Adjusting for Wealth Across School Districts

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The last time Idaho updated the way it funds public schools was 25 years ago. Since then, the state's population has grown, revenue sources have changed, and we have discovered more about how to teach children with diverse learning requirements.

A committee of lawmakers reexamined the existing school funding formula to see how it can better meet the needs of all Idaho children regardless of where they live, what they look like, or what learning differences they have. The committee released its new funding formula proposal just before the start of the legislative session, and the full Idaho State Legislature is now tasked with deciding whether to adopt it and if any modifications should be made. Given how long it has been since the last funding formula update, there is pressure to pass a fair and equitable formula that will not need to be changed in the near future. Lawmakers also want to be well-informed before making sweeping changes and potentially irreversible changes to the formula. This brief focuses solely on the wealth adjustment component of the proposed formula.

Funding Formula Proposal Seeks to Advance Equity, Instability Remains

Equitable school funding in which all children receive an education that meets their needs regardless of local wealth is something Idahoans value. However, the proposed funding formula's attempt to even out wealth disparities may have unintended consequences. School districts have pointed out that the newly proposed state funding formula relies on schools to raise revenue through property taxes without giving them the authority to do so.

For years, Idaho collected property taxes statewide and distributed local funding among districts. Then in 2006, this 'equalized property tax' was eliminated and only partially replaced with sales tax revenue. As a result, school districts increasingly asked their voters to pass supplemental property tax levies to meet basic funding needs. While initially intended for districts that wanted to provide additional educational services, supplemental levies are now used for essentials like books and teacher salaries.

At the same time, some school districts have not seen a viable path to passing a supplemental levy at the voting booth– leaving children in parts of the state with less funding due to no fault of their own. The newly proposed funding formula redistributes resources from property rich districts to property poor districts through a mechanism called a 'wealth adjustment,' but it does not give schools the authority to make up the difference by raising property taxes. The wealth adjustment component of the proposed formula is based on property values, not the revenue being collected through property tax levies.

School Districts without Sufficient Supplemental Levies Would See Cuts from the Wealth Adjustment

Ninety-three out of 115 school districts (173 districts and charters) have supplemental levies. If the newly proposed formula had been in place during the current 2018-19 school year, 57 school districts (115 school districts and charters) would be considered to have above average property wealth and would be on the losing end of the wealth adjustment. The majority of school districts that would not receive a wealth adjustment would lose funding overall under the proposed formula (that is, they would have received less funding for the current year if the proposed formula had been in place, as seen in Figure 1).

Figure 1: To avoid losing funding, voters will need to increase their property taxes at different rates depending on how much they lose and local property wealth levels.

Difference in Funding Under Proposed Formula Compared to Last Year, School Districts without a Wealth Adjustment that Lose Funding, FY 2017-18 Actual Funding to FY 2018-19 Under Proposed Formula

School District	Overall Funding Loss	Percent Funding Loss	Funding Loss Per Student	2018 District Property Value	Levy Required per $100,000 in Local Property Value to Make Up Loss
Fremont County Joint	-$1,232,223	-9.3%	-$600	$1,711,165,656	$72
West Ada Joint	-$1,176,297	-0.6%	-$32	$21,501,634,945	$5
Mountain View	-$488,188	-5.7%	-$391	$863,312,074	$57
Lakeland	-$384,095	-1.6%	-$91	$3,117,652,865	$12
Blaine County	-$369,661	-1.9%	-$114	$9,959,912,468	$4
Lewiston Independent	-$321,509	-1.3%	-$71	$2,949,415,628	$11
West Bonner County	-$316,998	-4.7%	-$302	$2,031,299,805	$16
Moscow	-$287,923	-2.2%	-$127	$1,595,319,235	$18
Coeur d'Alene	-$270,845	-0.5%	-$26	$9,914,094,033	$3
Hagerman Joint	-$182,273	-7.2%	-$557	$190,538,609	$96
Orofino Joint	-$166,412	-2.2%	-$153	$605,315,466	$27
Midvale	-$157,985	-10.0%	-$1,505	$158,665,191	$100
Mullan	-$139,197	-9.0%	-$904	$88,432,324	$157
American Falls Joint	-$132,007	-1.5%	-$95	$939,344,460	$14
Nezperce Joint	-$128,102	-7.2%	-$918	$127,881,849	$100
Clark County Joint	-$105,602	-6.6%	-$806	$124,356,141	$85
Genesee Joint	-$101,341	-4.0%	-$336	$187,560,782	$54
Boundary County	-$73,524	-0.9%	-$52	$958,944,100	$8
Teton County	-$72,483	-0.7%	-$42	$1,867,236,168	$4
Cambridge Joint	-$58,833	-3.8%	-$480	$200,848,846	$29
Culdesac Joint	-$43,517	-3.1%	-$473	$59,860,146	$73
Pleasant Valley Elementary	-$35,617	-15.4%	-$3,749	$20,593,919	$173
Swan Valley Elementary	-$35,371	-6.1%	-$842	$220,412,847	$16
Bliss Joint	-$34,832	-2.1%	-$274	$99,305,075	$35
Highland Joint	-$31,339	-1.7%	-$187	$157,552,909	$20
Camas County	-$23,912	-1.4%	-$163	$159,508,789	$15
Meadows Valley	-$16,947	-1.0%	-$106	$265,356,404	$6
Kendrick Joint	-$14,305	-0.7%	-$64	$138,046,657	$10
Arbon Elementary	-$13,471	-4.5%	-$816	$33,288,719	$40
Mackay Joint	-$13,425	-0.7%	-$66	$148,946,868	$9
Garden Valley	-$6,262	-0.3%	-$26	$480,492,753	$1
Prairie Elementary	-$5,706	-3.7%	-$1,902	$12,153,847	$47

Source Notes: Based on Idaho Center for Fiscal Policy Analysis of materials provided by 2018 Public School Funding Formula Committee. Committee analysis compares 2017-18 actual funding to 2018-19 funding under the newly proposed formula. As there was less funding in 2017-18, comparing 2018-19 actual funding to 2018-19 proposed funding would yield a clearer picture of how the proposed formula changes the amount that each school district and charter receives. However 2018-19 actual funding levels by district and charter are yet available. As a result, this analysis and the analysis put forth by the Idaho State Legislature underestimate the number of school districts and charters that would see less funding under the proposed formula. In order to adapt the model by comparing 2017-18 actual funding to 2017-18 funding under the proposed formula, property value and enrollment inputs would also need to be changed to 2017-18 levels. This would yield an inaccurate representation of which school districts would receive the wealth adjustment today under the proposed formula, which is the focus of this report.

This analysis likely understates the number of school districts that would see declines in funding under the new proposal due to limitations of the data available. To make up for decreased funding from the state, districts without a wealth adjustment could ask voters to pass a supplemental levy. The levy rate that districts would need to pass varies greatly depending on how much they lose under the proposed formula and how much property wealth is in their district. The cost of making up the difference illustrates unequal impacts to taxpayers across the districts.

For example, the Pleasant Valley Elementary School District would need to set a levy equal to $173 per $100,000 in local property to make up the difference. In Midvale School District, the levy would need to be at $100 per $100,000 in value and in Blaine County School District, just $4 per $100,000.

While the wealth adjustment is intended to compensate schools without property wealth resources, children will still be reliant on voters to approve supplemental levies to make up the difference. The ability of schools to raise those funds depends on the willingness of residents. Voters may be more inclined to agree to a lower tax rate than a higher one, making it more difficult for some schools to raise revenue than others. Eleven school districts without a wealth adjustment do not have a supplemental levy today. Further complicating matters, most districts must get supplemental levies approved by the school board and voters every two years. Since supplemental levies now fund essential and ongoing operating expenses, many districts are in the position of needing to do long term planning with uncertain funding streams.

If school districts fail to pass supplemental levies to compensate for the loss in state funding, there are not currently plans for the state to make up the difference or to give school districts the authority to raise local revenue without voter approval. Children would continue to be reliant on voters to ensure sufficient resources are available for their education,

To Ensure the Proposed Formula Meets Equity Goals, Lawmakers May Consider Addressing Instability of Supplemental Levies

Property taxes play an important role in responsible fiscal policy that supports the community services on which Idahoans rely. The wealth adjustment component of the proposed school funding formula has a noble goal to ensure that property tax resources are distributed fairly. To do so more predictably and efficiently, neighboring states like Utah, Montana, and Wyoming have enacted unique solutions.

Figure 2: Neighboring States' Approaches to Ensuring Adequate, Stable Local Revenue

Utah and Montana	Wyoming
In both Utah and Montana, the state sets targets for local revenue to be raised in each school district based on local property values and a defined share of the amount necessary to educate its students. These states give school districts the authority to raise a certain amount of revenue locally.	In Wyoming, school districts and counties are given the authority to raise local property tax revenue up to a defined level and they are required to contribute a share of the assessed local property wealth to schools. County revenue is allocated to the districts within the county according to their enrollment. The state then provides funding in an equitable manner that takes into account revenue raised through local property wealth.

Source: EdBuild State Funding Policy Analysis.

Lawmakers could pursue similar solutions for Idaho to ensure children across the state have consistent school funding that is not subject to the whims of local politics and shifts in property wealth.

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