



# The Utah Taxpayer

A Publication of the Utah Taxpayers Association

1578 West 1700 South ♦ Suite 201 ♦ Salt Lake City, Utah 84104 ♦ (801) 972-8814

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## Are Charter Schools Overfunded VS District Schools?

In fiscal year 2008, charter schools spent \$8,980 per student compared to \$8,191 per student in district schools. The accompanying chart shows the spending breakdown for both groups of schools.

### Charter school critics inaccurately argue that charters are overfunded

Some charter school critics argue that charter schools are overfunded because they spend more dollars per student than the local school districts. However, this is an apples-to-oranges comparison due to facility construction and lease costs.

Virtually all charter schools are paying off bonds or paying monthly leases. A comparatively higher percentage of district school facilities are already paid for. When charter school critics compare charter funding with district funding, they are using a district-wide average which apportions the facility construction and debt service costs throughout the district to include students attending schools that are already paid for. A fair analysis would compare a charter school’s per student cost with the cost of a new district school that has outstanding debt, allocated entirely to the new district school, instead of spread across the entire district.

Several charter school critics claim that charters are *overfunded* compared to district schools because charter schools have lower pupil-teacher ratios than district schools. Charter critics argue that charters limit class sizes to 25 students per teacher whereas district schools “have to take everyone”.

However, these critics are confusing causes with effects. Charter schools have smaller class sizes because of budgeting decisions they make, not because they simply mandate that classes won’t have more than 25 students. They lower their costs by hiring younger teachers and by frequently offering 401(k) retirement benefits instead of the state’s defined benefit program. These lower costs allow them to hire more teachers per student. Therefore, the 25-student cap is the *result* of budgeting de-

Spending in District Schools vs Charters

Expenditure	Districts	Charters
Instruction	\$4,286	\$3,492
Student Services	223	235
Media/library	279	161
Administration	581	904
Operations/maintenance	543	344
Transportation	229	36
Subtotal - operations	6,142	5173
Interest	196	368
Construction	1,512	3,324
Nutrition	342	115
<b>Total</b>	<b>8,191</b>	<b>8,980</b>

*Notes: Double counting is avoided by including interest and facility construction costs but excluding principle repayment. Ninety percent of facility lease costs (fund 10, function 2600, object 400) are treated as facility construction costs for comparison purposes.*

## Mark Your Calendars For May 8th AND June 26th For The 31st ANNUAL TAXES NOW CONFERENCE & TEED OFF ON TAXES GOLF TOURNAMENT

“Utah Taxes Now” Annual Conference: Friday, May 8th, 2009 at Little America Hotel. The 31st annual Utah Taxes Now conference is new and improved this year with a format designed to involve the audience throughout the program. Instead of speeches from presenters, speakers will be led in discussions by facilitators who will be in the audience with microphones to enable maximum audience participation. Speakers will include Leaders from the House and Senate, other elected officials, tax policy experts, and Congressman Jason Chafetz reporting on national tax and spending policies.  
**4 hours CLE and CPE Credit is Available.**

“Teed Off on Taxes” Golf Tournament: Friday, June 26th, 2008 at The Eaglewood Golf Course in North Salt Lake. Registration and sponsorship information is available for both events at [www.utahtaxpayers.org](http://www.utahtaxpayers.org) or inside this newsletter  
To reserve your spot call 801-972-8814, or email [fallon@utahtaxpayers.org](mailto:fallon@utahtaxpayers.org)

decisions, not the *cause* of smaller class sizes.

### Charter schools more efficient than opponents claim

One commonly used measure of efficiency is percent of operations that is spent on instruction. The percentage for districts is slightly higher than it is for charters, 69.8% versus 67.5%. Frequently, the charter percentage is reported as a lower amount (60.8%), but that is due to charter schools recording facility lease payments as operations while districts record debt payments as capital expenditures. After adjusting for the differences in reporting, the gap between charters and districts narrows considerably.

### Local Replacement Funding

Since charter schools do not receive local property tax dollars, they have to rely on state funding to make up the difference. Several years ago, the Legislature devised a local replacement funding formula to approximate the amount of local property taxes charter schools would receive. This amount would be funded through state income taxes. The formula has been adjusted and improved over the years, but a few more adjustments are needed. Currently, the state portion of voted, board, and capital outlay are not funded. Also, there is a two-year lag in the data used for the formula. For example, when determining funding for FY2010, data from 2008 is used.

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### My Corner - by Howard Stephenson

## It's Time for Locals to Control School Budgets

The Utah Legislature has enabled city officials to initiate the creation of smaller school districts. The first fruit of this legislation is the creation of Canyon's School District on the East side of Jordan School District. Jordan had become the state's largest school district at 80,000 students. Canyons took about 33,000 of those students making it ten times larger than the average school district in the United States, and leaving Jordan with about 47,000. Both districts still rank in the top 5% of school districts by size. The two new districts will begin operations officially on July 1, 2009. Everyone has high hopes that students and taxpayers will benefit from improved education as a result of the split.

I believe one of the most important way to improve education within a mandatory publicly funded educational system short of market choice through vouchers is local control of educational programs through student-based, or backpack funding. We have basically achieved this in Utah through public charter schools, where spending decisions are made at the school, not the district. But school principals and school community councils have very little budgetary control in Utah's District-driven budgeting approach.

In the school year ending June 30, 2008, Utah public schools received \$4.4 billion from all sources or an average of \$8,148 per student for Utah's 537,653 students. Only \$47.47 per student of this amount was directed by community councils at the school level. This was the School LAND Trust money which bypassed the district office and went directly to local schools. Except in the case of charter schools, the remaining \$8,100 per student was directed by local school boards and school district officials.

If legislators really want to provide local control of school funding, the answer is not to split school districts, but to have all of the funding follow the student to the public school where the student attends.

Utah is known for "equalization" of funding for the school districts' general fund spending, regardless of the relative per student property tax wealth of the district. Almost 2/3 of total funds received by the districts from all sources are equalized to ensure that students have somewhat equal opportunity funding for their education. The 1/3 which is not equalized is largely for capital outlay to fund school buildings and various local property tax levies for specific purposes.

While Utah rates favorably for equalization of school funding to districts, we give very little autonomy for spending decisions at the local school level. Reason Foundation claims that much of our education funding is wasted on bureaucracy.

Too much money never actually makes it into the classroom in the form of books, computers, supplies, or even salaries for better teachers. Reason has shown that weighted student formula, or "backpacking" changes that. Using weighted student formula's decentralized system, education funds are attached to each student and follow the student to the public school he attends.

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### Quote of the Month #1

***"The President has said—and I couldn't agree more—that what this country needs is one single national road map that tells auto makers who are trying to become solvent again, what kind of car it is they need to be designing and building for the American people."***

EPA Administrator Lisa Jackson on the role the federal government should plan in the U.S. auto industry.

Source: NPR

At least 15 major school districts have moved to this system of backpack funding. Reason Foundation’s new Weighted Student Formula Yearbook examines how the budgeting system is being implemented in each of these places and, based on the real-world data, creates a series of “best practices” that other districts and states can follow to improve the quality of their school.

The results from districts using student-based funding are promising. Prior to 2008, less than half of Hartford, Connecticut’s education money made it to the classroom. Now, over 70 percent makes it there. As a result, the district’s schools posted the largest gains, over three times the average increase, on the state’s Mastery Tests in 2007-08.

San Francisco Unified School District has outperformed the comparable large school districts on the California Standards Tests for seven straight years. A greater percentage of San Francisco Unified students graduate from high school than almost any other large urban public school system in the country. And across the Bay, Oakland has produced the largest four-year gain among large urban districts on California’s standardized tests since implementing results-based budgeting in 2004.

In 2008, Baltimore City Schools faced a \$76.9 million budget shortfall. But Superintendent Andres Alonso instituted weighted student formula. He identified \$165 million in budget cuts at the central office to eliminate the deficit and redistributed approximately \$88 million in central office funds to the schools. By the 2010 school year, Alonso will have cut 489 non-essential teaching jobs from the central office, redirecting 80 percent of the district’s operating budget to schools.

The Weighted Student Formula Yearbook identifies key principles that improve educational outcomes as well as the transparency and accountability of our schools:

1. Funding should follow the child to the public school of their choice;
2. Per student funding should vary based on a child’s educational needs, with special education students and others receiving larger amounts;
3. Funding should arrive at individual schools in real dollars, not in numbers of teaching positions or staffing ratios.

The experience with weighted student formula also shows that one of the most important factors in the success of schools is decentralized decision-making. As such, Reason finds principals should have autonomy over their budgets and hiring teachers. This local flexibility allows principals to tailor their schools to best fit the needs of their students. Eliminating the top-down bureaucracy lets principals and teachers focus on teaching.

[Click here for Reason’s complete Weighted Student Formula Yearbook.](#)

## Taxpayers Association’s Legislative Report Card Available On-Line

Following each year’s Legislative Session, your Utah Taxpayers Association grades each legislator on their voting record. This report analyzes how well each legislator protected taxpayers on key issues. Legislators who score 90% or better receive the Association’s “Friend of the Taxpayer” award.

This year, the Association’s report focuses on 17 tax and spending related bills, each of which received a floor vote in the House and/or the Senate.

Each legislator receives one point for each vote he or she casts that matches the position recommended by the Taxpayers Association. Legislators receive no point when they vote against our recommended position. When a Legislator does not cast a vote on a bill evaluated by the Taxpayers Association, that bill’s vote does not count toward that legislator’s overall grade. Because HJR 8 is such an important taxpayer bill, this report doubles weights that vote for each legislator.

With the dramatic spending cuts this Legislature made, the Legislature did a remarkable job avoiding any general tax increases. Any time state revenues decline, the tax and spend lobby predictably calls for tobacco, gas, and various sales tax increases. As indicated by the sheer number of legislators receiving the “Friend of the Taxpayer” award, the 2009 Legislature protected taxpayers.

[Click here to see the scorecard.](#)

*At least 15 major school districts have moved to this system of backpack funding.*

*As indicated by the sheer number of legislators receiving the “Friend of the Taxpayer” award, the 2009 Legislature protected taxpayers.*

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1578 West 1700 South #201  
Salt Lake City, Utah 84104

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*For 17-year-olds, there were no significant differences between the average score in 2008 and those in 1973 or 2004.*

A publication of the Utah Taxpayers Association, a non-profit association working for greater efficiency and economy in government.

**Address Service Request**

## 12<sup>th</sup> Grade NAEP Scores Flat Since early 1970s Despite Huge Increases in Spending.

The National Center for Education Statistics recently released The Nation's Report Card: Trends in Academic Progress in Reading and Mathematics 2008. The report didn't get much media coverage because NCES noted that U.S. twelfth graders are performing about the same in math and reading in 2008 as they did in the early 1970s. This occurred while inflation-adjusted education expenditures have skyrocketed. In the executive summary, NCES states

*Overall, the national trend in reading showed gains in average scores at all three ages since 2004. Average reading scores for 9- and 13-year-olds increased in 2008 compared to 1971, but the reading score for 17-year-olds was not significantly different.*

*The national trend in mathematics showed that both 9- and 13-year-olds had higher average scores in 2008 than in any previous assessment year. For 17-year-olds, there were no significant differences between the average score in 2008 and those in 1973 or 2004.*

Of the three grades tested, twelfth grade (17-year olds) would be the most important because these results represent the performance of American students as they complete their K-12 experience. The following chart shows 12<sup>th</sup> grade performance in math and science from the early 1970s to 2008

However, during the same time period, inflation-adjusted (2007 dollars) per student spending more than doubled from \$4,060 in 1970 to \$9,414 in 2006, an annualized increase of 2.4%.

