

**Public Education: Charter School Local Replacement Funding**

Issue Matrix

June 18, 2003 - Education Interim Committee

	<b>1/2 Local Funding Replacement FY 2002-2003</b>	<b>Minimum School Program - Local Replacement Funding 2003 General Session</b>	<b>Minimum School Program - Local Replacement Funding Revision</b>
<b>Enacting Legislation</b>	Senate Bill 169 - 2001 General Session	House Bill 3 - Minimum School Program Act - 2003 General Session	N/A
<b>Funding</b>			
Legislative Appropriation	"The Legislature shall provide an appropriation for charter schools for each of their students equal to the lesser 1/2 of the statewide school district average per student expenditure in excess of state funding . . ."	"The Legislature shall provide an appropriation for charter schools for each of their students to replace some of the local property tax revenues that are not available to charter schools."	"The Legislature shall provide an appropriation for charter schools for each of their students to replace local property tax revenues that are not available to charter schools."
Formula	For FY 2003 the 1/2 statewide average was computed at up to \$403 per student. The formula included total expenditures some Maintenance and Operation Fund expenditures and some Capital Outlay expenditures.	The formula represents the school districts' revenues derived from local property taxes for Maintenance and Operation (subtracting revenue from the basic tax rate), Capital Projects, and school districts expenditures for interest on debt, then dividing the sum by the total average daily membership of the districts' schools.	The formula includes school district property tax revenues, excluding the revenue from the basic tax rate, divided by the total average daily membership of the districts' schools.
	The amount received by a charter school was based on the per student local property tax collection of a student's home district.	The Legislature created the "Local Replacement Funding" in the Minimum School Program. Original estimates anticipated roughly \$1,022 in state funding for each student enrolled in a charter school.	Funding remains in the Minimum school Program. Revised estimates indicate roughly \$1,189 in state funding for each student enrolled in a charter school.
School District	When a student enrolled in a charter school the school district transferred 1/2 local expenditure in excess of state funding to the charter school.	School districts no longer transfer funding when a student enrolls in a charter school.	School districts no longer transfer funding when a student enrolls in a charter school.
	Per student collections ranged from \$67 in Sevier to \$1,487 in Daggett.		
Total	The total funding provided to a charter school for an enrolled student would range from \$134 (\$67 + \$67) if the student came from Sevier and up to \$1,890 (\$1,487 + \$403) if the student came from Daggett.	The Legislature provided an appropriation equal to the entire portion of funding. Estimated during session at \$1,022 per student.	Due to a change in the formula and higher charter school enrollment projections additional funding may need to be appropriated. Estimates indicate an additional appropriation of \$1.66 million may be needed.
<b>Notes</b>	Over the past 2 years several issues arose surrounding the implementation of the program. The major issues include:	Post session review indicates that some changes to the original estimate of \$1,022 per student need to be clarified.	The following details some of the needed changes.
	1. Formula - Questions arose as to which expenditure sources were to be included in the formula developed by the State Board. Charter schools received additional funding under the formula, however, funding inequities occurred when compared to a traditional public school.	1. The session estimate used the "estimated" 2002 basic tax collections. Actual basic tax collection figures have since come in higher than the estimated. When using the actual basic tax collection, the estimate is reduced by \$20 per student.	1. Enrollment - General Session funding was based on 1,526 current students and a growth of 800. USOE projects a total enrollment of 3,397 including growth in current charter schools and charter schools approved by the board of education.
	2. Distribution/Equity - As the above total shows, the funding a charter school received was dependent a students' home school district. This created vast inequities in the funding of charter school students. The revision, passed in the 2003 General Session removes this inequity by funding each charter school student equally, regardless of the home school district.	2. Session estimates included the entire revenue derived from local sources for the districts' Capital Projects Funds. Not all local sources are property tax based, and therefore should be excluded. These include Earnings on Investments and revenue classified as "other". When excluding these revenue sources, the session estimate is reduced by \$36 per student.	2. Appropriation - Due to the nature of charter school growth (opening in fall or potential closings), enrollment projections may never be accurate. This creates problems with accurately appropriating sufficient funds for charter school student growth. Unanticipated growth costs could be addressed the following year as a supplemental appropriation, or the Legislature may wish to study available options to charter school funding.
	3. School Districts - Charter schools became dependent on a district for funding, further straining the relationship between districts and charter schools.	3. With these revisions, the total "Local Replacement Funding" per student equals \$965.	Additional options include, but not limited to, supplemental appropriation, reserve fund, adjusting funding amount to fit appropriation, etc.
		4. The formula excludes a portion of local property tax revenue collected for Debt Service. Caution was used to not double count bond revenue and the revenue to pay bonds back, so the districts' capital revenue and expenditures on debt interest was used. Bond revenue, is an "other" revenue source so local property tax collections for debt service and capital projects may be included without double counting.	