Financing Public Education
Idaho's School Foundation Program in 1979

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"The stability of a republican form of government depending mainly upon the intelligence of the people, it shall be the duty of the legislature of Idaho, to establish and maintain a general, uniform and thorough system of public, free common schools."

This passage from the Idaho state constitution summarizes the public responsibility to provide educational services. Local property taxes are traditionally linked with the funding of education. This emphasis is based, in part, on the belief that local financing helps insure local control. Court rulings such as *Serrano vs. Priest* in California and *San Antonio Independent School District vs. Rodriguez* have focused attention on the problems of such funding. An even more recent dilemma facing school financing has been the wave of "tax revolts" aimed at property tax relief. As the property tax comes under more criticism, funding from state and federal sources will gain significance. This report explains and illustrates the financing of public school education in Idaho and the changes made by the 1979 legislature.

Idaho has 115 school districts, 9 of which operate only elementary schools. Like other local government units, they receive revenues from local, state and federal sources. In the fiscal year July 1, 1977 through June 30, 1978, local sources, primarily the property tax, accounted for 33% of total statewide school district general funds. State and federal sources provided 63% and 4%, respectively. Including special programs, funding sources were 40% local, 49% state and 11% federal.

The School Foundation Program (Title 33, Chapter 10 of the Idaho Code) is the basic law governing public school financing. It provides for the distribution of state and county level funds to school districts. Three components of the foundation program are the Foundation Educational Program, the Foundation Transportation Program and the Foundation Exceptional Education Program. The Foundation Educational Program guarantees that each school district receives the same amount of money per student — weighted by differentials relating to grade levels, special programs and the number of students involved — from a combination of state and county level monies and local (school district) maintenance and operations taxes.

Each year the Idaho legislature may consider revisions or amendments to the Idaho Code. Changes made by the 1979 legislature in the School Foundation Program and their potential impacts are summarized for each component.

Foundation Exceptional Education Program

This program consists of the allowable costs, as determined by the state board of education, of providing approved programs of education for exceptional students. These costs include salaries of certified ancillary (support) personnel and approved teacher aides, salaries of approved program directors and supervisors, salaries of certified teachers of homebound students and contract costs.

Each school district's Exceptional Education Program may be no more than 80% of total allowable cost. This amount is provided to each district by the state. The monies allocated to the Exceptional Education Program appear in the calculation of the educational program. Since becoming part of the School Foundation Program in 1974, the Exceptional Education Program has changed little; no revisions were made in 1979.

Foundation Transportation Program

This program covers allowable costs of maintenance, operation and depreciation of vehicles, insurance and driver salaries. The program provides reimbursement for these activities:

1. Transporting public school pupils 1½ miles or more to school or closer distances when approved by the state board of education;

2. Costs of payments made when transportation is not provided;

3. Costs of providing transportation to and from approved school functions;

4. Anticipated additional costs when district boundaries are extended.

The 1979 legislature made significant changes in the method of determining state funding of the Foundation Transportation Program. Previously, school districts received 90% of the difference between total allowable costs and estimated proceeds of a 1 mill levy on the adjusted assessed valuation of taxable property within the district for the next preceding year, subject to a per pupil/month limitation. Effective July 1, 1979, the state's share is 85% of allowable transportation costs of the district for the next preceding year. The net result of this change is an increase of nearly $6.00 per student in state funding of local transportation costs.

Foundation Educational Program

Three major changes were made by the 1979 legislature in the Foundation Educational Program. (1) The mill levy against property used to calculate state support for school districts was reduced from 22 to 16 mills. (2) The 4 mill county school property tax levy was eliminated, further reducing the total dis-

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Table 1. Foundation Educational Program, 1978 and as amended in 1979 (differences *italicized*).

1978

1. State Equalization *Levy* =

   22 mills x total state adjusted assessed valuation
   +*22* mills x equivalent valuation

2. Total Distribution Funds =

   state equalization *levy*
   +*county levy* (4 mills x adjusted assessed valuation of the county)
   +state appropriation, including money available from the public school income fund
   +miscellaneous revenues
   +balance or deficit in county school funds

3. Foundation Transportation Program:

   90% of the difference between total allowable costs and the estimated proceeds of a one mill levy on the adjusted assessed valuation of taxable property in the districts.

4. Calculate State Weighted Average Daily Attendance

5. State *Average Cost* Factor/Student =

   (Total Distribution Funds – Foundation Transportation Program – Foundation Exceptional Education Program) ÷ State Weighted Average Daily Attendance

6. District Share of State and County Funds:

   a. District Equalization *Levy* =

      22 mills x (district adjusted assessed valuation + district equivalent valuation)

   b. Calculate District Weighted Average Daily Attendance

   c. Total District *Cost* Allowance =

      District Weighted ADA x State *Average Cost* Factor/Student

   d. District Share of State and County Funds =

      Total District *Cost* Allowance
      –District Equalization *Levy*

1979

1. State Equalization *Calculation* =

   16 mills x total state adjusted assessed valuation *for the previous year*
   +*16* mills x equivalent valuation *for the previous year*

2. Total Distribution Funds =

   state equalization *calculation*
   +state appropriation, including money available from the public school income fund
   +miscellaneous revenues
   +balance or deficit in county school funds

3. Foundation Transportation Program:

   85% of the allowable transportation costs for the districts for the next preceding year

4. Calculate State Weighted Average Daily Attendance

5. State *Distribution* Factor/Student =

   (Total Distribution Funds – Foundation Transportation Program – Foundation Exceptional Education Program) ÷ State Weighted Average Daily Attendance

6. District Share of State and County Funds:

   a. District Equalization *Calculation* =

      16 mills x (district adjusted assessed valuation *for the previous year*
      + district equivalent valuation *for the previous year)*

   b. Calculate District Weighted Average Daily Attendance

   c. Total District Allowance =

      District Weighted ADA x State *Distribution* factor/student

   d. District Share of State and County Funds =

      Total District Allowance – District Equalization *Calculation*

tribution funds from which the per student state distribution factor is derived. (3) The 1 mill local property tax levy for transportation was dropped from the Foundation Transportation Program. (The Foundation Transportation and Exceptional Education Programs are components of the state distribution factor/student.) The important features of the 1978 and 1979 Foundation Educational Programs are shown in Table 1, with the differences in italics.

Potential Impacts — An example case was developed to illustrate the effects of changes in the Foundation Educational Program. State and school district values were held constant in calculating funding levels under the 1978 and 1979 legislation. Miscellaneous revenues and carryovers or deficits in school district funds were omitted. Table 2 shows the results of legislative changes in the Foundation Educational Program. This example is designed to illustrate what would happen if state appropriations were not increased to balance the changes in the School Foundation Program. It does not portray appropriations by the 1979 legislature or the funding activities of an actual school district.

The highlights of the changes in the Foundation Educational Program for the example case are:

1. State support per student decreased $136, from $621 to $485 (item 5).
2. Local school district property tax revenue fell $228,000, from $836,000 to $608,000 (item 6a).
3. The example district's share of School Foundation Program funds declined nearly $154,000, from about $905,000 to $751,000 (item 6d).
4. Total revenue available to the district under the 1979 legislation is $1.359 million, compared to $1.741 million under the 1978 program, a drop of $382,000 or 22% (item 6c).

What are the implications of these results assuming the local school district is to maintain the 1978 level of financial support? With no growth in student population and no change in values from which property taxes are derived, 3 broad alternatives are possible. In order to maintain the 1978 level of foundation support the state appropriation could be increased. (The 1979 legislature did in fact appropriate more money under the amended formula than was voted in 1978.)

Table 2. Example of school district funding under 1978 and amended 1979 Foundation Educational Programs (follows format in Table 1).

1978

1. State Equalization Levy =

$$\begin{array}{r} .022 \times \$2,000,000,000 \\ + .022 \times \quad \$500,000,000 \\ \hline \$55,000,000 \end{array}$$

2. Total Distribution Funds =

$$\begin{array}{r} \$55,000,000 \\ + \$15,000,000 \\ + \$90,000,000 \\ + \qquad 0 \\ + \qquad 0 \\ \hline \$160,000,000 \end{array}$$

3. Foundation Transportation Program = $8,000,000

4. State Weighted Average Daily Attendance = 230,000

5. State Average Cost Factor/Student =

$$\frac{(\$160,000,000 - \$8,000,000 - \$9,000,000)}{230,000} = \$621.74$$

6. District Share of State and County Funds:
   a. District Equalization Levy =
   .022 × $38,000,000 = $836,000

   b. District Weighted Average Daily Attendance = 2,800

   c. Total District Cost Allowance =
   $621.74 × 2,800 = $1,740,872

   d. District Share of State and County Funds =
   $1,740,872 − $836,000 = $904,872

As Amended in 1979

1. State Equalization Calculation =

$$\begin{array}{r} .016 \times \$2,000,000,000 \\ + .016 \times \quad \$500,000,000 \\ \hline \$40,000,000 \end{array}$$

2. Total Distribution Funds =

$$\begin{array}{r} \$40,000,000 \\ + \qquad 0 \\ + \$90,000,000 \\ + \qquad 0 \\ + \qquad 0 \\ \hline \$130,000,000 \end{array}$$

3. Foundation Transportation Program = $9,350,000

4. State Weighted Average Daily Attendance = 230,000

5. State Distribution Factor/Student =

$$\frac{(\$130,000,000 - \$9,350,000 - \$9,000,000)}{230,000} = \$485.44$$

6. District Share of State and County Funds:
   a. District Equalization Calculation =
   .016 × $38,000,000 = $608,000

   b. District Weighted Average Daily Attendance = 2,800

   c. Total District Allowance =
   $485.44 × 2,800 = $1,359,232

   d. District Share of State and County Funds =
   $1,359,232 − $608,000 = $751,232

The second alternative is that the school district could generate more revenue through override levies. Such levies are not subject to limitations imposed by the 1% Initiative and thus may become a more important factor in school financing in the future. The third alternative would be to use revenue from local tax sources other than property to help finance schools.

The example shows the effects of changes from amendments in the Foundation Educational Program if nothing else changed. There will be additional impacts due to changing enrollments, inflation, changes in property values and assessment procedures and other factors. The choices for funding public schools are basically among (1) higher levels of non-property tax funding sources allocated by the state, (2) locally derived revenue from property taxes subject to yearly voter approval or (3) locally generated nonproperty tax revenue. The latter course would require taxing authority not now available to local school districts.

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