

## Idaho Public School Funding – 1980 to 2013

This report examines the recent history of public school maintenance and operation<sup>1</sup> (M&O) funding in Idaho, with a focus on two key issues:

- 1) a **decline** in the relative funding for public school M&O since 2000, and
- 2) an **increase** in the reliance on unequalized<sup>2</sup> property tax levies to support M&O at the school district level.

While a direct one-to-one linkage between these two phenomena may not be readily apparent, it is readily apparent that without the increased use of property tax levies by school districts the relative decline in public school funding would have been greater. Both these issues are significant because they have important connections to Idaho's Constitution.

### Background – Overall Funding For Idaho Public Schools

Issues related to funding the public school system have long driven Idaho fiscal policy. Beginning with statehood, Article IX, Section 1 of Idaho's constitution reads (in full):

LEGISLATURE TO ESTABLISH SYSTEM OF FREE SCHOOLS. 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 clearly places the responsibility for the state's public schools on the shoulders of the legislature. Legislators may have delegated the job to 115 local school districts (and more recently, another 35 charter schools that are within but separate from the established school districts), but ultimately the buck stops in the east and west wings of Idaho's Capitol building.

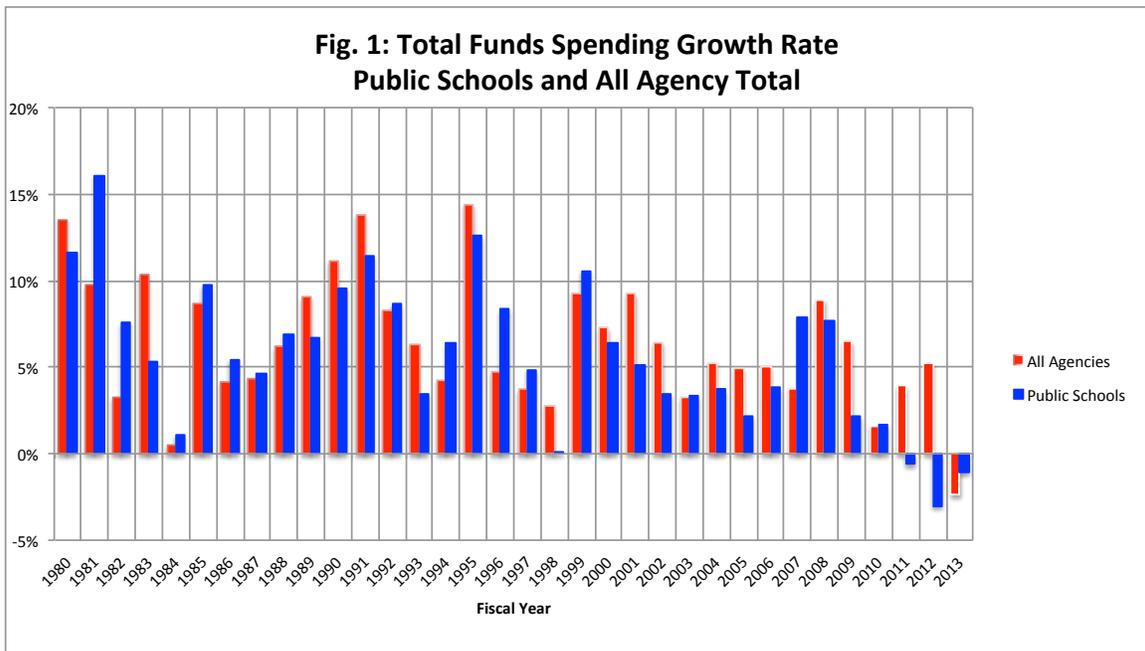
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<sup>1</sup> Maintenance and operation expenses cover the operating costs associated with running public schools – teacher salaries, support staff, utilities, etc. The other major type of expense is capital projects, which are funded primarily by property tax bond levies and plant facilities levies.

<sup>2</sup> Unequalized property tax levies means there is no adjustment for the vastly different relative wealth per student in Idaho's 115 school districts. In contrast, equalized property taxes means some mechanism is in place to adjust for the property-wealth related disparities in property tax funding capacity across school districts. Most (but not all) of the pre-2007 M&O levies were equalized. None of the post-2006 M&O levies are equalized.

In the 1960's a major battle was fought over enacting a sales tax in Idaho to help fund public schools – and public schools won. In the 1970's a major battle was fought over restricting local taxing districts' ability to use property taxes to fund their operations (the so-called "1% Initiative") – a property tax limit was imposed, but Idaho's public schools were not restricted.

For several decades (until roughly the late 1990's) there was an informal rule that Idaho's public schools should receive one-half of the revenue appropriated from the General Fund. Indeed, over the years Idaho's public schools have been treated well, during both good times and bad. The following charts provide several perspectives on Idaho public school funding over the past third of a century. Years are fiscal years; spending data are actuals except for FY 2012 and FY 2013, which are appropriated and Executive Budget-recommended amounts, respectively.



Source: FY 1980 to FY 2013 *Executive Budgets*

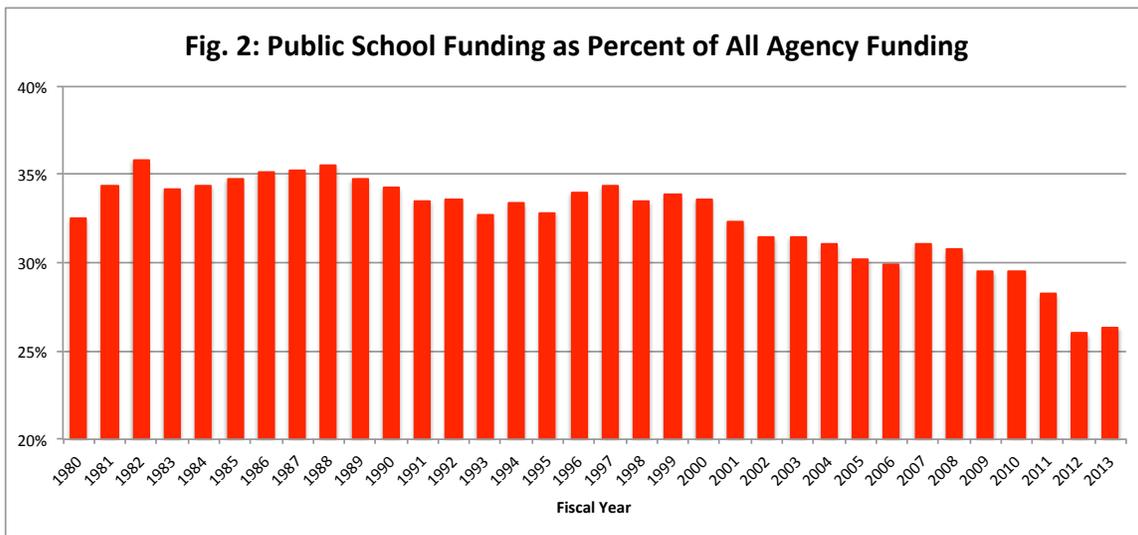
Figure 1 presents the annual growth rates in actual total funds spending for public schools and all agencies (including public schools). From 1980 to 1999, growth in public school spending exceeded all agencies spending in 12 of the 20 years (60% of the time). In the 13 years from 2000 to 2012, growth in public school spending exceeded all agencies spending in 3 years (23% of the time).

**Table 1: Annualized Growth Rate In Total Funds Spending**

	1980 to 1999	2000 to 2012
<b>Public Schools</b>	7.5%	3.3%
<b>All Agencies</b>	7.4%	4.9%

Source: FY 1980 to FY 2013 *Executive Budgets*

Table 1 summarizes the growth rates for public schools and all agencies (including public schools) for the intervals shown. During the 1980s and 1990s public school spending growth slightly exceeded the growth in overall spending, i.e. public schools kept pace. In the 2000s and the first three years of the 2010s two fairly dramatic changes occurred: All Agencies annualized spending growth slowed significantly (from 7.4% to 4.9%), and public school annualized spending slowed even further relative to All Agency spending (3.3% vs. 4.9%). Together these two changes led to public schools losing considerable fiscal support over the last thirteen years.



Source: FY 1980 to FY 2013 *Executive Budgets*

Figure 2 illustrates the significant change in relative funding for public schools in Idaho since FY 2000. During the two decades of the 1980s and 1990s public schools maintained a fairly steady share of total spending, varying between a low of 32.5% in FY 1980 and a high of 35.8% in FY 1982. The average for the two decades was 34.1%.

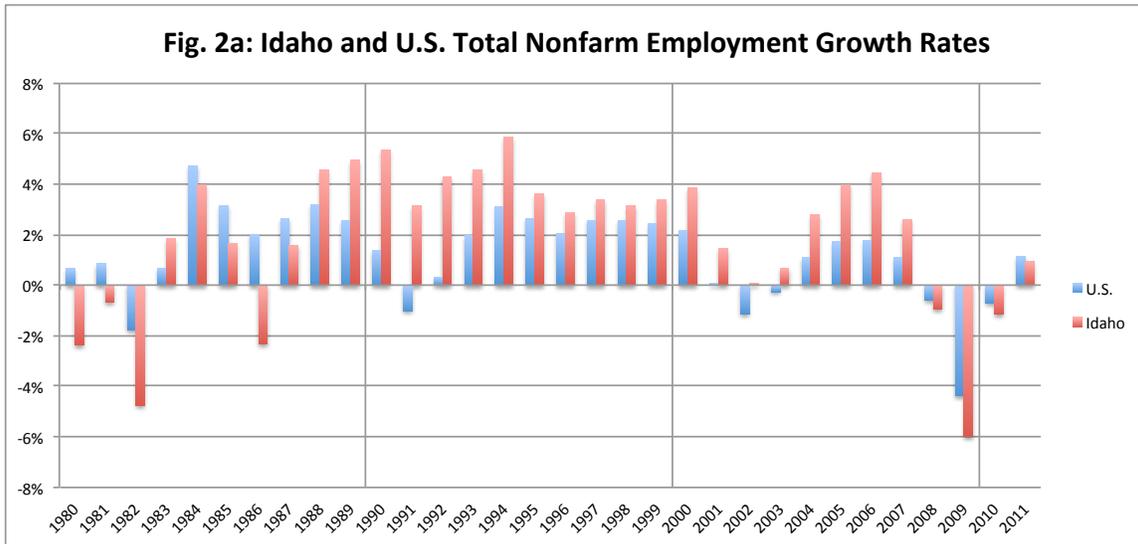
Since FY 2000 there has been a dramatic reduction in the share of total state spending that goes to public schools. The average over the 13-year period fell 11% from the previous two decades, to 30.4%. The larger change, however, is in the trend. Whereas in the 1980s and 1990s the share held steady, the more recent experience is a very distinct decline. The high share is 33.6% in FY 2000, and the low share is 26.0% in FY 2012. The Executive Budget recommended share in FY 2013 recovers slightly to 26.4%. Over the full 13-year period the decline in share is one-half percentage point per year.

This dramatic change in the funding for public schools naturally leads to the question: Where did the money go? The short answer is tax cuts and the Health & Human Services part of the state budget, which is mostly Medicaid.

The Health & Human Services share of total spending in FY 2000 was 25.1%. By FY 2011 it had grown to 35.1%, and the FY 2013 Executive Budget recommendation has it at 35.7%. That's a 10.6 percentage point increase, or over seven-tenths per year. Clearly, the increased share going to Health & Human Services has displaced more than just public school spending. But just as clearly, public schools have born the largest displacement.

The increase in the Health & Human Services share of spending explains why public schools' share declined, but why did overall growth in state spending fall so significantly? While there are numerous dimensions to this question, Idaho tax structure changes over both intervals had a significant role to play. During the 1980s Idaho increased its spending capacity by raising the sales tax from 3% to 5%, increasing the corporate income tax from 6.5% to 8.0%, and raising the top individual income tax rate from 7.5% to 8.2%.

These changes were all enacted prior to 1990, and no further tax structure changes occurred during the decade of the 1990s. The revenue generated by these changes clearly contributed to the growth in state spending, including public schools. These revenue increases enacted during the 1980s did not appear to adversely impact Idaho's economic performance, as evidenced by Idaho consistently out-performing the nation in economic terms. Figure 2a shows how Idaho's employment growth has fared since 1980 in comparison to U.S. employment growth.



Source: U.S. Department of Labor and Idaho Department of Labor

Starting in 2000 Idaho's legislature changed course and began reducing taxes. These tax structure changes included a reduction in the corporate income tax rate from 8.0% to 7.6%, a reduction in the top individual income tax rate from 8.2% to 7.8%, indexing the individual income tax brackets for inflation, increasing the income tax

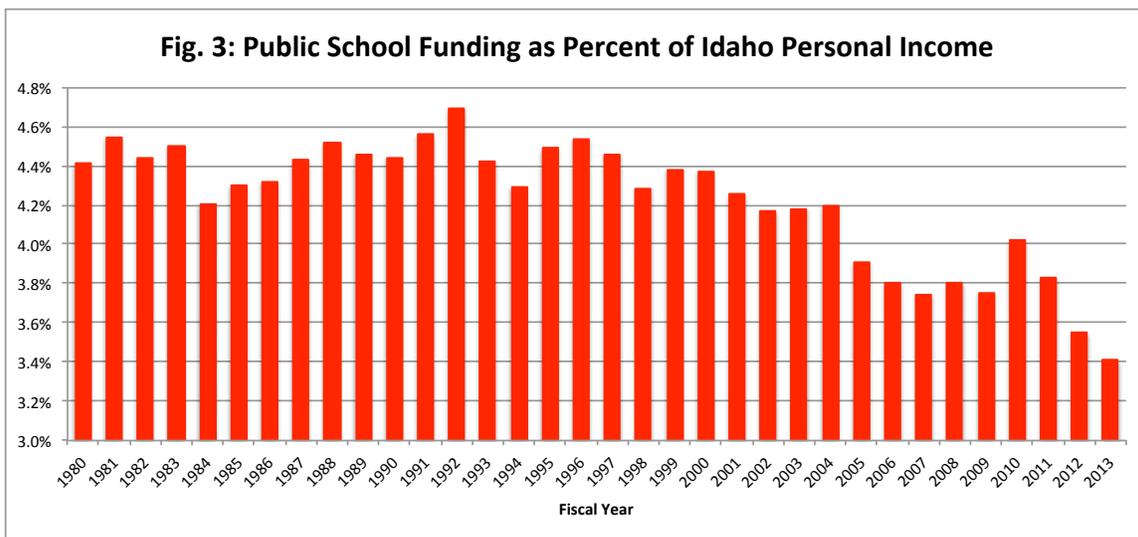
grocery credit from \$20 to \$100 (still being phased in), and swapping a sales tax rate increase (from 5% to 6%) for an elimination of the public school M&O property tax levy (taken together, a \$50 million net revenue reduction). Each of these changes reduced the state’s capacity to fund public services and contributed to the slowing of state spending after FY 2000.

Just as the Idaho tax increases of the 1980s did not appear to adversely impact Idaho’s economic performance of the 1990s, the Idaho tax cuts of the 2000s have not appeared to enhance Idaho’s economic performance in their wake. Whereas Idaho had some of the strongest economic performance in the nation for well over a decade after the tax increases (see Figure 2a, 1988 to 2001), Idaho has had some of the worst economic performance in the nation in the years following the tax cuts (see Figure 2a, 2008 to 2011). Idaho went into the Great Recession earlier than most other states, fell farther than most other states, and is recovering more slowly than most other states.

After twenty uninterrupted years of stronger employment growth in Idaho than the nation, the last four years have seen Idaho steadily underperform the nation and most other states. That poor economic performance compounded the negative impact of the tax cuts on the state’s ability to fund public services, including public schools.

It is very likely the reduced overall funding capacity since FY 2000 played a significant role in the “crowding out” that occurred between Health & Human Services and public schools, and the subsequent steeper decline in spending on public schools.

A final chart wraps up this overall funding section. Figure 3 looks at the overall level of funding *effort* Idaho makes to support its public schools. In this chart “effort” is defined as the percentage of Idahoans’ Personal Income that is spent on K-12 education. Think of it as the share of our aggregate income invested in our children.



Source: U.S. Department of Commerce, Bureau of Economic Analysis and FY 1980 to FY 2013 *Executive Budgets*

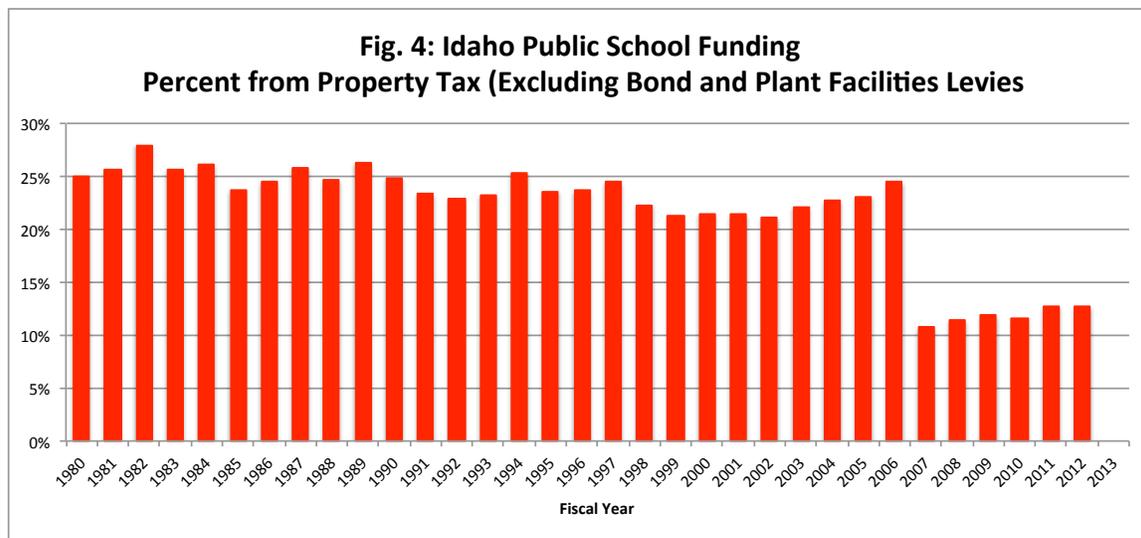
Much like Figure 2, this chart shows that Idaho had a fairly stable level of funding commitment to Public Schools in the 1980s and 1990s, but in more recent years that commitment has declined. In FY 1980 public school funding equaled 4.4% of Idaho Personal Income, and the percentage in both FY 1999 and FY 2000 was also 4.4%. The low during that period was 4.2% in FY 1984, and the high was 4.7% in FY 1992.

Since FY 2000 Idaho public school spending has declined from 4.4% of Personal Income to 3.4% of Personal Income in the FY 2013 Executive Budget, a 23% decline. This is a stunning reduction in the state’s commitment to public schools.

**Background - Property Tax As A Source Of Idaho Public School Funding**

The sharp reductions in state support for public schools have coincided with significant changes in the property tax component of public schools finance. These changes include elimination of equalized levies for M&O funding, and increased voter approval of supplemental override levies for funding M&O.

Figure 4 shows the share of public school funding (excluding bond and plant facilities levies) provided by the property tax.



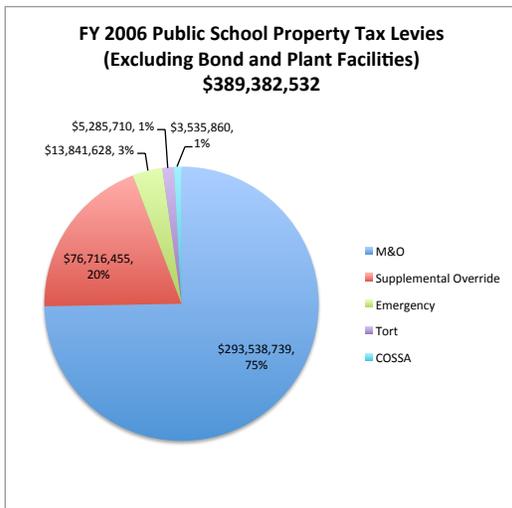
Source: FY 1980 to FY 2013 Executive Budgets and 2003 to 2011 Market Values and Property Taxes

Over the decades of the 1980s and 1990s, property taxes contributed about a quarter of the funds used to pay for public schools operations. In the early 1980s the share averaged about 25%. By the middle to late 1990s the share had drifted down and averaged about 23%. In the first few years of the 2000s the share held steady at about 21%, but by 2003 began heading back up toward 25%. This increase in the property tax share coincided with the significant decline in overall public school funding that began in FY 2001. Then came FY 2007.

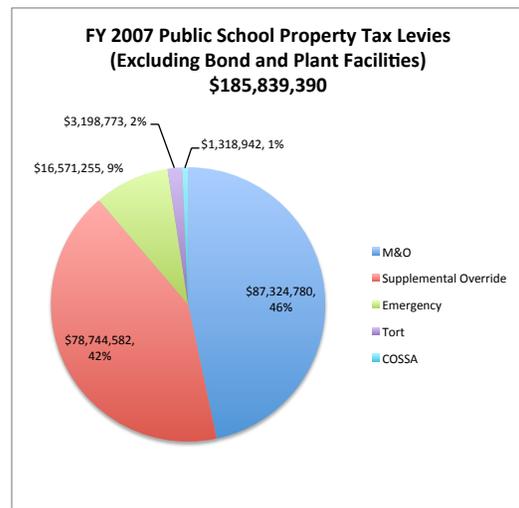
FY 2007 began on July 1, 2006. Less than two months later, on August 26<sup>th</sup>, a special session of the Idaho Legislature raised Idaho’s sales tax one percentage point (from 5% to 6%) and eliminated the M&O property tax levy that was used in the state’s

funding formula for public schools. It was a swap, trading a \$260 million property tax reduction for a \$210 million sales tax increase. It cut the share of public school M&O funding coming from the property tax by over half. The part that was cut was the only portion of the property tax used to fund M&O that had been equalized. All the remaining M&O levies were not equalized.

The reason public school property taxes didn't fall further is because there remain significant parts of public school operations that are funded by levies that are separate from the equalized M&O levy that was eliminated. The largest share of remaining property tax levies are Supplemental Override levies and remnant M&O levies<sup>3</sup>. Other M&O levies that remain are Emergency (for unexpected enrollment increases), Tort (legal claims), and COSSA (cooperative services). See Figures 5 and 6 for details.



Source: 2005 Market Values and Property Taxes

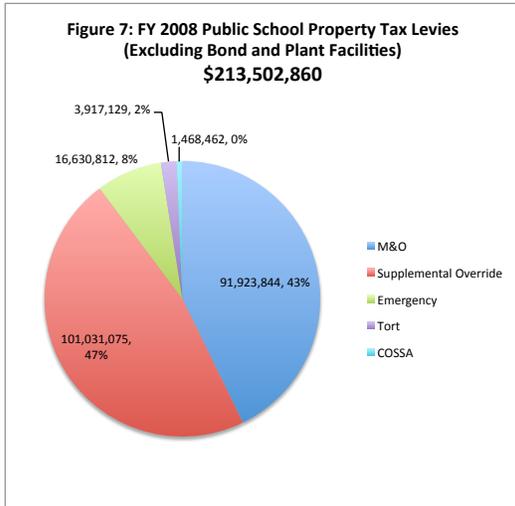


Source: 2006 Market Values and Property Taxes

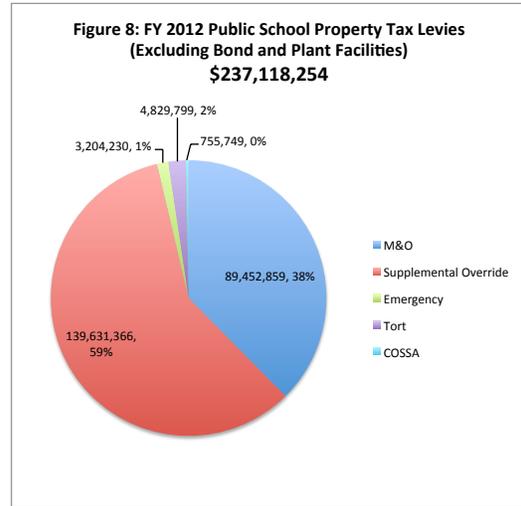
The 2006 reduction in property taxes used to fund public school operations was largely applauded due to the public's dislike of property taxes in general. Nonetheless, considerable amounts of public school funding are still derived from property taxes, and the relative share is once again increasing (see Figure 4).

Figures 7 and 8 provide a comparison of the level and composition of property tax levies used to fund public school operations in FY 2008 (one year after the swap) and in FY 2012 (the most recent year available).

<sup>3</sup> One remnant M&O levy is a result of the Boise school district's pre-statehood charter status; four others, so-called Stabilization Levies, were implemented along with the property tax/sales tax swap as "hold harmless" provisions associated with Idaho's four wealthiest districts - Avery, Blaine, McCall-Donnelly, and Swan Valley.



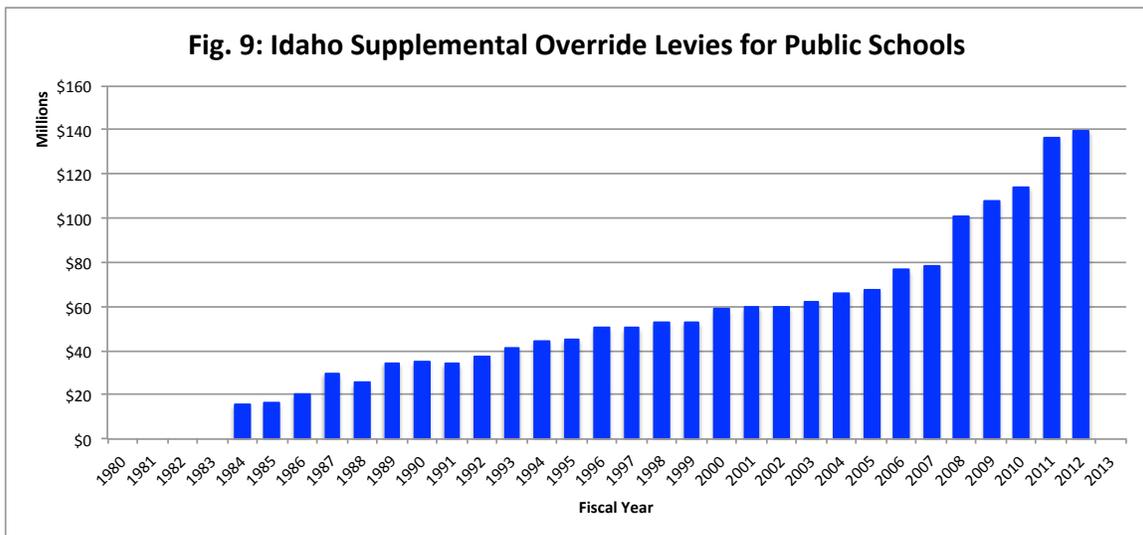
Source: 2007 Market Values and Property Taxes



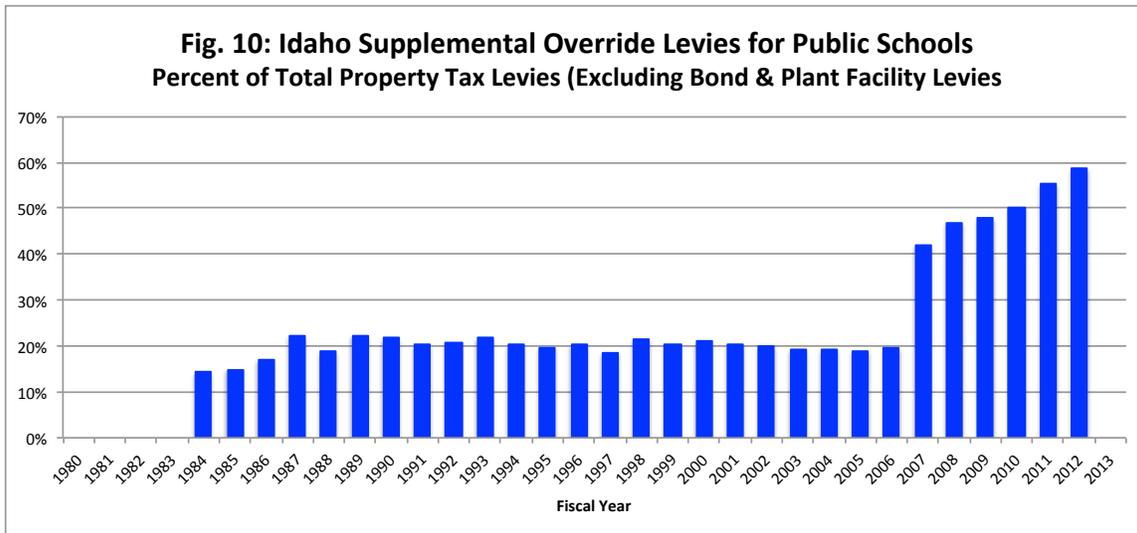
Source: 2011 Market Values and Property Taxes

What's notable in comparing Figure 7 and Figure 8 is the significant increase in Supplemental Override levies. They are the reason behind the increase in the property tax share of public school funding shown in Figure 4. In FY 2011 total public school funding declined, but property tax funding (excluding Bond and Plant Facilities levies) increased by 9%, driven entirely by a 20% increase in Supplemental Override levies.

Figures 9 and 10 provide a closer look at Supplemental Override levies. These two charts show that Supplemental Override levies grew at a modest pace from FY 1987 to FY 2007, then took off in FY 2008 through FY 2012. The big jump in the supplemental override share of total property tax levies starting in FY 2007 is entirely due to the sales tax/property tax swap that occurred in that year. Supplemental Override levies only grew by \$2 million (2.6%) from FY 2006 to FY 2007, but shot up by \$22 million (28.3%) from FY 2007 to FY 2008.



Source: 2003 to 20011 Market Values and Property Taxes and unpublished Tax Commission data



Source: 2003 to 2011 *Market Values and Property Taxes* and unpublished Tax Commission data

In essence, the doubling in the Supplemental Override share of public school property taxes in FY 2007 had almost nothing to do with Supplemental Override levies, and everything to do with elimination of the equalized M&O levy. The nearly 50% increase in the Supplemental Override share of public school property taxes since FY 2007 has everything to do with big increases in Supplemental Override levies.

## Review

Let's review the facts up to this point. During the 1980s and 1990s Idaho public school funding kept pace with both the economy (Figure 3) and overall state agency funding (Figures 1 and 2, and Table 1). Since FY 2000 Idaho public school funding has steadily eroded. As a share of state spending it's gone from 34% (average of 1980s and 1990s) to 26% in FY 2012. As a share of Idaho Personal Income it's gone from a steady 4.4% average in the 1980s and 1990s to just 3.5% in FY 2012, and down further to 3.4% in the FY 2013 Executive Budget.

The property tax share of public school funding held fairly steady during the 1980s and 1990s, drifting downward modestly from about 25% to about 21% (Figure 4, FY 1980 to FY 2002). Once the overall decline in public school funding began in FY 2001, the property tax share began to climb as overall funding support for public schools declined (Figure 4, FY 2003 to FY 2006). This was interrupted by the sales tax/property tax swap that occurred in FY 2007, when the property tax share dropped from about 24% to about 11% of public school funding. Since FY 2007 the Property Tax share has risen to about 13%, all due to increases in Supplemental Override levies (Figures 9 and 10).

## Implications

The changes documented in the preceding sections have significant implications in relation to two sections of Idaho's Constitution. The first you've already seen: Article IX, Section 1. Two criteria from that section are highly significant: **uniform** and **thorough**. It is the legislature's **duty** (not the trustees, the patrons, or the voters of a school district) to **maintain** a statewide school system that meets these criteria.

Idaho's other relevant constitutional provision is Article VII, Section 5, and it reads (in full) :

SECTION 5. TAXES TO BE UNIFORM -- EXEMPTIONS. All taxes shall be uniform upon the same class of subjects within the territorial limits, of the authority levying the tax, and shall be levied and collected under general laws, which shall prescribe such regulations as shall secure a just valuation for taxation of all property, real and personal: provided, that the legislature may allow such exemptions from taxation from time to time as shall seem necessary and just, and all existing exemptions provided by the laws of the territory, shall continue until changed by the legislature of the state: provided further, that duplicate taxation of property for the same purpose during the same year, is hereby prohibited.

This provision of Idaho's constitution applies to property taxes and says they shall be uniform, meaning that different rates cannot be applied to different taxpayers **within the same taxing district**. As an example, Idaho has 200 cities that are taxing districts, and no city can apply different property tax rates to different taxpayers within the city's jurisdiction. It does not mean that different cities can't have different property tax rates, it just means a specific city's rate must be applied uniformly to all property within its jurisdiction.

In the case of public schools the legislature has delegated to Idaho's 115 school districts the authority to levy property taxes for various purposes, including general operations (referred to in budgeting as M&O, or Maintenance and Operations). Prior to 2007 one key element of public school funding was the equalized M&O levy, a levy that school trustees could impose up to a limit of three-tenths of a percent of taxable value within the district.

That levy was authorized by the legislature, and in the public school funding formula districts were treated as though they had levied the full three-tenths regardless of the actual amount of the levy. It was a use-it-or-lose-it proposition, and in effect a state-mandated property tax levy. Since it also had the characteristic of being "equalized" across taxing districts, it had a much greater likelihood (as compared to unequalized supplemental override levies) of complying with both Article IX, Section 1 and Article VII, Section 5 of Idaho's Constitution. Let's take a closer look at how equalization worked.

In simplified terms, equalization in the context of Idaho's pre-2007 public school funding formula meant:

- 1) school districts were authorized to make an M&O property tax levy of **up to** 0.3% against the district's taxable value,
- 2) the dollar amount associated with each district's M&O property tax levy **at** a rate of 0.3% was added to the total amount of statewide M&O funding available (i.e. it was added to the total appropriations from the General Fund, the public school endowment fund, etc.) to come up with the total statewide amount of M&O funding available,
- 3) the total statewide amount of M&O funding available was divided among the school districts based on their needs (the number of students, the number of classroom units, teacher experience, transportation requirements, etc.),
- 4) the amount allocated to each district from the total statewide amount of M&O funding available was sent to the district, less the amount the district would have collected in property tax from the 0.3% levy.

To see how this worked in practice, let's look at a simplified example. Assume there are two districts with different taxable value per student. Let's say one district produces \$1,000 in property taxes per student at a levy rate of 0.3%. The other district produces \$4,000 per student at a levy rate of 0.3%. Let's also say the total allocation of M&O funding per student is \$6,000. The first district in this example would be sent \$5,000 per student by the state to add to the \$1,000 per student it collected (or could have collected) from its local property tax. The second district would be sent \$2,000 per student by the state to add to the \$4,000 per student it collected (or could have collected) from its local property tax. Both districts end up with \$6,000 per student (again, so long as they levy the full 0.3% in property taxes), essentially removing (i.e., equalizing) the large disparity in property tax funding capacity between these public school districts.

This example uses a fairly wide gap (4:1) in funding capacity to illustrate how equalization works. In reality the gap is much wider. Table 2 shows the taxable value per student for selected school districts – the sixteen wealthiest districts, the sixteen poorest districts, and the state's six largest districts.

**Table 2: Taxable Value Per Student, Rank Order**

District Number	District	Rank	Value per Student @ 9/30/09	# Students
394	AVERY	1	\$10,422,190	18
421	MCCALL-DONNELLY JOINT	2	\$4,695,989	931
61	BLAINE COUNTY	3	\$3,948,932	3,316
92	SWAN VALLEY ELEMENTARY	4	\$3,504,511	76
274	KOOTENAI JOINT	5	\$3,294,409	239
422	CASCADE	6	\$2,554,919	293
416	THREE CREEK JOINT ELEMENTARY	7	\$2,518,900	6
71	GARDEN VALLEY	8	\$2,232,728	240
181	CHALLIS JOINT	9	\$2,173,098	411
44	PLUMMER / WORLEY JOINT	10	\$1,662,074	431
84	LAKE PEND OREILLE	11	\$1,555,571	3,663
383	ARBON ELEMENTARY	12	\$1,530,402	12
83	WEST BONNER COUNTY	13	\$1,474,422	1,402
11	MEADOWS VALLEY	14	\$1,438,790	179
401	TETON COUNTY	15	\$1,408,731	1,567
243	SALMON RIVER JOINT	16	\$1,110,746	143
271	COEUR D' ALENE	23	\$889,772	10,183
1	BOISE INDEPENDENT	28	\$713,400	25,205
2	MERIDIAN JOINT	60	\$405,733	34,125
91	IDAHO FALLS	74	\$303,160	10,492
131	NAMPA	80	\$284,477	14,730
25	POCATELLO	91	\$261,037	12,122
59	FIRTH	100	\$226,961	757
370	HOMEDALE JOINT	101	\$226,378	1,206
137	PARMA	102	\$224,076	1,073
135	NOTUS	103	\$217,095	388
151	CASSIA COUNTY JOINT	104	\$210,565	5,191
252	RIRIE JOINT	105	\$210,301	665
251	JEFFERSON COUNTY JOINT	106	\$203,490	4,741
202	WEST SIDE JOINT	107	\$196,200	595
132	CALDWELL	108	\$194,397	6,294
60	SHELLEY JOINT	109	\$190,744	2,187
382	ROCKLAND	110	\$181,215	167
201	PRESTON JOINT	111	\$180,701	2,466
314	DIETRICH	112	\$177,983	250
322	SUGAR-SALEM JOINT	113	\$175,782	1,486
55	BLACKFOOT	114	\$160,877	4,264
52	SNAKE RIVER	115	\$153,437	1,832
	STATEWIDE		\$498,314	277,993

Source: FY 2010 *Financial Summaries Idaho School Districts and Charter Schools*

This table reveals that a property tax levy in the Snake River district would need to be over 30 times higher than a levy in the McCall-Donnelly district to raise the same dollar amount per student. A levy of one-tenth percent would raise just \$153 per student in the Snake River district, but that same levy rate would raise \$4,696 per

student in the McCall-Donnelly district (Avery was skipped because it only has 18 students, but the per-student disparity is even greater).

This uneven distribution of value in the property tax system makes it difficult to both have a uniform public education system (Article IX, Section 1) and levy property taxes that are also uniform (Article VII, Section 5) to fund that public education system. Until FY 2006 the state partially circumvented this dilemma by equalizing the property tax portion of the three-tenths M&O levy. A number of other parts of the property tax levies for schools were left unequalized, which led to a lawsuit over the funding of school facilities. Now that the equalized M&O levy was swapped for an extra cent of sales tax, all the remaining levies used for operations purposes are strictly unequalized.

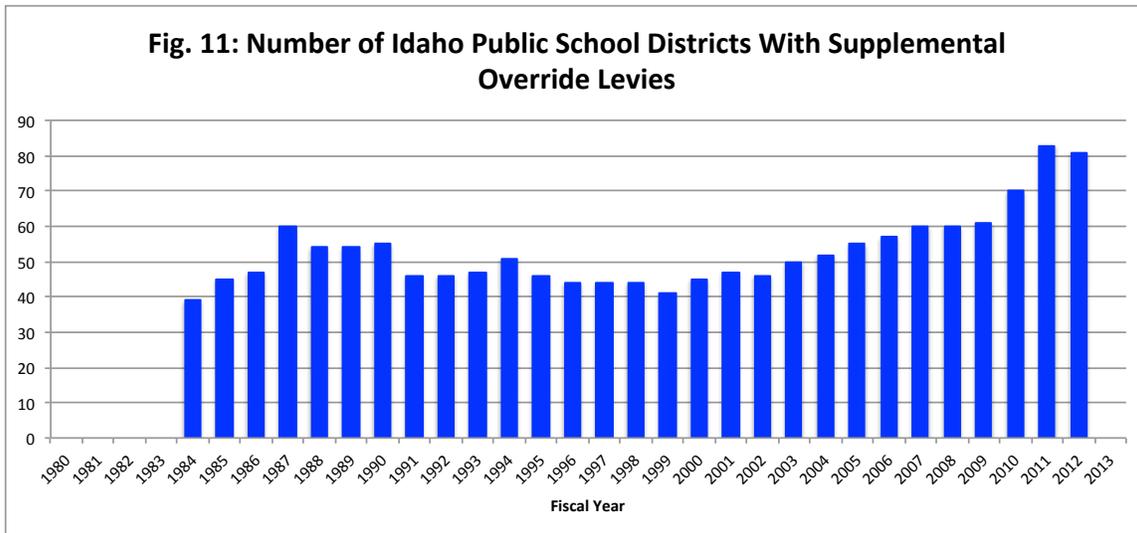
As seen earlier, the fastest growing parts of the property tax used for public schools are unequalized Supplemental Override levies. In conjunction with the funding declines that have occurred over the past decade, this has some fairly significant implications when it comes to equity in public school funding.

The rest of this paper will examine more closely what has been happening in the world of Supplemental Override levies.

### **Supplemental Override Levies**

Supplemental Override levies have long been a part of school finance in Idaho. Unlike the equalized M&O levies (maximum three-tenths, trustee enacted, equalized), Supplemental Override levies must be voter-approved and are not equalized. That presents problems in meeting the dual requirements of Article IX, Section 1 and Article VII, Section 5 of Idaho's Constitution.

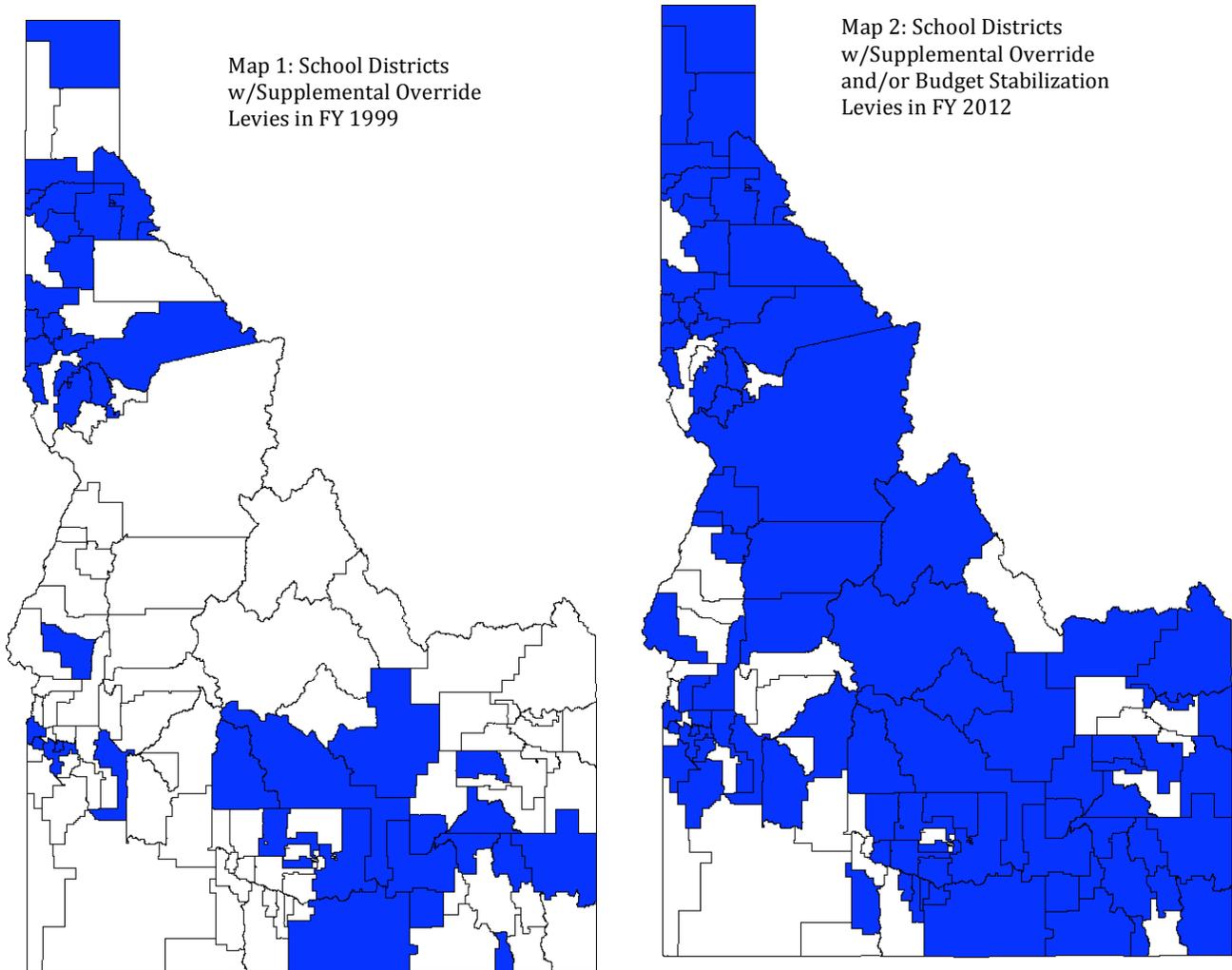
Figure 11 shows that the number of districts using Supplemental Override levies was declining slowly prior to FY 2000, then began increasing to a level that is now over 70 percent of all 115 public school districts.



Source: Tax Levies for School Purposes and unpublished Tax Commission data

There was a small decline from 83 districts with Supplemental Overrides in FY 2011 to 81 districts in FY 2012, but the fact remains that over two-thirds of Idaho’s public school districts now avail themselves of this unequalized property tax funding source.

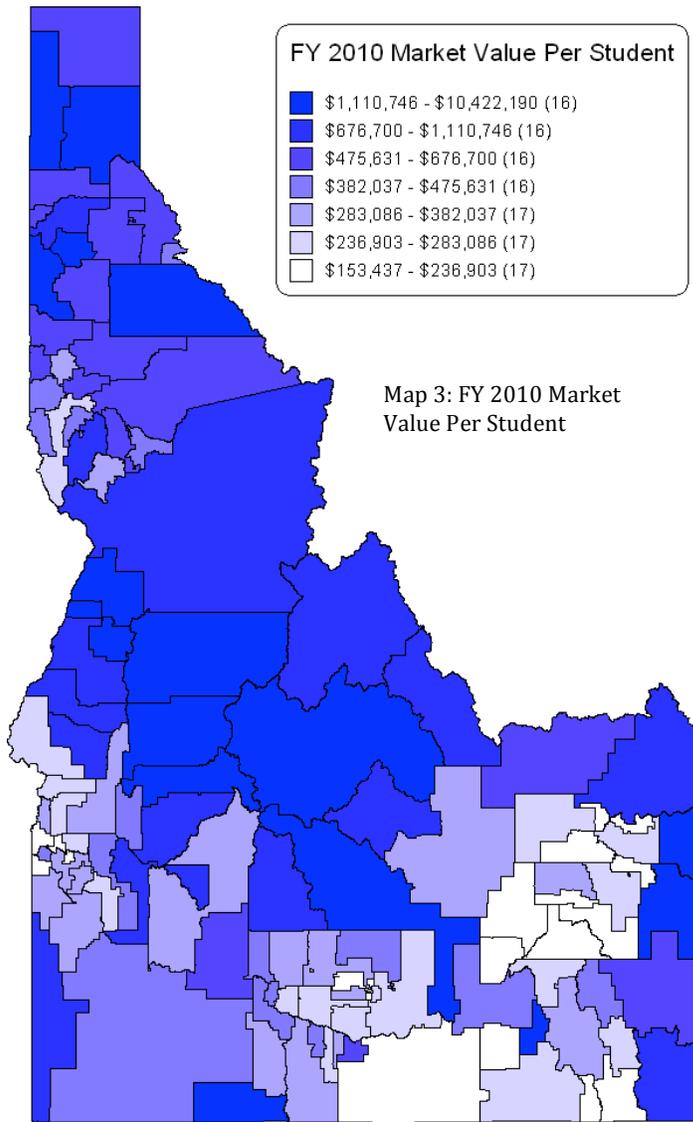
The next two maps show the distribution of Idaho public school districts that used Supplemental Override levies in FY 1999 and FY 2012. All except 2 of the 41 districts that levied in FY 1999 also levied in FY 2012, plus an additional 42 districts joined the list for a total of 81 districts with voter-approved overrides in FY 2012. There were also four districts with non voter-approved levies known as Budget Stabilization levies that were authorized as part of the 2006 elimination of the equalized M&O levies. One (Blaine County) also had a Supplemental Override levy, so the number of school districts with either Supplemental Override and/or Budget Stabilization levies in FY 2012 totaled 84.



Source: 2011 *Market Values and Property Taxes* and unpublished Tax Commission data

This trend of increased use of non-equalized property tax levies for M&O purposes has potentially serious implications when examined in light of the two aforementioned provisions of Idaho’s Constitution. Figure 3 presented a picture of dramatic decline in the overall effort Idahoans makes to fund K-12 education, and it is important to note that decline occurred in spite of the dramatic increase in local effort vis-à-vis Supplemental Override and Budget Stabilization levies.

Table 2 provided a sample of the wide disparity in property tax funding capacity across Idaho public school districts. The following map presents the information visually for the entire state. The wealthiest district (Avery) has 67 times more value

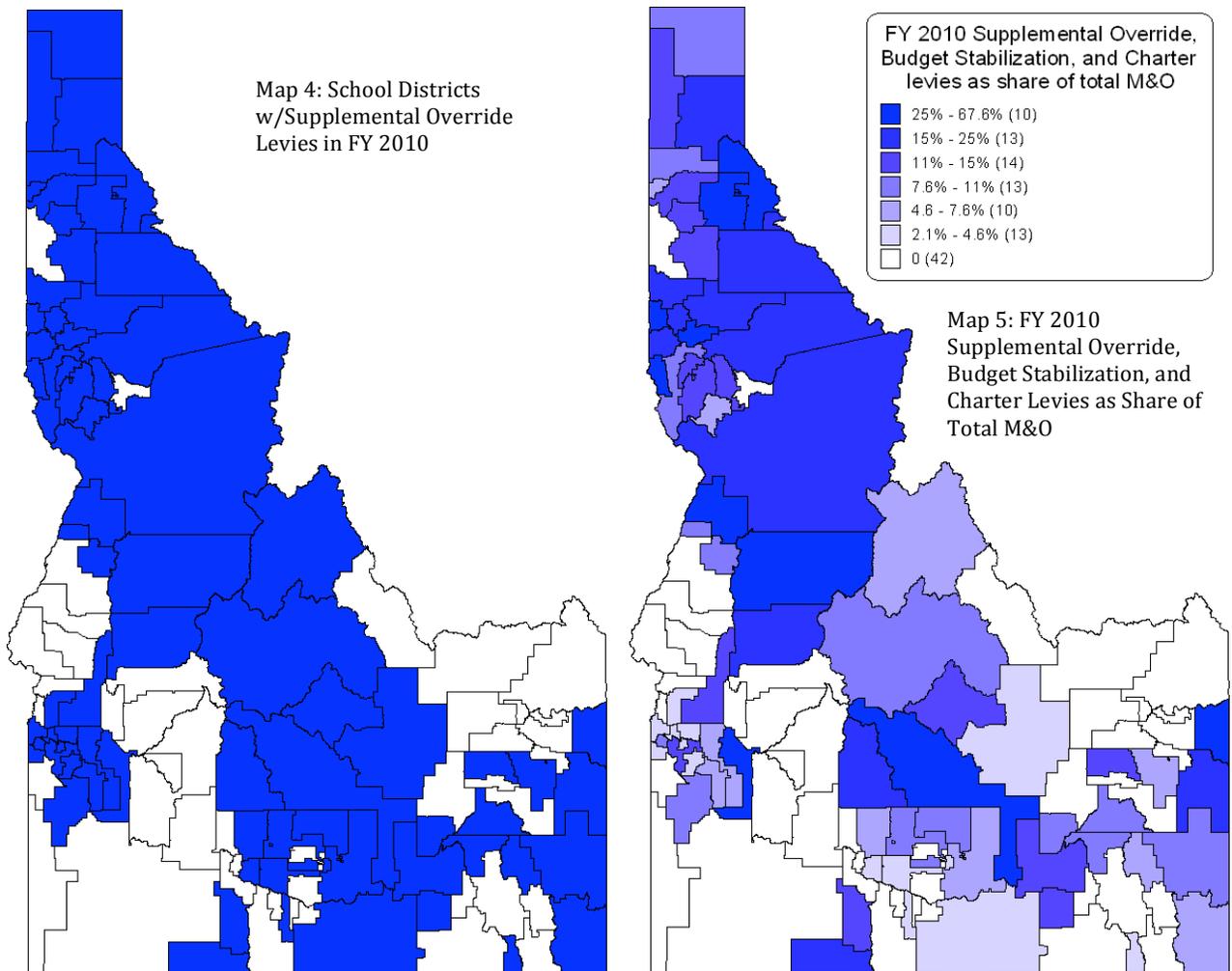


per student than the poorest (Snake River). Even if we disregard Avery due to its having only 18 students, the ratio of McCall-Donnelly (with 931 students and \$4.7 million of taxable value per student) to Snake River (with 1,832 students and \$153 thousand of market value per student) is a stunning 30:1.

As reliance on property tax grows, we also see a considerable disparity in the share of total M&O funding that is derived from unequalized property tax revenue. The next two maps show the school districts that utilized either Supplemental Override or Budget Stabilization levies in FY 2010, and the share of district total M&O funding that came from the major unequalized property tax sources (Supplemental Override and Budget Stabilization levies).

Source: FY 2010 *Financial Summaries Idaho School Districts and Charter Schools*

Seventy-three districts relied upon unequalized property tax levies for anywhere from 2.1% to 67.6% of their M&O funding. Comparing Map 5 to Map 3 it is clear that the wealthier districts tend to have a greater reliance on the use of property tax to fund their public schools.



Source: FY 2010 *Financial Summaries Idaho School Districts and Charter Schools*

So what is the situation from the perspective of the property taxpayer?

First, if you are in a wealthy district (wealthy in the sense there is high taxable value per student) it takes a lower levy rate to raise a given amount of funds per student, all other things being equal.

Second, even if the funding capacity between school districts is more or less equal, the amount of the levy rate in a particular district will depend on the willingness of the district's voters to tax themselves to fund the education of children in the district.

Both these situations would appear to violate the aforementioned sections of Idaho's Constitution. The first situation runs afoul of the uniform taxation provision, and the second situation runs afoul of both the uniform taxation and the uniform education system provisions.

To illustrate this point, Table 3 looks at the three main school districts in the upper Treasure Valley: Boise #1, Meridian #2, and Kuna #3. A similar scenario plays out in many other parts of the state.

**Table 3: Funding Comparisons Across Three Upper Treasure Valley School Districts**  
Supplemental Overrides Only, No Charter Levy

District	# Students	Market Value Per Student	Levy Per \$100k MV	Levy Per Student	Share of M&O From Property Tax	Total M&O Funding Per Student
Boise #1	25,205	\$713,400	\$63.44	\$453	8.1%	\$5,776
Meridian #2	34,125	\$405,733	\$75.83	\$308	6.0%	\$5,314
Kuna #3	4,863	\$250,426	\$97.17	\$243	4.9%	\$5,147

Source: FY 2010 *Financial Summaries Idaho School Districts and Charter Schools*

Table 3 shows the wide range in funding capacity between these three districts. The ratio of taxable value per student between Boise and Kuna is almost 3:1; the higher effort in the poorer district (a 50% higher levy rate in Kuna compared to Boise) has a lower net yield (Kuna receives less than 54% compared to Boise, per student, with a significantly higher levy rate). Total funding per student is less equitable as a result. This process plays out repeatedly throughout Idaho as reduced funding from state sources drives more school districts into the utilization of unequalized property taxes to meet their overall funding needs.

Table 4 introduces yet another aspect of Idaho’s school funding system that brings considerable disparity to district level funding patterns. Seven school districts (Avery, Boise, Blaine, Emmett, Lewiston, McCall-Donnelly, and Swan Valley) are authorized to make substantial unequalized M&O property tax levies without voter approval.

Three of these (Boise, Emmett, and Lewiston) derive that levying authority from the district’s charter status, i.e. the district pre-dates statehood. Only Boise actually uses its charter status. The other four districts were granted Budget Stabilization levy authority as part of the property tax/sales tax swap in 2006. Essentially, these are wealthy districts that would have lost substantial funding resources when their equalized M&O levy authority was removed. Two of the four (Avery and Swan Valley) are relatively small (they impact only 18 and 76 students, respectively). The other two (Blaine and McCall-Donnelly) are large districts with 3,316 and 931 students, respectively.

Table 4 illustrates the implications in the context of the Boise school district:

**Table 4: Funding Comparisons Across Three Upper Treasure Valley School Districts**  
Supplemental Overrides And Charter Levy

District	# Students	Market Value Per Student	Levy Per \$100k MV	Levy Per Student	Share of M&O From Property Tax	Total M&O Funding Per Student
Boise #1	25,205	\$713,400	\$427.99	\$3,053	37.3%	\$8,377
Meridian #2	34,125	\$405,733	\$75.83	\$308	6.0%	\$5,314
Kuna #3	4,863	\$250,426	\$97.17	\$243	4.9%	\$5,147

Source: FY 2010 *Financial Summaries Idaho School Districts and Charter Schools*

Boise’s share of funding from the property tax dwarfs the other two upper Treasure Valley school districts when its unequalized, charter-based M&O levy is factored in. It is why per-student spending in the Boise district is over \$3,000 higher than either Meridian or Kuna.

The picture is similar in the case of the Blaine and McCall-Donnelly school districts. Here’s Table 5 looking at those two districts in comparison to Boise:

**Table 5: Funding Comparisons Across Three School Districts w/Extraordinary M&O Privileges**  
Supplemental Overrides And Charter Levy

District	# Students	Market Value Per Student	Levy Per \$100k MV	Levy Per Student	Share of M&O From Property Tax	Total M&O Funding Per Student
Boise #1	25,205	\$713,400	\$427.99	\$3,053	37.3%	\$8,377
Blaine #61	3,316	\$3,948,932	\$271.54	\$10,723	67.6%	\$16,109
McCall-Donnelly #421	951	\$4,695,989	\$141.76	\$6,657	50.4%	\$13,430

Source: FY 2010 *Financial Summaries Idaho School Districts and Charter Schools*

## Conclusion

Significant changes have occurred in public school funding within Idaho over the last decade or so. After a couple of decades of relative funding stability, overall spending on Idaho’s public schools has lost considerable ground when measured by Idahoans’ overall economic resources (see Figure 3). Changes of this nature take time to play out, and are somewhat like the parable of the frog: drop him in a pot of boiling water and he’ll jump out; drop him in a pot of cold water and he’ll swim around as the heat is applied and gradually brings the water to a boil – with the frog still in it.

Public school funding is sometimes thought of as just another program (albeit a large and important one) of Idaho’s state spending programs. However, not many state programs are enshrined in the state’s Constitution, with a clear duty to perform (Article IX, Section 1) placed squarely on the shoulders of Idaho’s elected legislators. “Thorough” may not be an easily quantifiable concept in the context of public school funding, but actions that drive local school districts into making dramatic increases in the use of local property tax resources (see Figures 9 and 11) raise serious doubt that the legislature is fulfilling its Constitutional obligations.

With the removal of the equalized M&O property tax levying authority in 2006, Idaho taxpayers received a modest tax cut (\$50 million) with the implied promise the state would take up the funding slack using state-level fiscal resources. That change left all remaining M&O property tax levies as unequalized, meaning they risked running afoul of another Constitutional mandate, that property taxes be assessed and levied uniformly (Article VII, Section 5).

To the extent public school districts are now forced to use unequalized property taxes, with their vast disparities in funding capacity (see Table 2), to meet what amounts to a statewide Constitutional duty of “thoroughness,” it becomes questionable that Idaho’s policymakers are meeting that other Constitutional obligation to assess and levy property taxes uniformly. Idaho’s Constitution doesn’t say the public school system must be uniform and thorough at the school district level. That’s a state level duty.

Idaho didn’t get to its current state of affairs with respect to public school funding overnight. A series of incremental steps (some small, some not so small) have brought us to this point. It is probably not realistic to expect a quick fix. It is reasonable to expect an open and honest discussion of the direction of Idaho’s public school funding, and whether it is living up to the duties and responsibilities handed down by Idaho’s founding fathers. Hopefully this report will contribute to that discussion.

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