

UTAH

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I. GENERAL BACKGROUND

Utah's public school finance plan is a modified foundation program; its official title in Utah is The Minimum School Program. The foundation grant, which guarantees each student a minimum level of fiscal support, is only one component of the Minimum School Program. The value of the foundation grant, described in Utah as the value of the Weighted Pupil Unit (WPU), is set each year by the legislature. School districts are required to tax local wealth (assessed valuation of local property) using the program's Basic Tax Rate, which is also set by the Legislature. The difference between what can be raised locally by the Basic Tax Rate and the amount guaranteed by the state, is paid by revenues generated from the State's Uniform School Fund, primarily personal income tax—constitutionally earmarked for this purpose. Wealthy districts, using the Basic Tax Rate, capable of raising revenues greater than the value of the foundation grant are subject to recapture. Recaptured funds become revenue to the Uniform School Fund the following year. Finance of the foundation grant is heavily supported by the state, which pays for about 72.6% of its total. On average, school district revenues account for \$508 of the \$1,854 guaranteed by the state. Such an active effort on the part of the state accounts for the high degree of fiscal equity evident in the state's school finance plan. For a complete report of school finance equity in Utah, a 15-year analysis is available at the following web site:
http://www.gse.utah.edu/policy/schfinan.html/Utah_equity.

Consistent with the basic structure of a school finance foundation plan, Utah's 40 school districts are able to levy a number of additional taxes (13 in total) against the value of their local property, which varies from \$55,000 to \$890,000 per pupil. There are limits on nearly all these tax rates, and several are equalized to some minimal level by the state's finance formulas. Additionally, the state contributes significantly to support special services such as special education, applied technology, at risk programs, class size reduction, and adult education programs. Indeed, the foundation grant, those funds that ensure each of Utah's 480,123 students receive some minimum level of fiscal support, only account for about

48% of the state's Minimum School Program budget for public education. The remainder, as noted above, supports special services and programs, which are detailed in the sections following.

Historical Antecedents to Utah's Current Finance Plan

Prior to statehood in 1896, education was a local issue with "wardhouses" of the Church of Jesus Christ of Latter Day Saints often serving as both church and school. School revenues came in the form of charity, donations, and tuition.

The "consolidation movement" began about 1890 and with it the move toward Utah's first real public school system. Utah's 224 school districts were legislatively consolidated into 40 by 1915, and this number remains unchanged today.

The basic funding mechanism, a foundation program, was established in 1921: state participation based on state income taxes and local participation based on local ad valorem property taxes. An equalization component was added in 1931, based upon weighted pupil counts and cost differentials.

Utah's new foundation plan was formalized by 1948 earmarking income taxes for funding public education and accounted for in the Uniform School Fund. Additionally, a uniform accounting system was established, uniform tax rates were set, and equalization of tax support was guaranteed. A system of weighted distribution units was introduced to distribute funds. State aid for building became part of the funding mechanism at this time. Finally, federal impact aid, an increased role for property taxes, and the voted leeway were all added to the funding plan. These components of the funding plan are still largely in place today.

A major school finance reform effort in 1973 resulted in a move toward improved statewide tax equalization (limited power equalization), the conversion to weighted pupil units (WPU) by which to promote vertical equalization. At this time a number of categorical programs were introduced to the formula dealing with special services and programs not previously addressed in the funding formula.

The last major review and reform of Utah's school finance program occurred in 1989. Many budgetary and formula changes were recommended and implemented, including the establishment in 1993 of a Capital Outlay

Equalization Program and, finally, a Capital Outlay Foundation Program with a five-year Emergency School Building Needs Program.

State's Economy

Utah's economic prosperity is described in the 1998 Economic Report of the Governor's Office of Planning and Budget as the longest sustained economic expansion in the state's economic history. Utah's economy, the Gross State Product, has grown, on average at a rate of over 8% per year after adjusting for inflation. The growth in new jobs has exceeded 3.0% for the last 10 consecutive years and during FY 1997 grew at 4.4%, which was the second fastest growth rate in the nation. Utah's per capita income has moved from the 49th lowest ranking among states to 44th during this expansion period. These growth rates may have peaked, however, and legislative concern about the state's fiscal future is evident in the conservative proposed increases for state funding in FY 2000, which increased less than 1% over the prior year's budget.

During this expansion period the budget for public education grew an average of about 2.5% growth, after adjusting for inflation. Considering the rapid growth of the state's budget, it is not surprising that education's percentage of the state's budget has declined steadily during the 1990s, from about 40% in 1989 to about 31% in 1998.

Funding Summary 1998–1999

Total State School Aid (All Programs)		\$ 1,428 million
Grants in aid	1,190 million	
Teacher Retirement Contributions	238 million	
FICA	*	
Total Local School Revenue		\$ 383 million
Property Tax	291 million	
Other local source tax revenue	0 million	
Local source non-tax revenue	92 million	
Total Combined State and Local School Revenue		\$ 1,811 million
State Financed Property Tax Credits		
Attributable to School Taxes		\$ 5.5 million

*FICA is included in the accounts for teacher retirement and is not easily disaggregated.

The state's report of teacher retirement contributions is not included the budget for the basic instructional program, much to the chagrin of some accountants in the offices of the Legislative Fiscal Analyst and the Governor. When these figures are included in the account of revenues, the state's contribution to funding public education is 78.8% of the total. Such a figure stands in sharp contrast to the popularly reported estimate of 61% for state funding of public education.

As noted above, the account of local revenues does not include funding for school facilities, which is primarily funded through bonding and property tax revenues. Inclusion of these funds, as well as other related revenues, would significantly alter the distributional characteristics of this report. Nonetheless, the report provides evidence of the significant degree to which the state funds public education in Utah.

One final note on this matter, the account of \$1.8 billion above does not square exactly with the budget accounts reported in the sections below. One reason is that the \$92 million recorded as "Local source non-tax revenue" above is not accounted for in the state's budget records, since those funds are not part of the state's distribution. Some of the difference between the above \$92 million and the amounts reported below exist because of record keeping, balance forwarding, and

other anomalies. In general, however, the amount discussed below represents that state and local contributions with no account of federal dollars.

II. LOCAL SCHOOL REVENUE

All of Utah's 40 school districts are fiscally independent and levy taxes on local property above the foundation basic tax. Local tax rates, property values, and revenues per pupil vary considerably among Utah's school districts.

Property Wealth

Utah's economic prosperity, during the 1990s, is accompanied by substantial increases in property values, even when adjusting for inflation. Unadjusted figures suggest that, on average, property values grew by 80.5% between 1989–1990 and 1998–1999; from \$110,707 assessed valuation per pupil to \$199,874 respectively. When inflation is accounted for in these figures property values still grew by 48.6% during this time period. Total assessed valuation for FY 1999 was estimated at about \$95 billion.

Property values have generally increased throughout the state, even as property values in some districts have grown much more rapidly than in other districts. Thus, while the range of assessed valuation per pupil has steadily increased during the decade the coefficient of variation (the standard deviation relative to the mean) has steadily declined from 0.99 to 0.78. It appears that the economic growth in Utah has tended to equalize variations in property wealth across its 40 school districts.

In 1993 the Utah State Tax Commission began assessing residential and commercial property at 100% of "fair market value." However, primary residential property is granted a 45% exemption, resulting in a total taxable value that is 55% of fair market value, businesses are granted a 35% exemption. Each county assessor annually updates all property values based on a "systematic review" of current market data. A "detailed review" of each individual property is completed at least once every five years.

Property Taxes

The most interesting fact about the Basic Foundation Levy is that it has been significantly reduced over time. The reduction in the Basic Levy was written into law as an effort to prevent school districts capturing significant "wind falls" from

increasing property values. Revenues from the Basic Levy were, thus, capped relative to the previous year's revenue. As property values increase from year to year, the value of the Basic Levy is adjusted to reflect the cap plus an adjustment for enrollment growth. Since 1989–1990, when the Basic Levy was set at 0.004656, the tax has been reduced by 60% to its current level of 0.001858. These tax rates represent cents on the dollar.

It should be noted, however, that the Basic Levy is only one of 13 taxes available to school districts. Two other taxes supporting Maintenance and Operations provide school districts the option for increasing funding for this purpose: the Board Leeway and the Voted Leeway. These taxes, combined, are capped at a cumulative rate of 0.00200. Only one district in the state uses the full leeway available. On average, districts use nearly one-half of the leeway available to them through these taxes.

While the Basic Levy declined during the 1990's the growth of these other taxes has increased only 16.2%. Thus, cumulatively, these three taxes have declined over time by almost 45%; in 1989–1990 the combined load of these three taxes was 0.00501 while by 1997–1998 the combined tax load was only 0.002731.

Income Tax for Local Revenues

N/A.

Sales Tax for Local Revenues

N/A.

Tax Credits and Exemptions for Local Revenues

N/A

Local Revenues Generated from the Property Tax

Local revenues raised by school districts vary dramatically per pupil. During the 1990's, however, these disparities have steadily declined, another indication that Utah's economic growth has been widespread. The Federal Range Ratio statistic provides a good indicator of this fiscal equalization over time. In 1989–1990, the Federal Range Ratio for local revenues, controlling for inflation, was 4.3. This means that the per pupil revenues raised for the student at the 95th percentile was 4.3 times that available for the student at the 5th percentile. By 1997–1998, this ratio had declined to 2.99, a significant reduction.

The proportion of local revenues as a percentage of total revenues allocated to public education (as reported in the Minimum School Program budget) has changed dramatically over time. In 1989–1990, the share of local revenues (raised by the Basic Levy and Board and Voted Leeway levies) was 33.2% of the state’s total budget for public education. By 1997–1998, the local share was only 16.8% of the state’s public education budget. These figures demonstrate the increasingly dominant role of the state in the finance of public education in Utah.

III. TAX AND SPENDING LIMITS

Utah is a fiscally conservative state and the current “negotiations” about tax rates and funding limits are simply part of the political landscape. The Utah Taxpayers Association serves as an informal watchdog for tax issues in Utah. This group spearheaded the movement, in 1993, to limit “windfall” gains through increases in property values. Additionally, the group lobbied for the “Truth in Taxation” laws requiring all taxing entities to specify the details of tax increases in public hearings. For two years, school districts were required to obtain a majority vote of the voters to increase taxes. The influence of this conservative, anti-tax group is probably most evident in limited growth of existing taxes. Despite the influence of this group, school districts have been bonding for new facilities at record levels.

Another example of fiscal constraints placed on funding for education in Utah is evident in the changes for financing special education. In 1990–1991 Utah’s formula for funding special education placed explicit caps on the level and growth of such funds. One of the many purposes of these changes was to limit funding for public education in general, which to some legislators, educators, and community members appeared out of control and uncontrollable. While legislators and citizens alike frequently express these fears, the reality is that the tax load for public education has steadily declined over the decade. Law does not allow deficit spending by Utah’s school districts.

IV. STATE EARMARKED TAX REVENUE

Earmarked dollars in Utah total 1.74 billion. Revenues from Utah’s state income tax are dedicated to public education. These revenues, along with revenues from several other taxes, flow into the Uniform School Fund, an account constitutionally earmarked for funding public education, including some funding for higher education and the arts. These taxes include the Corporate Franchise Tax, liquor tax, driver’s education tax, Mineral Production Withholding, Gross

Receipts Tax, Escheats, Recapture, and Permanent Fund Interest. The State's Income tax accounts for about 88% of the revenues for the Uniform School Fund. The State has no lottery or other source of funding earmarked for public education.

Revenues from the State's Income tax have grown dramatically during the 1990s. On average, these funds have increased by about 9% per year, leaving the state's legislature with the trouble of deciding what to do with the surpluses that have come in above projected levels. In FY 1999, Utah's State Income taxes generated \$1.48 billion, with an additional \$205.3 million was generated by the other taxes comprising this fund account. The total provided about \$3,505 per pupil for students in Utah for Maintenance and Operations.

Money from Uniform School Fund is used to fund the state's Basic School Program along with its many special purpose programs, such as the Gifted and Talented program, Youth in Custody, to name a few. Shortfalls in the Uniform School Fund can be made up by an appropriation from the General Fund (the primary source of revenue for this fund is the State's sales tax), although this has not happened since the mid-1980s.

Funding for Utah's Basic School Program is reported as part of the funding package granted by the State's legislature, known as the Minimum School Program. In Fiscal Year 1999, the legislature allocated \$1,736.6 million for this program. This figure differs from the reported total in the Funding Summary because the state's accounting for program funding differs slightly from its accounting of revenue generation.

V. BASIC SUPPORT PROGRAM

Funding in 1998–1999: \$924 million.

Percentage of Total State Aid: 64.8%.

Nature of Program: Foundation.

Allocation Units: Weighted pupils.

Local Fiscal Capacity: Assessed property valuation.

How the Formula Operates: Funding for Utah's basic support programs is identified in Utah's Minimum School Program as Regular Basic School Programs, which is composed of four sets of services: 1) K–12 Instruction; 2) Necessarily Existent Small Schools; 3) Professional Staff; and 4) Administrative Costs. These services provide for general maintenance and operation functions, which support basic classroom instruction.

Funding for these services is based on the Minimum Basic Levy (against local property values) and the State's Income tax. As noted earlier in the chapter, the vast majority (about 71%) of the funds for these services come from state sources. All districts participate in the programs reported in this section.

Description: This fund account represents the State's foundation grant (\$1,854 per pupil); the money necessary to ensure that all students in the state receives a grant to pay for the minimum school program. Each student in grades 1 through 12 receives the full value of the Weighted Pupil Unit (the distributional unit to fund the foundation grant). Kindergarten students receive 55% of the full value of the WPU. These dollars are intended to provide basic services, Maintenance and Operation (teachers and materials) for students.

Enrollment figures, the basis for the funding formula associated with this funding account, are based on an estimate of each district's enrollment (calculated by taking actual K–12 membership for the previous year and adding an estimated percentage growth factor). A district with a negative growth factor is held harmless for one year.

State and Local Share: The state pays approximately 72.6%; local districts pay the rest.

Weighting Procedures: See above.

Necessarily Existent Small Schools

Description: The dis-economies of scale associated with small and rural schools that due to sparsity of population and distance cannot be readily consolidated with other schools are compensated by the state through its Necessarily Existent Small Schools fund. These funds are intended to fund specific schools. The law and board rules regulating this account are complicated and require schools to make an annual application for the funds.

Professional Staff

Description: Funding for Professional Staff compensates districts for salary increases as their teachers and administrators gain certified training and experience. A professional staff cost ratio is applied independently of salary schedules to compensate for lane and step changes due to staff development. The fund provides financial incentives for districts whose staff invests in staff development.

Administrative Costs

Description: Funding for administrative costs is calculated using an enrollment-based formula, such that the smaller districts receive a larger portion of the allocation than larger districts. Interestingly, the only explanation of the formula focuses on its intent, which is to increase the proportion of moneys allocated to instruction and decrease the proportion of moneys allocated to administration.

Extent of Participation: all 40 districts.

VI. TRANSPORTATION

Funding in 1998–1999: \$49.3 million.

Percentage of Total State Aid: 3.5%.

Description: Funds for pupil transportation to and from school are distributed to all public school districts by formula based upon the mileage of specific routes driven, the time required to transport students, and the cost of the equipment. Students in grades K-6 living more than 1.5 miles from school and students in grades 7–12 living more than 2 miles from school are eligible for state-supported transportation funding. Special education students are eligible regardless of distance considerations.

Transportation of students where walking constitutes a “hazardous” condition can be funded by general district funds and/or funds derived from a Special Transportation (local) tax rate of no more than 0.0003. The revenues from this levy are also applied to the cost of transporting students participating in inter-scholastic activities, night activities, and educational field trips approved by the local board and for the purchase of school buses. Prior to 1997–1998, the funds

generated by formula usually exceeded the amount appropriated, forcing a pro rata reduction in allocations.

Extent of Participation: All districts participate in this finance program.

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$130.5 million.

Percentage of Total State Aid: 9.7%.

Description: State and federal statute mandate education for all children with disabilities. The Education for All Handicapped Children Act, part B, requires that a free and appropriate public education be provided to all eligible children with disabilities. The additional costs associated with students needing prescriptive speech therapy, physical and occupational therapy, psychological and behavioral management, and adaptive physical therapy significantly impact school district budget.

Special education students are funded an additional 1.53 WPU above the initial 1.0 WPU. Allocations for special education are constrained in two ways. First, given a base year (1989–1990) enrollments for special education can not exceed enrollment growth for the district. Second, a district may not serve more than 12.18% of the district's enrollment at any one time. Current costs for special education account for only 7.5% of the total budget, down from about 12% of the total budget in 1990–1991.

Special Education Regular Program

Funding in 1998–1999: \$119.4 million.

Description: The state makes distinctions between increased funding for regular and self-contained students. However, there is no difference in the funding levels despite obvious difference in the cost of providing such services. Rather, the rate of reimbursement to districts is based on an average cost for students across the state.

Other Special Education Components

Funding in 1998–1999: \$11.1 million.

Description: Other special education programs include Preschool, Extended Year and State Institutions (excluding the Schools for the Deaf and Blind, which are budgeted for independently of the rest of public education). These services are funded by the same formula as regular special education (base funding plus growth capped by a 12.18% of total enrollment). All districts participate in the Regular and Preschool programs.

Extent of Participation: All 40 districts.

VIII. COMPENSATORY EDUCATION

Funding in 1998–1999: Included in Minimum School Program.

State Compensatory Education funds are to be used for disadvantaged pupils from low-income families, foster children, neglected and delinquent children, and pupils from Aid to Families with Dependent Children cases. This is considered to be a special purpose district-optional program under the overall Minimum School Program, but is not identified as a specific budget line item. Funding may come from any combination of general discretionary state and local funds. Revenue and expenditure data are not available for fiscal year 1999. Not all districts participate in this program.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–1999: \$7.2 million.

Percentage of Total State Aid: less than 1%.

Description: Funding for the state's Gifted and Talented programs has been subsumed under the rubric of Accelerated Learning programs in recent years. This funding category includes the traditional Gifted and Talented programs, as well as the state's Advanced Placement program, and its Concurrent Enrollment program.

Funding for the Gifted and Talented programs (about 20% of the Accelerated Learning budget) is distributed on a per pupil basis. Each district gets its share of the budget depending upon the district's proportional share of the state's total k–

12 and Small Schools WPU. Funding for the State's Advanced Placement is based on tests passed and hours completed while funding for Concurrent Enrollment programs are based on the hours of higher education course completed by students. The largest share of the budget in this category goes to Concurrent Enrollment (64%), which allows students to earn college credit concurrently while earning high school credit. The idea, wildly popular in the state, requires a certified teacher with a Masters degree to teach "college" content in what is otherwise a high school course. Funding for this program compensates the teachers and the administrative work of the districts and colleges participating in the program.

Districts differ widely in their use of these funds to aid in educating gifted and talented students. Indeed, one of the growing concerns associated with these popular programs is that, with increased funding, there is a demand for more accountability.

Extent of Participation: All districts participate in at least one of these programs, and most districts participate in all three of them.

X. BILINGUAL EDUCATION

Funding in 1998–1999: \$2.8 million.

Percentage of Total State Aid: less than 1%.

Description: Funding for Bilingual Education is subsumed under the rubric of Alternative Language Services. This composite of program funding is used to provide special help and instruction for students with limited knowledge of English (i.e. students who are not monolingual speakers of English). This is considered to be a special purpose district-optional program under the overall Minimum School Program. Funding may come from a combination of general discretionary state and local sources.

Extent of Participation: Not all districts participate in these programs.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: \$8.1 million.

Percentage of Total State Aid: less than 1%.

Description: Preschool Special Education is the only publicly sponsored early childhood education program within the Minimum School Program. Funds are allocated to districts to provide a free, appropriate public education to preschool students with a disability, ages three through five. The allocation formula is based on empirically identified factors related to services and cost of services to preschool children with disabilities. Transportation for disabled pre-school children is also state funded.

Extent of Participation: All districts participate in this program.

XII. OTHER CATEGORICAL PROGRAMS

Funding in 1998–1999: \$17.7 million.

Percentage of Total State Aid: 1.2%.

Description: Utah funds 14 categorical “below-the-line” programs within the overall Minimum School Program. These programs are closely related to the basic support programs, in terms of their direct impact upon the education of children, but are funded as categorical grants to facilitate the development programs in those special areas.

Contingency Fund

Funding in 1998–1999: \$0.4 million.

Percentage of Total State Aid: less than 1%.

Description: Provides funds for the career ladder portion of lab school teacher compensation.

Extent of Participation: Not reported.

Incentives for Excellence

Funding in 1998–1999: \$0.6 million.

Percentage of Total State Aid: less than 1%.

Description: These funds were made available by 1985 Legislature to encourage the development of a strong partnership between public education and the private

sector. The purpose is to enhance educational excellence statewide. All districts are encouraged to seek additional support in the form of matching private sector funds. Funds are distributed as a base-plus amount, using fall enrollment.

Extent of Participation: Not reported.

Regional Service Centers

Funding in 1998–1999: \$1.1 million.

Percentage of Total State Aid: less than 1%.

Description: These centers serve both small and rural school districts in four statewide geographic areas. The intent is to create greater economic efficiencies through cooperative projects in such areas as purchasing, in-service, special education, and media. Each of the four centers receives an equal amount of the total legislative appropriation.

Extent of Participation: Not reported.

Staff Development Funds

Funding in 1998–1999: \$1.5 million.

Percentage of Total State Aid: less than 1%.

Description: These funds provide support (in addition to what is allowed under the basic school programs) for out-of-the-classroom instruction to teachers. The focus is on the use of technology as an instructional tool, the use of new student assessment tools, incorporating revisions to the core curriculum, and developing personalized education plans for students. All districts are eligible with funds allocated by an annual grant application process.

Extent of Participation: Not reported.

Comprehensive Guidance Funds

Funding in 1998–1999: \$6.9 million.

Percentage of Total State Aid: less than 1%.

Description: Comprehensive Guidance funds are directed at secondary schools in grades 7–12 with the following priorities: (1) grades 9–12; and, (2) grades 7–8 for the specific purpose of developing individual student educational/occupational plans. The overall goal is for counselors to increase direct services to students to at least 80% of the counselor's time while increasing the involvement of parents of students. Funds are allocated on the basis of the fall enrollment of approved schools. In order to gain approval, schools must first develop staff, other resources, and evaluation tools to implement a program based on state criteria. Sites are reviewed by a visiting team and approved for funding.

Extent of Participation: Not reported.

Centennial Schools Funds

Funding in 1998–1999: \$1.1 million.

Percentage of Total State Aid: less than 1%.

Description: These funds are intended to facilitate strategic planning for educational excellence at the school level. Awards are made annually to individual schools judged to have outstanding plans to change the delivery of educational programs. The selection process is a collaborative effort between the State Board of Education and the Governor's office. Participation is limited to three successive years. First-year schools receive a \$5,000 base allocation plus \$20 per student enrolled in the previous year. Second-year schools can receive up to 2/3 of the amount received during the first year while third-year schools can receive up to 1/3 of the amount received during the first year. In each case, the funds are non-lapsing.

Extent of Participation: Not reported.

Highly Impacted Schools

Funding in 1998–1999: \$5.4 million.

Percentage of Total State Aid: less than 1%.

Description: These funds are allocated in a two-step process: (1) an application and selection phase involving the State Board of Education and the Governor's office; and, (2) a formula phase. Each participating school receives a base allocation plus additional moneys taking into consideration relative student mobility rates, free school lunch students, ethnic minority students, limited English proficient students, single-parent family students, and total students in fall enrollment. The funds are given directly to the targeted school and supplement all other funds and grants in an effort to stimulate school performance and student achievement.

Extent of Participation: Not reported.

Families, Agencies, and Communities Together (FACT) Funds

Funding in 1998–1999: \$1.3 million.

Percentage of Total State Aid: less than 1%.

Description: FACT is an experimental program intended by the State Board of Education to promote collaborative community-based, full-service delivery system for children and youth at risk. Extensive parental consent and participation are required. Districts submit annual grant applications.

Extent of Participation: Not reported.

Character Education Funds

Funding in 1998–1999: \$0.4 million.

Percentage of Total State Aid: less than 1%.

Description: Character Education funds are intended to enhance the teaching of the qualities of character (e.g., integrity, social responsibility, the importance of the work ethic). Moneys may be used to provide direct instruction to students as

well as provide in-service training to teachers and are allocated through a grant application process.

Extent of Participation: Not reported.

School Nurses Funds

Funding in 1998–1999: \$0.4 million.

Percentage of Total State Aid: less than 1%.

Description: These funds are earmarked for supplementing eligible districts for costs incurred delivering basic student health services. Moneys are allocated through a grant application process.

Extent of Participation: Not reported.

Experimental and Developmental Funds

Funding in 1998–1999: \$6.0 million.

Percentage of Total State Aid: less than 1%.

Description: Experimental and Developmental funds are provided to school districts to perform basic research and development activities related to experimenting with new teaching/learning processes and/or for start-up costs for implementing already emerging but not fully developed activities. Districts are eligible for three consecutive years of funding, after which the funds lapse. Funds are distributed as follows: 34% is divided equally among all districts; 41% is distributed among all districts based on the prior years' relative shares of grades K–12 average daily membership; and, 25% is by grant application. A grant process is also used to allocate \$100,000 of the total appropriation reserved for programs to improve the efficiency of classified employees.

Extent of Participation: Not reported.

State-Supported Voted Leeway Funds

Funding in 1998–1999: \$93.7 million.

Percentage of Total State Aid: 6.6%.

Description: These funds can be used by a school district to maintain a school program in excess of the district's Minimum School Program. A voted leeway program can only be established by a school district after approval by a majority of the electors voting in a properly called election. The election must be no later than December 1 of the year prior to implementation if the district wants to receive state aid the first year. Initiative petitions, signed by 10% of the number of electors voting in the last general election, are used by district patrons and/or a local board of education to call for consideration of adoption or modification of a voted leeway program. The state contribution is an amount sufficient to guarantee \$13.04 per WPU for each 0.0001 of the first 0.0008 per dollar of taxable value levied. The dollar guarantee is indexed to 0.0075 of the value of the prior year's WPU and re-calculated annually. The qualifying local tax levy of 0.0008 rises by 0.0002 each year through July 1, 2001 to a total of 0.0016 per dollar of taxable value levied, a total applicable to each year thereafter.

Extent of Participation: Not reported.

State-Supported Board Leeway funds

Funding in 1998–1999: \$33.5 million.

Percentage of Total State Aid: 2.3%.

Description: Board Leeway funds are earmarked for class size reduction unless: (1) the local board has declared the use for other purposes in a public meeting prior to levying the tax rate; and, (2) the local board has certified in writing that its class size needs are already being met and has identified and gotten state approval for the other school purposes for which the moneys will be used. A Board Leeway program must be established by April 1 in order to have the levy apply by July 1 of the same calendar year. At the discretion of the local board of education, a voter approval or voter information pamphlet is not required. However, an election to consider disapproval is required if, within 60 days of implementation, legal referendum petitions are filed with the local board. Each local school board may levy a tax rate of up to 0.0004 per dollar of taxable value. The state

contribution is an amount sufficient to guarantee \$21.50 per WPU for each 0.0002 of the 0.0004 per dollar of taxable value levied.

Extent of Participation: Not reported.

One-time appropriations for Maintenance and Operations

Funding in 1998–1999: \$16.7 million.

Percentage of Total State Aid: 1.2%.

Description: These one-time appropriations, while part of the overall Minimum School Program, are not funded using WPUs. They are intended to be additional or supplemental to the regular state-supported basic foundation program, appropriated from the Uniform School Fund. Allocations include: \$500,000 for applied technology education school district equipment; \$750,000 for concurrent enrollment accelerated learning programs; \$500,000 for pupil transportation to and from school; \$5,500,000 for the Educational Technology Initiative; \$6,300,000 for textbooks and supplies; \$2,250,000 for school library media collections; \$400,000 for math and science equipment; and, \$500,000 for the Computers for Public Schools Pilot Program.

Extent of Participation: Not reported.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–1999: \$238.1 million.

Percentage of Total State Aid: 16.7%.

Description: Social Security and Retirement funds are intended to keep pace with the value of the WPU and reflects any changes in Social Security and retirement rates. Funds are distributed on the basis of relative shares of total salary costs. The law mandates that these social security and benefit must be paid, even if the value of the WPU must be lowered to assure full payment.

Extent of Participation: All districts.

XIV. TECHNOLOGY

Funding in 1998–1999: \$8.5 million.

Percentage of Total State Aid: less than 1%.

Description: Utah's Educational Technology Initiative is intended to expand the use of computer based technologies within schools and classrooms for administrative and instructional use. The goal is to enhance the teaching/learning process and to empower students to become productive members of a technology-oriented society. Funds may be used to maintain existing programs and for in-service programs required to implement the technology. Allocations are made to all districts based on total average daily membership for grades K–12.

Extent of Participation: Not reported.

XV. CAPITAL OUTLAY AND DEBT SERVICE

State Capital Outlay Foundation Program

Funding in 1998–1999: \$30.9 million.

Percentage of Total State Aid: 2.2%.

Description: The capital outlay foundation program includes both a general capital outlay loan program as well as an emergency school building needs component. The intent is to provide revenues to qualifying school districts for the purposes of capital outlay bonding, debt service, construction, and renovation.

Utah's capital outlay formula is complex. First, in order to qualify for full funding, a local school board must already be levying a tax rate of 0.0024 per dollar of taxable value for capital outlay and debt service. A district may levy less than the 0.0024 rate for up to two years and not lose state funding if it is not able to do so because of increased assessed valuations and a corresponding reduction in its maximum allowed certified tax rate. A school district that levies less than 0.002400 tax rate for capital outlay and debt service will receive prorated funds in the proportion that the district's capital outlay and debt service is to 0.002400.

Second, 20% of the total appropriation is set aside for emergency school building needs until June 30, 2001. Funds are distributed by formula based on a school

district's ability to raise money for school building needs as measured by the district's assessed valuation per student; and, real need in the district as measured by alternative housing conditions, relative student growth, and the district's effort to raise money as indicated by the district's total tax rate and the district's bond and bond interest payments. This component is scheduled to be integrated into the rest of the program beginning July 1, 2001.

Third, the remaining 80% of the total appropriation is distributed on the basis of a minimum guarantee per student in average daily membership as computed using available moneys and the comparative assessed valuation per student in average daily membership across all districts. About one-half of Utah's 40 school districts receive this non-emergency or general purpose capital outlay funding.

Schools building revolving account loan funds are non-lapsing. Moneys received by a district from the account may not exceed the district's bonding limit minus its outstanding bonds. In order to qualify for a loan, a school district must do the following: levy a tax rate of at least 0.0024 for capital outlay and debt service; contract with the State Superintendent of Public Instruction to repay the moneys, including interest within five years of their receipt, using future state building appropriations and/or local revenues; levy sufficient ad valorem taxes to guarantee annual loan repayments, subject to any approved hardship situation; submit to the review process and agree to provide all necessary information needed; and, agree to the stipulated interest rate, repayment schedule, and any other conditions established by the State Board of Education pertinent to the loan.

Local Contribution to Capital Outlay

Funding in 1998–1999: \$290.0 million.

Percentage of Total State Aid: N/A.

Description: Local school boards are required by law to spend minimum school program funds for programs and activities for which the State Board of Education has established minimum standards or rules. Otherwise, a local board may purchase, sell, and make improvements on school sites, buildings, and equipment and construct, erect, and furnish school buildings. A board may also participate in the joint construction or operation of a school attended by children residing within the district and children residing in other districts either within or outside the state.

A local school board may borrow money in anticipation of the collection of taxes or other revenue of the school district so long as it complies with the Utah Municipal Bond Act. A school district may not assume debt exceeding 4% of the fair market value of the taxable property in the district. The money levied and collected must be used to create a special sinking fund for the redemption of bonds issued by a local school board.

A local school board may require the qualified electors of the district to vote on a proposition as to whether to incur indebtedness under the following circumstances:

1. if the debts of the district are equal to school taxes and other estimated revenues for the school year, and it is necessary to create and incur additional indebtedness in order to maintain and support schools within the district;
2. the local school board determines it advisable to issue school district bonds to purchase school sites, buildings, or furnishings or to improve existing school property; or,
3. prior to May 2 of any year, a local school board may call a special election to determine whether a special property tax should be levied to buy building sites, build and furnish schools, or generally improve the school property. This special Voted Capital leeway may not exceed a 0.00200 tax rate.

Extent of Participation: Not reported.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Standards and accountability are hot topics in Utah. Currently (FY 1999) a “Blue Ribbon” committee of Legislators has been meeting to try and impose new standards for accountability that resemble the programs and initiatives developed in Texas. The future of these negotiations of these matters in Utah is uncertain. However, the long-standing concern about standards and accountability is evident in the following four programs by which such matters are pursued within the state.

Utah's Statewide Testing Program

In 1990, the Utah Legislature passed a set of laws dealing with testing and accountability. These laws mandated the administration of the same norm referenced achievement tests (NRT) statewide to students in grades five, eight,

and eleven. The test selected by the State Testing Committee for use in this program was the Stanford Achievement Test. Testing occurs each fall.

Core Assessment Program

This program represents a comprehensive effort in developing and implementing a wide range of criterion-referenced and performance assessments specifically linked to Utah's core curriculum. Initiated in 1985, a variety of criterion-referenced and performance assessments and compendiums or pools of test items have been developed.

The State's "Report Card"

Since 1967, the Utah Educational Quality Indicators Report Series has brought together valuable information on student performance and attitudes from a variety of sources in a single report. Judgments about the quality of education in Utah are based on data from the American College Testing Program, the Scholastic Aptitude Test, the Advanced Placement Program, the Statewide Testing Program, the census, and unique sources of information available at the time of publication of each individual report. The focus is on trends in performance over time.

Budgeting, Accounting, and Auditing Standards

School districts shall act consistent with the Annual School Finance and Statistics Workshop Book for Utah School Districts. The book contains uniform state rules for budgeting, financial accounting, student membership and attendance accounting, indirect costs and prorating, financial audits, statistical audits, and compliance and performance audits. Each school district's financial reporting shall be in accordance with Generally Accepted Accounting Principles, which include Generally Accepted Governmental Auditing Standards. School districts are allowed to have an undistributed reserve not to exceed 5% of the district Maintenance and Operation fund budgeted-expenditures. The purpose of the reserve is to meet unexpected and unspecified contingencies.

XVII. REWARDS/SANCTIONS

There are two types of sanctions in place. First, financial penalties are imposed if the proportion of educators teaching outside their certified areas exceeds the state imposed limit. Second, financial penalties are imposed for service of foods of minimal nutritional value in lunchroom areas. The state routinely imposes these penalties.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Centennial Schools Program

According to the 1997–1998 Annual Report of the Utah State Office of Education, “...the Centennial Schools Program, enacted by the 1993 Legislature, was conceived by the Governor and approved by the State Board of Education as a catalyst to promote the sharing of ideas that work in schools throughout the system. In 1997–1998, Utah's fifth group of 62 new Centennial Schools in 21 urban and rural districts was authorized. Together with 141 other schools in their second or third Centennial year, they each received a base allocation of \$5,000 plus \$20 per student to implement their own site-based plans to bring about bold systemic change. No new schools will be added in 1998–1999. This program is scheduled to conclude on June 30, 2000.”

Modified Centennial Schools

The 1996 Legislature created an experimental Modified Centennial Schools Program. The modified program with the selection of ten schools, which had three years of Centennial School experience. Each of these schools, funded in the same manner as the Centennial Schools, increased its site-based decision making efforts by means of an elected site council or board of school directors composed of an equal number of school employees and parents/guardians. These schools, now in their third and final year of Modified Centennial status, are focusing on the achievement of clearly stated and measurable student performance outcomes. Two of the original ten Modified Centennial Schools left the program in 1998 to become part of the new Schools for the 21st Century Program.”

Schools for the 21st Century

Furthermore, according to the Utah State Office of Education, ...the 1998 Utah Legislature enacted the Schools for the 21st Century Program as a challenge to Utah schools to embrace the goal of continuous improvement and to address individual needs of students. This new program builds upon the foundation in education reform laid by the Centennial and Modified Centennial Schools. The Legislature recognized that providing incentives can stimulate schools to seek solutions that will help to prepare students to compete and succeed in the global society of the 21st Century. All public schools were eligible to apply if they had the elements of Centennial Schools reform in place, such as a strategic plan, a delegation document between the school and the local board of education, an

elected board of school directors, and interagency collaboration. Sixty-five schools applied in spring 1998. Twenty-eight of them (16 elementary schools, nine junior high/middle schools, two high schools, and one special K–12 school from ten districts) were ultimately approved for 1998–1999. This voluntary program was established with an \$800,000 appropriation.

Charter schools

As a second part of the Schools for the 21st Century Initiative, the 1998 legislature authorized \$500,000 for the creation of up to eight charter schools for a three-year pilot program. On March 5, 1999 the State Board of Education approved the fifth charter school. Each school receives \$62,500 in one-time start-up funds. Charter schools are considered to be part of the state's public education system. A charter school may be established by creating a new school or converting an existing public school to charter status. The purpose of charter schools is to: continue to improve student learning; encourage the use of different and innovative teaching methods; create new professional opportunities for educators that will allow them to actively participate in designing and implementing the learning program at the school; increase choice of learning opportunities for students; establish new models of public schools and a new form of accountability for schools that emphasizes the measurement of learning outcomes and the creation of innovative measurement tools; and, to provide opportunities for greater parental involvement in management decisions at the school level.

A proposal to establish a charter school may be made by individuals desiring to convert the school or a portion of the school to charter status. Two-thirds of the certificated teachers and parents of the school must have signed a petition approving the proposal prior to its submission to the sponsoring entity for charter status. The percentage is reduced to a simple majority if the conversion is for only a portion of the school. A parochial school or home school is not eligible for charter school status.

Alternative high schools

These schools by definition are “non-standard” high schools, and do not include a home schools or schools for students with special needs, interests, or learning styles. The following criteria must be met: the local school has been officially designated as a high school by the local board of education; a principal or coordinator and staff are assigned to the school; extra costs are associated with the

school such as counseling staff, library, and other supporting costs; students have access to an approved vocational education program; the school is primarily for youth in continuous education who have not graduated from high school but are working toward graduation; and, the school's programs qualify students as candidates for graduation.

XIX. AID TO PRIVATE SCHOOLS

Less than 5% of Utah's school-age children attend private, parochial, or home schools. While no direct state aid is provided these schools, either through tax credits or vouchers, there are certain contractual situations where students from these non-public settings are enrolled part time in public schools. Those public school districts are credited, for state funding purposes, only for the public school portion (based on part-time average daily membership counts) of the school days involved.

XX. RECENT/PENDING LITIGATION

Court challenge to Utah's new charter school law: As reported in *The Salt Lake Tribune* of October 10, 1998, the Utah School Boards Association filed for summary judgment on October 9, 1998 in 3rd District Court to declare the state's charter schools unconstitutional. The filing was part of a "friendly lawsuit" previously filed, "...because it gives control of charter schools to the state Board of Education, sidestepping local school boards altogether. The Utah State Office of Education opposed the lawsuit, ...on the grounds it is constitutionally unsound and does not reflect the views of all 40 members of the Utah School Boards Association because a handful of school board members had written letters questioning the lawsuit." On March 2, 1999, a Utah Third District Court judge ruled that Utah's new charter schools could be governed by the Utah State Board of Education. The ruling concluded that charter schools, being part of the general category of experimental and developmental reform initiatives in public education, fall within the general control of the state regulatory framework.

XXI. SPECIAL TOPICS

Computers for Schools Pilot Program

The 1998 Legislature appropriated \$500,000 for House Bill 7, "Computers for Schools Pilot Program." Utah has long invested in computer technologies for public education, beginning in the early 1990s with its Educational Technology Initiative (ETI). Legislative investments in computer technology are well over

\$100 million since this early initiative, and many of these revenues have been matched with business donations. Additionally, individual school districts have done much to write grants and find additional revenues for computers. A recent poll by Education Week ranked Utah high for its investment in computer technologies for public schools.

Class Size Reduction

According to the 1998 Budget Summary produced by the Governor's Office of Planning and Budget, the Legislature appropriated \$9.0 million to reduce class size in grades seven and 8 by two students. Previous years have focused on grades 1 through 3 and, then, grades 4 through 6. Class size reduction has been funded with both line items incorporated in the budget plan for the Minimum School Program and sizeable one-time allocations. The evidence about the effect on these investments in class-size reduction are inconclusive because of changes in demographic, birth rates, and the problems associated with determining the student counts and FTE counts for faculty necessary to estimate changes.

Teacher compensation and the WPU

The value of the WPU is increased each year in order to fund salary and benefit increases for all personnel, and other Maintenance and Operations costs. School districts negotiate salary and benefits individually with employee organizations resulting in a variety of compensation packages across Utah's 40 districts.

Students attending schools outside their own attendance areas

Students may attend any school within their own local district providing adequate capacity exists and application is made in timely fashion. However, transportation costs are not funded for those students who choose to attend outside their own attendance area. If a student is a Utah resident, but not a district resident, then an inter-district current expenditure per pupil figure is calculated. The sending district pays the receiving district 1/2 of the amount by which the resident district's per student expenditure exceeds the value of the state's contribution. Again, transportation costs are not funded for those students who choose to attend outside their own local district of residence.

Early Graduation Centennial Scholarship Certificate

Public schools have flexible graduation procedures that allow for early graduation following the eleventh grade. Furthermore, if a student graduates any time

following the eleventh grade year and enters a Utah post-secondary institution, the school district receives a reimbursement designated for the public high school from which the student graduated early. The post-secondary institution receives an Early Graduation Centennial Scholarship Certificate entitling the early graduate to a partial tuition scholarship.

Redevelopment and Economic Development

Redevelopment began in Utah in the mid 1960s with the Utah Community Development Act. Its original intent was to fund the revitalization of downtown areas of communities through Tax Increment Financing (TIF). TIF allows the tax dollars collected for a redevelopment project area that are in excess of a “base year” tax amount to be paid to the redevelopment agency for purposes of “alteration, improvement, modernization, reconstruction, or rehabilitation...of existing structures in a project area” (UTAH CODE, 17A-2-1202(13)(b)(I)) rather than the taxing entities.

The 1969 Legislature rewrote the law to create the Neighborhood Development Act of 1970. The first major revision to this act was the 1983 changes in which an incremental rollback, or “haircut” provision was added wherein 100% of the tax increment went to the RDA for the first 5 years, then 80% for years 6 to 10, 75% in years 11 to 15, 70% in years 16 to 20, and 60% in years 21 to 25. The balance of increment flowed to the taxing agencies. Under the Neighborhood Development Act tax increment payments could be delayed up to 7 years. The total potential life of a redevelopment project was 32 years.

The second major revision occurred in 1993 wherein the “haircut” provision was repealed and substituted with more restrictive tax increment amounts and terms. The total potential life of a project was set at 24 years. Two categories of redevelopment were defined at that time: Economic Development and Redevelopment. The traditional Redevelopment usually began with a study to determine blight, allowed retail development and retained the power of eminent domain. Economic Development projects did not use findings of blight, did not allow retail development, and did not allow the use of eminent domain. A Taxing Agency Committee was also created for both types of projects in which representatives from the city, county, school district, the State Board of Education, and a person representing all other small taxing entities approved multi-year project budgets, projects larger 100 acres, and approved tax increment amounts and duration outside those guidelines stipulated in statute. In 1988 the act was further amended to allow redevelopment agencies to bypass the need for the

Taxing Agency Committee to approve a multi-year budget if the agency governing board approved the project by a 2/3 majority and pledged 20% of the tax increment to the Olene Walker Affordable Housing Trust Fund.

Today there are 60 redevelopment agencies (58 in cities and 2 in counties) collecting approximately \$66.8 million annually in increment. The diversion of these incremental tax dollars from the Basic Tax Rate is about \$9.1 million; the impact on the other 11 school district tax rates statewide is nearly \$23.5 million.