

Charter School Funding Timeline

Charter School Local Replacement & Charter School Administrative Cost Programs

Original Concept Local Revenue Sharing					1st Local Replacement Formula No Local Revenue Sharing					Current Local Replacement Formula Partial Local Revenue Sharing							
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Enroll.	390	537	641	1,526	3,253	6,237	11,528	19,211	22,196	27,369	34,166	40,121	44,892	50,786	54,900	61,435	67,410
%Total	0.1%	0.1%	0.1%	0.3%	0.7%	1.3%	2.3%	3.7%	4.1%	5.0%	6.1%	7.0%	7.6%	8.5%	9.0%	9.9%	10.7%

Formula Details:

- School districts shared in the cost.
- Based on statute for inter-district payments for nonresident students (53A-2-210).
- District paid 50% of local amount.
- State paid 50% of the state average formula amount.

Formula Issues: Instability & Equity

- Enhanced existing tensions between districts and charters.
- Charters became dependent on districts for funding & some districts did not make timely transfers.
- Created a funding inequity among charter schools (50% was equalized by the State with the other 50% based on resident district amount).

New formula created during the 2003 General Session.

Formula Details:

- Eliminated school district participation.
- Provided an equalized state amount for each charter school student.
- Formula calculated the statewide average local property tax revenue generated per student.
- Based on actual property tax collections for all school districts (Operations & Maintenance and Capital Projects Fund) and expenditures on debt interest (reported in AFR). Total divided by statewide Average Daily Membership (ADM).
- State paid 100% of the statewide average.

Formula Issues: Complexity, Equity, & Cost

- Did not accurately reflect the amount of per student property tax revenue generated in the school districts.
- Excluded debt service taxes (excluded in error to not double-count revenue from bonds and bond payments).
- Calculation not easy to replicate.
- Raised questions of system-wide equity because some charter school students receive more funding than the per-student amount generated in the resident district.
- State cost increased from \$2.4 million in FY04 to over \$28.5 million in FY08, increasing charter school enrollment raised question of long-term funding ability.
- Attempted formula change during the 2006 General Session led to a comprehensive report commissioned by the Legislature on charter school funding.

Formula revised during the 2008 General Session.

Formula Details:

- Reinstates school district participation in paying program costs.
- Provides an equalized amount for each charter school student.
- Formula calculates three averages:
 - District Average Per Pupil Revenue (District Average) - total property tax revenue generated by the school district (from the Voted Local Levy, Board Local Levy (less some statutory exclusions) and the Capital Local Levy) divided by total ADM of the school district (including resident students attending a charter school),
 - Debt Service Revenue - total property tax revenue generated by the school district for debt service divided by the total ADM of the school district (including resident students attending a charter school),
 - Charter School Students' Average Local Revenue (Charter Students' Average) - the "District Average" amount for each resident student attending a charter school summed and divided by total statewide charter school enrollment.
- Each student enrolled in a charter school receives an equal local replacement amount, or "Rate," that equals the "Charter Students' Average" amount plus the statewide average Debt Service amount. In FY16, this amount is \$1,746.
- Beginning in FY16, school districts contribute 25% of their "District Average" for each resident student enrolled in a charter school.
- The State pays the amount remaining from the district contribution and the "Charter Students' Average" and the entire Debt Service component.
- Districts do not directly transfer funding. The Utah State Office of Education deducts the contribution amount from the district's state fund allocation (Minimum School Program).

Formula Issues: Complexity, Equity, Transparency, & Cost

- The statutory formula is complex and requires some understanding of local revenue reporting.
- Due to financial reporting timelines, the formula replicates local property tax revenue generated in the school districts two years ago. Charters experience changes in local revenue (up or down) on a lag behind school districts.
- Questions of system-wide equity remain because some charter school students receive more funding than the per-student amount generated in the resident district. Other than the two-year lag, the formula does mirror local property tax revenues generated by school districts.
- State cost increased from \$28.5 million in FY08 to over \$99.9 million in FY16, continuing questions of long-term funding ability with continued growth of charter school students and the impact of this program on the Weighted Pupil Unit value.
- Attempted formula change during the 2015 General Session led to the creation of a Charter School Funding Taskforce.

Formula revised during the 2015 General Session.

★ **Administrative Costs
Brief History**

Formula Details:

- Charter schools began receiving allocations from the Administrative Cost Formula program in the Minimum School Program prior to FY06. Charters were collectively treated as one school district in the formula. As enrollment in charter increased, per-student funding decreased. In FY06, the Legislature appropriated specific funding for charter administrative costs.
- In FY08, the Legislature de-coupled charter schools from the district Administrative Cost Formula and provided \$62 for each student enrolled in a charter school for school-level administrative costs.
- In FY09, the amount was increased to \$100 for each student enrolled.