue by Source, 2015–16



Note: Only states are reported. Other jurisdictions, or entities, such as Washington, DC, are not included.

The relationship between both state and local share and the Equity Score is effectively 0.00. This means that there is no clear relationship between how much states rely on state or local share for funding districts and the equity of the states' funding systems, as determined by Education Week's *Quality Counts 2019*.<sup>1</sup>

## State Policies on State and Local Share

The project scope calls for an examination of language that would ensure that school districts “participate on a partnership basis in the payment of a reasonable portion of the cost of a minimum program.” As shown in the state and local share data analysis, there is no correlation between state and local allocations and with equity. As such, there is no clear “right” contribution level or right approach.

The concept of a partnership between the state and local districts brings into question how to define the appropriate partnership. Most states require some level of local share for the minimum program, but how that local contribution is defined varies. States often measure local contribution as a level of local effort, similar to Utah.

**Maryland** offers an example of a state that goes beyond setting a local contribution and instead sets a distinct goal for the local and state split of funds. Since the implementation of its latest funding formula in the early 2000s, the state has targeted a 50/50 split for each of its four funding formulas.<sup>2</sup>

An alternative to setting a specific required percentage would be to continue to set a required local contribution, as Utah currently does, but to increase the required level to generate a higher local share to more evenly split the share of funding from state and local sources. Two examples of this are **Ohio** (44.90% state, 47.40% local) and **Wisconsin** (45.50% state, 47.30% local).

In either scenario, the state would also need to consider how to address local revenues in excess of what is required to fund the minimum program in order to address equity. Two examples illustrating the range of approaches include **Wyoming** and **Nevada**. In Wyoming, districts must rebate back to the state local revenue in excess of funds needed as established by the foundation program. This promotes taxpayer equity in the state, both setting the same level of tax burden in each district and ensuring that funding is not based upon the wealth of a community. Nevada takes a different approach. It sets a required tax rate, but then considers just one-third of the taxes collected as available local funds for the minimum program, with two-thirds of funds available to the local district. This has led to large differences in the level of funding in districts in the state.

The study team recommends that Utah continue to both set a required local contribution amount, while still being cognizant of the equity issues that may arise without limits or equalization of the local revenues raised above the minimum program.

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1 When examining the correlation between two sets of data, a 1.00 figure represents a perfect correlation between two data sets. A 0.00 figure represents no correlation.

2 This includes its foundation, compensatory education, English Learner, and special education formulas. The state calculates the targeted funding within each formula, generates a 50/50 split based on districts' wealth and then provides a minimum level of state funding within each formula to ensure every district receives some state funding. Since local share is determined as percent of total funding, tax rates are not fixed and local effort may need to fluctuate to meet the full local share.

