



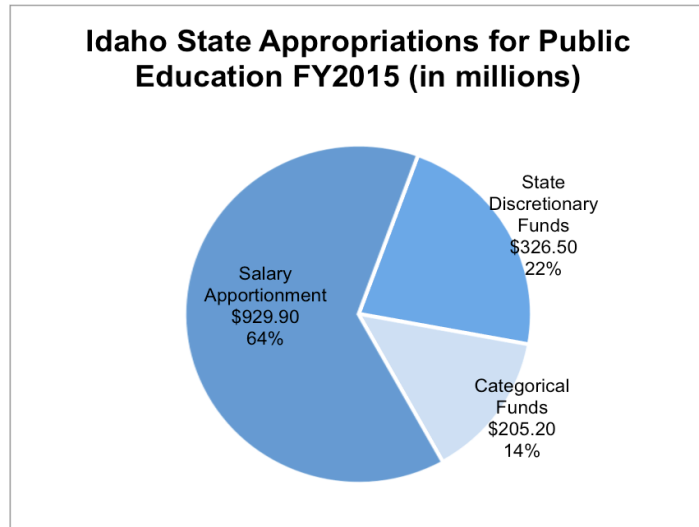
## Overview of State Funding for Public Education in Idaho

Idaho’s public schools receive revenue from state, local, and federal sources. This brief focuses on the allocation of state funds for public education, which comprise the largest source of funds for Idaho’s public schools at over 60 percent.<sup>1</sup>

School funding can be divided into two broad categories—funding to support day-to-day school operations and funding to support capital expenditures for school facilities. Idaho provides school funding for operations through three funding streams. The two largest, the Salary Apportionment and State Discretionary Funds, are allocated based on formulas established in state law. Categorical Funds support around 25 separate purposes established both in statute and by appropriation.

### Building Blocks of the Funding Formulas

The formulas for both the Salary Apportionment and the State Discretionary Funds allocations are driven by the students served by a district, the overall size of a district’s student population, and the experience and education level of its staff. These serve as basic building blocks of Idaho’s school finance formulas:



#### Average Daily Attendance: Average

Daily Attendance (ADA) is a count of students in attendance each day over a period of time divided by the number of instructional days in the period.

**District Support Units:** District Support Units can be thought of as the number of total staff a district needs to serve its student population, calculated based on the number of students served across grade levels and the overall size of districts’ student populations. It is the basis of several other calculations that ultimately determine how much state funding a district receives. It is not a count of actual personnel employed by a district. It does not differentiate by type of staff—teachers, administrators, or support personnel. It is simply an estimate of the number of total school personnel of any type a district needs.

**Staff Allowances:** For calculating the Salary Apportionment, the formula refines the basic District Support Units calculation into a separate set of values to differentiate the number of staff positions of different types that will drive funding for a district. The District Support Unit is

<sup>1</sup> Based on the most recent data available from the National Center for Education Statistics, in FY2012, revenue for Idaho’s public schools consisted of 63 percent state funds, 24 percent local funds, and 13 percent federal funds.

multiplied by 1.1 to calculate the Staff Allowance of instructional staff, by 0.075 to calculate the Staff Allowance of administrative staff, and by 0.375 to calculate the Staff Allowance of classified (non-certified support) staff.

**Education and Experience Index:** Differences in experience and education levels among teachers and administrators drive different salary costs according to local salary schedules. To account for this, the Salary Apportionment formula adjusts for the education and experience profile of a given district's personnel through application of the Education and Experience Index (EEI). Each instructional and administrative employee in a district is assigned an index value according to a table based on years of service and education credentials. For each district, the index values for all instructional and administrative employees are averaged to yield the district's average EEI value for each group of employees (See Sidebar, Calculating a District's Education and Experience Index for an example).

## Calculating the Salary Apportionment

Putting these building blocks to use, the Salary Apportionment formula is essentially a calculation of the salary and benefits costs attributed to a school district based on the number of staff required, as determined by the Average Daily Attendance, District Support Units, Staff Allowance ratios, and the Education and Experience Index.

### Step One: Converting Students to Staff

The formula begins by establishing districts' Average Daily Attendance. For purposes of calculating the Salary Apportionment, Average Daily Attendance includes the number of students in attendance through the first Friday in November divided by the number of instructional days in that period. (A slightly different calculation of Average Daily Attendance is used for calculating State Discretionary Funds, discussed later.)

The first step in converting Average Daily Attendance to a staff count is the determination of **District Support Units**. The number of District Support Units is calculated by dividing a district's Average Daily Attendance in kindergarten, elementary (grades 1 to 6), secondary (grades 7 to 12), and alternative settings by a set of divisors established in statute. The divisors for each grade range differ according to district enrollment. Secondary grades generate more support units, and districts with lower enrollment are also favored. District Support Units are calculated separately for students served in certain special education programs and added to the regular education District Support Units value. Together, the results of those two calculations yields a district's total District Support Units.

## Calculating a District's Education and Experience Index

Imagine a district with three teachers.

Teacher A holds a master's degree and has 5 years of teaching experience.

Teacher B holds a bachelor's degree and has 15 years teaching experience.

Teacher C holds a bachelor's degree and is a first year teacher.

The index values associated with each teacher's education level and years of experience found in Section 33-1004A of the Idaho Statutes are as follows:

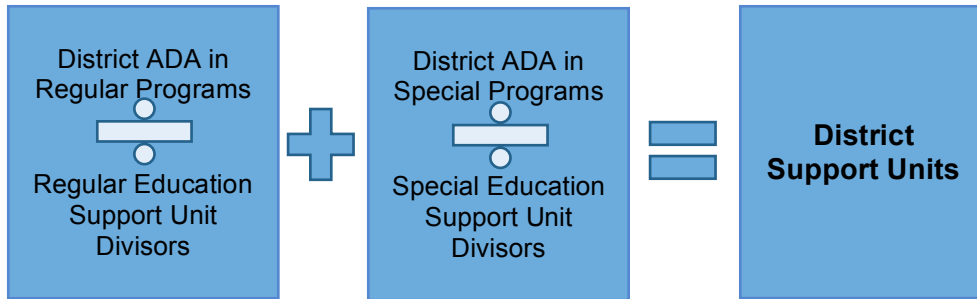
Teacher A: 1.34260

Teacher B: 1.39290

Teacher C: 1.00

As a result, the district's **instructional EEI** is 1.2451, or the average of these three values.

The **administrative EEI** is calculated in the same manner based on the education and experience levels of administrative staff.



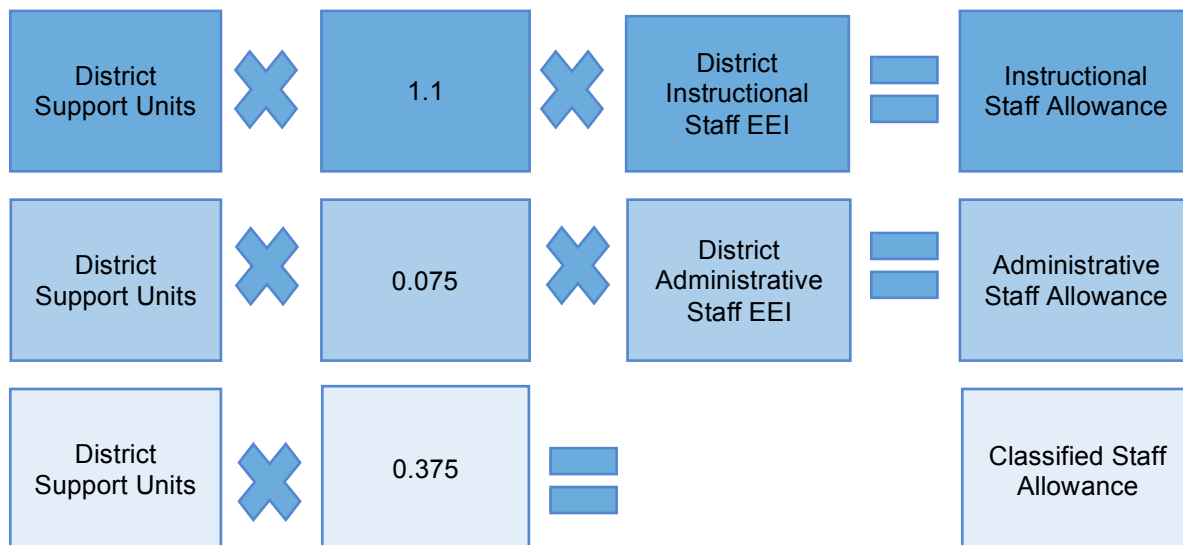
In the next step, the formula refines District Support Units to the three Staff Allowances for instructional, administrative, and classified staff. Districts are entitled to funding based on the lesser of the calculated allowance for each category or the number of actual full-time equivalent (FTE) employees in that category. Allowances for each category are calculated by first multiplying the District Support Units value by one of three values set in statute:

- 1.1 for instructional staff
- 0.075 for administrative staff
- 0.375 for classified staff

Statute prescribes separate calculations for very small districts (those with fewer than 40 total District Support Units and those with fewer than 20 District Support Units) that increase the number of District Support Units that those districts would otherwise generate under the formula. Fifty-five out of 115 school districts and 40 out of 45 charter schools have fewer than 40 District Support units. Of those, 33 districts and 26 charters have fewer than 20 District Support Units.

The calculation for instructional and administrative Staff Allowances factors in an adjustment for the average Experience and Education Indices for the district. The application of the EEIs increases the staff allowance. The more experienced and/or educated a district's personnel, the greater the increase.

The resulting value serves as a proxy for the number of staff—of different types, education, and experience—associated with the composition of the district's student population.

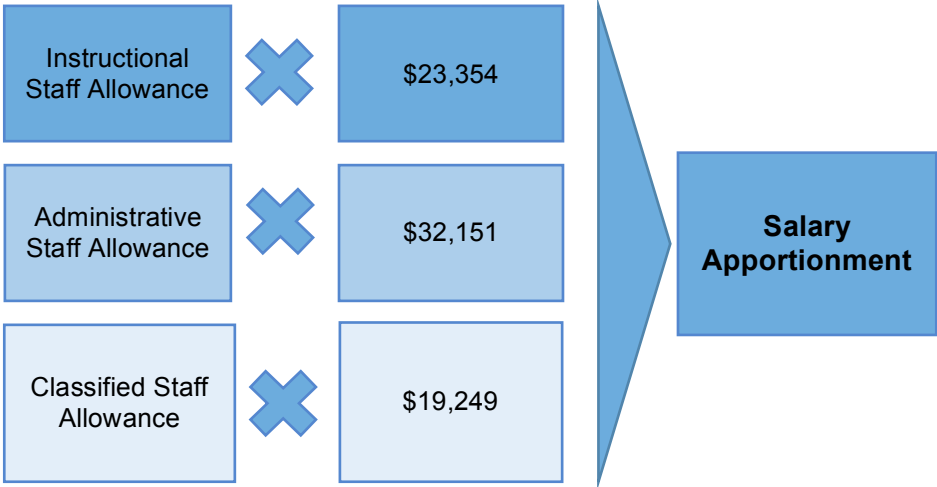


### Step Two: Converting Staffing Levels to Dollars

The funding level for each district's Salary Apportionment is determined by multiplying each Staff Allowance value, as adjusted by the district average Education and Experience Index (EEI) for instructional and administrative staff, by a base salary level for each staff type. Idaho state law establishes the base salaries at:

- \$23,354 for instructional staff
- \$32,151 for administrative staff
- \$19,249 for classified staff

If the funding associated with the Instructional Staff Allowance is insufficient to fund each instructional FTE in the district at the state minimum salary of \$31,750 plus bonuses paid to employees designated as Master Teachers, funding is increased by the amount necessary to meet those minimum requirements. A Benefit Apportionment of 18.04 percent of the Salary Apportionment is also added.



### State Discretionary Funds

Total State Discretionary Funds (also referred to in statute as State Funds for Educational Support) are determined by the total state appropriation for public schools less amounts allocated through the Salary Apportionment and Categorical programs. In the FY2015 budget, Discretionary Funds amounted to \$327 million. The leftover amount is allocated to districts based on the number of District Support Units. The total funding amount is divided by the total number of District Support Units statewide. The resulting amount is then multiplied by individual districts' District Support Unit values to determine the district allocation.

The District Support Units calculation for determining State Discretionary Funds is slightly different than that used for the Salary Apportionment. For purposes of calculating State Discretionary Funds, an alternate calculation for ADA is used. Instead of the calculation described above (based on the students in attendance through the first Friday in November divided by the number of instructional days in that period), this calculation of ADA includes the number of students in attendance divided by the number of instructional days for the best 28 weeks of the school year. The divisors used based on grade levels served and district size are the same for both District Support Unit calculations.

## Categorical Funds

The Idaho state budget includes funding for a range of categorical programs. Collectively these programs received \$205 million in the FY2015 budget, comprising 13 percent of state public education funding. The largest categorical program is state funding for district transportation costs (\$69 million in FY2015). Other categorical programs fund:

- Support for some contracted educational services, such as certain special education services; tuition-equivalencies paid to districts educating students placed in a residential facility, like a juvenile detention facility; or tuition paid by districts abutting state borders on behalf of students opting to attend public school in the adjoining state
- Funding for academic programs, such as dual credit and Advanced Placement
- Funding incentives and stipends for teacher leadership activities, such as teaching dual credit courses, serving as a teacher mentor, or teaching in a “hard to fill” position
- Support for professional development, district technology, and specific administrative purposes

Statute requires funding for some categorical programs; for others, funding is a function of appropriations decisions. Some of these funding streams are allocated among all schools, and some are based on district-specific circumstances.

## State Funding for Capital Expenditures for School Facilities

In addition to funds for school operations, the state provides funds to offset school facilities costs primarily through four funding streams.

**Bond Levy Equalization:** The largest facilities support funding stream for school districts is *Bond Levy Equalization*. Under the program, state aid is allocated to help fund districts’ interest and principal payments on locally issued bonds (debt service). Funding is provided as a percentage of a district’s debt service payment obligations ranging from 10 up to 100 percent. The percentage for which a district is eligible is determined by a measure of the economic condition of the district that factors in the market value of taxable property, the unemployment rate, and the per capita income in the district. The funding allocation favors districts with below average property values, above average unemployment, and below average per capita income.

The FY2015 state appropriation for Bond Levy Equalization totaled \$19.6 million.

**Facilities Maintenance Matching Funds:** School districts are required to allocate a set amount of funding for the maintenance of school buildings. The amount is determined based on the replacement value of the buildings. State funding amounts are provided as a percentage of the total required allocation, adjusted for economic conditions in the district. Districts with poorer economic indicators qualify for a higher percentage of state matching funds. Charter schools are eligible for funding under this program.

The FY2015 state appropriation for Facilities Maintenance Matching Funds totaled \$1.7 million.

**Per Capita Facilities Allocations:** Idaho’s state facilities funding programs are funded in part from revenue generated by the state lottery. With few exceptions, statute directs that lottery funds be allocated to districts on the basis of Average Daily Attendance.

The FY2015 allocation from lottery funds totaled \$12.6 million.

**Charter School Facilities Funds:** As of 2014, Idaho charter schools are eligible for a dedicated funding stream for facilities equal to a percentage of the statewide average of bond funds levied by districts for facilities. The percentage fluctuates in direct proportion to state appropriations for public education with a minimum of 20 percent.

The FY2015 state appropriation for Charter School Facilities Funding totaled \$2.1 million. In FY2016, the state is budgeting \$250 per enrolled student in on-site schools (charter schools where student attend classes on campus, as opposed to virtual or distance-learning based programs).

**Charter School Debt Reserve:** In the 2015 session, the Idaho Legislature enacted House Bill 309, which establishes the Public Charter School Debt Reserve. This account, funded through legislative appropriations, will serve as a guarantee on loans taken out by charter schools in good financial standing, enabling charter schools to qualify for more favorable interest rates.

The FY2016 state appropriation to establish the Charter School Debt Reserve fund will be determined by the Joint Finance-Appropriations Committee during the 2016 legislative session.

## The Role of Local Funds

Idaho school districts have authority to levy property taxes for the support of their public schools. Such funds are purely discretionary and do not factor into allocations of state funds, nor are revenues supplemented with state funds to adjust for differences in property values among districts (a policy often referred to as *equalization* in other states).

Because charter schools, which are public schools of choice, are generally not tied to specific geographic boundaries and typically lack taxing authority, they lack access to local revenue. So although state funding for operations for charter schools is allocated in the same manner as that of traditional public school districts, the lack of access to local revenues drives disparities in per student revenue between charter schools and traditional district schools.