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SIMPLE ARITHMETIC?

K-12 Education Spending in Utah

SIMPLE ARITHMETIC?

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Research Report 749

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INTRODUCTION

When asked about K-12 educational spending, many Utahns might first mention that per-student spending is lowest in the U.S. Nationally, spending per student in 2015 was $11,392, while in Utah it was $6,575.[1] This is one of the state's top educational finance headlines. But there is much more to the story.

First, state-level spending not only varies significantly among states, but also within the state. Some Utah districts spend far more than the state average – nearly three times as much – though the average remains low because large districts tend to spend close to the average.[2] School per-pupil spending also varies widely within districts – largely due to district and school characteristics.

Second, massive sums are involved in public education. Nationally, it is the biggest slice of state and local government spending, at about $600 billion per year.[3] In Utah, the revenues for K-12 education total about $5 billion from state and local sources, and another half billion from federal funds. In addition, the property tax revenues associated with school bonds and certain other revenue sources total about a half billion.[4]

To help clarify how these billions are spent in Utah, educational systems provide a wealth of state, district and school-level financial data. The data can help inform discussions about educational finance and can allow for state, district and school comparisons.

KEY FINDINGS OF THIS REPORT

- K-12 education costs Utah taxpayers about $5 billion per year for operating costs, with another half billion in federal funds and a half billion in local sources to support capital costs (see page 1).
- Kindergarten through 12th grade education accounts for 23% of the state budget (see page 2).
- While Utah is second lowest in total school funding per pupil, it is last in funding from the federal government – due in part to both Utah's low percentage of lower-income students and Utah's modest state and local funding, which in turn affect federal funding formulas (see page 4).
- Utah's funding "effort" (the amount per $1,000 of personal income) at the state level exceeds the national average while its local-level funding effort trails behind (see page 6).
- There are vast differences among districts' state, local and federal revenue – due in large part to district size, location and proportion of lower-income students (see page 7).
- Utah has the second largest class size in the nation, which is likely a key factor in keeping K-12 educational costs low (see page 12).
- In terms of "effort," Utah spends more than most states on teacher benefits (see page 13).
- Despite the perceptions of many Utahns that large portions of education spending go toward administrative costs, only 7% is spent on administration – the 13th lowest percentage in the nation and the second-lowest amount per pupil in the nation (see page 15).
- Although charter schools spend a much smaller percentage per-pupil on instructional employee benefits than district schools, charter schools spend a significantly higher percentage on support services and administration (see page 15).
- Due in large part to district size, spending on district administration ranges from $254 per pupil to $1,947 (see page 16).
- Due in large part to logistical differences, spending on transportation among districts ranges from $277 per pupil to $1,500 (see page 17). Charter schools, meanwhile, spend far less than district schools.

Understanding how education is financed and how funds are spent is essential to answering any questions about spending increases. For instance, is it possible to increase teacher pay by cutting costs elsewhere? Or should advocates and policymakers pursue new taxes? A knowledge of educational finance can also help eliminate misconceptions and provide an understanding of whether existing school spending is aligned with educational priorities.

Some claim Utah needs more money for K-12 public education. Others assert there is waste in the current K-12 public education budget. This report can help readers answer for themselves questions about sufficiency and waste. It explains education finance and financial transparency. It explores revenues and spending in Utah and provides national comparisons. It also discusses data availability – and the next steps in education finance reporting.

FUNDING OUR SCHOOLS

States take various approaches to education funding, but all of them rely primarily on a mix of state, local and federal revenues. In Utah, the 2016 mix of funding was divided as follows:

- State: 53%
- Local: 39%
- Federal: 8%

State-Level Funding

Nearly 23% of the state's budget will be used for K-12 education in fiscal 2018.[5] Utah's portion of school revenue is primarily from state income taxes. This revenue is then distributed to schools using a typical allocation method.[6] Utah provides local education agencies – school districts and charter schools – with funding based in large part upon their student counts.

To determine this funding amount, the Utah Legislature uses the "average daily membership" of schools to approximate how many children are part of the state's public school system. Each student in this average daily membership is given a weight based upon certain factors, such as 1 for most students, 0.5 for kindergarteners (for a half day of instruction) and 1.53 for students with disabilities. Based upon average daily membership and the weights, the Utah Legislature sets an amount for each "weighted pupil unit." This is done by determining how much education revenue is available and dividing that amount by the total weighted average daily membership of all the state's public-school students. The Utah Legislature then distributes the funding to local education agencies based upon their respective weighted average daily membership. In 2017, this funding totaled $2.7 billion.[7]

The weighted funding covers more than 40% of schools' budgets.[8] It helps fund instruction, professional staff, administrative costs, special education, career and technical education, class-size reduction, kindergarten, small rural schools, and foreign exchange students.

School budgets are increased with specially designated funding from the Utah Legislature for just over two-dozen additional state programs. In 2016, the largest of these were:

- Teacher salary increases: $178 million.
- Charter school funding additions: $132 million.
- Pupil transportation: $80 million.
- Amounts for certain populations such as at-risk students: $74 million.[9]

Additional programs include K-3 reading, early intervention and the arts. Collectively, these smaller programs increase funding by about $116 million.

Local-Level Funding

School districts raise most of their local funding through property taxes, generating money for both operating and capital needs. Collectively, local-level funding accounted for 39% of total Utah funding in 2016. Locally-generated instructional and support revenues come from two types of property tax: the basic levy and the levies approved by voters and local school boards (the voted and board levies).

The state-controlled basic levy rate is set by the Utah Legislature each year. Due to Utah's Truth in Taxation law, the rate is set to bring in a constant level of revenue (regardless of property value changes) plus an amount to accommodate growth. However, the Utah Legislature in 2015 approved an increase of $75 million over and above the amount set by formula.[10]

In 2017, the basic levy revenue target totaled $392 million.[11] For districts with lower property values, the state provides additional funds ($175 million in 2017) to

METHODOLOGY AND SCOPE

This report uses data from the U.S. Census Bureau for state-by-state comparisons. Typically, these data are from the 2015 Annual Survey of School Systems Finances, the most recent data available.

The report also uses data from the Utah State Board of Education. Most data for Utah and local education agencies are from the Board's 2016 annual financial reports. These reports summarize local educational agency data by fund for both revenue and spending.

Revenues are reported by source – state, local and federal – showing the total amount from all funds. Spending is reported by usage. Except as otherwise noted, the report focuses on spending for the general, student activity and food service funds. It does not examine capital funding for school buildings (though charter building costs are typically part of the general fund and are therefore included herein); a capital revenue and expenditure analysis warrants a report of its own. (See the sidebar on page 11.)

This report also uses data from the 2018 Utah Compendium of Budget Information, the 2017-2018 Utah Budget, various U.S. Census Bureau sources and other sources as indicated.

To further inform this report, Utah Foundation conducted interviews with state and local education officials and education finance experts.

Because this report focuses on comparisons among states and districts, it primarily addresses operating costs. The amounts spent on capital needs include too many variables to make similar comparisons meaningful in the context of this report. However, Utah Foundation recognizes that closer examination of capital expenditures on a district-by-district basis is warranted.

guarantee that the tax rate provides a minimum amount of revenue per pupil. This provides more than half of the state's districts with additional revenue.

Districts also raise funds through property taxes approved by either school district boards or by voters. Similar to the basic levy, the state provides a guarantee on a portion of these tax amounts. This incentivizes districts with low property values to raise a portion of their needed revenue from the voted and board levies.

While 90% of Utah schools' general local funding comes from property taxes, there are other significant local sources. For instance, in the student activity fund, 99% of the $135 million in statewide revenue is from local sources; 61% is from student activity fees from sports and other extracurricular activities, and nearly all the remaining amount is from "other revenue from local sources."[12]

Charter schools receive a state allotment raised from a portion of the tax revenue from the school districts in which the charter schools are located. This amounts to $132 million statewide.

Federal Funding

Federal funds accounted for 8% of education funding in Utah in 2015.[13] The federal government allocates these funds both directly to districts and charter schools and indirectly through the Utah State Board of Education using per-pupil formulae, competitive grants and other approaches. These funds are used in large part to improve education for students from lower-income households and students with special needs.[14]

There are 113 total federal funding programs in the U.S., such as grants for charter schools, career and technical education, preschool, English language learning, rural schools, gifted and talented programs, and arts education.[15] More than three-quarters of Utah's one-half billion in federal revenue is from the three largest federal education programs:

- Title I, which is used to benefit lower-income students' education: $124 million.
- School lunch program that provides free and reduced-price lunch: $135 million.
- Special education: $106 million.[16]

These revenues, and their spending, are reported in a way that provides transparency to governments, taxpayers and researchers. It allows for funding comparisons between both states and districts.

FUNDING COMPARISONS

State Rankings and National Average

Utah ranked 50th among the states and Washington D.C. in total funding per pupil in 2015. It ranked slightly higher in terms of state and local sources, but dead-last in federal revenue. (See Figures 1 and 2.)

Demographic factors play a significant role in Utah's school funding picture. The state has

the greatest proportion of school-aged children of any state.[17] Utah also has the smallest proportion of the working-age population – those between 18 and 64. Accordingly, Utah has fewer people working to pay for more students' education.

The difference in state sources accounts for nearly 40% of the gap from the national average. Nearly 55% of the gap is in the local sources. However, the local amounts are primarily from property taxes, and there are limits for property taxes in place from the Utah Legislature. Therefore, if all the state's districts levied the maximum allowed by the Utah Legislature, they would still not be able to raise enough revenue to compete with the U.S. average.

Utah ranks higher when comparing "effort" rather than per-pupil revenue.

Figure 1: Utah's National Revenue Rankings, 2015

	Ranking Per Pupil Amount	Ranking Per $1,000 of Personal Income
State sources	45	23
Local sources	43	29
Federal government	51	29
Total	**50**	**32**

Source: U.S. Census Bureau, Annual Survey of School System Finances.

That said, most school districts in the state are far from maximizing their board- and voter-approved levies. Meanwhile, Utah's Truth in Taxation law tends to apply downward pressure on tax rates, though it keeps revenue steady. (A forthcoming property tax report from Utah Foundation discusses these concepts in detail.)

Utah is well below the national average in funding from all sources.

Figure 2: Per Pupil K-12 Funding and Differences, 2015

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

Another factor keeping Utah's per-pupil revenues low is federal revenue. Utah receives less per pupil than any other state, and only 63% of the national average. Its low ranking for federal sources is due in part to the state's relatively small proportion of lower-income students and resultant Title I federal funding. Another factor is Utah's low state and local education revenues. These amounts are often used in the equations that determine state and district allocations of federal dollars.

In addition, this federal amount – while significant – does not deeply affect Utah's total revenue ranking. Federal revenue accounts for only 8% to 9% of total education funding in the U.S and Utah.[18] If every state in the nation were provided the same amount of federal revenues, Utah would jump ahead of only one state (Arizona) in total revenue.[19]

While last in federal revenue, there is a more significant factor in determining Utah's low overall ranking. Utah stands in the bottom quintile for both state and local revenues. Most states that have a low amount of state per-pupil funding tend to have higher local funding, and vice versa. Utah, on the other hand, has state funding $1,903 below the per-pupil national average and local funding $2,754 below the per-pupil average.

Another way of comparing school funding is by looking at funding effort. And one way to gauge effort is to determine the amount of revenue per $1,000 of personal income spent on education in each state.[20] This can help provide a fairer national com-

Utah's state K-12 funding is higher than the national average in terms of funding "effort" – but lower for local revenue.

Figure 3: Per $1,000 Personal Income School Funding, 2015

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

parison for Utah's population profile – which is particularly disadvantaged under the per-pupil comparison due to a proportionately large student population.

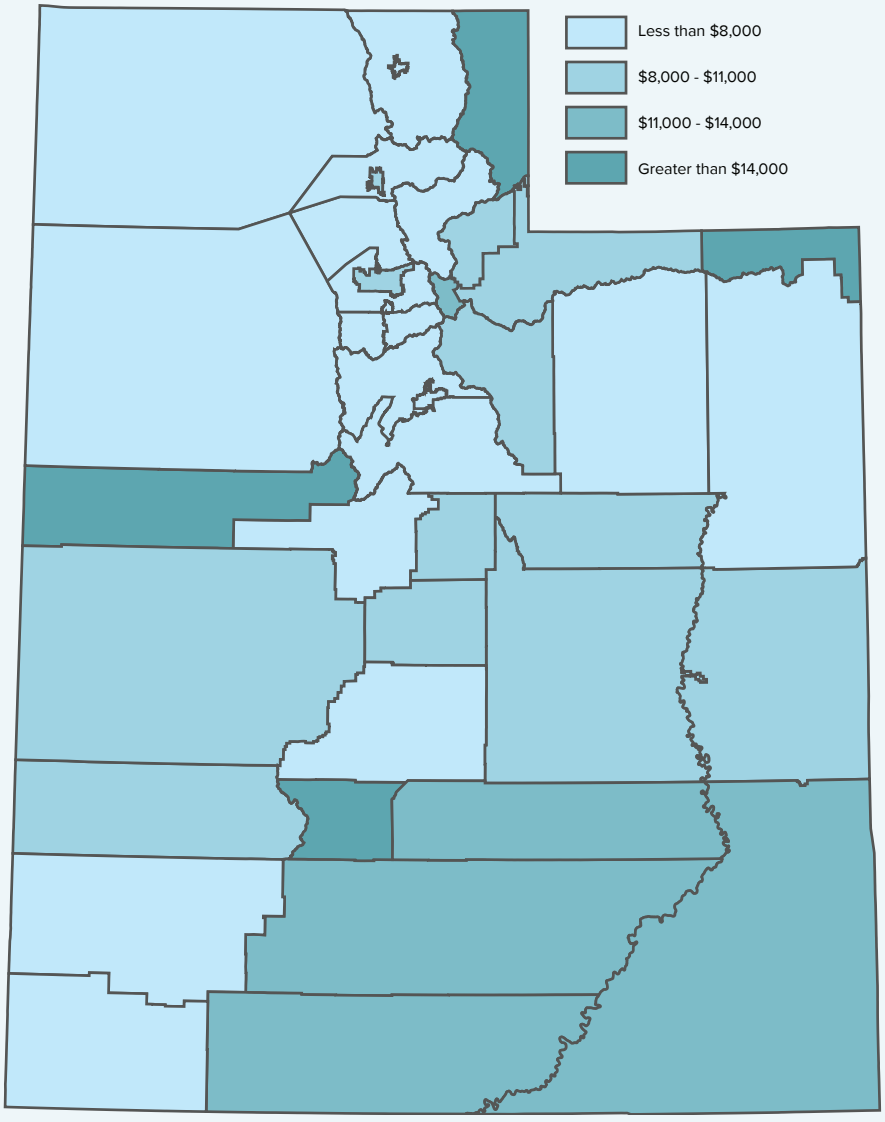
From the funding effort standpoint, Utah looks much more aggressive on state funding, being $2.00 above the state average – or nearly 10% higher (see Figure 3). However, Utah is more than 15% below the national local funding average. It should be noted that Utah's total funding per $1,000 is a significant decrease in ranking from 20 years prior, when Utah was ranked seventh highest in the nation for K-12 public school revenue.[21]

School District Funding Comparisons

As between states, there is a broad range in the amount of funding per pupil between Utah's school districts. This is due to significant differences in amounts from each of the three primary revenue sources.

Utah school district revenue varies widely by location.

Figure 4: Utah School District Total Revenue



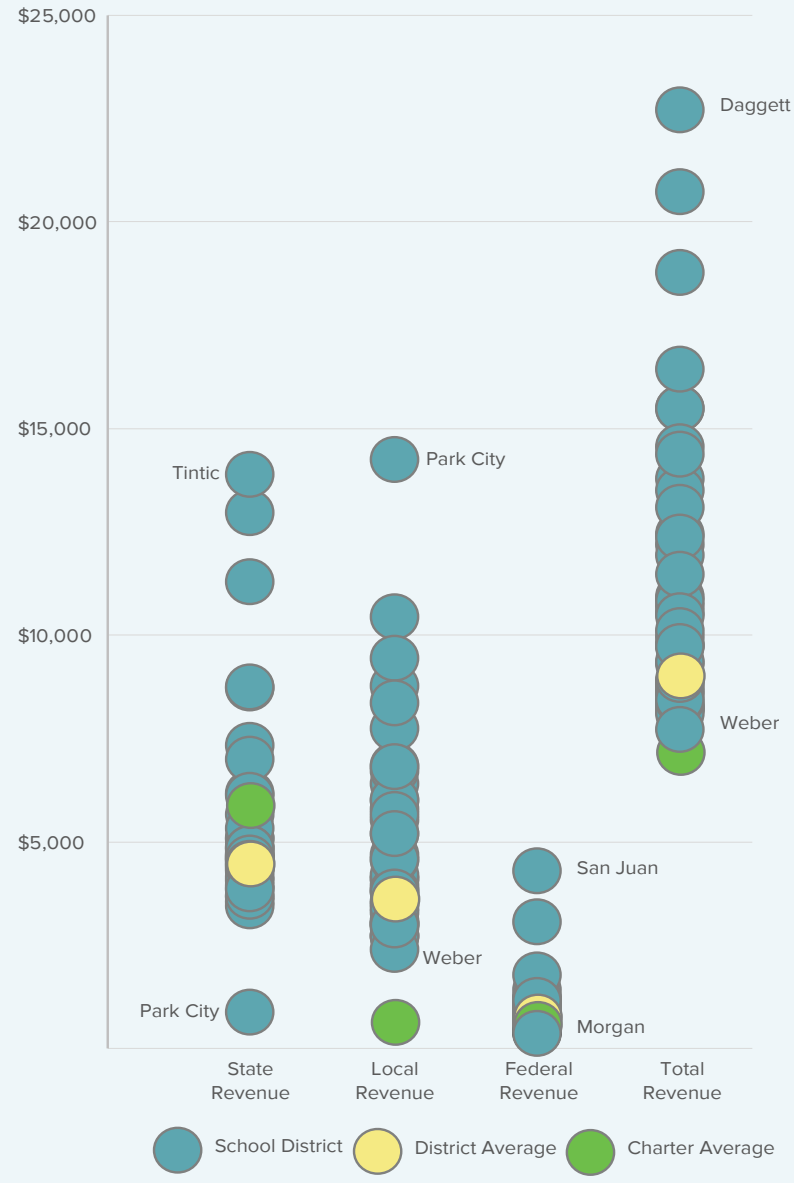
Sources: Utah State Board of Education, Finance and Statistics, Total Current Expenditures by School District, 2016.

Tintic School District receives the most state revenue per pupil, and Park City has the least ($13,881 per pupil in 2016 compared to $866). The simplest way to explain state funding differences are by size and need. Tintic is a very small district with very small schools and classroom sizes, pushing up per-pupil costs.

While it receives the least per pupil from the state, Park City School District taxpayers generate the most local revenue per pupil ($14,244). An important factor driving local revenue differences are property values; districts with high property values can more easily bring in the funds.

Per-pupil funding by source shows wide differences, in large part due to district characteristics.

Figure 5: Per-Pupil K-12 School Funding, 2016



Source: Utah State Board of Education, with Utah Foundation calculations.

Just a short drive to the north from Park City, Weber School District taxpayers generate the least per pupil ($2,405).

San Juan School District receives the most federal revenue per pupil ($4,304), and Morgan receives the least per pupil ($364). San Juan County has a poverty rate that far exceeds any other area of the state, allowing it to garner more Title I low-income student funding and other federal grant amounts.[22]

With state, local and federal revenues combined, Daggett School District – a very small district – leads the state with $22,698 per pupil. At $7,706, Weber School District receives the least per pupil. See Appendix __ for the full list of district spending.

Charter schools receive more state funding per pupil, but less local and federal funding, than do districts. These differences are due in large part to the inherent differences in how these two types of local education agencies are funded (for more information see Utah Foundation research report 742: *Utah's Charter Schools: Comparisons and Funding Equity with District Schools*).

Overall, per-pupil funding is lower for charter students. The funding gap is due in part to charter schools serving a narrower subset of the population and offering more targeted programming than districts. Nonetheless, the per-pupil education funding gap on comparable programming has nar-

rowed since 2004, from 13.9% to 9.9% in 2015. This gap was expected to close even further following the passage of Senate Bill 38 in 2016, which increased charter school funding.

SPENDING IN UTAH

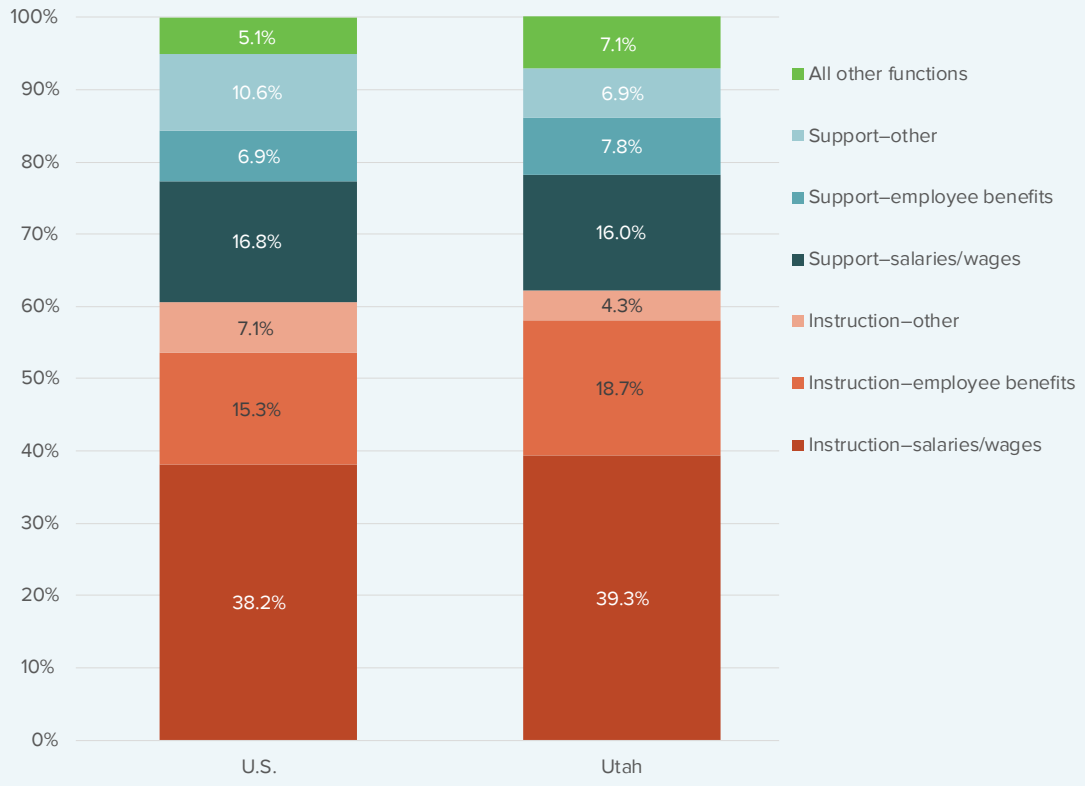
While Utah's K-12 education system is second lowest in the nation in per-pupil *funding*, it is last in per pupil *spending*. This is due in part to the amounts needed for buildings. Since Utah is a fast-growing state with a rapidly growing student population, it necessarily needs to continually lease and build additional schools to accommodate this growth. These amounts do not show up in per-pupil *spending* comparisons since capital needs are not comparable across areas.

So what do schools do with their other revenues? Charter schools make decisions based upon their organizational charters and their boards and principals. Districts schools have less range of motion in funding decisions; district boards make most of the decisions.

While most of the district school funding decisions are made by districts, most of the funds are spent in and for the schools themselves. In Utah, 62% of all current

As a percentage, Utah spends more on instruction but less on support than the U.S. at large.

Figure 6: Spending in K-12 Schools by Percentage, 2015



Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

spending is for instruction. This compares to 61% across the nation.[23]

Utah's spending on support services is 31%, compared to 34% nationally.[24] The "support services" classification includes spending such as instructional staff support, counseling, transportation, school administration, building operations and other expenses.

The vast majority of the funding for instruction and support services is for personnel. In Utah, 86.2% of spending is for salaries, wages and employee benefits (including for "other functions").[25] This compares to 79.6% nationally. Non-personnel costs include a wide range of non-capital expenses, the largest of which in Utah are for purchased services, textbooks and other supplies, and instructional equipment.

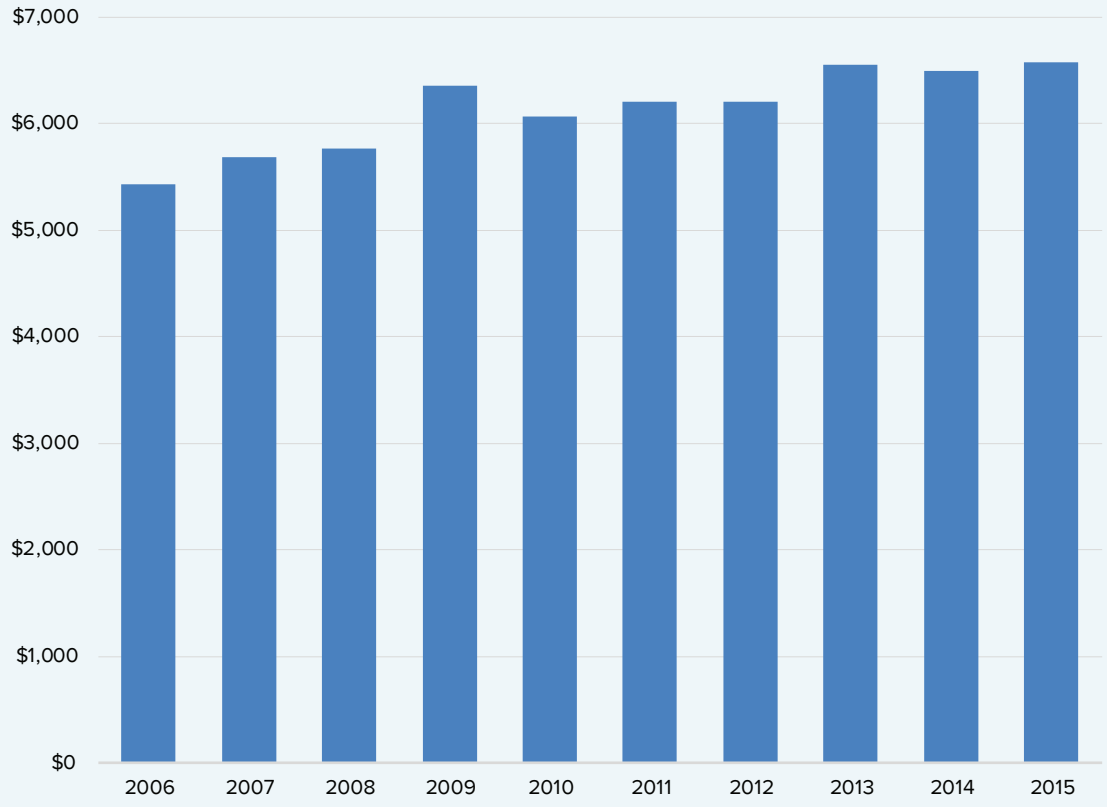
State Spending Trends

Utah's total current educational spending (see sidebar on page 11 for a definition of current spending) is $6,575 per pupil. This is $4,817 (or 42%) below the national average.

During the past 10 years, Utah's spending has trended upward, except for a decrease in 2010 and a small dip in 2014. (See Figure 7.) The 2010 decrease was a re-

Spending has trended upward somewhat during the past 10 years.

Figure 7: Spending, Adjusted for Inflation, Utah



Source: U.S. Census Bureau, Annual Survey of School System Finances.

sult of spending cuts toward the end of the Great Recession. Since then, Utah has outpaced the national average in spending increases.[26]

Between 2010 and 2015, Utah spending increased by 8.3%, compared to 7.3% nationally. Utah made large gains in 2013, up more than 6% from the previous year, though it has since held relatively steady, allowing the national average to nearly meet Utah's cumulative gains since 2010 (see Figure 8).

Three states decreased spending during that period, including two of Utah's neighbors – Idaho and Arizona (by 2.5% and 4.5%, respectively). Seven states increased by 15% or more: Alaska, Illinois, North Dakota and four New England states.

WHAT WE MEAN BY "SPENDING"

In this report, Utah Foundation uses the word "spending" in a specific way (referred to by the U.S. Census Bureau as "total current spending"). This term includes the following:

- Direct expenditure for salaries.
- Employee benefits.
- Purchased professional and technical services.
- Purchased property and other services, and supplies.
- Gross school system expenditure for instruction.
- Support services.
- Non-instructional functions.

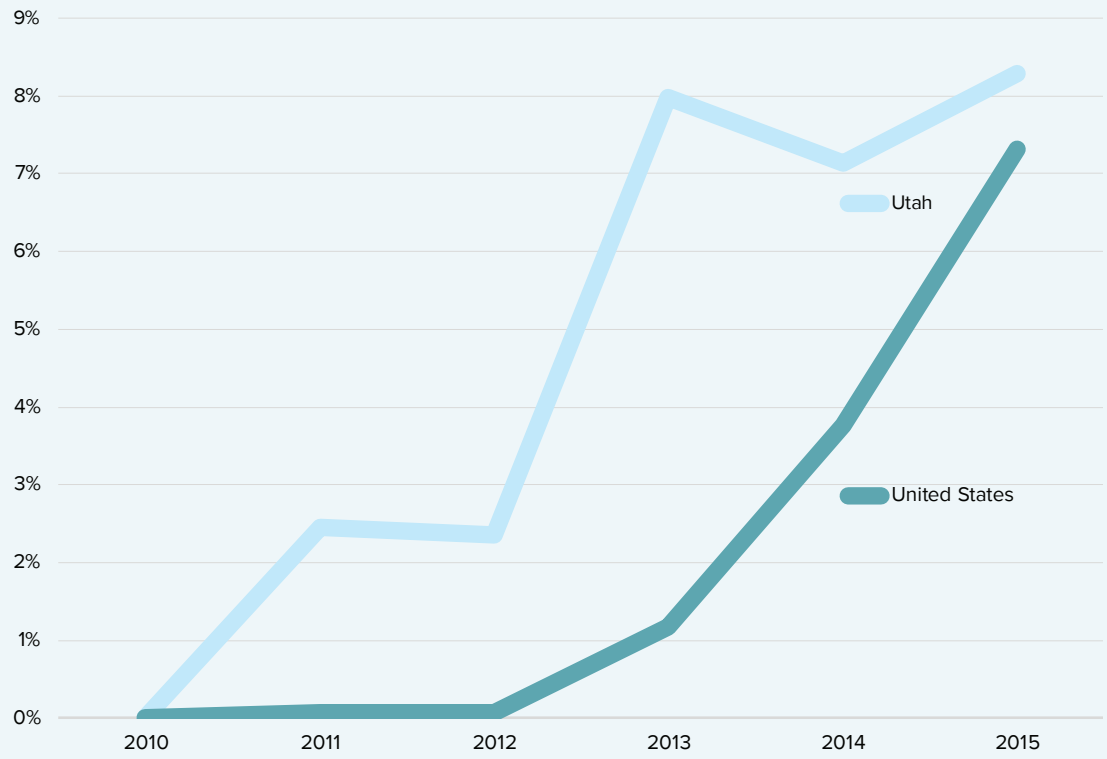
It excludes the following:

- Debt services and capital outlay – which is most often for school buildings.
- Reimbursements to other governments.
- Payments made by the state on behalf of the Utah State Board of Education.
- Transfers into state board retirement system.

Source: U.S. Census Bureau, 2015 Annual Survey of School System Finances.

Since the Great Recession, Utah and national spending increases have differed, but are converging.

Figure 8: Spending Increases, Cumulative, Utah and U.S.



Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

Utah ranks near the bottom of states in all spending categories except teacher benefits.

Figure 9: Ranking of Utah's Per-Pupil K-12 School Spending, 2015

Current Spending	Utah national rank
Support–district administration	51
Support–school administration	49
Instruction–salaries/wages	51
Instruction–employee benefits	40
Instruction–other	46
Instruction–total	49
All other functions	51
Total current spending	**51**

Note: "Instruction: other" and "current spending: other" calculated by Utah Foundation. "Current spending: other" included instructional staff support, operations and maintenance, pupil support, central/business support, other support, and pupil transportation.

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

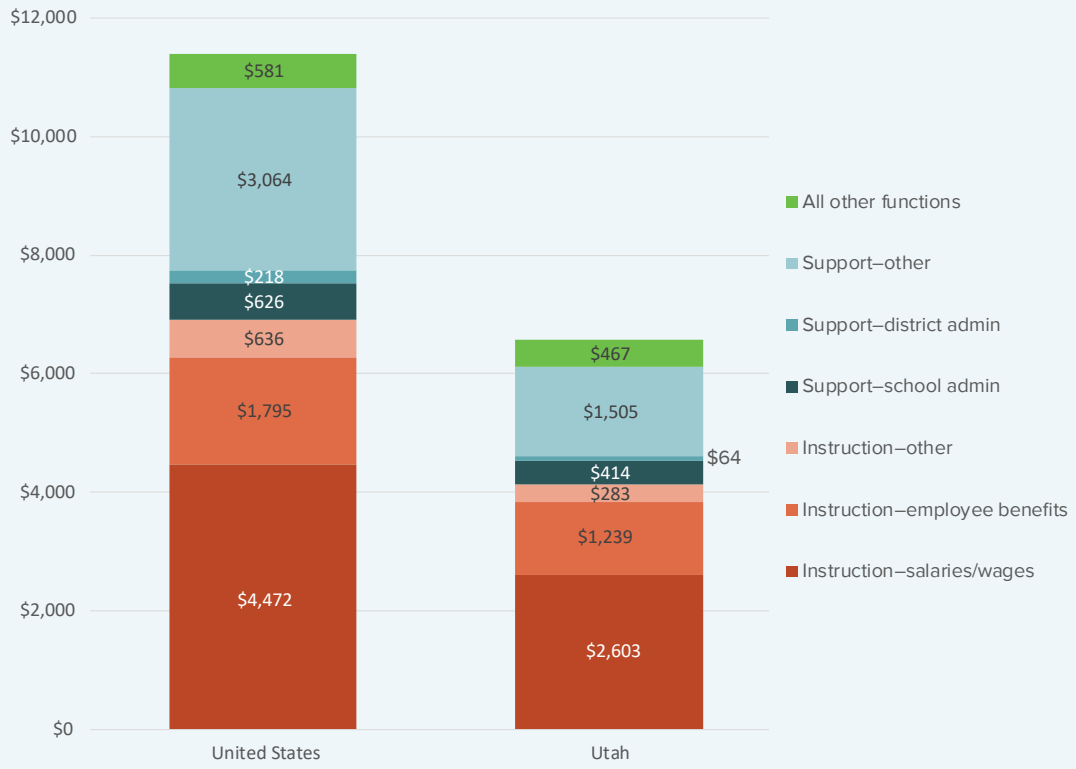
State Spending Comparisons

In line with Utah's overall low spending, Utah is lowest in the nation in district administration, salaries for instruction and other current spending (see Figure 9). It is 49th in the nation for school administration and total instruction, which includes employee benefits for instruction and other instruction amounts. Utah's rankings only nudge up slightly for employee benefits and other instructional expenses.

Utah spends $1,869 less than the national average per pupil in spending for salaries for instruction, and $2,778 less for instruction overall. This is due in part to Utah's average class-size; Utah's pupil/teacher ratio was second-highest in the nation 2014 – the most recent year of data available.[27]

Utah's K-12 spending is dwarfed by the U.S. average in all categories.

Figure 10: Per-Pupil School Spending, National Average and Utah, 2015



Note: "Instruction: other" and "current spending: other" calculated by Utah Foundation. "Current spending: other" included instructional staff support, operations and maintenance, pupil support, central/business support, other support, and pupil transportation.

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

The greatest difference between Utah and the nation at large is in the category of district administration. This may be due in part to economies of scale derived from Utah's relatively large district size – in 2014, Utah had the 6th largest average number of pupils per district in the nation.[28]

The smallest difference between Utah and U.S. spending are for school administration costs and instructional employee benefits – where Utah is 34% and 31% behind the nation, respectively.

Interestingly, Utah is further behind the nation in instructional salaries than instructional benefits. The largest share of Utah's benefits is for the state retirement system. The relatively higher cost of benefits is due in part to the passage of a law requiring increased funding of the state retirement system to make up for past underfunding.[29] Accordingly, while teachers are not seeing higher benefits than before this legislative change, more funding goes toward benefits.

When viewing Utah's spending per $1,000 in personal income, Utah ranks higher. Utah's per $1,000 spending was $34.04 as compared to the $37.97 national average. This resulted in a ranking of 38th. Still, this represents a large decrease since 1995 in Utah's ranking for funding effort under this metric (for more information, see Utah Foundation's research report number 743, *Getting by with Less*).

Utah is actually above the national average for spending for instructional employee benefits and school administration in terms of

Utah's K-12 spending is less than the national average in all categories, particularly district administration.

Figure 11: Difference in Utah's Per-Pupil School Spending from U.S. Average, 2015

Current Spending	Amount Difference	Percentage Difference
Support–district administration	-$154	-71%
Support–school administration	-212	-34%
Instruction–salaries/wages	-1,869	-42%
Instruction–employee benefits	-556	-31%
Instruction–other	-353	-56%
Instruction–total	-2,778	-40%
All other functions	-1,673	-46%
Total current spending	**-$4,817**	**-42%**

Note: "Instruction: other" and "current spending: other" calculated by Utah Foundation. "Current spending: other" included instructional staff support, operations and maintenance, pupil support, central/business support, other support, and pupil transportation.

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

Utah's spending "effort" ranks below most states in all categories except teacher benefits.

Figure 12: Utah's National Ranking of Per $1,000 Personal Income School Spending, 2015

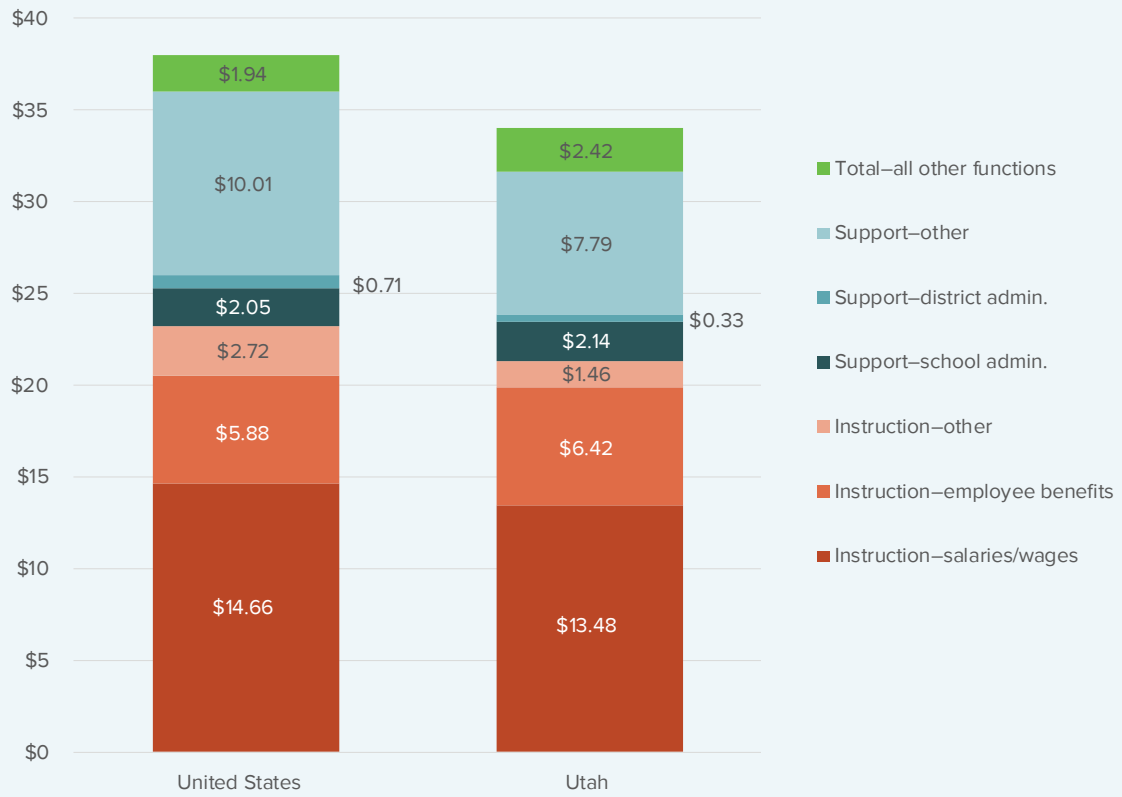
Current Spending	Utah national rank
Support–district administration	48
Support–school administration	27
Instruction–salaries/wages	35
Instruction–employee benefits	19
Instruction–other	45
Instruction–total	33
All other functions	45
Total current spending	**38**

Note: "Instruction: other" and "current spending: other" calculated by Utah Foundation. "Current spending: other" included instructional staff support, operations and maintenance, pupil support, central/business support, other support, and pupil transportation.

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

Utah taxpayers show slightly higher effort per $1,000 in school administration and teacher benefits.

Figure 13: Per $1,000 Personal Income School Spending, Utah and National Average, 2015



Note: "Instruction: other" and "current spending: other" calculated by Utah Foundation. "Current spending: other" included instructional staff support, operations and maintenance, pupil support, central/business support, other support, and pupil transportation.

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

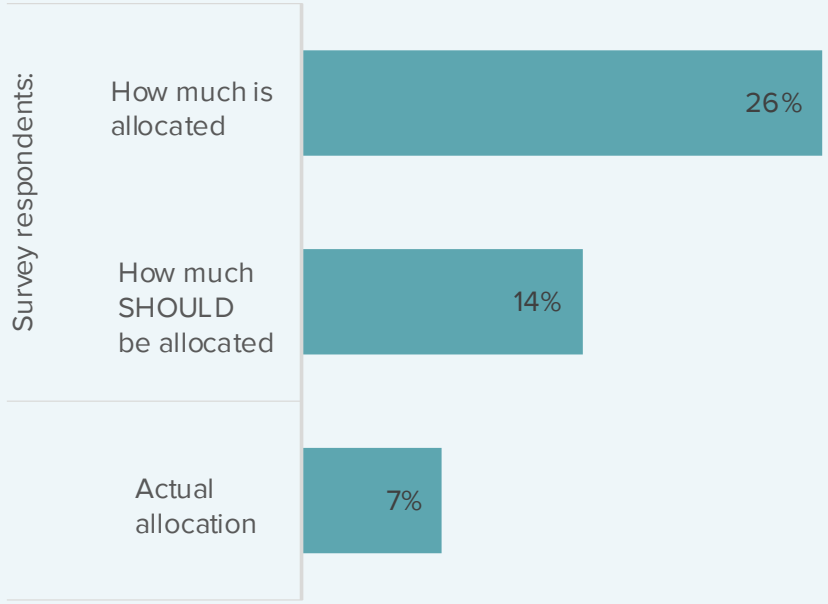
funding effort per $1,000 personal income. For instructional employee benefits, Utah is 9% higher than the nation at large. However, when viewed through the lens of total compensation, this difference of 54 cents is erased by the $1.18 difference in instructional salaries. Instruction overall is below average at 33rd: $21.36 as compared to the $23.26 national average.

For school administration, Utah is 4% higher than the nation at large, ranking 27th per $1,000. District administration was ranked 48th per $1,000.

The greatest difference between Utah and the nation at large is in the category of district administration.

Public perceptions of spending on administration don't match reality.

Figure 14: Survey of K-12 Administrative Spending, and Actual



Source: Envision Utah survey; and Utah Foundation calculations based on Utah State Board of Education data.

Public Misconceptions about Spending on K-12 Administration

There appears to be a significant misunderstanding of the amount of spending on K-12 administration in the state. In 2016, Envision Utah surveyed the public to understand residents' educational priorities.[30] It found that the average Utahn believes 26% of spending goes to administrative costs, but that only 14% should be spent on administration. In fact, Utah currently spends a mere 7% on school and district administration combined (see Figure 14).[31] This the 13th lowest percentage in the nation and the second-lowest amount per pupil in the nation.[32]

Spending in Local Education Agencies (Districts and Charter Schools)

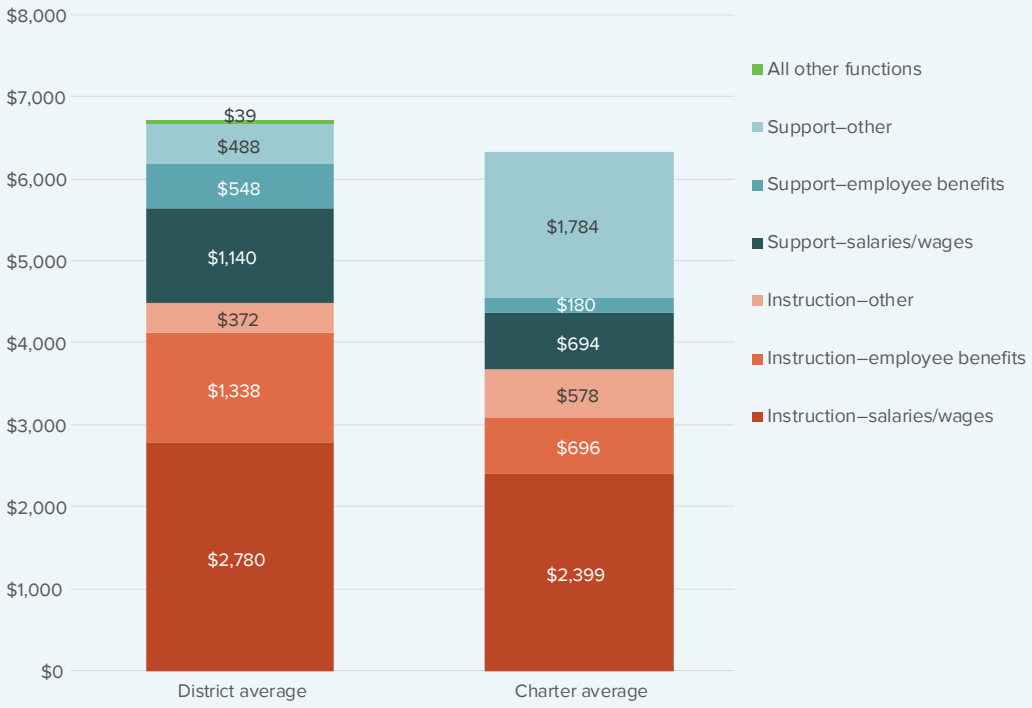
Spending varies as much within the state as it does between states. One of the major differences is spending between charter schools – which are their own local education agencies – and school districts.

Districts spend more on salaries and wages (42% compared to 38%). (See Figure 15.) The difference is particularly stark when it comes to benefits: District schools spend nearly twice the percentage on instructional employee benefits that charter schools do (20% compared to 11%).

Charter schools have lower support service spending for salaries and benefits, but far

District and charter school spending profiles differ in significant ways.

Figure 15: Spending Comparisons between Districts and Charter Schools by Percentage, 2016.



Note: Spending is amounts in general, student activities, non-K-12 and food services funds.

Source: U.S. Census Bureau, Annual Survey of School System Finances, with Utah Foundation calculations.

higher spending in other support services (28% compared to 7%). The lower salaries and benefits are due in part to outsourcing – spending that ends up in the "other" category.[33]

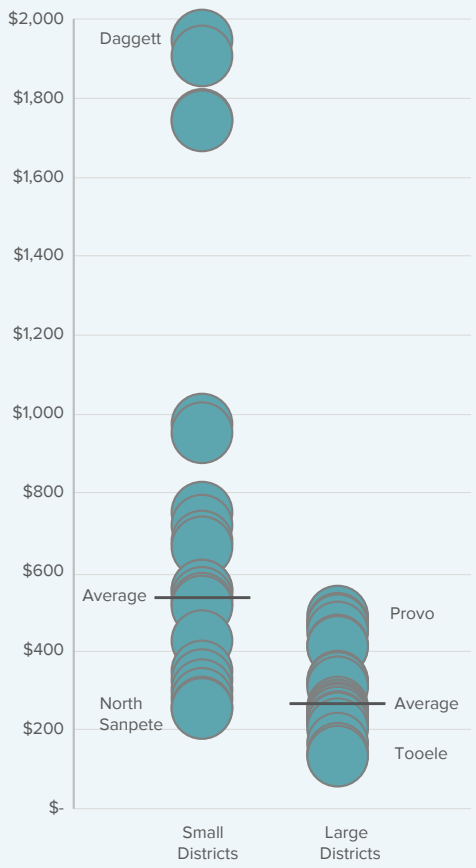
There are also significant spending differences between school districts. Instruction spending ranges from 55% in Daggett School District – the smallest district in the state – to 75% in South Sanpete School District. The average is 67%. Support services range from 25% to 45%, with an average of 33%.[34]

As with states, there are differences in spending on district administration. However, one crucial district characteristic is size. As with most industries, there are economies of scale that benefit larger entities. This is apparent in district administration spending.

District schools spend nearly twice the percentage on instructional employee benefits that charter schools do (20% compared to 11%).

Spending on district administration varies widely, due in large part to district size.

Figure 16: Per-Pupil Spending on District Administration, by District Size, 2016

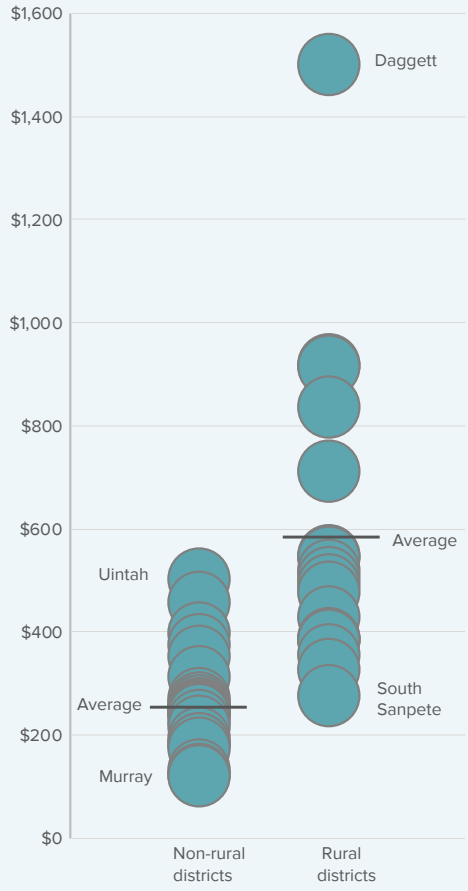


Note: Smaller districts are those with under 5,000 students. Calculations use General Fund amounts, function codes 2003 and 2005.

Source: Utah State Board of Education, with Utah Foundation calculations.

Spending on school transportation varies widely and is higher in rural districts.

Figure 17: Per-Pupil Spending on School Transportation, Rural Versus Non-Rural Districts, 2016



Note: Calculations use General Fund amounts, function code 2007, 2016.

Source: Utah State Board of Education, with Utah Foundation calculations.

For districts smaller than 5,000 students, spending on administration averages $552 per student (see Figure 16). For districts over 5,000 students it averages less than half that amount: $249. The range within each category is broad, but much wider for smaller districts. Of those smaller districts, the lowest district administration cost per pupil is North Sanpete at $254, while the largest is Daggett at $1,947. The six districts that have the highest costs – all over $950 per student – are the smallest six districts in the state. Like small districts, charter schools have higher-than-average expenditures for administration.

Small, rural districts also face challenges when it comes to transportation costs. A greater proportion of rural students live outside of walking distance to their schools, and those who do take the bus tend to be on the bus for longer periods of time, with few students in each bus. This adds up to a greater cost per student.

Districts spend nearly five times the amount that charter schools spend on transportation. This is due to a transportation mandate put upon districts, whereas charters can opt not to provide student transportation.[35] This is one of the factors in the cost difference between charter and district schools.

Despite the mandate to provide transportation, the state does not fully fund district transportation costs. While the Utah Legislature passed a law to provide 85% of approved costs, a 2012 Utah Foundation analysis showed that the state was providing just over 50% of transportation costs.[36]

SCHOOL SPENDING DIFFERENCES

In addition to seeing per-pupil spending differences between districts, there are significant differences between schools. However, there are not currently adequate data available to fully understand these spending differences.

Numerous factors affect school-level spending. Private foundations and benefactors provide funding to schools based upon their interests. Higher-income parents may provide more funding to the schools in which their children attend, and these parents tend to be clustered in certain areas within school districts. Specialists also might spend a different amount of time in one school over another schools at their discretion, or the discretion of schools' principals or the districts themselves.

One of the greatest factors that affects school spending differences is related to the greatest expenditures in education: teacher pay and benefits. Labor unions are involved in setting compensation contracts. These are related to the amount of time teachers have been teaching, their levels of education and other factors. As a result, schools with more teachers that have graduate degrees and with more experienced teachers simply cost more.

Since teachers are paid at the district level, schools do not make hiring choices based upon the costs associated with compensation; they are given the financial freedom to seek and attract the best and most qualified teachers possible within the pay ranges established by the district. The costs of these differences in qualifications are hard to discern from available data. More robust school-level data would allow for analysis of differences in costs related to teacher experience and qualifications among schools.

School-Level Data Availability

There are efforts underway to increase Utah's school-level data availability, which will allow for school-level comparisons. Currently, data are available showing outcomes. But what about spending by school? This is more difficult to ascertain, since most available state and school district data are averaged across districts instead of at the school level.

More robust school-level data would allow for analysis of differences in costs related to teacher experience and qualifications among schools.

The Auditor's Office aims to rectify this by integrating the most recent three years of financial and administrative data available from the Utah State Board of Education. Using these data, they intend to show school-level data for each of the state's thousand schools. The Auditor's Office aims to highlight where educational resources are spent, at both the school and course levels. The goal is to more accurately determine how spending affects outcomes, even examining spending within each subject and each grade. Ultimately, the office hopes to assist the Utah Legislature and school districts in allocating limited resources.

A national effort to expand transparency of school-level information has come from the most recent authorization of the U.S. Elementary and Secondary School Act. This comes from a simple, one sentence inclusion into the law: "The per-pupil expenditures of federal, state, and local funds, including *actual* personnel expenditures and actual non-personnel expenditures of federal, state, and local funds disaggregated by source of funds, for each local education agency and *each school* in the state for the preceding fiscal year."[37]

The law states that these requirements would begin with 2017-18 data. However, the Department of Education released a letter in June 2017, granting an extension for 2018-19 year, with school-level data to be reported within a year of the close of the school year. The Utah State Board of Education is currently in the process of designing a system for a streamlined approach to reporting school-level data.

If a school with an average demographic makeup has average outcomes and spends an average amount, that is different than if it spends a lot more or less for the same outcomes. Accordingly, such transparency may lead to a greater analysis of productivity and the spread of cost-saving innovations.[38]

DATA CHALLENGES

An important challenge of successful school-level and district analysis is how to accurately compare dissimilar populations. Local education agencies do not collect and report costs per course per pupil, preventing the possible cost-benefit measurements that may result from such data.[39]

Other comparison challenges arise. Local education agencies report information differently.[40] There are General Accepted Accounting Principles that they must follow, but even with the delineation of revenues and spending into numerous groups and subgroups – such as into their funds, program and function classifications and into their specific object groupings – there are still going to be differences.

While there is significant detail and vast quantities of information on K-12 spending in Utah, the information is not always provided in a manner that allows for important comparisons. For example, the state requires schools to post granular data on expenditures on fees collected from individual students at events such as proms, plays and sports events. However, using these data to make cross-school or cross-district comparisons on categories of expenditure would be no mean feat. Data is not aggregated in a manner that allows for comparisons of expenditures such as sports at the district level or teacher pay at the school level.

CONCLUSION

K-12 education is the single largest category of expenditure at the state and local levels, with more than $5 billion per year in funding. It accounts for nearly a quarter of the state's budget. Yet the public often has scant information on where that money is going. Indeed, as this report has shown, public perceptions of expenditures related to administrative costs are significantly out of sync with reality.

However, a number of things are clear.

To begin with, Utah is second lowest in school funding per pupil; Utah's pupil/teacher ratio is second-highest in the nation. Utah is also last in funding from the federal government, due in part to both Utah's low percentage of lower-income students and Utah's modest state and local funding.

The picture looks different when viewed through the lens of funding "effort." Utah's state level funding effort actually exceeds the national average, though its local-level funding effort trails behind.

Despite the perceptions of many Utahns that large portions of education spending go toward administrative costs, only 7% is spent on administration. Interestingly, however, in terms of funding "effort," Utah spends more than most states on teacher benefits.

Across the state, there are vast differences among districts' state, local and federal revenue levels – due in large part to district size, location and proportion of lower-income students. Due in large part to district size, spending on district administration ranges from $254 per pupil to $1,947. And due in large part to logistical differences, spending on transportation among district schools ranges from $277 per pupil to $1,500. Charter schools, meanwhile, spend far less than district schools.

Although charter schools spend a much smaller percentage per-pupil on instructional employee benefits than district schools, charter schools spend a significantly higher percentage on support services and administration.

Given the multiple layers of funding and the wide variations among not only states but districts, getting a handle on the school finance picture is no simple task. For instance, there are vast differences in the costs of transportation and district administration per pupil from the lowest spending district to the highest in Utah.

Furthermore, it can be difficult to sort through the vast quantities of information available. As policymakers endeavor to improve the depth of information available on school funding and spending, they should also look to ensure that the information is useful in making clear comparisons. This will help in determining whether programs that receive the funds are in line with voters' priorities, and whether these funds are sufficient.

As policymakers endeavor to improve the depth of information available on school funding and spending, they should also look to ensure that the information is useful in making clear comparisons.

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