

FY2011
D
Grade based on % of Weighted Funding Disparity

Utah

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Introduction

This chapter compares district and charter school revenues statewide, and for Salt Lake City and Granite, for fiscal year 2011 (FY11).¹ Comparisons are made to previous research for FY03 and FY07,

based on the same methodology. Funding disparities between districts and charter schools for the same geographic area are explored. The per pupil funding values in the analysis are weighted to compare districts and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. The monograph also includes a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- The 76 charter schools analyzed in Utah, in aggregate, received 20.5 percent less in revenues on a per pupil basis than district schools. Charter schools received \$6,352 vs. \$7,995 for district schools, a difference of \$1,643 (Figures 1 & 3).
- If districts were to educate the same urban/metropolitan vs. suburban/rural proportion of students as charter schools do, the district weighted revenue per pupil would be \$8,039, or \$1,687 (21.0%) more than charters (\$8,039 less \$6,352; see Figure 3).
- The eight charter schools in Salt Lake City, in aggregate, received 32.4 percent less in revenues on a per pupil basis than district schools. Charter schools received \$6,990 vs. \$10,343 for district schools, a difference of \$3,353 (Figure 3).
- The six charter schools in Granite, in aggregate, received 11.9 percent less in revenues on a per pupil basis than district schools. Charter schools received \$6,451 vs. \$7,325 for district schools, a difference of \$874 (Figure 3).
- Charter schools in Utah educate 7.0 percent of total public school enrollment but receive only 5.6 percent of total revenues (Figure 3).
- Magnitude of Disparity: If all Utah districts received the same level of per pupil funding as charter schools, districts would have received \$881,014,643 less in total funding (Figure 3).

There are two significant observations regarding Figure 3:

- Charter schools receive no local revenues directly. Rather, they receive Local Replacement Funding from the state.
- Because the total of State and Local revenues per pupil for districts is greater than State revenues for charter schools by a significant amount, it appears the state's funding mechanism is not equalizing district and charter revenues.

Probable Causes of Disparities

- **Insufficient Equalization.** The Minimum School Program (MSP) amount is distributed equitably, but the amount is too small of a proportion to state-controlled funding and total funding to create equity.
- **Federal Funding Disparity.** Federal revenues are lower for charter schools than for districts (statewide, \$1,021 per pupil for districts; \$576 per pupil for charter schools; for Salt Lake City, \$1,830 for districts and \$785 for charters; and for Granite, \$1,107 for districts and \$785 for charters). The specific causes of this Federal disparity are unknown, but this result can occur when a) small charter schools choose not to pursue certain Federal revenues due to associated administrative burdens, b) the rules for qualifying for Title I funds favor larger entities like districts, and/or c) funds from the Federal American Recovery and

Figure 1

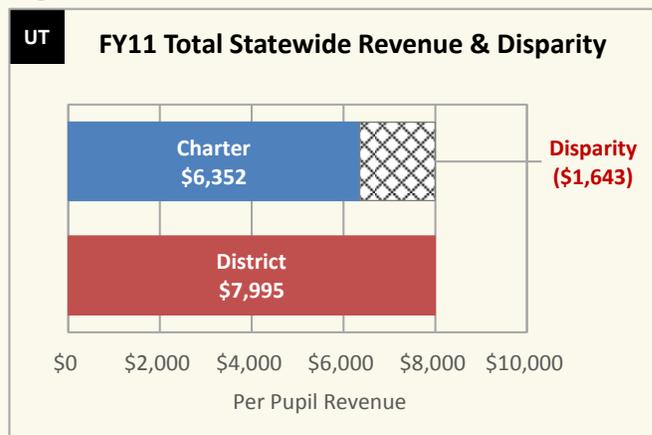


Figure 2

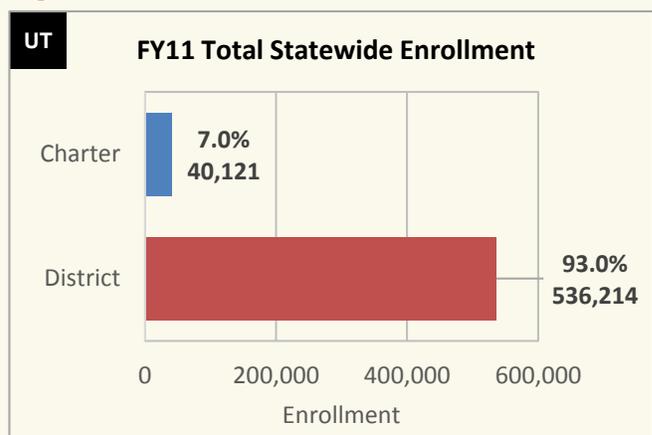


Figure 3

UT Summary Data Table									
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Salt Lake City		Granite		
Per Pupil Revenue									
District	\$7,995		\$8,039		\$10,343		\$7,325		
Charter	\$6,352		\$6,352		\$6,990		\$6,451		
Difference	(\$1,643)		(\$1,687)		(\$3,353)		(\$874)		
% of District	(20.5%)		(21.0%)		(32.4%)		(11.9%)		
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	\$1,021	\$576	\$1,024	\$576	\$1,830	\$785	\$1,107	\$785	
State	\$3,856	\$5,493	\$3,859	\$5,493	\$3,542	\$5,664	\$3,725	\$5,452	
Local	\$2,562	\$0	\$2,594	\$0	\$4,238	\$0	\$2,062	\$0	
Other	\$556	\$283	\$563	\$283	\$733	\$541	\$431	\$215	
Public-Indeter.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total	\$7,995	\$6,352	\$8,039	\$6,352	\$10,343	\$6,990	\$7,325	\$6,451	
Enrollment									
District	536,214 93.0%		Focus Area Districts Educate 17.3% of All District Students		23,960 91.7%		68,573 94.8%		
Charter	40,121 7.0%		Focus Area Charters Educate 14.7% of All Charter Students		2,159 8.3%		3,737 5.2%		
Total Enrollment	576,335		N/A		26,119		72,310		
Charter Schools*	76		N/A		8		6		
Revenue									
District	\$4,287,199,373 94.4%		N/A		\$247,819,650 94.3%		\$502,285,785 95.4%		
Charter	\$254,860,070 5.6%		N/A		\$15,091,652 5.7%		\$24,108,069 4.6%		
Total Revenue	\$4,542,059,443		N/A		\$262,911,302		\$526,393,854		
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	
Federal	12.8%	9.1%	12.7%	9.1%	17.7%	11.2%	15.1%	12.2%	
State	48.2%	86.5%	48.0%	86.5%	34.2%	81.0%	50.9%	84.5%	
Local	32.0%	0.0%	32.3%	0.0%	41.0%	0.0%	28.2%	0.0%	
Other	7.0%	4.5%	7.0%	4.5%	7.1%	7.7%	5.9%	3.3%	
Public-Indeter.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Magnitude of Disparity = Total funding Difference times District enrollment (see above)									
	(\$881,014,643)				(\$80,336,564)		(\$59,908,847)		

* The 76 charter schools noted in Figure 3 are those for which both revenue and enrollment data could be acquired and analyzed. Other published state counts of charter schools may include a few more or less because of new charter schools or closing charter schools for which revenue data and/or enrollment data may not be available.

Reinvestment Act (ARRA) and State Fiscal Stabilization Fund (SFSF) grants provided to the state have not been distributed equitably.

- **Facilities Funding.** Charter schools have a completely different facilities funding process than school districts. Recent significant supports for charter school facilities were created in just the past few years, but they would not have an impact on FY11 charter school revenues. Charter schools do not have the flexibility of local taxing authority, and the state’s Local Replacement Funding (approximately \$1,700 per pupil, of which a minimum of 10%, or \$170 per pupil is required to be expended on facilities) falls short of district Local funding of \$2,562 per pupil statewide (see Figure 3).

Where the Money Comes From

The main state-controlled funding sources for Utah public schools are state income tax and local property tax. The income tax is applied equally, in the same way, across the entire state, whereas, only one of 13 types of property tax levies is fully equalized. In this case, “equalized” is in reference to tax revenue, not necessarily distribution to school districts. The one basic levy is equalized because a uniform tax rate is applied to the taxable value of property statewide. The other 12 levies are not equalized statewide, so tax rates for these levies vary throughout the state.²

Expenditure equalization, or distribution of revenues to school districts for student education, means that similar students are funded similarly, wherever located. Most Minimum School Program expenditures are equalized statewide; for this funding component, similar students are funded similarly regardless of where they attend school in the state.

School districts do not have autonomous authority to impose property taxes. They have authority only as granted by the legislature. Current statutes authorize school districts to impose 13 local property tax levies. Only one levy, the basic program, is fully equalized. There is a funding factor that provides a partial guarantee as a means to partially equalize all property tax levies, but it is insufficient to fully equalize expenditure distributions to school districts. Charter schools have no local taxing authority, and receive an amount from the state intended to compensate for that lost local revenue opportunity.

How Utah Funds Its Districts

Utah’s funding mechanism for public education is called the Minimum School Program (MSP). The MSP program leverages the state income taxes and local property taxes to equalize revenue distributions. The funding formula components that are most equalized are provided by the basic program. School districts also receive local property taxes. Although school districts have local taxing authority, the state defines 13 specific categories of allowed property taxes, as follows:³

- Basic Levy – fully equalized

Figure 4

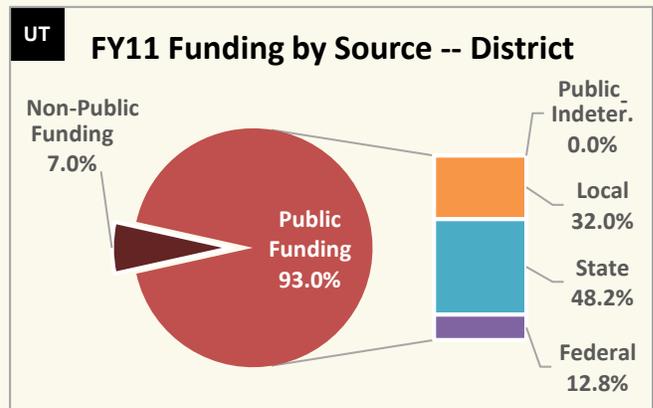
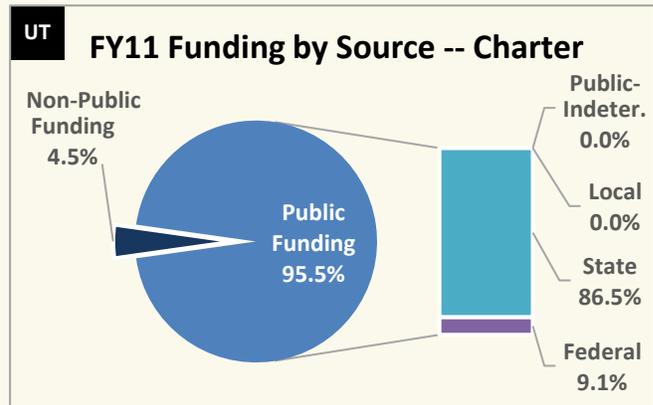


Figure 5



- Voted Leeway – approved by electorate
- Board Leeway – approved by local school board
- K-3 Reading Levy – approved by local school board
- 10% of Basic – approved by local school board for debt service, school construction, etc.
- Debt Service – approved by local electorate when bonds are authorized
- Capital Outlay – approved by local school board for maintenance of school facilities
- Voted Capital Outlay – approved by local electorate
- Transportation – approved by local school board for student transportation
- Recreation – approved by local school board for recreation purposes
- Judgment – approved by local school board to pay judgments or tax refunds
- Tort Liability – approved by local school board for payment of claims & settlements
- Public Law 81-874 – approved by local school board for Federal Impact Aid replacement funds

Utah statute provides that each locality should be empowered to provide educational facilities and opportunities beyond the minimum program and that all children are entitled to reasonably equal educational opportunities regardless of place of residence. These two potentially conflicting requirements are common in many states: equity vs. local determination.

The MSP incorporates a basic levy guarantee based on weighted pupil units, which are used each year to set a base funding amount. In FY11, the guaranteed basic levy amount was \$2,577 per pupil. The basic levy is the most fully equalized funding component in the MSP program. There are then add-on amounts based on student needs. This base amount constitutes 40.6 percent of total charter funding (\$2,577 divided by \$6,352, see Figure 3), and only 32.2 percent of total district funding (\$2,577 divided by \$7,995, see Figure 3). The difference between these percentages represents the scope of opportunity for state funding not to equalize between districts and charter schools.⁴

How Utah Funds its Charter Schools

Charter schools in Utah are their own local education agencies (LEA). Charter schools receive state revenues directly from the state. As of FY11, 70 charter schools had been approved by the State Charter School Board; the remainder were approved by school district boards. Charter schools are funded the same as school districts, with the following exceptions:

- They receive \$100 per pupil less for administrative fees.
- They receive no pupil transportation funding.
- They receive Local Replacement Funding (LRF) from the state to replace local property tax (about \$1,700). Approximately 10% of LRF is intended for facilities use, but charter schools typically use 47 percent of LRF for this purpose.⁵
- Charter schools receive average district per pupil revenues from some district local property tax levies, but not from the recreation levy, the reading levy, the transportation levy, and the judgment levy.
- Charter schools have virtually no access to facilities funding, except for occasional one-time start-up funding support from the state.
- Charter schools can apply for and receive federal funding independently of school districts.

Funding for Public School Facilities

School districts have access to state and local facilities funding sources, inclusive of local electorate-approved levies for capital funding, debt service and facilities maintenance. Charter schools had less access to facilities funding through FY11, but in more recent years, new supports have been created. Charter school facilities support includes the following:

- At least 10% of a charter school’s Local Replacement Funding (about \$170 per pupil) must be expended on facilities.
- HB 83 created the Charter School Revolving Account in the 2011 General Session. This recent legislation would not have an impact on this FY11 revenue analysis.
- The Utah State Charter School Finance Authority was created to provide an efficient and cost-effective method of financing charter school facilities.
- SB 152 created the Charter School Credit Enhancement Program in 2012.

Funding Patterns

The state of Utah was added to the revenue study for this FY11 analysis; there are no previous study data for FY03 and FY07 for comparative purposes. Significant FY11 funding patterns are discussed above. Therefore, Figures 6 through 9 are intentionally deleted from this chapter.

Figure 10 provides a summary of Total funding disparity for FY11.

Figure 10

UT Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	N/A	N/A	-20.5%
Salt Lake City	N/A	N/A	-32.4%
Granite	N/A	N/A	-11.9%

Select Enrollment Characteristics

The special education enrollment was downloaded in an Excel file from a USOE web site.

Figure 11

UT Select Enrollment Characteristics									
Student Group >>> Year >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	FY03	FY07	FY11	FY03	FY07	FY11*	FY03	FY07	FY11
Statewide District	N/A	N/A	39.0%	N/A	N/A	26.2%	N/A	N/A	11.1%
Statewide Charter	N/A	N/A	28.4%	N/A	N/A	66.7%	N/A	N/A	10.8%

*The accuracy of the NCES percentage for charter Title I enrollment (66.7%) is questionable – it looks too high. Normally, Title I percentages show a close relationship with free and reduced-price lunch percentages (only 28.4%). In general across all states, the NCES Common Core data has numerous instances indicating that state reported data do not meet NCES data standards and instances where data were not reported or are otherwise missing; other errors have been noted in the past, especially for charter schools. This was the best data source available and accessible at the time of the analysis.

Funding Practices Summary

Figure 12

UT Funding Practices Summary								
PURPOSE	GRADE			FUNDING				REF
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.	N/A	N/A	D					
	Grade based on % of Weighted Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Yes	Yes	No	Yes				
In practice, do charter schools have at least as much access to this funding source as districts have?	Yes	Yes	No	No				
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	No	Yes	No	No				
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Yes	
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Yes	
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?							Yes	
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Yes	

Endnotes

- 1 The source for revenue data was the Utah State Office of Education (USOE). Two revenue data spreadsheets were downloaded from a USOE web site: Revenues by Source_A_11RVST_VO.xlsx, and Other Financing Sources_A_11OSST_VO. Enrollment data was downloaded from USOE Enrollment Reports at: <http://www.schools.utah.gov/charterschools/Annual-Report.aspx>.
- 2 Utah Office of Legislative Research and General Counsel. [How Utah Public Schools are Funded](http://le.utah.gov/lrgc/briefings/howutahpublicschoolsarefunded.pdf). February 5, 2013. <<http://le.utah.gov/lrgc/briefings/howutahpublicschoolsarefunded.pdf>>.
- 3 Utah Office of Legislative Research and General Counsel. [Property Taxes & School Funding in Utah](http://le.utah.gov/lrgc/briefings/BriefingPaperEqualization.pdf). August 2010. <<http://le.utah.gov/lrgc/briefings/BriefingPaperEqualization.pdf>>.
- 4 Utah State Office of Education. [State-Supported Minimum School Program for Utah Public Schools, FY2010-2011](http://www.schools.utah.gov/finance/Minimum-School-Program/Archive/FinalBook11.aspx). September 2011. <<http://www.schools.utah.gov/finance/Minimum-School-Program/Archive/FinalBook11.aspx>>.
- 5 US Department of Education. [ED.gov](http://www2.ed.gov/policy/elsec/leg/statecharter/lawut.html). <<http://www2.ed.gov/policy/elsec/leg/statecharter/lawut.html>>.