

UTAH FOUNDATION

Research Report

Report Number 634

June/July 2000

Utah Public School Finances: FY 1998-99

Highlights

- Utah's public schools receive revenue from three levels of government: federal government, state government, and local school districts. In school year 1998-99, state government provided \$1.5 billion or 53.1 percent, local school districts \$1.1 billion or 40.8 percent, and the federal government \$171.4 million or 6.2 percent for a total revenue of \$2.8 billion.
- State government provides for the state's public schools through the constitutionally created Uniform School Fund, the largest revenue source to that fund being the state individual income tax. Local school districts raise revenue mainly from the property tax.
- The largest portion of total school revenue goes to the basic state-supported program. This program is jointly funded by the state mandated local property tax and the state Uniform School Fund. The state legislature created the basic school program in an attempt to equalize school funding among the state's diverse school districts. Each year the state guarantees the amount of money that will be spent per weighted pupil unit.
- Besides the basic school program, school districts administer other programs as part of what state law calls the Minimum School Program (MSP). MSP includes the basic program and the following: programs related to basic, special purpose programs, and the voted leeway and board leeway programs. Total MSP revenue for 1998-99 amounted to \$1.7 billion. Of this amount, \$1.4 billion or 82.7 percent came from the Uniform School Fund. The balance came from the local school districts via property taxes. This level of support by the state for the MSP has increased substantially in the last five years. In school year 1993-94, the state provided 75.9 percent of the MSP.
- The basic program developed by the state is designed to provide a base level of funding per student throughout the entire state and to defray the higher administration and overhead costs for small rural districts and special need students. This effort works to help equalize school funding among the state's 40 districts that vary in size and wealth. In fact, 74 percent of the state's school children are in 14 of the state's 40 school districts and spend per student between \$4,409 and \$5,909.
- School expenditures are dominated by compensation. Education is a labor intensive enterprise. In school year 1998-99, compensation for all education employees accounted for 64.9 percent of all expenditures. Materials and supplies accounted for 7.2 percent, purchased services 7.5 percent, property acquisition 8.9 percent, and all other expenditures 11.5 percent.
- Public education expenditures can also be analyzed by major funds. When viewed this way, the maintenance and operation fund spent 69.9 percent of public education revenues, followed by capital and debt service, 22.6 percent. Combined these two funds account for 92.5 percent of education expenditures. The other funds are food service, 2.3 percent, Non K-12 4.1 percent and a few small others.
- Through the Minimum School Program (the largest portion of which is the basic school program) and the other programs just mentioned, public education in Utah is financed and administered. The basic school program is equalized based on the WPU and is a substantial step toward addressing the issue of equality of funding among school districts with substantially different financial means.

UTAH FOUNDATION is a private, nonprofit public service agency established to study and encourage the study of state and local government in Utah, and the relation of taxes and public expenditures to the Utah economy.

Utah Public School Finances: FY 1998-99

The single biggest expenditure of state and local tax revenue in Utah and the nation is for education (public and higher). Today about 42 percent of total direct state and local expenditures in Utah pay for education while the national average for the 50 states and the District of Columbia is 34 percent. About \$92 out of every \$1,000 of Utah total personal income are spent on education. This is about one-third higher than the national average of \$64. When looking at education expenditures, public education (K-12) receives the largest portion. In Utah, \$56 of the \$92 just mentioned is spent on public education while the national average for public education expenditures per \$1,000 of total personal income is \$45.

Despite the large amount of money going to the public schools, very few Utahns clearly understand public school finances. They know some about where the money comes from that pays for our schools, and how it is spent, but only in very general terms. Often, there are misconceptions. This is understandable; school finances are not simple.

Funding for Utah's public schools comes from the property tax, income tax, corporate franchise tax, liquor tax, federal grants, and school trust land revenues, to name just some of the revenue sources. Most of this money is spent through the "basic state-supported school program" which allocates funds to the 40 school districts via the Weighted Pupil Unit (WPU). Utah school districts have been authorized by the legislature to impose eight different property taxes. In an attempt to equalize public education, the legislature also matches some of these taxes.

When such a large portion of Utah tax revenue pays for public education, Utah Foundation feels that a description of public education finances in simple, straightforward terms will be helpful. This report is the third of its kind dealing with public school finances. The two previous reports treated school years 1992-93 and 1993-94.¹ This report will discuss Utah school finances for school year 1998-99.

Public School Revenues

In school year 1998-99, Utah's public schools received \$2.8 billion in revenue from three levels of government: federal, state, and local. Of the three, state government provided the most revenue, local school districts were next, while the federal government provided the least. As is shown in **Figure 1**, state government provided \$1.5 billion (53.1 percent), local

school districts accounted for \$1.1 billion (40.8 percent) and the federal government provided \$171.4 million (6.2 percent).

Federal Government Revenue

The federal government's involvement in primary and secondary education is not large. In fiscal year 1999, federal expenditures for elementary, secondary and vocational education programs totaled \$17 billion or 0.98 percent of a federal budget of \$1.7 trillion. As mentioned, in school year 1998-99, federal aid to Utah amounted to \$171.4 million. This represents 6.2 percent of all Utah public school revenues. Most of the federal dollars come to the state in the form of grants. The single biggest grant is for food service (school lunch and breakfast program) which amounted to \$50.7 million or 29.6 percent of the total federal dollars received. Chapter One (an instructional program designed to help disadvantaged children) is the next largest federal grant at \$36.6 million, or 21.4 percent of all federal dollars. The third largest block of federal grants are for handicapped programs at \$30.1 million. **Figure 2** shows the distribution of these federal grants.

State Government

As mentioned, state government provided the largest portion of revenue for Utah's public schools in 1998-99 -- 53.1 percent. State revenue comes from the Uniform School Fund (USF). The USF consists of a restricted and unrestricted account, as shown in **Table 1**. By far the largest account is the unrestricted account that receives state imposed taxes. The state's individual income tax is the biggest revenue source for the USF (see **Figure 3**). In fiscal year 1998-99, the individual income tax accounted for 88.0 percent of the \$1.6 billion collected in the unrestricted account and 75.9 percent of the \$1.9 billion total USF. The corporate franchise tax provided the second largest amount of revenue, accounting for 10.0 percent of the USF.

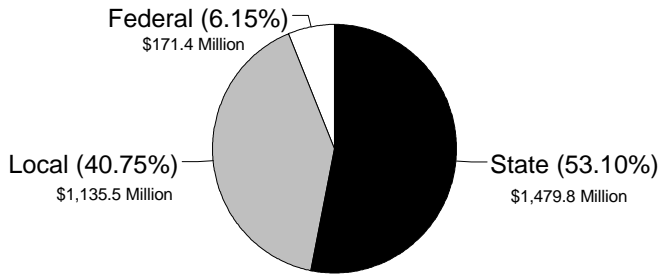
The restricted account revenues make up only 13.8 percent of the USF. By far the largest source of restricted revenue is the federal government. This is where the federal government places its grant money for the school programs mentioned previously. Restricted accounts also fund or help fund two specific programs: food service and driver education. A state imposed tax of 13 percent on the sale of liquor provides the state portion of the food service program. In fiscal year 1998-99, this tax raised \$12.8 million. A \$2.50 fee on the purchase of driver's license funds the driver education program, which raised \$3.9 million.

¹See Utah Foundation *Research Report*, 571, "Utah's Public School Finances 1992-93," May/June 1994, and Utah Foundation *Research Report*, 580, "Utah's Public School Finances 1993-94," March 1995.

Figure 1

Utah Public School Revenues

By Major Source: FY 1998-1999

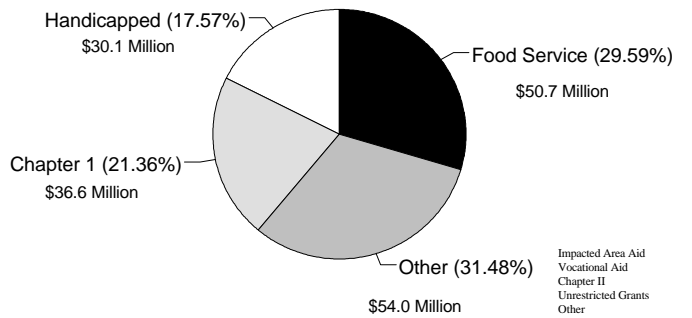


Total Revenue - \$2,786.6 Million

Figure 2

Federal Grants to Public Education

By Major Category: FY 1998-99

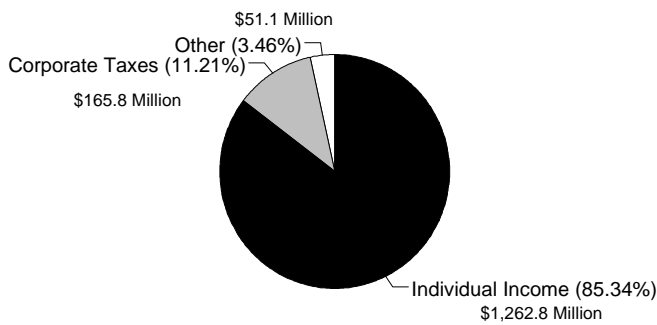


Total Federal Grants - \$171.4 Million

Figure 3

**State Uniform School Fund Revenue
Excluding Federal Funds**

By Major Category: FY 1998-99

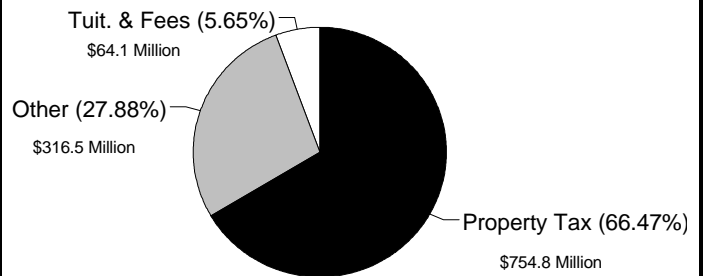


Total State Revenue - \$1,479.8 Million

Figure 4

Local Revenues for Public Education

By Major Category: FY 1998-99



Total Local Revenue - \$1,135.5 Million

Table 1

State Uniform School Fund Fiscal Year 1998-1999

	Amount	As a % of Total		Amount	As a % of Total
UNRESTRICTED*			RESTRICTED*		
State Individual Income Tax	\$1,463,897	75.9%	Federal Grants	\$213,826	11.1%
State Corporate Tax	192,221	10.0%	Dept. Collections	16,446	0.9%
Recaptured Property Tax**	0	0.0%	Food Service	12,778	0.7%
Interest	6,811	0.4%	Driver Ed. Fee	3,876	0.2%
Miscellaneous	25	0.0%	Other	19,356	1.0%
Subtotal	\$1,662,954	86.2%	Subtotal	266,282	13.8%
			GRAND TOTAL	\$1,929,236	100.0%

*Unrestricted or "free revenues" are tax proceeds that can be appropriated by the legislature each year for public education. Restricted revenues generally come from "earmarked" sources. Examples of these are the liquor tax which provides the state revenue for the school lunch program.

**Recaptured property tax is the revenue collected from school districts that raise more revenue from the state mandated property tax levy than is necessary to fund the basic school program. Any excess is placed in the Uniform School Fund.

Source: Utah State Division of Finance, Annual Report, FY 1998-99

School District Revenue

Local school district revenue accounted for 40.8 percent of all revenue in school year 1998-99. Local school districts raise revenue from several sources, the largest being the local property tax. In school year 1998-99, the property tax provided 66.5 percent of the local school district revenue (see **Figure 4**). Tuition and fees account for 5.7 percent. The largest source of tuition and fee income is school lunch tickets. Other sources are: book fees, activity fees, and admission fees.

The property tax may be imposed for eight different school programs. They are as follows:

1. basic state supported program
2. capital outlay and debt service
3. voted leeway
4. board leeway
5. 10 percent of basic
6. recreation
7. special transportation
8. tort liability

State law requires each school district to impose a state-mandated school levy. In school year 1998-99, this tax stood at 0.001840.² Two other property taxes are authorized for the board and voted leeway programs. Because these three taxes provide revenue for the Minimum School Program, they will be discussed later in the report. The other taxes that local school districts are authorized to impose are discussed below.

State law authorizes a **capital outlay and debt service** levy. Revenue from this levy pays for all capital projects such as school construction, bus purchases, equipment, etc. Though not required, like the state mandated levy, it is used in every district in the state.

State law also provides for a tax that will raise revenue equivalent to 10 percent of the cost of the basic program. The revenue can be used for debt service, purchase of school sites, buses, textbooks, and supplies. This is called the **10 percent of basic** levy. A **recreation** levy may be imposed for the purchase of recreational property, equipment, etc.

School districts may also levy a **special transportation** tax that allows them to raise more funds for transportation than are provided by the state. A **governmental immunity** or **tort liability** levy is also authorized for payment of claims, judgements and insurance premiums. **Table 2** shows the property tax rates by district and by type of levy for the school year.

Looking at public school finances by what level of government provides the funds is the simplest. Through

revenue from federal and state governments, local school districts augment their own resources and fund public education. However, this brief analysis does not explain the major role state government plays in trying to equalize the funding of public education in Utah's 40 school districts. The state equalizes school funding through the basic state-supported school program.

Basic State-Supported School Program

Utah has long recognized that a public education system financed primarily by local property taxes would be grossly unfair, since there is great variance among school districts in the amount and value of taxable property. **Table 3** (column 2) and **Figure 5** show the disparity in assessed valuations. Granite School District has the highest assessed values at \$14.6 billion. Tintic School District has the lowest at \$42 million.³

The table (column 6) also shows the disparity between school districts when assessed valuations are divided by school students in average daily membership (ADM).⁴ As can be seen, the disparity in each district's ability to finance education based on property values alone, is dramatic. Park City School District's assessed valuation per student is \$1.1 million. South Sanpete School District, on the other hand, has an assessed valuation per student of only \$96,259. The state average is \$201,881 per student.

Such large differences in levels of assessed valuations make it impossible for poorer school districts to fund education on an equal footing with wealthy school districts.⁵ As early as 1947, the state began setting minimum standards for kindergarten, elementary, and secondary schools. This minimum standard was titled the "basic school program." The law required a prescribed uniform statewide levy on all taxable property.

³ Of total assessed valuations, 42.2 percent comes from primary residential property, 18.2 percent from commercial/industrial locally assessed, 13.2 percent from commercial/industrial centrally assessed, 9.7 percent from fee-in-lieu (automobiles/trucks etc.). The balance (12.7 percent), comes from mobile homes, unimproved land, and farmland.

⁴ Average Daily Membership is the aggregate membership or enrollment of a school during a reporting period divided by the number of days school is in session or the average daily enrollment. This method of counting students will be used in this report.

⁵ The terms wealthy and poor used here refer strictly to the assessed valuations of the property within each district. A wealthy district is a district with high property values, especially per student. A poor district is one in which property values are low, again, especially relative to the number of students.

² Tax rates are expressed in decimal terms. The state mandated tax rate of 0.001840 is equivalent to a tax of 0.184 percent. This rate is then multiplied by the value of the property to get the tax amount. Table 2 column 10, shows the amount of taxes on a home of \$100,000.

Table 2
SCHOOL DISTRICT PROPERTY TAX RATES BY CATEGORY: FY 1998-99

SCHOOL DISTRICT	Basic Program	Voted Leeway	Board Leeway	10 Percent of Basic	Capital & Debt Service	Misc.*	Total Tax Rate	Total Tax Rate as % of State Avg.	Tax on a \$100,000 Home**
1	2	3	4	5	6	7	8	9	10
ALPINE	0.001840	0.000692	0.000392	0.000315	0.002944	0.000227	0.006410	101.3%	\$353
BEAVER	0.001840	0.001566		0.000420	0.001914	0.000388	0.006128	96.9%	337
BOX ELDER	0.001840	0.000586	0.000266	0.000261	0.002554	0.000463	0.005970	94.4%	328
CACHE	0.001840	0.000388	0.000388	0.000821	0.003299	0.000228	0.006964	110.1%	383
CARBON	0.001840	0.000282		0.001304	0.002035	0.000668	0.006129	96.9%	337
DAGGETT	0.001840			0.000595	0.001725	0.000400	0.004560	72.1%	251
DAVIS	0.001840	0.001000	0.000386	0.000831	0.002886	0.000450	0.007393	116.9%	407
DUCHESNE	0.001840	0.000751		0.001427	0.002547	0.000544	0.007109	112.4%	391
EMERY	0.001840	0.000391		0.000554	0.002928	0.000637	0.006350	100.4%	349
GARFIELD	0.001840		0.000364	0.000585	0.003895	0.000362	0.007046	111.4%	388
GRAND	0.001840		0.000376	0.000834	0.003105	0.000495	0.006650	105.1%	366
GRANITE	0.001840	0.001400	0.000400	0.001115	0.000687	0.000270	0.005712	90.3%	314
IRON	0.001840	0.000794	0.000397		0.004392	0.000644	0.008067	127.5%	444
JORDAN	0.001840	0.001000	0.000400	0.000667	0.002404	0.000250	0.006561	103.7%	361
JUAB	0.001840		0.000400	0.000578	0.004384	0.000372	0.007574	119.7%	417
KANE	0.001840		0.000267	0.000397	0.001988	0.000211	0.004703	74.3%	259
LOGAN	0.001840	0.000600	0.000400	0.001150	0.002073	0.000614	0.006677	105.5%	367
MILLARD	0.001840	0.000400		0.000378	0.002440	0.000192	0.005250	83.0%	289
MORGAN	0.001840		0.000385	0.001135	0.001646	0.000538	0.005544	87.6%	305
MURRAY	0.001840	0.001664		0.000276	0.001060	0.000280	0.005120	80.9%	282
NEBO	0.001840	0.000379	0.000379	0.000706	0.002830	0.000454	0.006588	104.1%	362
NO SANPETE	0.001840		0.000400	0.000608	0.002790	0.000525	0.006163	97.4%	339
NO SUMMIT	0.001840			0.001003	0.002175	0.001195	0.006213	98.2%	342
OGDEN	0.001840	0.000917	0.000400	0.001774	0.002400	0.000534	0.007865	124.3%	433
PARK CITY	0.001840	0.001161		0.000251	0.002038	0.000260	0.005550	87.7%	305
PIUTE	0.001840	0.000400	0.000400	0.001644	0.002398	0.000406	0.007088	112.0%	390
PROVO	0.001840	0.000860	0.000256	0.000454	0.002400	0.000504	0.006314	99.8%	347
RICH	0.001840		0.000383	0.000928	0.002357	0.000636	0.006144	97.1%	338
SALT LAKE	0.001840	0.001790	0.000200	0.000303	0.001571	0.000359	0.006063	95.8%	333
SAN JUAN	0.001840		0.000400	0.002247	0.003055	0.000703	0.008245	130.3%	453
SEVIER	0.001840	0.000600	0.000400	0.000245	0.002400	0.000452	0.005937	93.8%	327
SO SANPETE	0.001840	0.001600	0.000376	0.000594	0.003345	0.000301	0.008056	127.3%	443
SO SUMMIT	0.001840		0.000400	0.000371	0.002138	0.000434	0.005183	81.9%	285
TINTIC	0.001840	0.001526	0.000382		0.003178	0.000443	0.007369	116.5%	405
TOOELE	0.001840	0.000600		0.001231	0.002766	0.000453	0.006890	108.9%	379
UINTAH	0.001840			0.001316	0.001987	0.000881	0.006024	95.2%	331
WASATCH	0.001840	0.000187	0.000240	0.000463	0.002426	0.000262	0.005418	85.6%	298
WASHINGTON	0.001840	0.000600	0.000400	0.000400	0.003414	0.000413	0.007067	111.7%	389
WAYNE	0.001840		0.000231	0.000387	0.001524	0.000238	0.004220	66.7%	232
WEBER	0.001840	0.000400	0.000400	0.000555	0.002400	0.000437	0.006032	95.3%	332
Weighted Avg.	0.001840	0.001802	0.000631	0.000676	0.002183	0.000365	0.006326	100.0%	\$348

*Miscellaneous taxes include: special transportation, tort liability, and recreation.

**A home that is a primary residence and whose "fair market value" in 1998 was \$100,000 receives a residential exemption of 45 percent, therefore its taxable value is \$55,000. The tax on such a home is equal to \$55,000 multiplied by the tax rate. For example, the state weighted average total tax rate is .006326 x \$55,000 = \$347.94.

Source: Utah State Office of Education.

Table 3
Assessed Valuation (1998), Number of Students, and Local Education Property Taxes
School Year 1998-99

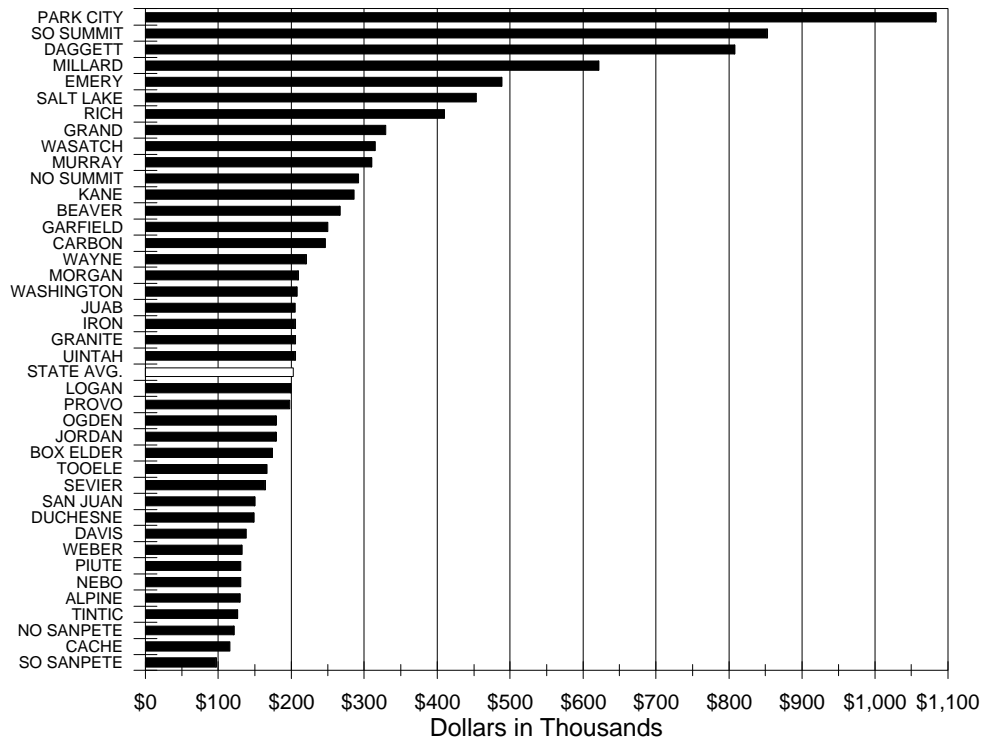
SCHOOL DISTRICT	Total Assessed Valuation (millions \$)	Students ADM*	Weighted Pupil Units (WPU'S)	WPU'S Per 100 Students	Assessed Valuation Per Student (ADM)		Local Property Taxes Per \$10,000 of Value		Local Property Taxes (Value x Rate)	Property Taxes Per Student (ADM)	
					Amount	As a % of State Avg	Amount	As a % of State Avg		Amount	As a % of State Avg
ALPINE	\$5,867	45,415	61,110	135	\$129,191	64.0%	\$64.10	101.3%	\$37,608,835	\$828	64.8%
BEAVER	384	1,443	2,325	161	266,115	131.8%	61.28	96.9%	2,353,180	1,631	127.7%
BOX ELDER	1,926	11,074	15,359	139	173,964	86.2%	59.70	94.4%	11,501,063	1,039	81.3%
CACHE	1,525	13,155	17,957	137	115,926	57.4%	69.64	110.1%	10,620,110	807	63.2%
CARBON	1,123	4,576	7,456	163	245,431	121.6%	61.29	96.9%	6,883,419	1,504	117.8%
DAGGETT	146	181	627	346	806,720	399.6%	45.60	72.1%	665,834	3,679	288.0%
DAVIS	8,086	58,530	78,041	133	138,154	68.4%	73.93	116.9%	59,781,058	1,021	80.0%
DUCHESNE	656	4,442	7,118	160	147,631	73.1%	71.09	112.4%	4,661,930	1,050	82.2%
EMERY	1,494	3,063	4,676	153	487,621	241.5%	63.50	100.4%	9,484,243	3,096	242.4%
GARFIELD	277	1,106	2,391	216	250,097	123.9%	70.46	111.4%	1,948,978	1,762	138.0%
GRAND	535	1,624	2,462	152	329,327	163.1%	66.50	105.1%	3,556,599	2,190	171.5%
GRANITE	14,621	71,395	100,542	141	204,790	101.4%	57.12	90.3%	83,514,933	1,170	91.6%
IRON	1,446	7,057	9,790	139	204,878	101.5%	80.67	127.5%	11,663,475	1,653	129.4%
JORDAN	13,017	72,917	98,680	135	178,523	88.4%	65.61	103.7%	85,406,853	1,171	91.7%
JUAB	366	1,782	2,623	147	205,623	101.9%	75.74	119.7%	2,775,269	1,557	121.9%
KANE	406	1,420	2,711	191	286,191	141.8%	47.03	74.3%	1,911,256	1,346	105.4%
LOGAN	1,152	5,803	7,954	137	198,535	98.3%	66.77	105.5%	7,692,578	1,326	103.8%
MILLARD	2,272	3,659	5,759	157	620,841	307.5%	52.50	83.0%	11,926,194	3,259	255.2%
MORGAN	427	2,047	2,847	139	208,621	103.3%	55.44	87.6%	2,367,548	1,157	90.6%
MURRAY	2,067	6,678	9,255	139	309,553	153.3%	51.20	80.9%	10,584,047	1,585	124.1%
NEBO	2,605	19,897	26,802	135	130,921	64.9%	65.88	104.1%	17,161,310	863	67.5%
NO SANPETE	305	2,528	3,657	145	120,498	59.7%	61.63	97.4%	1,877,369	743	58.1%
NO SUMMIT	287	980	1,613	165	292,548	144.9%	62.13	98.2%	1,781,246	1,818	142.3%
OGDEN	2,263	12,668	18,632	147	178,629	88.5%	78.65	124.3%	17,797,537	1,405	110.0%
PARK CITY	4,126	3,810	5,089	134	1,082,936	536.4%	55.50	87.7%	22,899,226	6,010	470.6%
PIUTE	49	372	991	266	131,152	65.0%	70.88	112.0%	345,812	930	72.8%
PROVO	2,663	13,453	20,329	151	197,947	98.1%	63.14	99.8%	16,814,023	1,250	97.9%
RICH	208	508	1,131	223	409,057	202.6%	61.44	97.1%	1,276,729	2,513	196.8%
SALT LAKE	11,381	25,083	36,460	145	453,742	224.8%	60.63	95.8%	69,004,343	2,751	215.4%
SAN JUAN	512	3,432	5,897	172	149,121	73.9%	82.45	130.3%	4,219,662	1,230	96.3%
SEVIER	766	4,689	7,354	157	163,261	80.9%	59.37	93.8%	4,544,953	969	75.9%
SO SANPETE	273	2,837	4,392	155	96,259	47.7%	80.56	127.3%	2,199,998	775	60.7%
SO SUMMIT	1,083	1,271	1,935	152	851,780	421.9%	51.83	81.9%	5,611,179	4,415	345.7%
TINTIC	42	335	986	294	125,274	62.1%	73.69	116.5%	309,253	923	72.3%
TOOELE	1,365	8,172	11,497	141	167,090	82.8%	68.90	108.9%	9,407,997	1,151	90.1%
UINTAH	1,310	6,401	9,261	145	204,729	101.4%	60.24	95.2%	7,894,287	1,233	96.6%
WASATCH	1,098	3,498	5,056	145	313,776	155.4%	54.18	85.6%	5,946,731	1,700	133.1%
WASHINGTON	3,846	18,598	24,988	134	206,807	102.4%	70.67	111.7%	27,181,115	1,462	114.4%
WAYNE	121	550	1,257	229	219,437	108.7%	42.20	66.7%	509,314	926	72.5%
WEBER	3,675	27,938	38,487	138	131,538	65.2%	60.32	95.3%	22,167,053	793	62.1%
STATE TOTAL	95,770	474,387	668,465						\$605,856,538		
STATE AVG.				141	\$201,881	100.0%	\$63.26	100.0%		\$1,277	100.0%

Notes by column number:

2) Valuation of property within the school district subject to the property tax. 3) ADM - Average Daily Membership: an average of the number of students enrolled in school during the school year. 4) WPU - Weighted Pupil Units - a count of students plus extra units allocated to districts for administration, special needs students, training, etc. 8) Tax Rate x \$10,000 taxable value equals the amount, for example in Alpine School District; 0.006410 x \$10,000 = \$64.10.

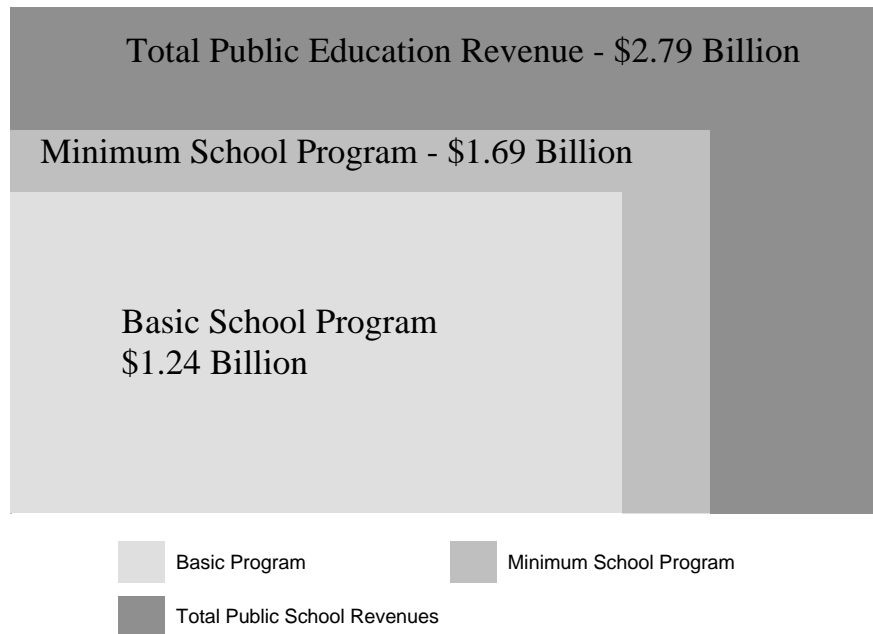
Source: Utah State Office of Education

Figure 5
Assessed Valuation Per Student: FY 1998-99
In Average Daily Membership



Source: Utah State Office of Education

Figure 6
Illustration of Utah Public Education Revenues: FY 98-99



In districts where the levy failed to produce sufficient money to finance the basic program, the difference was provided by the state from the Uniform School Fund. In wealthy districts, where the prescribed property tax raised more than was necessary to fund the basic program, the law required that the excess be turned over to the state, placed in the Uniform School Fund, and used in helping poorer districts. Even though there have been changes to the basic program since its inception in 1947, it is still the centerpiece of Utah's public education finance system for elementary and secondary schools.

One of the changes made to the school finance formula in the 1970s was the requirement that operating funds for the basic program be allocated by "weighted pupil units (WPU's). A WPU is more than a student count. One WPU is allotted for each pupil in grades one through 12 plus 0.55 unit for each half-day kindergarten pupil. In addition, special WPUs are allowed for other factors such as small schools, professional staff training, administrative costs, disabled pupils, vocational and technical classes, and the career-ladder program. The special WPUs for small schools, professional staff training and administrative staffs, allow small, rural school districts to receive more money per student than districts with large enrollments. This increased level of funding is needed to offset the higher administrative and other overhead costs small districts have relative to their enrollments.

Because of the special WPU allocations, the total number of WPUs is about 41 percent larger than the total number of students. In school year 1998-99, the number of WPUs totaled 668,465, while the number of students amounted to 474,387. Column 5 of **Table 3** gives the number of WPUs per 100 students by district.

Basic School Program Equalization

Each year the legislature establishes the level of funding it will guarantee for each WPU, thereby equalizing revenue for the basic school program. For school year 1998-99, the state guaranteed \$1,854 per WPU. As mentioned, Utah finances the basic program from two sources: a statewide local property tax and the USF. When the required property tax imposed by a district does not raise revenue sufficient to fund the WPU at the guaranteed level, the state provides the difference from the USF. **Table 4** shows the Minimum School Program which will be discussed later in the report. Columns 2-5 show the Basic School Program.

In school year 1998-99, the state-mandated property tax for the Basic School Program raised \$177.1 million. This was only 14.1 percent of the funds necessary for the basic program. As a result, the state, through the

USF, provided the difference, or \$1.1 billion. In other words, the state provided 85.7 percent of the basic school program. Clearly, the state's role is significant in the funding of the basic school program.

Though the amount of support the state provides to equalize the basic program statewide is 85.7 percent, some districts receive an even higher level of support. The state provides more than 90 percent of the funding for the basic school program for one-fourth of the districts. They are: Alpine, Cache, Duchesne, Nebo, North Sanpete, Piute, San Juan, South Sanpete, Tintic, and Weber.

Minimum School Program

In addition to the Basic School Program (**Figure 6**) the state participates in the Minimum School Program (MSP). The MSP (**Table 4**) consists of the basic school program plus the following additional programs: **related to basic program, special purpose programs, the voted leeway, and board leeway.** The related to basic programs include benefits, transportation contingency funds, incentives for excellence, applied technology and class size reductions. These are not funded through the WPU. Special purpose programs are experimental and developmental in nature. The voted leeway can only be imposed if a majority of voters in a district approve the leeway. It is called a leeway because there are no restrictions on the purposes for which the revenue can be used. In 1990, the legislature passed a board-voted leeway which authorized school boards to impose a tax not to exceed 0.04 percent. The leeway revenue may be used for class-size reduction or other purposes which have been made public.

Of these programs, the voted and board leeway programs do carry a state guarantee that they will produce a certain level of money per WPU. If the local tax fails to raise sufficient revenue, the state provides the funds necessary to reach that guaranteed amount per WPU. Though there is the guarantee to reach a certain level of funding, wealthy districts can reach or exceed that level without any state help. As can be seen in (columns 9 and 10), only 12 of the 27 districts which use the voted leeway program received state matching funds. Statewide, the state match amounted to 7.6 percent of the total Voted Leeway program.

The same is true of the Board Leeway Program (columns 12-15). Of the 29 districts which used this program, the state provided matching funds to only 15. The state's portion of the Board Leeway Program was 13.7 percent (column 15).

Table 4
State Supported Minimum School Program Revenue 1998-99
(in thousands of dollars)

SCHOOL DISTRICT	Basic School Program Revenue				Total Related To Basic Program	Special Purpose Programs	Voted Leeway Program				Board Leeway Program				Totals			
	Revenue From		Total Basic Program	State Funds As a % of Basic Prog.			Local Revenue	State Match	Total Revenue	State Match As % of Total	Local Revenue	State Match	Total Revenue	State Match As % of Total	State Supported Minimum School Program		Total Revenue	State Rev. As % of Total
	Mandated Local Levy	State USF													Local Revenue	State Match		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
ALPINE	\$11,282	\$102,015	\$113,297	90.0%	\$27,562	\$235	\$4,243	\$879	\$5,122	17.2%	\$2,404	\$879	\$3,283	26.8%	\$17,929	\$131,569	\$149,499	88.0%
BEAVER	721	3,590	4,311	83.3%	1,083	38	613		613	0.0%					1,334	4,711	6,045	77.9%
BOX ELDER	2,987	25,488	28,476	89.5%	8,482	70	951	286	1,238		432	129	561	23.0%	4,370	34,456	38,826	88.7%
CACHE	2,950	30,341	33,292	91.1%	9,537	104	622	343	965	35.5%	622	343	965	35.5%	4,195	40,668	44,862	90.7%
CARBON	2,123	11,700	13,823	84.6%	3,530	60	325		325	0.0%					2,449	15,290	17,739	86.2%
DAGGETT	286	876	1,162	75.4%	421	35									286	1,332	1,618	82.3%
DAVIS	15,332	129,356	144,688	89.4%	34,735	305	8,332	2,148	10,481	20.5%	3,216	976	4,192	23.3%	26,881	167,521	194,401	86.2%
DUCHESNE	1,266	11,931	13,197	90.4%	3,716	48	517	201	718	28.1%					1,782	15,897	17,679	89.9%
EMERY	2,756	5,913	8,670	68.2%	2,593	52	586		586	0.0%					3,342	8,558	11,900	71.9%
GARFIELD	575	3,858	4,433	87.0%	1,193	37					114	9	123	7.6%	688	5,097	5,785	88.1%
GRAND	1,012	3,553	4,565	77.8%	1,318	38					207		207	0.0%	1,218	4,910	6,128	80.1%
GRANITE	27,063	159,342	186,405	85.5%	45,641	1,020	20,592		20,592	0.0%	5,883		5,883	0.0%	53,538	206,002	259,541	79.4%
IRON	2,634	15,518	18,151	85.5%	4,961	455	1,136		1,136	0.0%	568		568	0.0%	4,338	20,933	25,272	82.8%
JORDAN	24,421	158,532	182,953	86.7%	43,764	352	13,272		13,272	0.0%	5,309		5,309	0.0%	43,003	202,648	245,651	82.5%
JUAB	679	4,183	4,862	86.0%	1,238	39					148		148	0.0%	827	5,460	6,287	86.9%
KANE	878	4,148	5,026	82.5%	1,297	38					127		127	0.0%	1,006	5,483	6,489	84.5%
LOGAN	2,093	12,653	14,746	85.8%	3,611	53	682		682	0.0%	455		455	0.0%	3,230	16,318	19,548	83.5%
MILLARD	4,164	6,514	10,677	61.0%	3,198	54	905		905	0.0%					5,069	9,766	14,835	65.8%
MORGAN	818	4,460	5,278	84.5%	1,604	41					171		171	0.0%	989	6,106	7,095	86.1%
MURRAY	3,849	13,310	17,159	77.6%	3,990	76	3,481		3,481	0.0%					7,330	17,376	24,706	70.3%
NEBO	4,917	44,774	49,691	90.1%	12,363	166	1,013	427	1,440	29.7%	1,013	427	1,440	29.7%	6,943	58,156	65,099	89.3%
NO SANPETE	590	6,190	6,780	91.3%	1,986	591					128	68	196	34.7%	718	8,836	9,554	92.5%
NO SUMMIT	500	2,490	2,991	83.3%	954	36									500	3,481	3,981	87.4%
OGDEN	3,935	30,608	34,543	88.6%	9,101	195	1,961	343	2,305	14.9%	856	145	1,001	14.5%	6,752	40,393	47,145	85.7%
PARK CITY	7,549	1,886	9,435	20.0%	2,645	49	4,763		4,763	0.0%					12,312	4,580	16,892	27.1%
PIUTE	83	1,755	1,837	95.5%	685	55	18	35	53	66.3%	18	35	53	66.3%	118	2,565	2,683	95.6%
PROVO	5,165	32,525	37,690	86.3%	9,551	868	2,414		2,414	0.0%	719		719	0.0%	8,297	42,944	51,241	83.8%
RICH	387	1,710	2,097	81.5%	780	36					81		81	0.0%	468	2,526	2,994	84.4%
SALT LAKE	19,758	47,839	67,597	70.8%	17,960	189	19,221		19,221	0.0%	2,148		2,148	0.0%	41,126	65,988	107,114	61.6%
SAN JUAN	920	10,014	10,933	91.6%	4,379	68					200	117	317	36.9%	1,120	14,577	15,697	92.9%
SEVIER	1,482	12,152	13,634	89.1%	3,538	49	483	109	593	18.4%	322	73	395	18.4%	2,287	15,921	18,208	87.4%
SO SANPETE	513	7,630	8,143	93.7%	2,181	43	446	311	757	41.1%	105	131	236	55.6%	1,064	10,295	11,359	90.6%
SO SUMMIT	2,006	1,581	3,587	44.1%	1,103	37					436		436	0.0%	2,442	2,721	5,163	52.7%
TINTIC	73	1,756	1,829	96.0%	557	39	61	93	153	60.5%	15	38	53	71.4%	149	2,483	2,631	94.3%
TOOELE	2,424	18,891	21,315	88.6%	5,502	92	790		790	0.0%					3,214	24,485	27,699	88.4%
UINTAH	2,455	14,714	17,169	85.7%	5,221	73									2,455	20,008	22,463	89.1%
WASATCH	2,077	7,296	9,373	77.8%	2,425	44	211		211	0.0%	271		271	0.0%	2,559	9,765	12,324	79.2%
WASHINGTON	7,255	39,074	46,329	84.3%	12,070	108	2,366		2,366	0.0%	1,577		1,577	0.0%	11,198	51,252	62,450	82.1%
WAYNE	252	2,079	2,330	89.2%	807	35					32	23	54	41.8%	283	2,943	3,227	91.2%
WEBER	6,922	64,432	71,354	90.3%	17,683	127	1,505	563	2,068	27.2%	1,505	563	2,068	27.2%	9,932	83,367	93,299	89.4%
TOTAL	\$177,151	\$1,062,183	\$1,239,334	85.7%	\$317,823	\$6,046	\$86,562	\$7,164	\$93,726	7.6%	\$28,928	\$4,574	\$33,502	13.7%	\$292,642	\$1,397,790	\$1,690,432	82.7%

Notes by column number:

- 2) State mandated property tax rate of .001840. 3) USF - Uniform School Fund - 76% of revenue in this fund comes from the state individual income tax.
4) Basic Program - state program that is equalized by Weighted Pupil Unit through USF appropriations. 6) Consists of: school transp., teacher & adm. benefits, contingency fund, incentives & awards for excellence, applied technology centers, class size reduction, regional service centers. 7) Experimental & developmental programs. 8-11) Voted Leeway can be authorized by voters of a district up to 0.0002 property tax rate, state guarantees a minimum level of funding per WPU. 12-15) Board Leeway can be authorized by the school board up to 0.0004 property tax rate, state guarantees a minimum level of funding per WPU.

Source: Utah State Office of Education

Trends in Public Education Finance

Of the eight property tax levies local school districts are authorized to impose, historically, the largest property tax has been the state-mandated levy for the basic state-supported program. However, in 1994 the legislature reduced the mandated levy by one-third. The reason for the reduction was a strong economy that produced a surplus in state revenues and allowed the legislature to reduce taxes. The legislature chose to reduce the state-mandated property tax. Since that time, additional though much smaller reductions have occurred as a result of Utah's Tax Increase Disclosure Act.⁶ **Table 5** shows the rate reductions in the state-mandated levy during the 1990s.

Remember that state law guarantees a certain level of funding for all schools through the basic school program. When the state-mandated levy fails to provide sufficient revenue to pay for the basic school program, the state provides the difference through the Uniform School Fund. When a school district can raise more than the guaranteed amount per WPU, that district must give that surplus to the state to be deposited in the USF (such funds are called recapture revenues).

The reductions in the rate of the state-mandated property tax has meant that the state has had to increase its contribution to the basic school program. In school year 1993-94, the state-mandated school levy was 0.4275 and produced \$242,064 million. That revenue was sufficient to provide 19.3 percent of the Minimum School Program. By school year 1998-99, the state mandated levy had fallen to 0.1840, only 43.0 percent of the rate in 1994. The levy raised \$177,151 million or 10.5 percent of the Minimum School Program--a substantial decline from that raised just a few years earlier.

Much of this shift is the result of a very strong Utah economy. After coming out of a serious recession in the mid-1980s, Utah's economy has been one of the best in the nation. This has resulted in impressive growth rates in the state individual income tax revenue. As **Table 6** shows, from 1990 to 1999, Utah individual income tax

revenue grew by an annual average rate of 9.5 percent while the state-mandated school levy declined by 2.2 percent.

As already mentioned, the state provides public education funding through the Uniform School Fund, the main source of which is the state individual income tax. The decline of the state-mandated levy and the corresponding increase in the individual income tax as primary supporters of the Minimum School Program is the result of Utah's strong economy. A strong economy spawns more rapid growth in the state's population which increases property values. As property values increase state law dictates that property tax rates on existing properties must go down. The decline in the rates slows the growth in property tax revenues.

As school budget increases occur, the state-mandated levy becomes less and less able to keep up. This requires the USF to pick up an increasingly larger share of the pie. Fortunately, Utah's strong economy has allowed individual income tax dollars to surge upward, providing the necessary funds for the schools without tax rate increases.

Prior to this significant shift in tax support sources for education, there were three school districts that were wealthy enough to raise more money from the state-mandated levy than was necessary to pay for the basic program and as a result, these districts were required to provide the state their surpluses. By 1998-99, no district raised enough from the state-mandated levy to pay for the basic program. Once again, this is because of the decline in the rate of the state-mandated school levy.

As a result of the decline in the state-mandated levy, the largest property tax in most districts is no longer the state-mandated levy but the capital and debt service levy. In fact, in all but six districts, the capital and debt service levy is now the largest tax imposed. The six school districts that in school year 1998-99 imposed a capital outlay and debt service levy that was lower than the state-mandated levy are: Daggett, Granite, Morgan, Murray, Salt Lake, and Wayne. These districts also have one other thing in common. They are experiencing either little or no enrollment increases.

Though local school district revenue has declined as a percentage of the Minimum School Program, as just mentioned, the local share of total school revenue has actually increased from 39.3 percent (1993-94) to 40.7 percent in school year 1998-99 (**Table 7**). The reason for this is the significant increase in school district use of capital and debt. Several districts have a capital and debt service tax rate that is at least 150 percent of the state-mandated levy. Several of these districts have

⁶ Also known as Truth in Taxation, this law, passed in 1985, prevents assessing entities from receiving more tax revenue from existing properties when they are reappraised to market value without such action being called tax increase, providing public notice and holding public hearings. When valuations are increased by the county assessor, the law requires the county auditor to establish a new "certified tax rate." This rate would be adjusted so that overall tax revenue for existing properties would be held constant.

Table 5

Utah State Mandated - Basic School Program - Property Tax Rates

Calendar Year	Tax Rate	Calendar Year	Tax Rate	Calendar Year	Tax Rate
1987	0.004127	1992	0.004275	1997	0.001950
1988	0.004256	1993	0.004275	1998	0.001840
1989	0.004656	1994	0.004220	1999	0.001840
1990	0.004275	1995	0.002640		
1991	0.004275	1996	0.002046		

Source: Utah State Office of Education.

Table 6

Revenue & Average Annual Growth Rates of the Utah State Mandated School Levy and the Individual Income Tax

Fiscal Year	Mandated Levy	Recapture**	AAPC	Income Tax	AAPC
1990-91	\$228,912,959	\$9,425,238		\$647,593,113	
1991-92	234,206,248	12,496,161		717,599,792	
1992-93	237,153,302	3,883,255		784,430,264	
1993-94	249,097,385	3,035,780		842,275,277	
1994-95*	267,376,093	3,924,442		925,301,613	
1995-96	198,601,149	0		1,026,894,836	
1996-97	173,139,225	0		1,139,080,026	
1997-98	179,999,007	0		1,237,331,651	
1998-99	177,151,434	0		1,377,582,984	
1999-00	\$188,076,348	\$0	-2.16%	\$1,463,897,285	9.49%

* The sharp drop in revenue from the previous year was the result of the 1/3 reduction in the levy, passed by the legislature in 1994.

** Recapture is the amount of money that was recaptured from school districts that raised more from the state-mandated levy than necessary to fund the basic school program in that district. Recapture revenue disappeared after the legislature reduce the rate by 1/3 in 1994.

Source: Utah State Office of Education and Utah State Tax Commission.

Table 7
UTAH'S PUBLIC SCHOOL REVENUES BY SOURCE 1998-99
(in thousands of dollars)

	Local School District Revenue					State Uniform School Fund			Revenue from the Federal Government					Total Revenue	
	Property Tax		Tuition & Fees	Other	Total	MSP	Other	Total	Chapter One	Handi-capped	School Lunch	Other	Total		
	MSP	Other													1
ALPINE	\$17,929	\$24,359	\$5,552	\$43,056	\$90,895	\$131,569	\$12,769	\$144,338	\$2,931	\$2,325	\$3,826	\$1,580	\$10,663	\$245,896	
BEAVER	1,334	876	116	684	3,009	4,711	176	4,887	101	91	150	66	408	8,304	
BOX ELDER	4,370	10,607	1,655	1,656	18,288	34,456	1,385	35,841	831	867	1,172	409	3,278	57,407	
CACHE	4,195	22,809	2,030	2,869	31,903	40,668	3,652	44,320	954	810	1,225	350	3,339	79,562	
CARBON	2,449	4,162	527	1,900	9,037	15,290	1,175	16,464	437	393	752	2,050	3,632	29,133	
DAGGETT	286	422	63	201	972	1,332	79	1,411	22	19	19	81	141	2,523	
DAVIS	26,881	52,998	7,764	50,743	138,386	167,521	16,376	183,897	2,806	3,018	5,338	6,217	17,378	339,661	
DUCHESNE	1,782	6,242	422	1,832	10,279	15,897	1,061	16,958	609	321	665	413	2,007	29,244	
EMERY	3,342	6,313	376	724	10,755	8,558	473	9,031	209	245	382	255	1,091	20,877	
GARFIELD	688	1,504	212	293	2,698	5,097	185	5,281	132	92	146	296	666	8,646	
GRAND	1,218	4,095	180	1,885	7,378	4,910	-161	4,749	113	185	289	46	634	12,761	
GRANITE	53,538	39,730	7,221	12,368	112,857	206,002	5,941	211,943	6,028	5,085	7,210	8,556	26,879	351,679	
IRON	4,338	9,169	730	39,766	54,003	20,933	2,582	23,516	511	472	728	1,286	2,998	80,517	
JORDAN	43,003	47,366	11,639	63,289	165,298	202,648	13,090	215,738	2,779	4,096	4,935	5,840	17,651	398,686	
JUAB	827	2,977	357	429	4,589	5,460	204	5,664	85	150	267	67	569	10,822	
KANE	1,006	1,820	156	8,336	11,318	5,483	178	5,661	218	121	198	357	894	17,873	
LOGAN	3,230	4,953	784	9,119	18,086	16,318	711	17,029	484	392	741	297	1,914	37,028	
MILLARD	5,069	7,763	580	775	14,186	9,766	496	10,262	444	418	595	301	1,759	26,207	
MORGAN	989	1,756	266	817	3,828	6,106	285	6,391	99	87	145	76	408	10,627	
MURRAY	7,330	3,607	1,247	1,990	14,174	17,376	1,657	19,033	336	321	556	2,200	3,413	36,620	
NEBO	6,943	10,856	2,155	1,900	21,855	58,156	3,936	62,092	1,549	1,200	1,947	693	5,389	89,335	
NO SANPETE	718	1,383	208	725	3,033	8,836	520	9,356	444	176	473	189	1,282	13,671	
NO SUMMIT	500	1,189	131	179	2,000	3,481	153	3,634	50	73	63	50	236	5,870	
OGDEN	6,752	25,015	1,055	3,035	35,858	40,393	2,526	42,918	2,864	946	3,156	1,278	8,243	87,019	
PARK CITY	12,312	11,778	589	2,684	27,364	4,580	218	4,797	68	188	159	296	711	32,872	
PIUTE	118	214	63	101	496	2,565	203	2,768	54	76	83	79	292	3,556	
PROVO	8,297	10,335	3,628	2,535	24,796	42,944	1,335	44,279	1,635	710	1,779	1,071	5,195	74,269	
RICH	468	892	83	171	1,613	2,526	112	2,638	166	37	99	26	328	4,579	
SALT LAKE	41,126	25,777	2,828	15,936	85,666	65,988	4,499	70,487	3,480	1,607	4,806	7,569	17,462	173,615	
SAN JUAN	1,120	6,889	228	1,717	9,954	14,577	1,110	15,688	986	331	858	6,941	9,116	34,757	
SEVIER	2,287	16,001	729	898	19,915	15,921	857	16,778	458	405	627	663	2,153	38,846	
SO SANPETE	1,064	2,287	348	994	4,694	10,295	2,315	12,610	478	350	457	369	1,654	18,957	
SO SUMMIT	2,442	5,222	107	6,755	14,526	2,721	265	2,986	71	60	80	49	261	17,772	
TINTIC	149	141	41	425	756	2,483	194	2,677	37	25	121	50	232	3,666	
TOOELE	3,214	8,385	1,052	2,033	14,684	24,485	1,114	25,599	497	539	1,052	741	2,828	43,111	
UINTAH	2,455	7,302	1,041	2,110	12,909	20,008	1,112	21,119	1,009	535	1,030	926	3,500	37,528	
WASATCH	2,559	3,192	317	13,497	19,565	9,765	1,087	10,852	139	0	268	679	1,085	31,502	
WASHINGTON	11,198	16,770	1,733	11,997	41,699	51,252	2,206	53,458	1,335	949	1,610	800	4,694	99,850	
WAYNE	283	319	84	303	989	2,943	125	3,068	66	72	102	51	291	4,347	
WEBER	9,932	49,570	5,826	5,813	71,141	83,367	6,180	89,548	1,097	2,328	2,600	689	6,714	167,402	
TOTAL	\$292,642	\$462,148	\$64,124	\$316,538	\$1,135,452	\$1,397,790	\$81,973	\$1,479,763	\$36,612	\$30,113	\$50,710	\$53,952	\$171,387	\$2,786,602	
% of Total	10.5%	16.6%	2.3%	11.4%	40.7%	50.2%	2.9%	53.1%	1.3%	1.1%	1.8%	1.9%	6.2%	100.0%	

Notes by Column Number:

- 1 MSP - Minimum School Program. Other property taxes for Capital Projects, Debt Service, Recreation and Tort Liability.
- 3 Tuition & Fees - Over 70% of this category is revenue from the sale of school lunch tickets, the balance is for non K-12 programs such as Adult Education and Community Services.
- 4 Funds received from other districts for various services rendered, earnings on investments, building & other rentals, contributions, insurance claims, etc.
- 6 MSP - Minimum School Program. 7 Other State Revenue: School Building Aid, School Lunch Program, Driver Education Program, etc.
- 12 Federal Other Revenue includes: impacted area, vocational education, chapter II and unrestricted grants.

Source: Utah State Office of Education

experienced or are still experiencing rapid enrollment increases. These districts are: Alpine, Cache, Davis, Emery, Garfield, Grand, Iron, Juab, Nebo, San Juan, South Sanpete, Tintic, Tooele, and Washington.

Public Education Expenditures by Fund

The State Office of Education accounts for the revenues and expenditures in several funds as shown by **Table 8** and **Figure 7**. Table 8 places these funds into two main groups. Those funds related to teaching, support, maintenance and operation of kindergarten through 12th grade are in the first group and are in columns 2-4. Those funds that provided services outside of the classroom are in the second group and are in columns 7 and 8. Those funds in the first group are: maintenance and operations; capital projects, debt service, and building reserve; and other.⁷ Those funds in the second group are food service and the programs that are outside the kindergarten through 12th grade or as the state calls them, "Non K-12" programs.⁸

Kindergarten through 12th Grade

Maintenance and Operation - The maintenance and operation fund includes all salaries and benefits for teachers, administrators (school and district), social workers, guidance, health and psychological personnel, plant, maintenance and transportation personnel. It includes all supplies and materials used by these employees including textbooks, library books, periodicals and regular office supplies. It also includes utility expenditures such as natural gas and electricity. It is the largest of the funds, accounting for \$1.9 billion or 69.9 percent of all expenditures. This fund matches closely, though not precisely the Minimum School Program.

Included in the maintenance and operation fund are the transportation and tort liability funds. These two funds are small and specific in nature. The special transportation fund augments the revenue from the maintenance and operation fund to pay for costs related to school transportation. The tort liability fund receives the revenue from the tort liability tax. The enterprise fund receives funds from school enterprises such as sales of products made in trade classes.

⁷ Other includes the following funds: internal service, and trust/agency.

⁸ Much of the Non K-12 programs are for after school or adult education programs.

Capital Projects, Debt Service, and Building Reserve Fund - The capital projects fund is the second largest and pays for the purchase of capital facilities. The debt service fund pays off the bonds of the state's 40 school districts used in capital acquisition and construction. The building reserve fund is also used for capital acquisition. Combined these three funds account for \$618.1 million or 22.6 percent of total expenditures.

Other Funds - There are two main funds in this category. Internal services pay for functions that are shared among school districts such as central warehousing, printing and computer services. The reason for sharing such services is to accomplish some economies of scale. The trust and agency funds hold money not belonging to a district but held by it to be used at a point in time. Examples would be funds raised by a Parent Teacher Association, student activity fees for class rings or pictures, etc. These three funds account for \$30.8 million or just 1.1 percent of total expenditures.

Food Service and Non K-12 programs

Food Service - This is the school lunch and breakfast program. In 1998-99, \$62.3 million was spent for food service or 2.3 percent of total school expenditures. The federal government provided 64 percent of the total food service, the state (through the liquor tax) provided 15 percent, and school districts (through the sale of lunch tickets) provided 21 percent of the revenues.

Non K-12

Non K-12 programs focus on non-traditional school such as adult, handicapped and pre-school special education. The recreation program, previously its own fund, is now included with the non K-12 program. The funds in this category amounted to \$113.0 million or 4.1 percent of total expenditures.

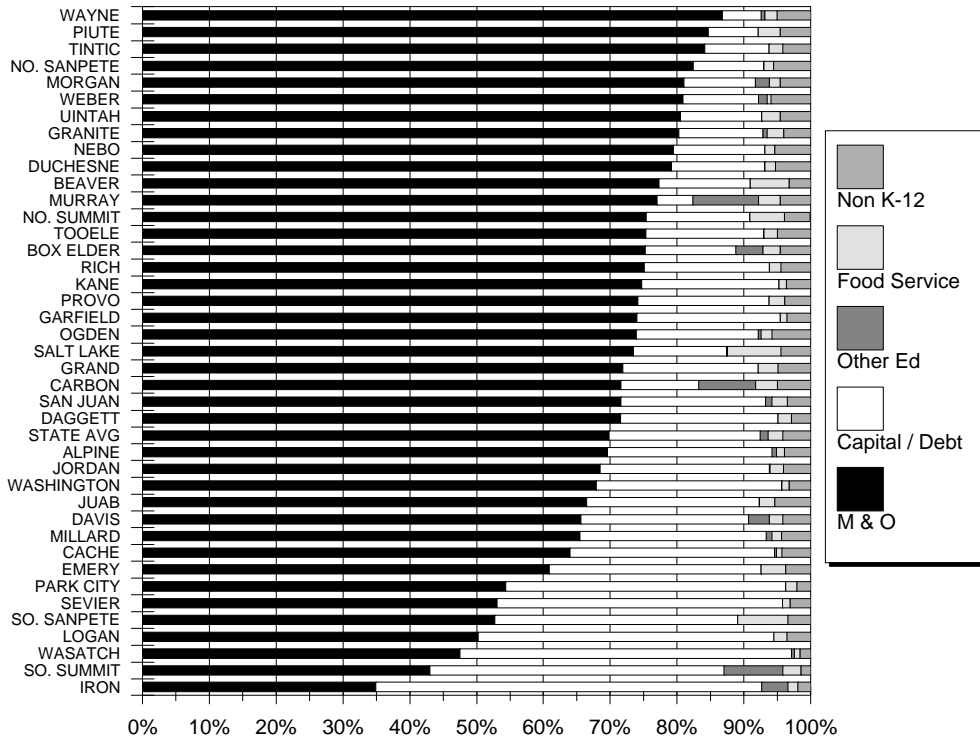
Figure 7 shows these fund expenditures by school district in percentage terms. As can be seen, there are substantial differences between the districts when looked at this way. In Wayne County School District maintenance and operation expenditures account as much as 87 percent of all expenditures but as little as 35 percent in Iron County School District. The reason for the big differences is the amount of total expenditures going to capital and debt. Wayne County School District is spending very little on capital and debt, while Iron County School District spending on capital and debt is one of the highest. The other categories of Non K-12, Food Service, and Other are all relatively small portions of school district expenditures.

Table 8
Public Education Expenditures in Utah By Fund: FY 1998-99
(in thousands of dollars)

SCHOOL DISTRICTS	Kindergarten through 12th Grade Educational Expenditures				Food Service Expenditures	Non Kindergarten Through 12th Grade Expenditures	Total Expenditures
	Maintenance and Operation	Capital Projects, Debt Service, Building Reserve	Other	Sub-Total			
1	2	3	4	6	7	8	9
ALPINE	\$167,337	\$59,216	\$1,540	\$228,092	\$2,871	\$9,441	\$240,403
BEAVER	6,758	1,191		7,949	511	279	8,739
BOX ELDER	43,261	7,795	2,335	53,392	1,514	2,584	57,490
CACHE	51,071	24,465	229	75,766	692	3,410	79,868
CARBON	19,604	3,190	2,333	25,127	886	1,362	27,374
DAGGETT	2,020	665		2,685	56	83	2,823
DAVIS	222,280	85,246	10,471	317,997	6,748	14,142	338,887
DUCHESNE	19,942	3,509	12	23,463	391	1,326	25,180
EMERY	14,258	7,446		21,704	861	869	23,434
GARFIELD	7,126	2,074		9,200	91	346	9,636
GRAND	7,186	2,023		9,209	297	489	9,995
GRANITE	282,582	44,258	2,106	328,946	8,893	14,145	351,984
IRON	28,183	46,599	3,198	77,980	1,141	1,584	80,705
JORDAN	274,519	101,731	371	376,621	7,863	16,396	400,880
JUAB	6,998	2,722	9	9,728	239	562	10,529
KANE	7,555	2,078		9,632	114	366	10,112
LOGAN	22,430	19,766	0	42,197	863	1,574	44,634
MILLARD	17,809	7,581	246	25,636	374	1,189	27,199
MORGAN	8,392	1,106	218	9,716	173	464	10,354
MURRAY	27,146	1,898	3,462	32,506	1,139	1,606	35,252
NEBO	69,685	12,088		81,773	1,296	4,661	87,730
NO. SANPETE	10,831	1,380	11	12,223	186	727	13,136
NO. SUMMIT	4,502	926		5,438	311	223	5,971
OGDEN	57,435	14,194	364	71,992	1,263	4,472	77,727
PARK CITY	19,799	15,283	0	35,083	605	745	36,432
PIUTE	2,937	262		3,199	115	156	3,470
PROVO	59,700	15,816	0	75,517	1,886	3,103	80,506
RICH	3,463	868		4,330	77	206	4,613
SALT LAKE	119,723	22,735	302	142,760	13,088	7,204	163,052
SAN JUAN	25,575	7,756	340	33,671	813	1,246	35,730
SEVIER	20,572	16,538	0	37,110	450	1,181	38,741
SO. SANPETE	12,884	8,893		21,777	1,844	825	24,447
SO. SUMMIT	5,891	6,037		13,138	369	197	13,704
TINTIC	2,922	334		3,256	71	145	3,471
TOOELE	32,338	7,600		39,956	874	2,125	42,955
UINTAH	30,835	4,678		35,513	1,058	1,741	38,313
WASATCH	13,824	14,445		28,394	255	460	29,110
WASHINGTON	69,454	28,355	133	97,942	1,127	3,242	102,311
WAYNE	3,618	241		3,884	74	209	4,167
WEBER	107,669	15,091	1,711	124,472	771	7,919	133,163
TOTALS	\$1,910,113	\$618,079	\$30,782	\$2,558,974	\$62,251	\$113,005	\$2,734,230
As a % of Total	69.9%	22.6%	1.1%	93.6%	2.3%	4.1%	100.0%

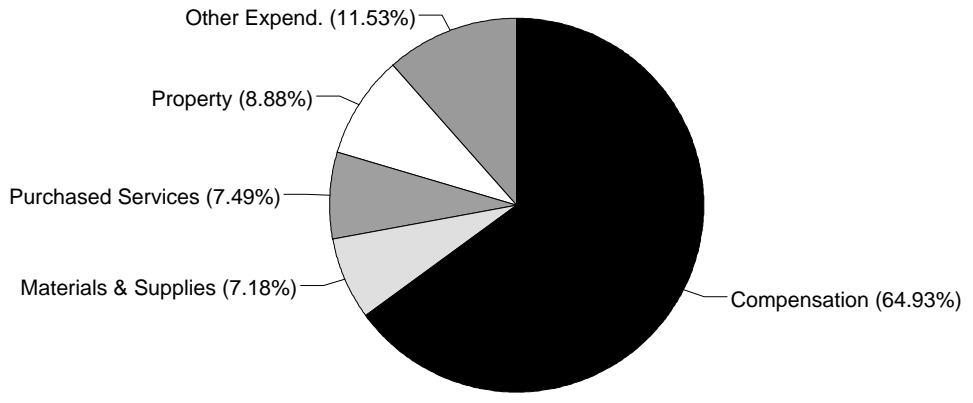
Source: Utah State Office of Education.

Figure 7
Public School Expenditures by Category: FY 1998-99
As a Percent of Total Expenditures



Source: Utah State Office of Education

Figure 8
Public School Expenditures: FY 1998-99
By Major Area As a Percent of Total



Source: Utah State Office of Education

Public Education Expenditures by Major Area

Another way of looking at school expenditures is to group them into major areas. Utah Foundation grouped all school expenditures into five major common categories: compensation, materials and supplies, capital projects, purchased services, and debt service. These categories cut across the various funds. Compensation includes the salaries and benefits (mainly insurance) of all school employees from teachers and administrators to garage mechanics and bus drivers. Materials and supplies include text and library books, paper, pencils and pens. Capital projects include the purchase of all capital equipment such as school buildings, property, and buses. Purchased services are services contracted for rather than provided by a school employee. Debt service is simply the payment of school bonds.

As **Table 9** shows, compensation, at approximately \$1.8 billion was the largest portion of expenditures, accounting for 64.9 percent of all school expenditures. **In other words, virtually two out of every three dollars of school expenditures in school year 1998-99 went for employee compensation.** This should not be surprising. Education is and always has been a labor intensive business, with teachers accounting for the vast majority of school employees. Next to compensation, the largest expenditure category was property at 8.9 percent of total expenditures, followed by purchased services at 7.5 percent, materials and supplies at 7.2 percent, and other.

Figures 8 and 9 show these expenditure areas in total and by school district. There are differences between the state averages and the school districts. Compensation expenditures range from a low of 34 percent in Iron County School District to a high of 78 percent in Granite School District. The reason for the differences has to do mainly with the size of the district and whether it is growing or not. Granite School District is the second largest school district in the state. It is also a very stable school district, with enrollment actually declining modestly over the last several years. With a large number of teachers and very little capital acquisition, compensation accounts for almost 80 percent of all expenditures. Iron County School District is a relatively small district that has been growing rapidly over the last several years. As a result, it has become necessary to spend more of its total revenue on capital projects which means that less of its total revenue is spent on compensation. This does not necessarily mean that Iron County School teacher compensation is being hurt by increased capital expenditures. Most capital projects by schools are paid for by the capital and debt service levy already discussed. This levy is imposed and

then used as a revenue source to bond for the capital projects.

State Aid for Capital Projects

Most spending for capital projects is for school building construction, the vast majority of revenue coming from the capital and debt service levy authorized by law. In school year 1998-99, every school district in the state imposed this levy. The levy is capped at the rate of 0.0024. As early as the 1950s, the state recognized the need to help school districts experiencing rapid growth. At that time, demand for new buildings arose from a combination of factors, accumulated needs due to the Great Depression and World War II, and extraordinary growth in enrollments as a result of the postwar baby boom. The legislature passed an emergency school construction act and created a building reserve fund. In the 1970s, substantial changes were made to enhance state aid and provide for an ongoing program. Those changes are still in place today. Districts are required to impose minimum levies to qualify for aid. State law explains the purpose of the program, "to provide revenues to school districts for the purposes of capital outlay bonding, construction, and renovation."⁹ There have been changes over the years, yet the original intent is still in place. Currently, the state has three capital facilities programs: Capital Outlay Foundation Program; Capital School Building Needs Program; and the School Building Revolving Account.

Capital Outlay Program

This program provides revenues from the USF to school districts for capital construction, renovation and bonding. A school can qualify for the program by levying the capital and debt service levy. The state guarantees a minimum amount per student, thus allowing poorer school districts to receive more help than wealthier ones.

Emergency School Needs Program

This program receives 20 percent of the money deposited in the Capital Outlay program just mentioned. School districts receive the money based on ability to pay as determined by assessed valuations, effort as determined by the district's total tax rate, need as reflected by the number of students in the district in alternative housing, and enrollment growth.

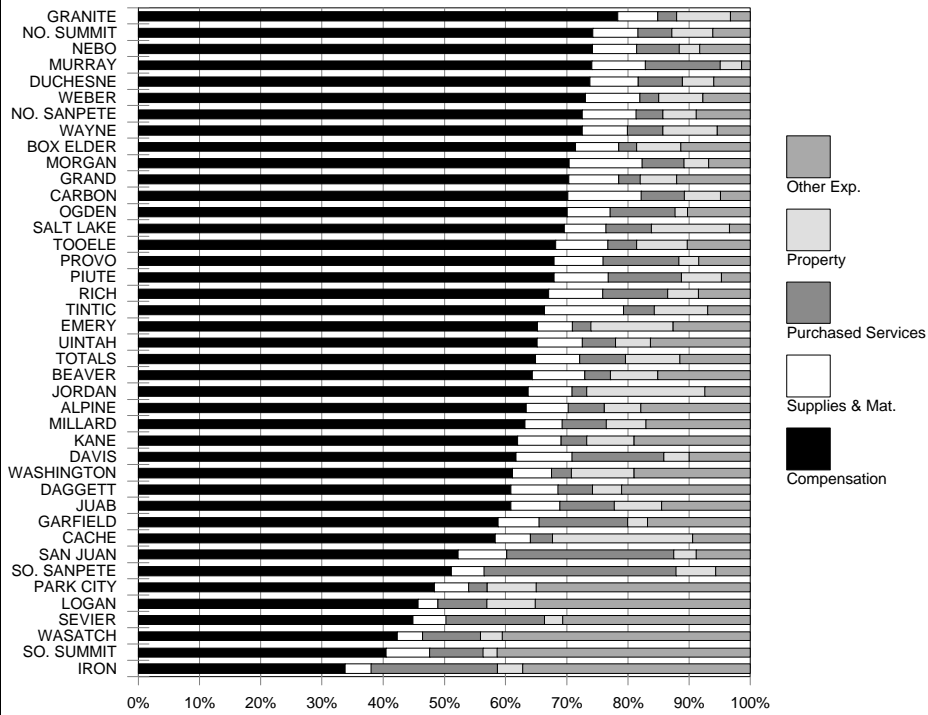
⁹ Utah Code Annotated 53A-21-102

Table 9
Public School Expenditures by Major Area: FY 1998-99
(in thousands of dollars)

Districts	Compensation		Materials & Supplies		Purchased Services		Property		Other Expend.		Total
	Amount	% of T.	Amount	% of T.	Amount	% of T.	Amount	% of T.	Amount	% of T.	
ALPINE	\$152,442	63.4%	\$16,354	6.8%	\$14,268	5.9%	\$14,202	5.9%	\$43,137	17.9%	\$240,403
BEAVER	5,629	64.4%	747	8.5%	364	4.2%	677	7.7%	1,322	15.1%	8,739
BOX ELDER	41,071	71.4%	4,067	7.1%	1,672	2.9%	4,143	7.2%	6,538	11.4%	57,490
CACHE	46,552	58.3%	4,648	5.8%	2,846	3.6%	18,323	22.9%	7,499	9.4%	79,868
CARBON	19,214	70.2%	3,276	12.0%	1,937	7.1%	1,616	5.9%	1,331	4.9%	27,374
DAGGETT	1,720	60.9%	215	7.6%	159	5.6%	135	4.8%	594	21.0%	2,823
DAVIS	209,273	61.8%	30,683	9.1%	51,166	15.1%	13,888	4.1%	33,877	10.0%	338,887
DUCHESNE	18,584	73.8%	1,994	7.9%	1,812	7.2%	1,277	5.1%	1,514	6.0%	25,180
EMERY	15,291	65.3%	1,329	5.7%	707	3.0%	3,151	13.4%	2,956	12.6%	23,434
GARFIELD	5,666	58.8%	641	6.7%	1,394	14.5%	316	3.3%	1,619	16.8%	9,636
GRAND	7,031	70.3%	817	8.2%	344	3.4%	596	6.0%	1,206	12.1%	9,995
GRANITE	275,829	78.4%	23,049	6.5%	10,555	3.0%	30,951	8.8%	11,599	3.3%	351,984
IRON	27,291	33.8%	3,417	4.2%	16,677	20.7%	3,265	4.0%	30,055	37.2%	80,705
JORDAN	255,338	63.7%	28,571	7.1%	9,677	2.4%	77,466	19.3%	29,828	7.4%	400,880
JUAB	6,412	60.9%	837	8.0%	937	8.9%	813	7.7%	1,530	14.5%	10,529
KANE	6,266	62.0%	724	7.2%	422	4.2%	781	7.7%	1,918	19.0%	10,112
LOGAN	20,413	45.7%	1,462	3.3%	3,544	7.9%	3,538	7.9%	15,676	35.1%	44,634
MILLARD	17,190	63.2%	1,654	6.1%	1,952	7.2%	1,766	6.5%	4,637	17.0%	27,199
MORGAN	7,288	70.4%	1,232	11.9%	708	6.8%	417	4.0%	709	6.8%	10,354
MURRAY	26,119	74.1%	3,071	8.7%	4,326	12.3%	1,221	3.5%	514	1.5%	35,252
NEBO	65,078	74.2%	6,314	7.2%	6,148	7.0%	2,957	3.4%	7,233	8.2%	87,730
NO. SANPETE	9,528	72.5%	1,155	8.8%	572	4.4%	709	5.4%	1,171	8.9%	13,136
NO. SUMMIT	4,433	74.2%	440	7.4%	334	5.6%	395	6.6%	369	6.2%	5,971
OGDEN	54,498	70.1%	5,418	7.0%	8,273	10.6%	1,561	2.0%	7,977	10.3%	77,727
PARK CITY	17,618	48.4%	2,050	5.6%	1,099	3.0%	2,909	8.0%	12,757	35.0%	36,432
PIUTE	2,358	67.9%	306	8.8%	418	12.0%	226	6.5%	163	4.7%	3,470
PROVO	54,710	68.0%	6,418	8.0%	9,994	12.4%	2,571	3.2%	6,812	8.5%	80,506
RICH	3,092	67.0%	407	8.8%	490	10.6%	233	5.1%	392	8.5%	4,613
SALT LAKE	113,519	69.6%	10,980	6.7%	12,200	7.5%	20,766	12.7%	5,587	3.4%	163,052
SAN JUAN	18,670	52.3%	2,842	8.0%	9,755	27.3%	1,281	3.6%	3,183	8.9%	35,730
SEVIER	17,399	44.9%	2,082	5.4%	6,214	16.0%	1,157	3.0%	11,889	30.7%	38,741
SO. SANPETE	12,514	51.2%	1,290	5.3%	7,681	31.4%	1,571	6.4%	1,392	5.7%	24,447
SO. SUMMIT	5,545	40.5%	983	7.2%	1,195	8.7%	314	2.3%	5,667	41.4%	13,704
TINTIC	2,304	66.4%	449	12.9%	173	5.0%	304	8.8%	242	7.0%	3,471
TOOELE	29,278	68.2%	3,653	8.5%	2,042	4.8%	3,561	8.3%	4,422	10.3%	42,955
UINTAH	24,953	65.1%	2,829	7.4%	2,096	5.5%	2,170	5.7%	6,265	16.4%	38,313
WASATCH	12,313	42.3%	1,215	4.2%	2,744	9.4%	1,027	3.5%	11,809	40.6%	29,110
WASHINGTON	62,559	61.1%	6,495	6.3%	3,364	3.3%	10,451	10.2%	19,443	19.0%	102,311
WAYNE	3,022	72.5%	305	7.3%	246	5.9%	370	8.9%	224	5.4%	4,167
WEBER	97,285	73.1%	11,801	8.9%	4,164	3.1%	9,620	7.2%	10,293	7.7%	133,163
TOTALS	\$1,775,295	64.9%	\$196,221	7.2%	\$204,666	7.5%	\$242,698	8.9%	\$315,350	11.5%	\$2,734,230

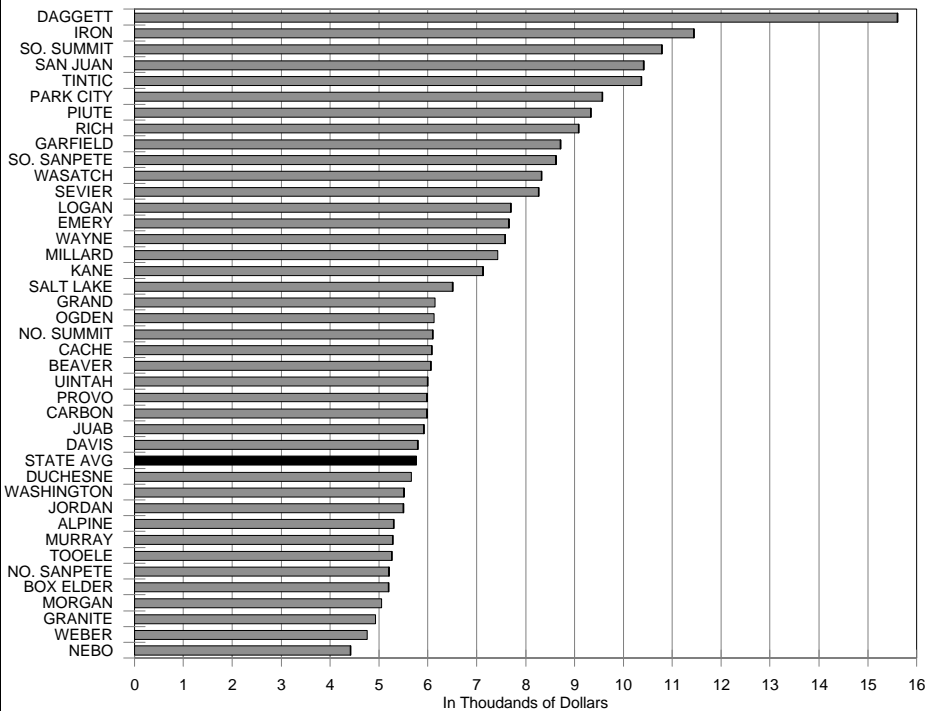
Source: Utah State Office of Education

Figure 9
Public School Expenditures by Area: FY 1998-99
As a Percent of Total Expenditures



Source: Utah State Office of Education

Figure 10
Public School Expenditures per Student: FY 1998-99
Students in Average Daily Membership



Source: Utah State Office of Education.

School Building Revolving Account

This account provides loans from the USF to school districts for capital outlay. For districts to qualify they must levy the capital outlay and debt service tax, and contract with the state superintendent to repay the monies with interest within five years, using state building monies or local revenues.

The Issue of School Equalization

As discussed, the state legislature created the basic school program in an attempt to equalize school funding among the state's diverse school districts. The basic program is jointly funded by the state mandated property tax and by the Uniform School Fund. Whatever portion of the program cannot be paid for by the mandated property tax is picked up by the state. How much each district receives is determined by the number of weighted pupil units in each district.

An initial look at **Figure 10**, shows school district expenditures per student ranging from \$15,598 in Daggett School District to a low of \$4,409 in Nebo School District. Anyone familiar with Utah will quickly realize that Figure 10 shows an inverse relationship between the size of the school district and their ranking in per pupil expenditures. Daggett School District with a school year 1998-99 enrollment of 183 had not only the highest per pupil spending in the state, but spent \$4,162 more per pupil than Iron County School District, which ranked second. In fact, the ten districts with the highest levels of per pupil expenditures accounted for only 2.9 percent of the state's public school enrollments. On the other hand, the 10 districts with the lowest levels of per pupil expenditures accounted for 56.7 percent of all enrollments. When the small districts with the high per pupil expenditures are excluded, the state's equalization program looks much better. In fact, 74 percent of the state's school children are in 14 of the state's 40 school districts and spend per student between \$4,409 and \$5,909.

In addition to the number of students, WPU's are allocated for small schools, staff training and administration. The purpose is to cover such fixed costs as administrative overhead which can be spread over more students in large districts. That rural districts spend more per student is not a surprise. The basic program is designed to cover the higher costs associated with small student populations.

Another reason for the differences in school spending is the amount of money spent on programs by school districts other than the basic program. These programs, some of which are not equalized and others which are only marginally equalized by the state, generate more revenue per student in wealthier districts

with higher assessed property valuations than in poorer districts.

The categories with the largest disparities in expenditures per student are capital projects and debt service. With few exceptions (mainly rural districts) district expenditures per student for compensation, materials and supplies, and purchased services are in a relatively small range. It is in the areas of capital and debt service that the spread between district expenditures per student enlarges substantially. Districts that use these expenditure categories more extensively are either more affluent or are growing rapidly. Despite the factors that result in disparities between school district spending per student, the basic program developed by the state goes a long way in equalizing school funding among 40 districts which differ in size, wealth, and needs. School districts that are particularly benefitted by the equalization program are the state's small rural school districts.

The legislature is often criticized for not helping rural Utah receive more of Utah's public expenditures. The state's basic school program is one example of a significant shift of state resources (from the individual income tax of the Uniform School Fund) to many rural areas. For example, eight of the 10 districts that receive the largest percent of their Minimum School Program funds from the state are small rural districts. In order of the amount of state support, these districts are: Piute, 95.6 percent; Tintic, 94.3 percent; San Juan, 92.9 percent; North Sanpete, 92.5 percent; Wayne, 91.2 percent; Cache, 90.7 percent; South Sanpete, 90.6 percent; Duchesne, 89.9 percent; Weber, 89.4 percent; and Nebo, 89.3 percent. Three of these 10 districts have enrollments of less than 600; seven have enrollments of less than 5,000.

By comparison six of the 10 districts that receive the least help from the state are districts located along the Wasatch Front. The 10 districts that receive the least help from the state are as follows: Park City 27.1 percent; South Summit, 52.7 percent; Salt Lake, 61.6 percent; Millard, 65.8 percent; Murray, 70.3 percent; Emery, 71.9 percent; Beaver, 77.9 percent; Wasatch 79.2 percent; Granite, 79.4 percent and Grand, 80.1 percent. Clearly, the Minimum School Program makes a major step in providing an equalized program and in shifting funds from the populous urban areas (where the vast majority of the state's personal income is earned) to the state's public schools in the rural areas of the state."

This is intentional and justifiable. Though there are 40 school districts, the students are all residents of the state. The state decided long ago that all students,

regardless of where they live, deserve a quality education. **The state Minimum School Program makes an excellent effort in equalizing expenditures by providing higher levels of support for small, rural school districts than large urban districts.**

Summary

Public education in Utah receives funds from all three levels of government. The federal government provides the least, 6.2 percent, local school districts account for 40.8 percent, and state government provides the balance, 53.1 percent. State government revenue comes from the Uniform School Fund, its biggest source being the individual income tax. Local districts rely on the property tax (there are eight separate property taxes authorized by the state). Total revenues for school year 1998-99 amounted to \$2,786,602.

Most of this revenue goes to the Minimum School Program, which is the maintenance and operation program for kindergarten through 12th grade. The biggest part of the MSP is the basic school program, which was created to address the issue of equity among Utah's school districts. This program is funded by a state mandated property tax and Uniform School Fund revenues. The state guarantees a certain level of funding (based on the weighted pupil unit). When school district

revenue from the state mandated property tax falls short of the guaranteed amount, the state provides the difference, thus equalizing revenue for all districts for the basic school program. Particularly benefitting from this formula are rural school districts with low levels of assessed valuation.

Over the last half of the 1990's, the Uniform School Fund has been providing an increasingly larger share of the Minimum School Program revenue. This is the result of reductions in the state-mandated property tax levy, which have occurred because of legislative action and Utah's Truth in Taxation law.

In addition to the basic school program, districts administer several other programs. Because these programs are paid for by district property taxes, with little or no state aid, wealthy districts can and do spend more per student than other districts. The two most important of these are: capital and debt service; and the voted and board leeway programs.

Though these programs do create disparities in spending among school districts, the basic school program substantially equalizes funding per student in the state. It is a model for how state's can provide equal funding to school districts of substantially different wealth.