Revenues for K-12 Education

WYOMING LEGISLATIVE SERVICE OFFICE

April 18, 2022

Outline

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Trust Lands

Constitutions

Courts

Formulas

K-12 Revenues

Local Sources

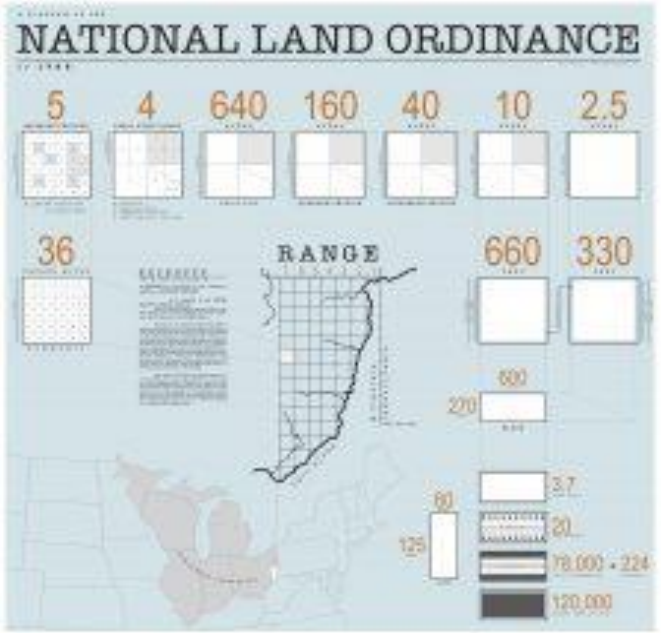
State Sources

School Foundation Program Account

School Capital Construction Account

Federal Land Grant Program

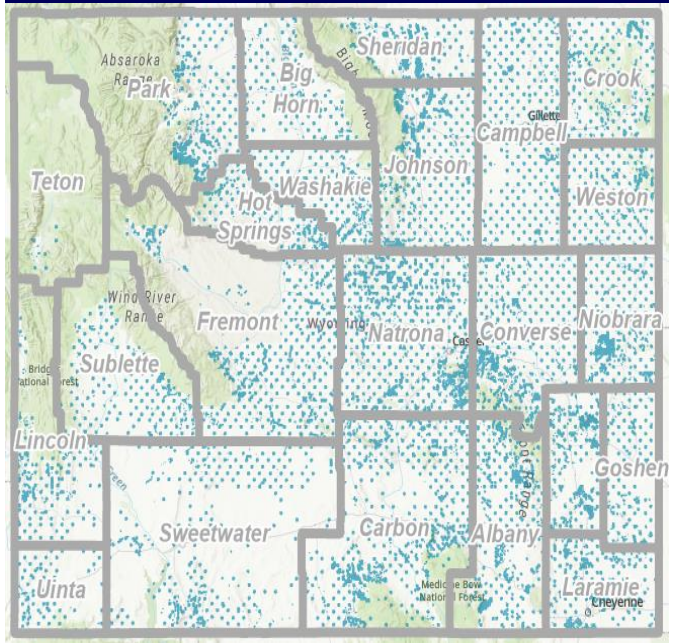
Land Ordinance of 1785



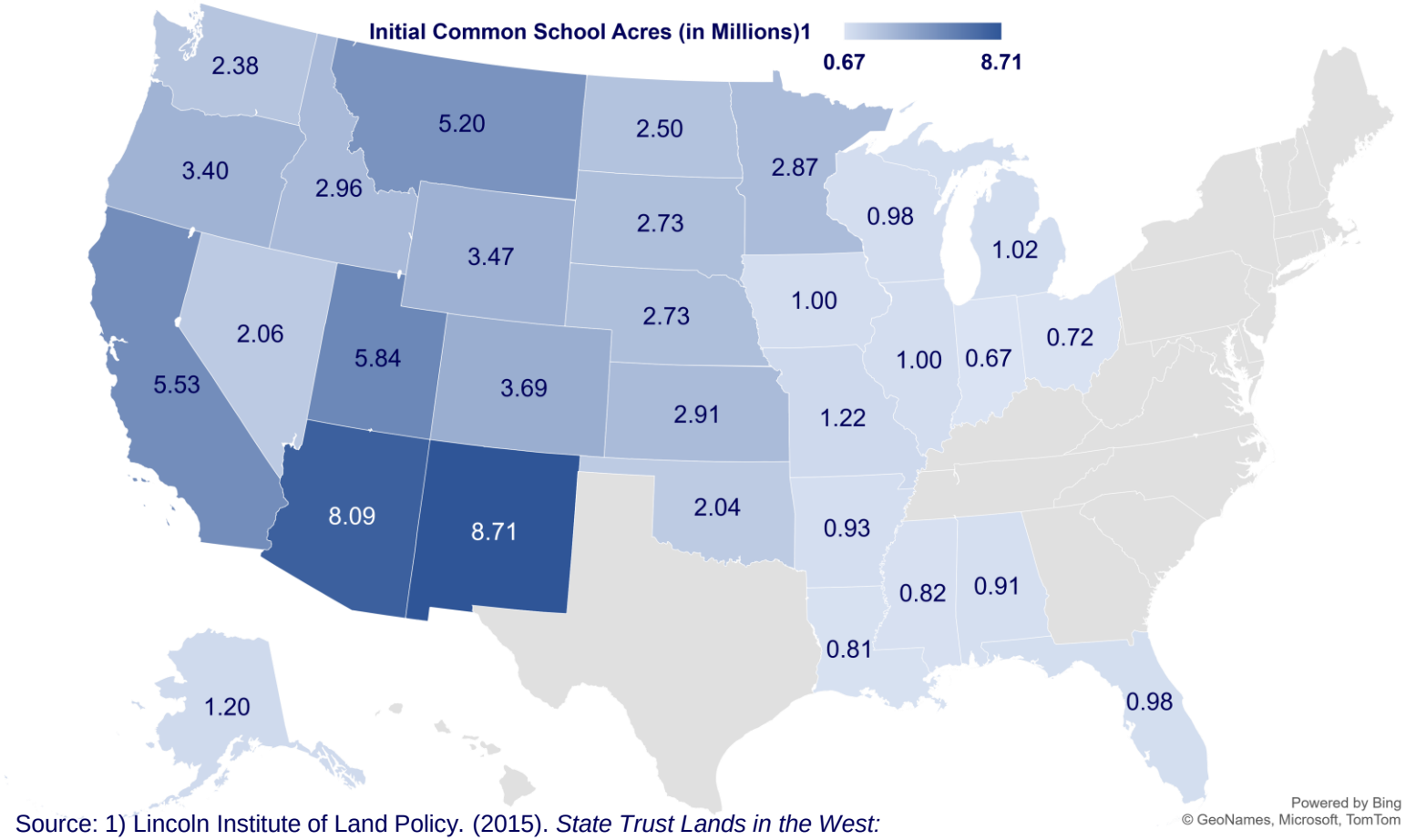
WY Sections 16 and 36 "support public schools"

6	5	4	3	2	1
7	8	9	10	11	12
18	17	**16**	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	**36**

Source of Revenues



State Land Grants



Source: 1) Lincoln Institute of Land Policy. (2015). *State Trust Lands in the West: Fiduciary Duty in a Changing Landscape (Updated)*. https://www.lincolninst.edu/news/press-releases/report-state-trust-lands-west-updated; 2) Office of State Lands and Investments annual report.

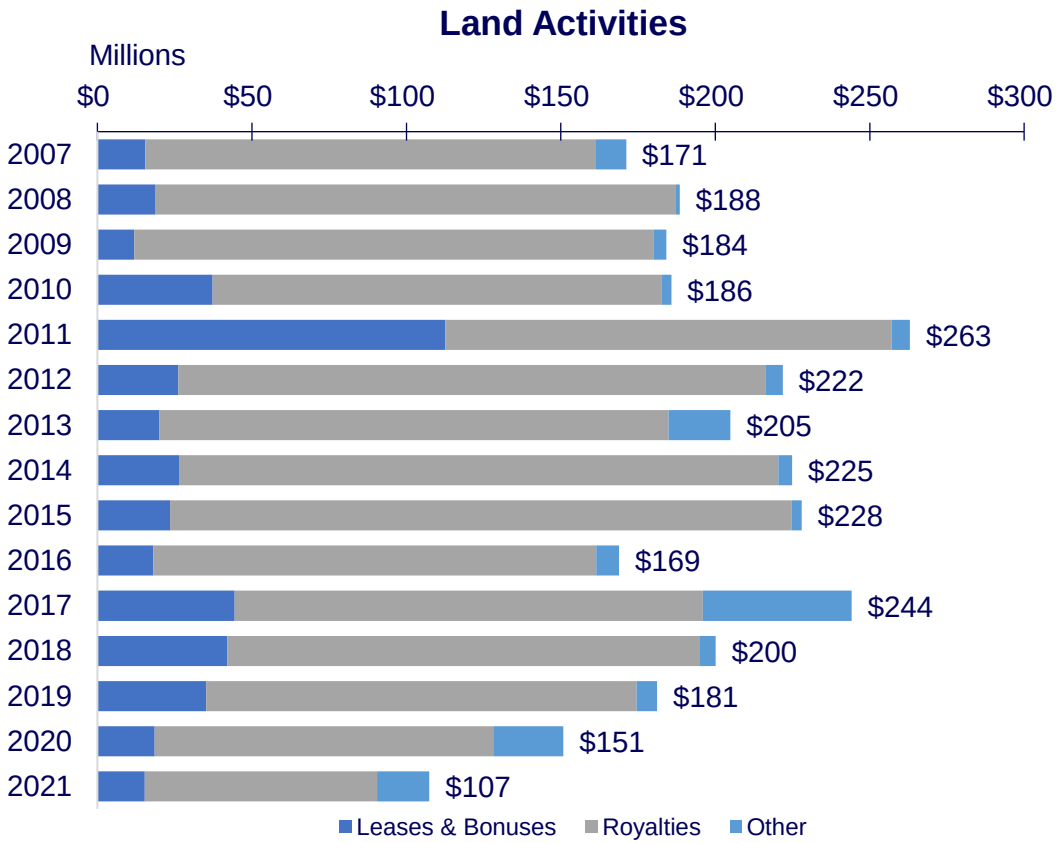
Wyoming Current State Lands[2]:

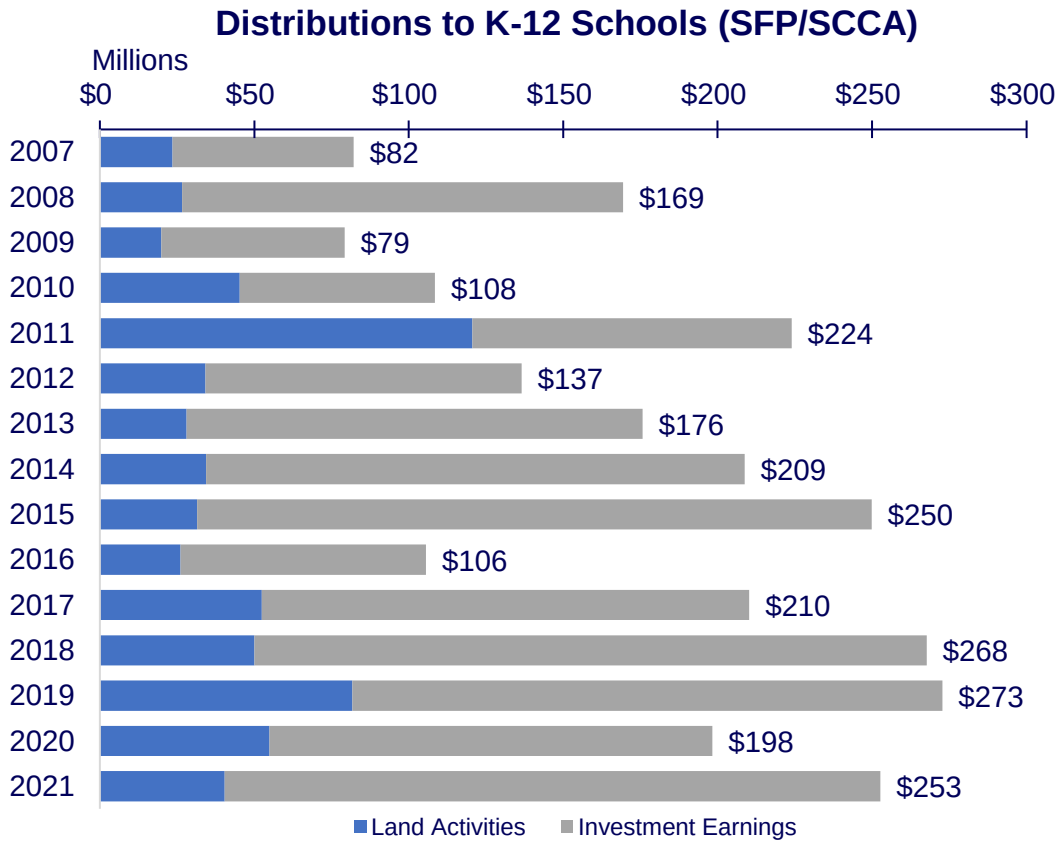
- 3.5 million surface acres
- 3.9 million mineral acres
- Of these, approximately 86% of surface (3.0 million) and mineral (3.4 million) acres are managed to benefit public schools

Wyoming Common School Account Revenues:

- Sale of lands
- 2/3 of mineral royalties
- Easements and damage payments
- One-half of "additional" one percent severance tax
- Transfers or appropriations (i.e., CSPLF Reserve Account excess over cap)

Wyoming Common School Land Revenues





Source: LSO analysis of state WOLFS data.

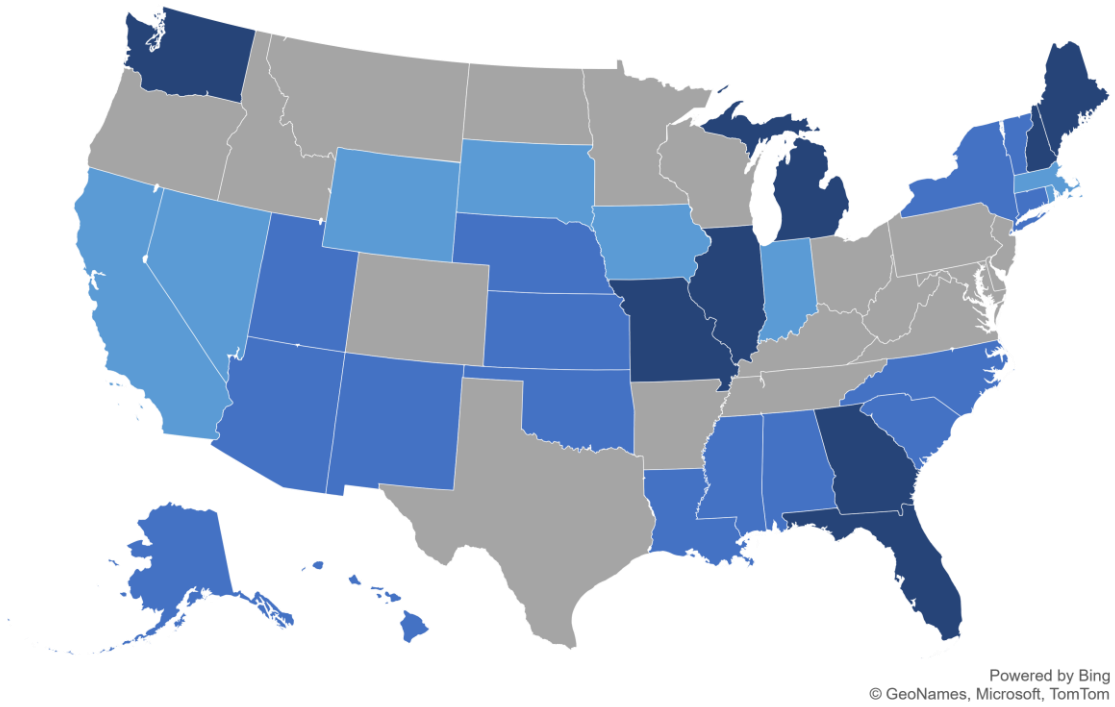
Common School Lands

State	FY 2019 Per Pupil Revenue from School Trust Lands and Investments[1]	Percent of FY 2019 Total K-12 per Pupil Revenue[1]	Approximate Permanent Land Fund Value (June 30, 2021)[2]
Colorado	$197	1.4%	$1.3 Billion for Public Schools
Idaho	$164	1.7%	$1.9 Billion for Public Schools
New Mexico	$3,083	24.9%	$26.7 Billion for Public Schools
North Dakota	$1,287	8.1%	$5.7 Billion for Public Schools
Wyoming	$2,932	15.3%	$4.0 Billion for Public Schools

Source: 1) Wyoming and Colorado is from LSO analysis and calculations divided by NCES FY 2019 Revenue. Colorado, Idaho, New Mexico, and North Dakota based on survey data (https://www.statetrustland.org/uploads/1/2/0/9/120909261/report_-_topic_compilations_04-29-20.pdf) divided by NCES FY 2019 revenue.

Source: 2) LSO analysis of annual reports (Wyoming – State Treasurer's Office; Idaho – Endowment Fund Investment Board; New Mexico – State Investment Council; North Dakota - Board of University and School Lands).

State Constitution Education Clauses



Category I

- "Merely mandate a system of free public schools"

Category II

- "Mandate that the system of public schools meet a certain minimum standard of quality, such as 'thorough and efficient'"

Category III

- "Distinguished from the Category I and II clauses by both a 'stronger and more specific education mandate' and 'purposive preambles'"

Category IV

- "Impose the greatest obligation on the state legislature…; they provide that education is 'fundamental,' 'primary,' or 'paramount'"

Source: https://www.ncsl.org/research/education/state-role-in-education-finance.aspx#throDefinitions.

Wyoming Constitution

Article 7, § 1

- "The legislature shall provide for the establishment and maintenance of a complete and uniform system of public instruction, embracing free elementary schools of every needed kind and grade…"

Article 7, § 8

- "Provision shall be made by general law for the equitable allocation of such income among all school districts in the state…; nor shall any portion of any public school fund ever be used to support or assist any private school, or any school, academy, seminary, college or other institution of learning controlled by any church or sectarian organization or religious denomination whatsoever."

Article 7, § 9

- "The legislature shall make such further provision by taxation or otherwise, as with the income arising from the general school fund will create and maintain a thorough and efficient system of public schools, adequate to the proper instruction of all youth of the state, between the ages of six and twenty-one years, free of charge..."

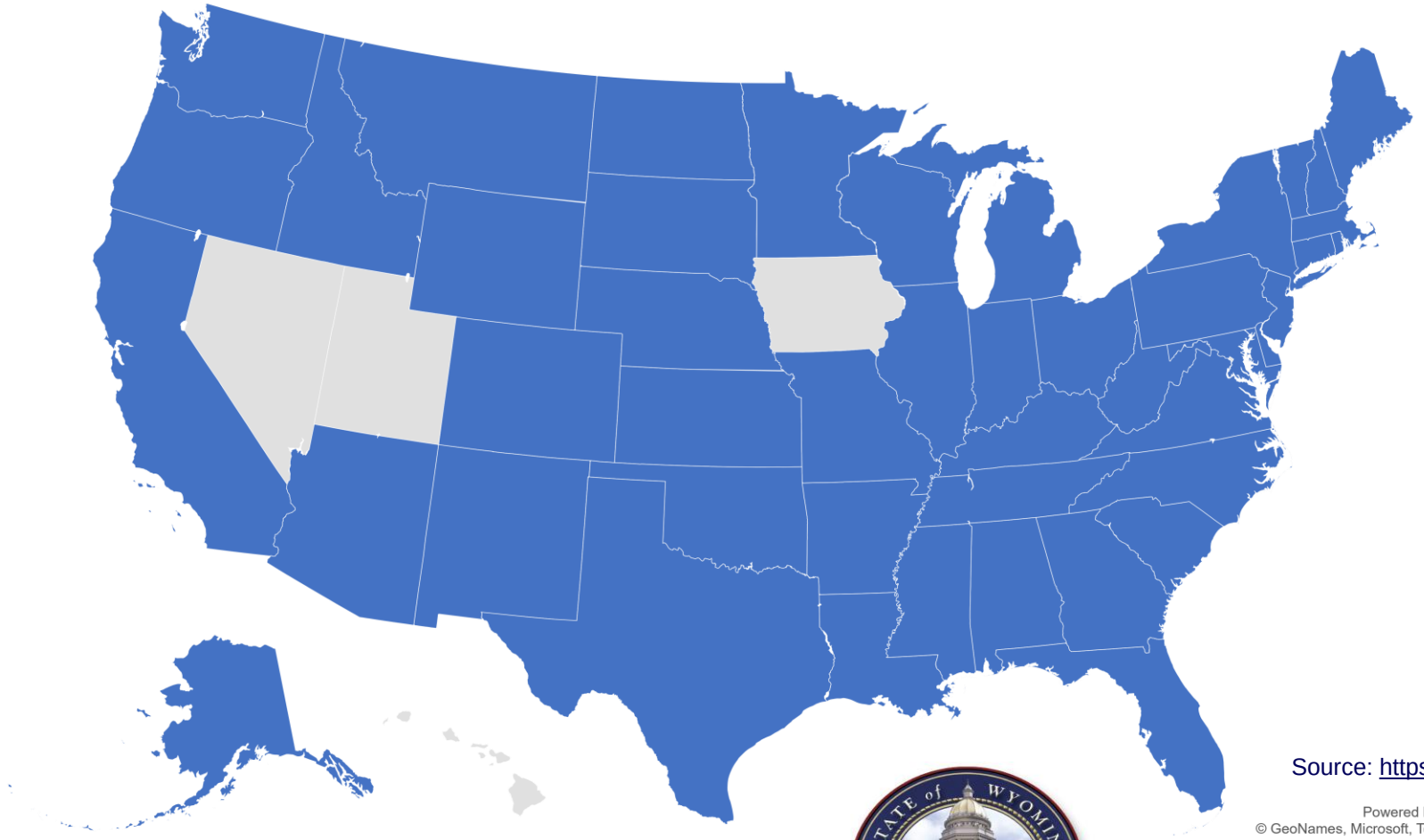
U.S. Supreme Court

1973 *San Antonio v. Rodriguez*

Education "is not among the rights afforded explicit protection under our Federal Constitution."

Placed public education burden on states.

Public School Funding Court Challenges: Adequacy and Equity



No Court Challenges:

- HI
- IA
- NV
- UT

Source: https://www.schoolfunding.info/litigation-map/.

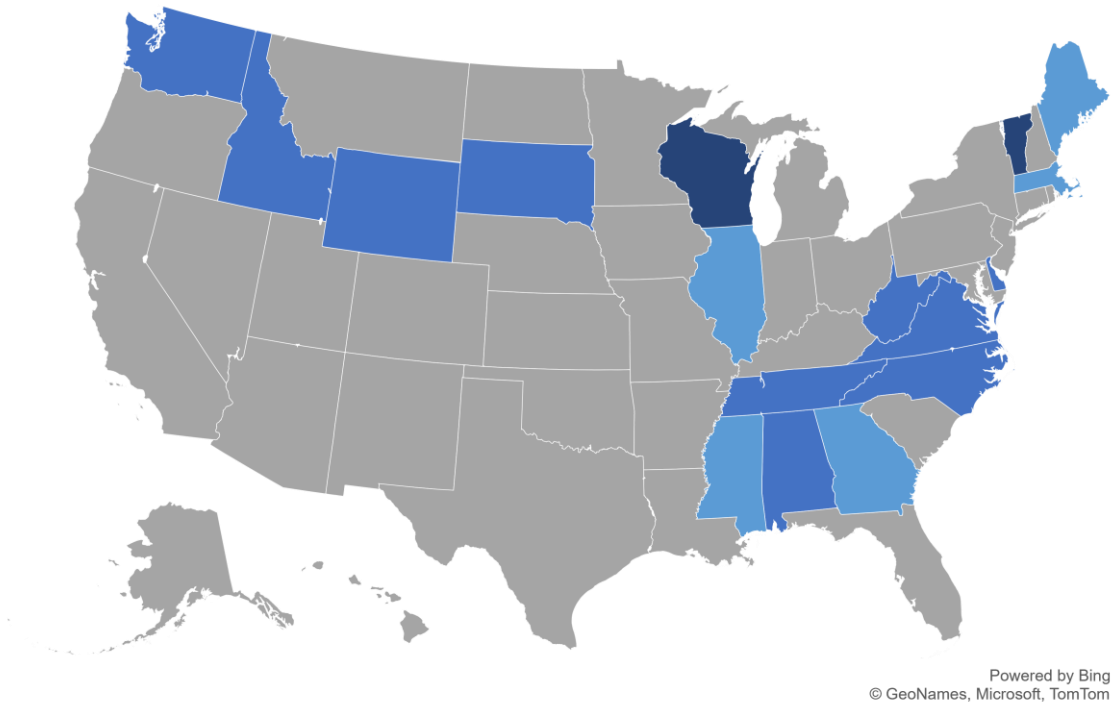
Wyoming Supreme Court Decisions

The Legislature wields an "apparent unlimited power" under the state Constitution in making such further provision by taxation or otherwise to fund schools.

***Washakie Cty. Sch. Dist. No. 1 v. Herschler*, 606 P.2d 310, 320-21 (Wyo. 1980).**

Campbell I (1995), II (2001), III (2001), IV (2008)

Types of K-12 Funding Formulas



Student-Based Foundation (33)

- Districts receive a base amount of funding per student, with additional money or weights added to provide additional supports to students with a higher need.

Resource-Based Allocation (10)

- All districts receive a minimum base amount of resources. Resources could be staffing, services, or programs, and are often based on a ratio of staffing to students.

Hybrid (5)

- Hybrid models often combine aspects of foundation formula models, resource allocation models and various cost factors.

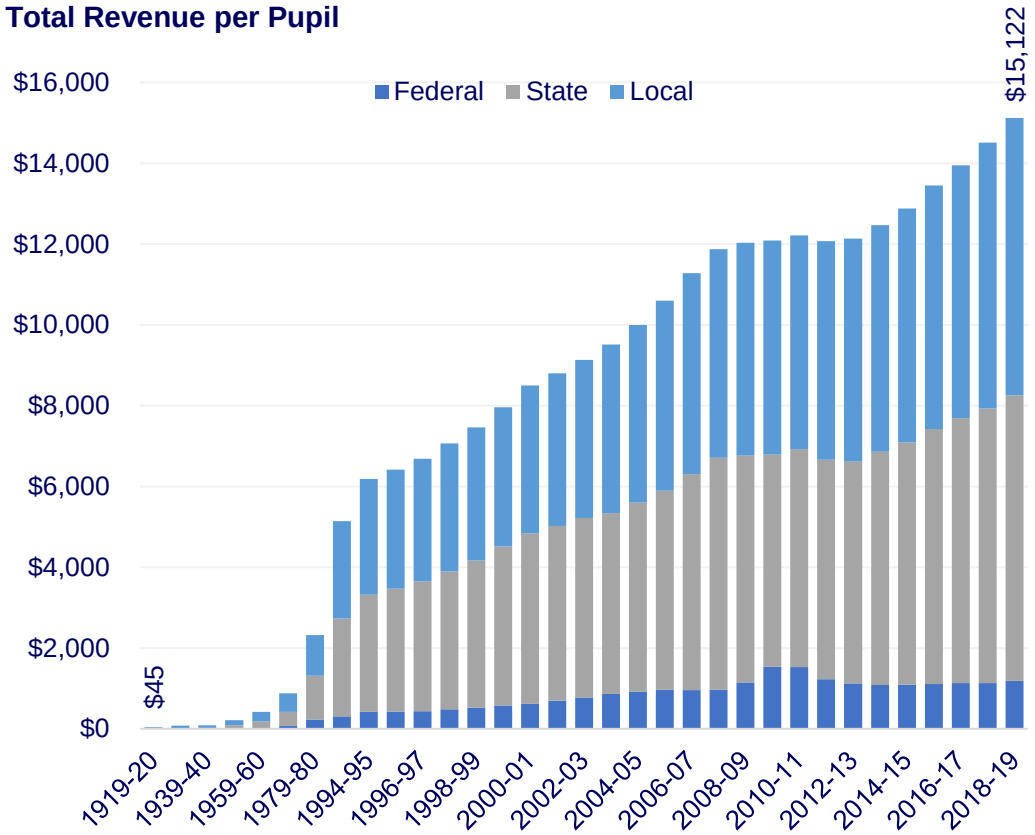
Guarantee Tax Base (2)

- Sometimes referred to as Tax-Levy Equalization or School Finance Equalization, funding levels are determined by a formula that equalizes the taxes paid on the base amount of property within the district. The state provides higher levels of funding to lower-property wealthy districts than to higher-property wealthy districts.

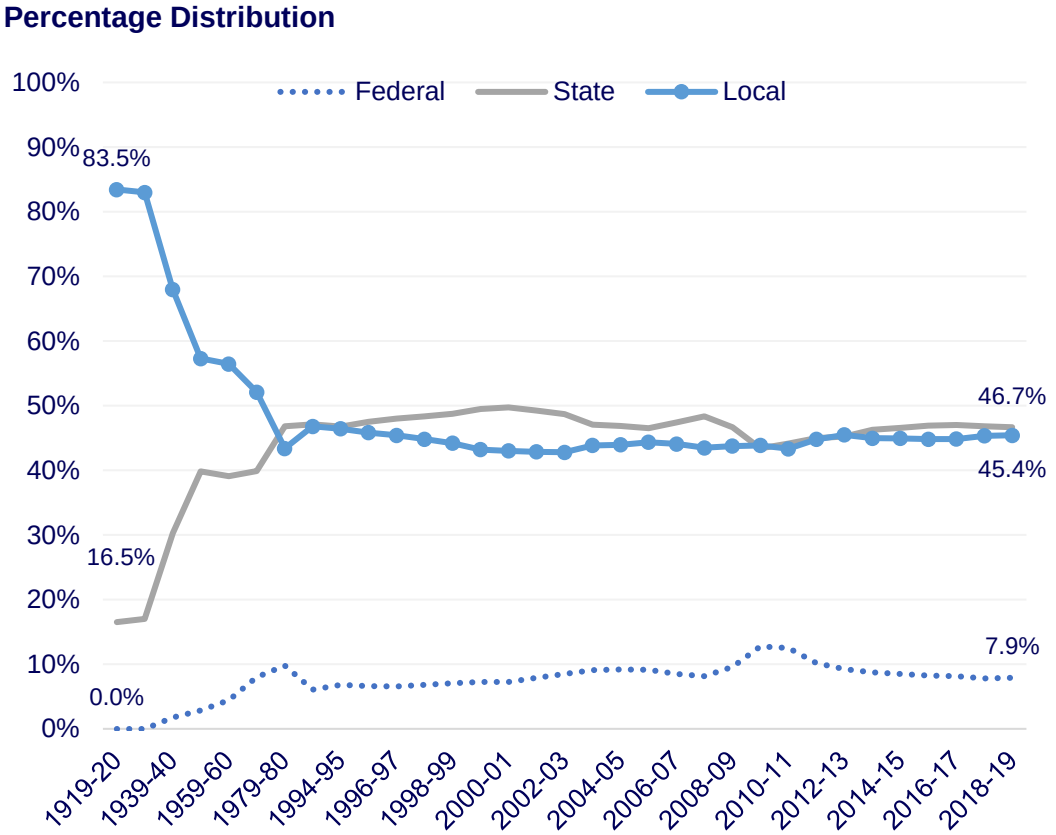
Source: https://reports.ecs.org/comparisons/k-12-and-special-education-funding-2021.

Revenue for K-12 Education (U.S. Avg.)

Total Revenue per Pupil

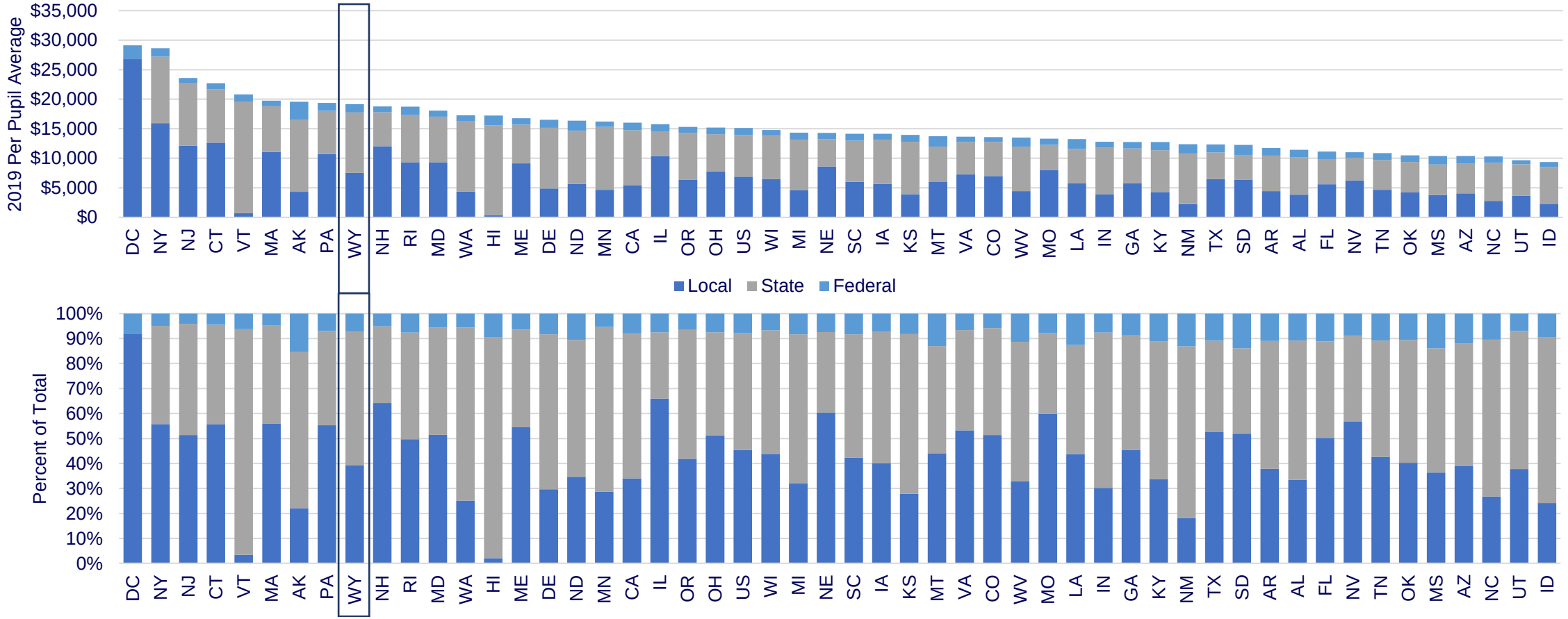


Percentage Distribution



Source: https://nces.ed.gov/ccd/files.asp.

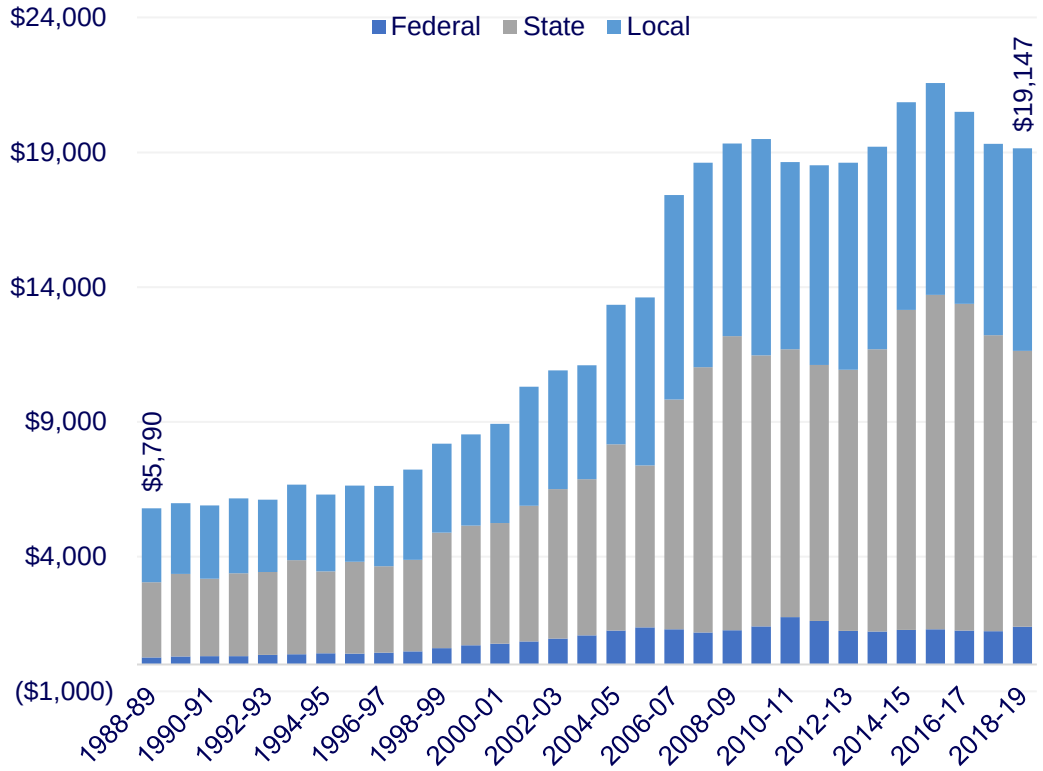
Revenue for K-12 Education
FY 2019 50 States and D.C.



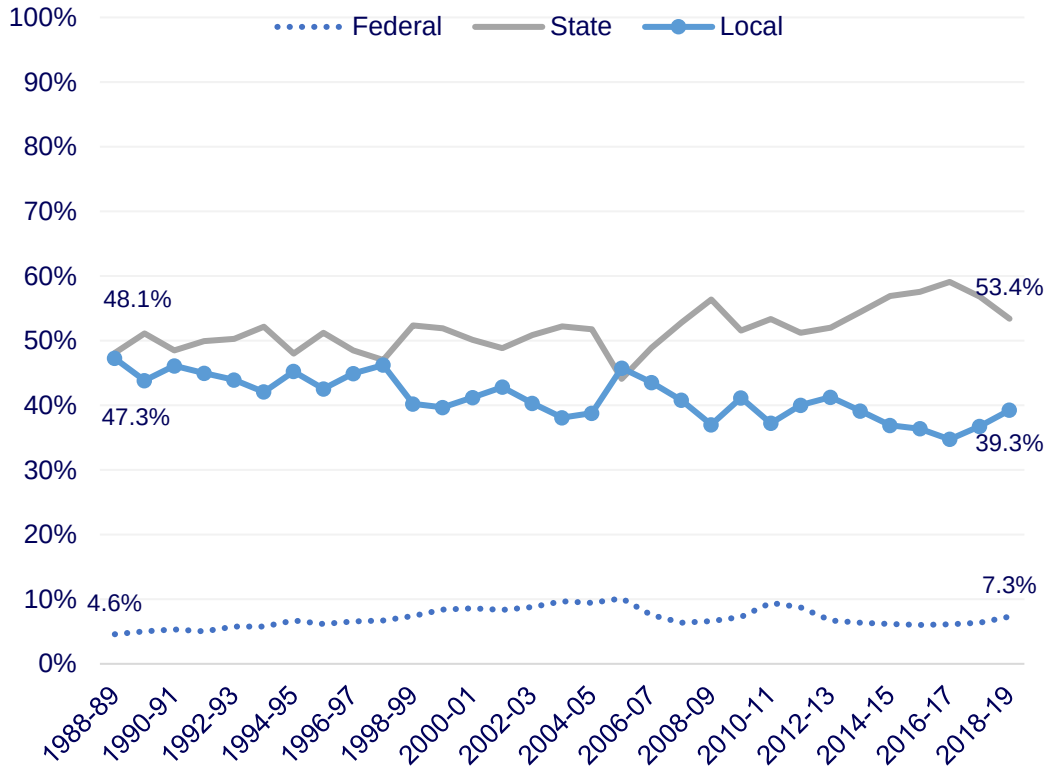
Source: https://nces.ed.gov/ccd/files.asp.

Wyoming Revenue for K-12 Education

Total Revenue per Pupil

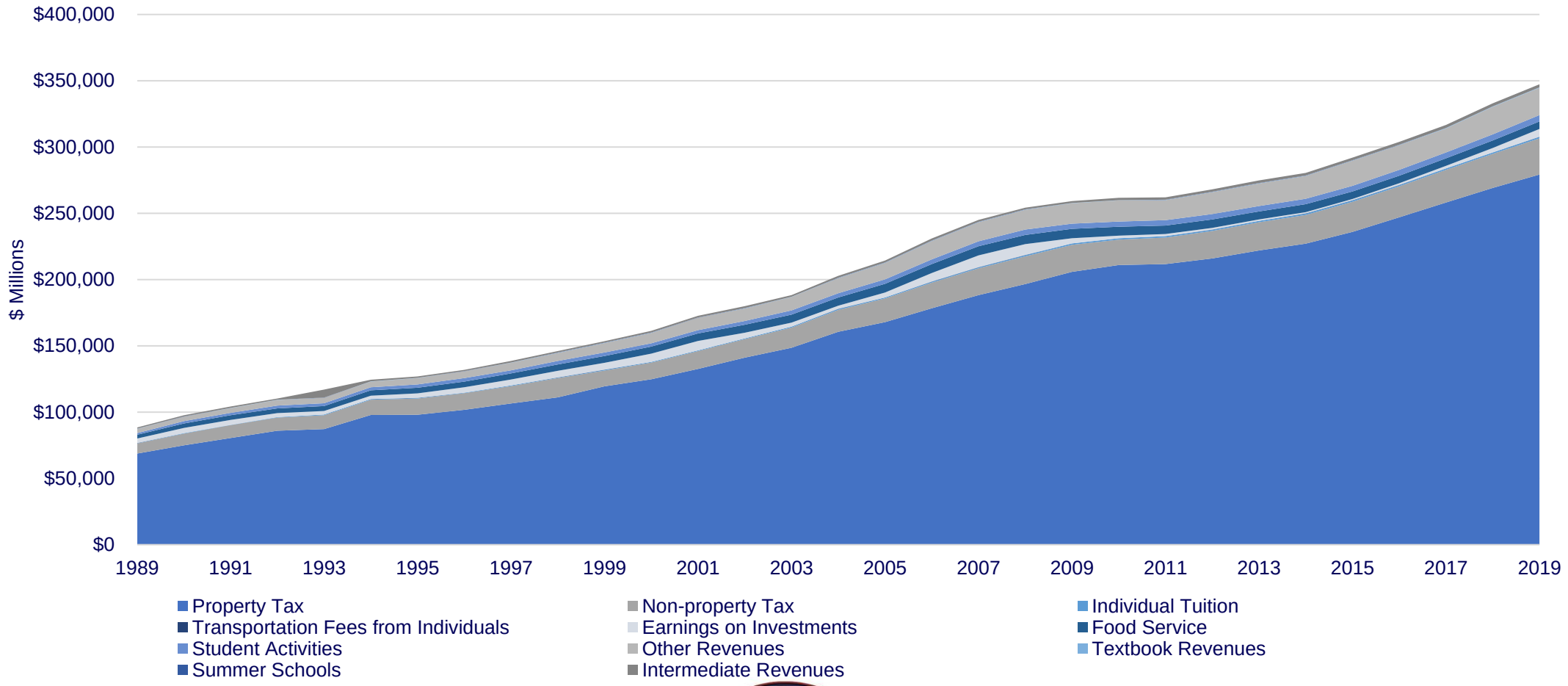


Percentage Distribution



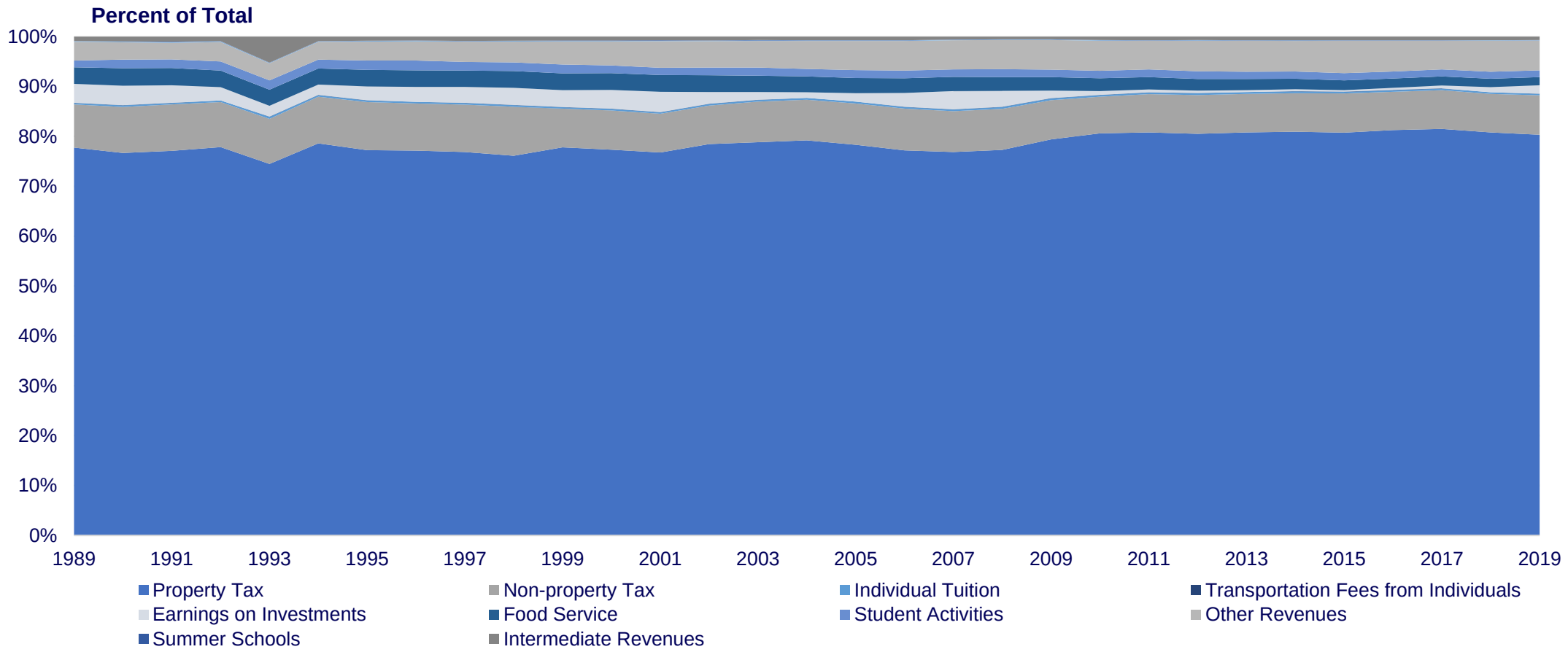
Source: https://nces.ed.gov/ccd/files.asp.

U.S. Local School District Revenues



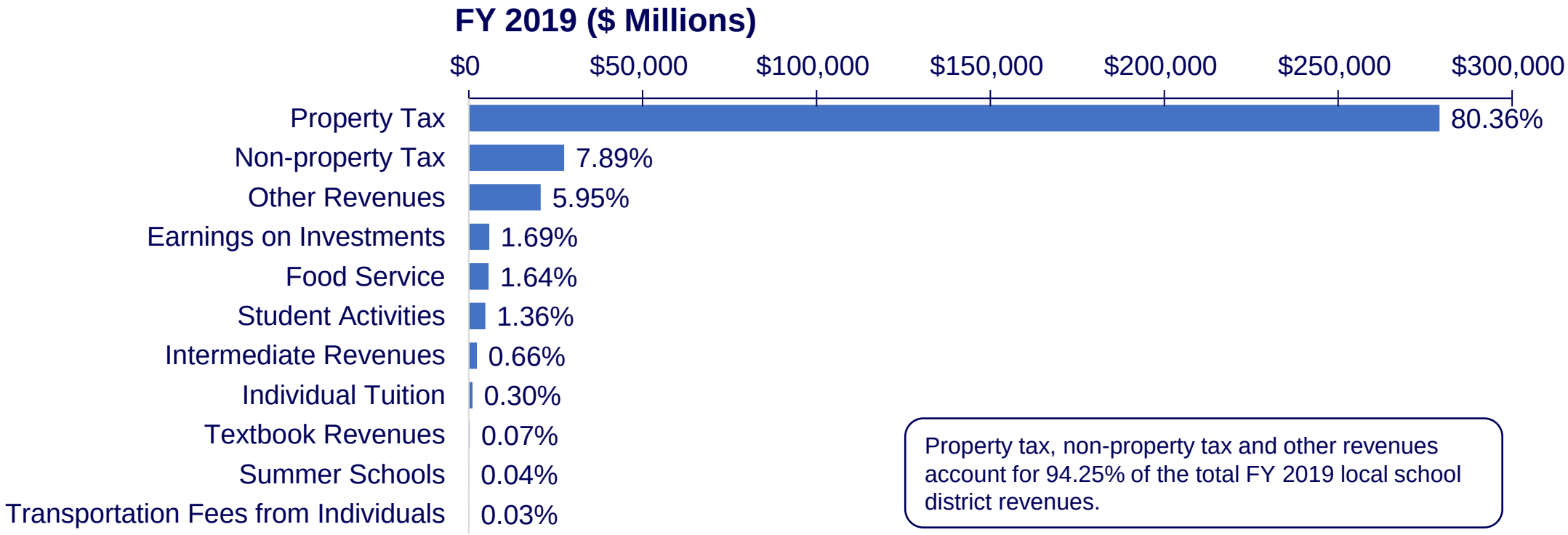
Source: https://nces.ed.gov/ccd/files.asp.

U.S. Local School District Revenues



Source: https://nces.ed.gov/ccd/files.asp.

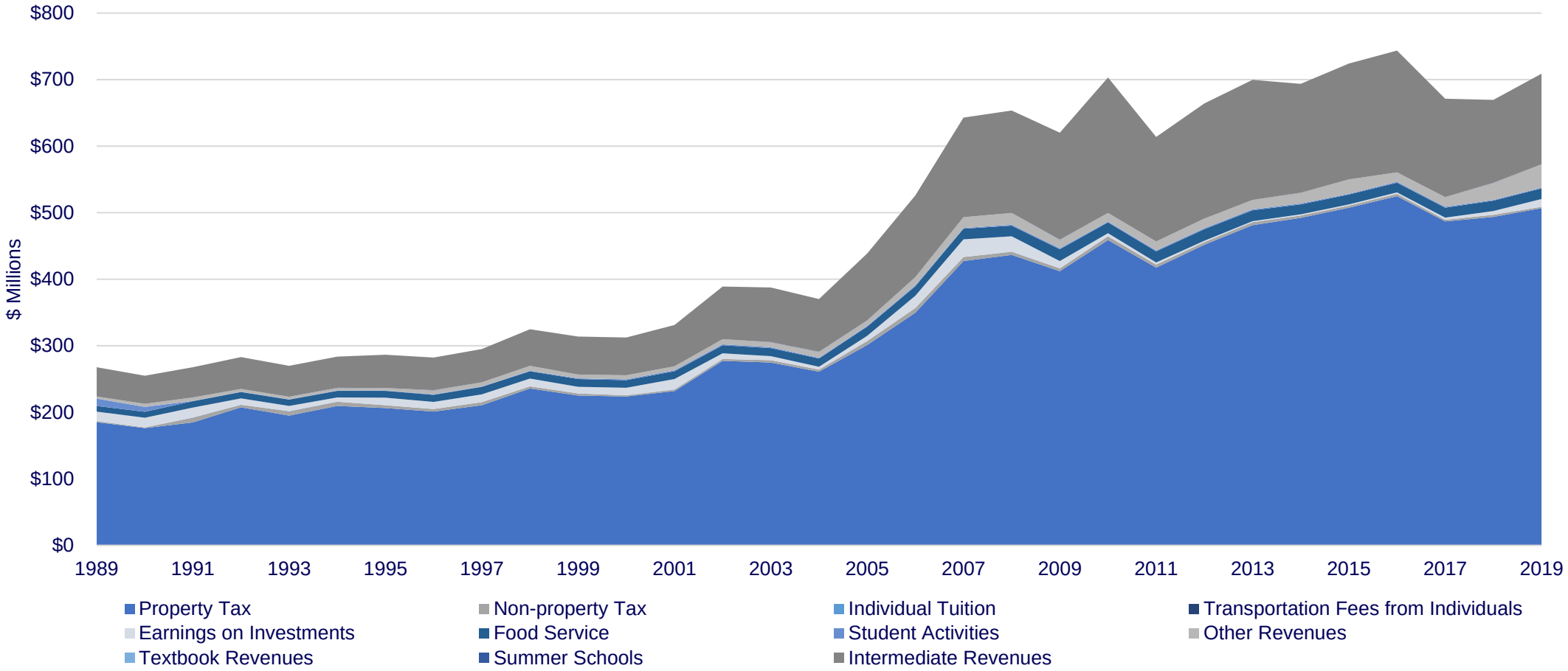
U.S. Local School District Revenues



Property tax, non-property tax and other revenues account for 94.25% of the total FY 2019 local school district revenues.

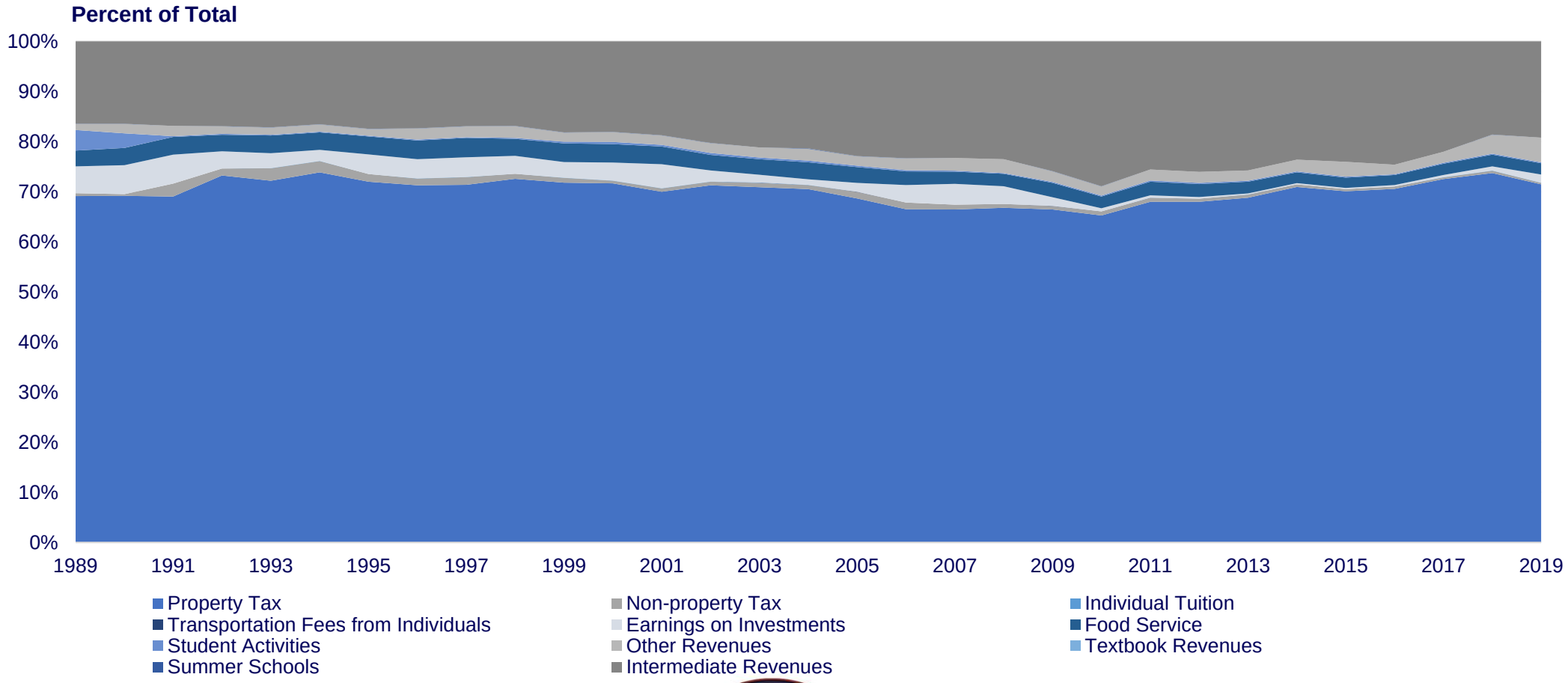
Source: https://nces.ed.gov/ccd/files.asp.

WY Local School District Revenues



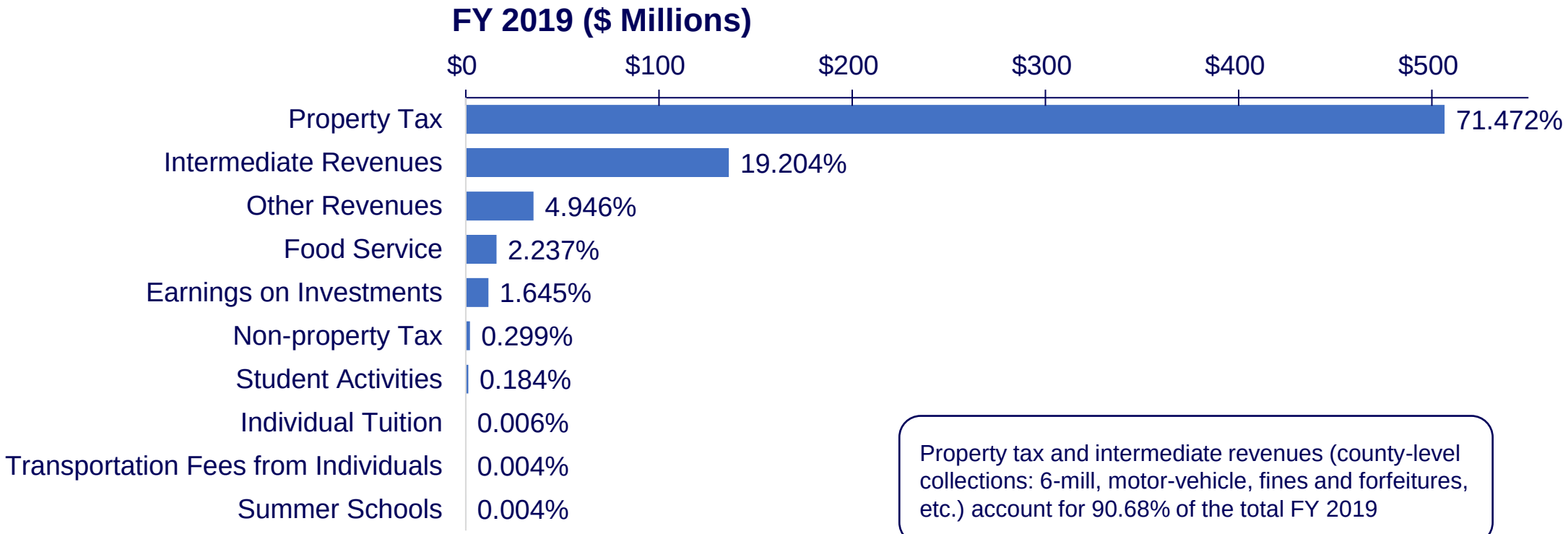
Source: https://nces.ed.gov/ccd/files.asp.

WY Local School District Revenues



Source: https://nces.ed.gov/ccd/files.asp.

WY Local School District Revenues



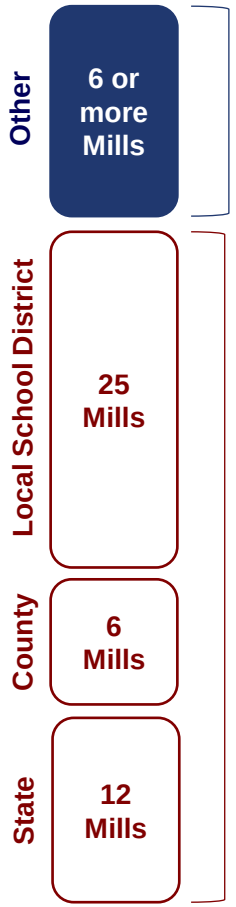
Property tax and intermediate revenues (county-level collections: 6-mill, motor-vehicle, fines and forfeitures, etc.) account for 90.68% of the total FY 2019

Source: https://nces.ed.gov/ccd/files.asp.

WY Local School District Revenues

- **School District Levy:** Revenue generated from 25 mill property tax within the school district. (W.S. 21-13-102(a) and 39-13-104(d)(i))
- **Countywide Levy:** Revenue generated from countywide 6 mill property tax. (W.S. 21-13-201(a) and 39-13-104(b)(ii))
- **County Motor Vehicle Fund:** Revenue generated from motor vehicle licensing and registration, distributed in the same manner as property taxes. (W.S. 31-3-103)
- **Fines and Forfeitures:** The district's share of fines and forfeitures distributed to it during the previous school year. (W.S. 8-1-109 and 35-11-424(c))
- **Taylor Grazing Act Funds:** The district's share of Taylor Grazing Act funds distributed to it during the previous year under federal law. (W.S. 9-4-402)
- **Railroad Car Company Taxes:** The district's share of railroad car company taxes distributed to it during the previous school year. (W.S. 39-13-111(a)(iii))
- **Property Sales:** Any amount received by the district in the preceding year from the sale of real or personal property. (W.S. 21-13-310(a)(xiv))
- **Tuition Payments:** Revenue generated from tuition received during the previous school year, excluding distance education tuition payments from school districts, tuition payments provided under W.S. 21-4-502(c) and revenues received by a district from post-secondary education option programs provided under W.S. 21-20-201. (W.S. 21-13-310(a)(ix))
- **Forest Reserve Funds:** The district's share of forest reserve funds distributed to it during the previous year under federal law. (W.S. 9-4-504)
- **Delinquent Tax Penalty and Interest:** The district's share of interest and penalties on delinquent taxes distributed to it during the previous school year. (W.S. 39-13-108(b)(ii))
- **Cash Reserves & Operating Balances:** District's operating balance & cash reserve exceeding 30% of guarantee from the preceding year are considered a local resource. (W.S. 21-13-313(e))
- **Other Local Resources:** Other revenues, not excluded, received, or collected by the district during the previous school year. (W.S. 21-13-310(a)(xv))

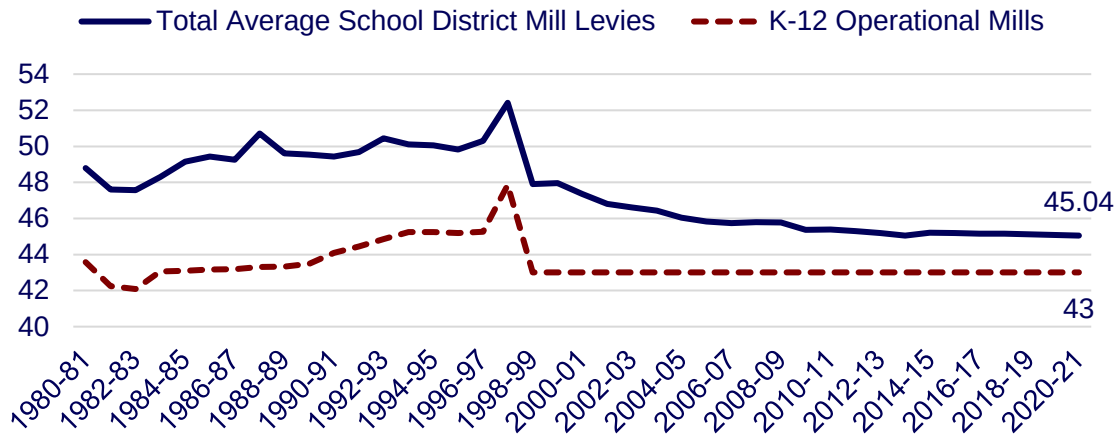
School District Mill Levies



Other: Available for additional purposes:

- Debt Service
- Adult Education (max 2.5 mills)
- BOCES (max 2.5 mills)
- Recreation (max 1 mill)
- Building Fund

Mandatory "Operational" Mills

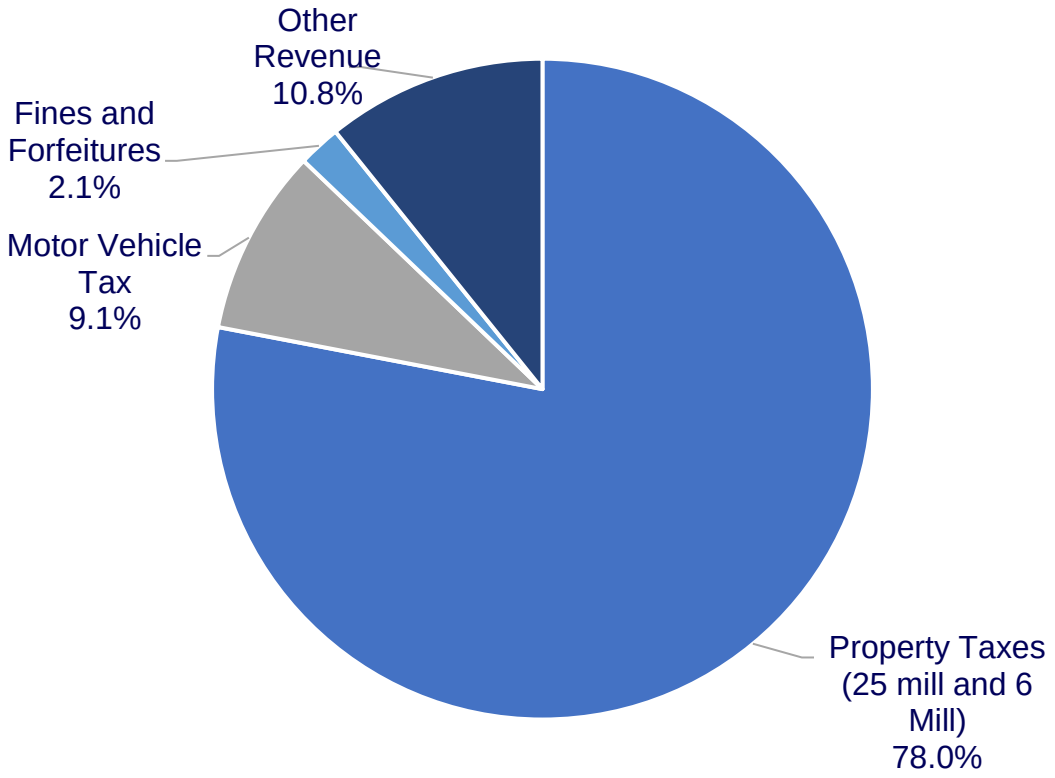


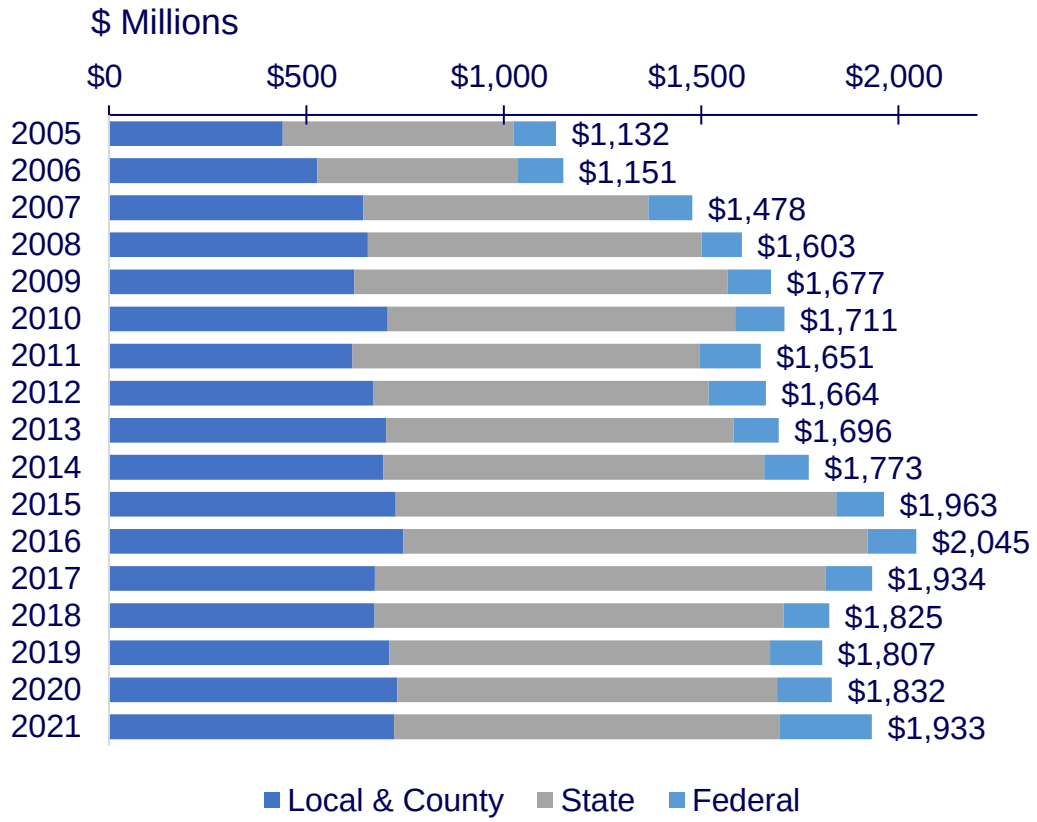
Prior to SY 1997-98 – Optional Mill Levies

- Operations
  - 1 Mill Levy Board Approved
  - 2 Mills Voter Approved
- Maintenance
  - 1 Mill Levy Board Approved
  - 2 Mills Voter Approved
- *Repealed 1997 Special Session*

WY Local School District Revenues

Percent of Local and County (Avg. FY 2005 to FY 2021)





Source: Wyoming Department of Education. *Statistical Report Series No. 3, FY 2005 to FY 2021:* https://portals.edu.wyoming.gov/Reports/Public/wde-reports-2012/finance/stat-3.

State Government Earmarked Tax Collections

Education: K-12 and Higher Education (Count of States)	
General Sales (11)	Insurance (4)
Tobacco (10)	Public Utilities (3)
Personal Income (8)	State Property (3)
Severance (6)	Pari-Mutuel (2)
Corporation Income (5)	Motor Fuel (2)
Alcoholic Beverage (4)	Motor Vehicle Registration (1)
Gaming (4)	

- 2008 NCSL Report
- 2005 data indicated 35 states had specific tax earmarks for K-12 and Higher Education
- Wyoming had no earmarks listed in the NCSL report for K-12 or higher education

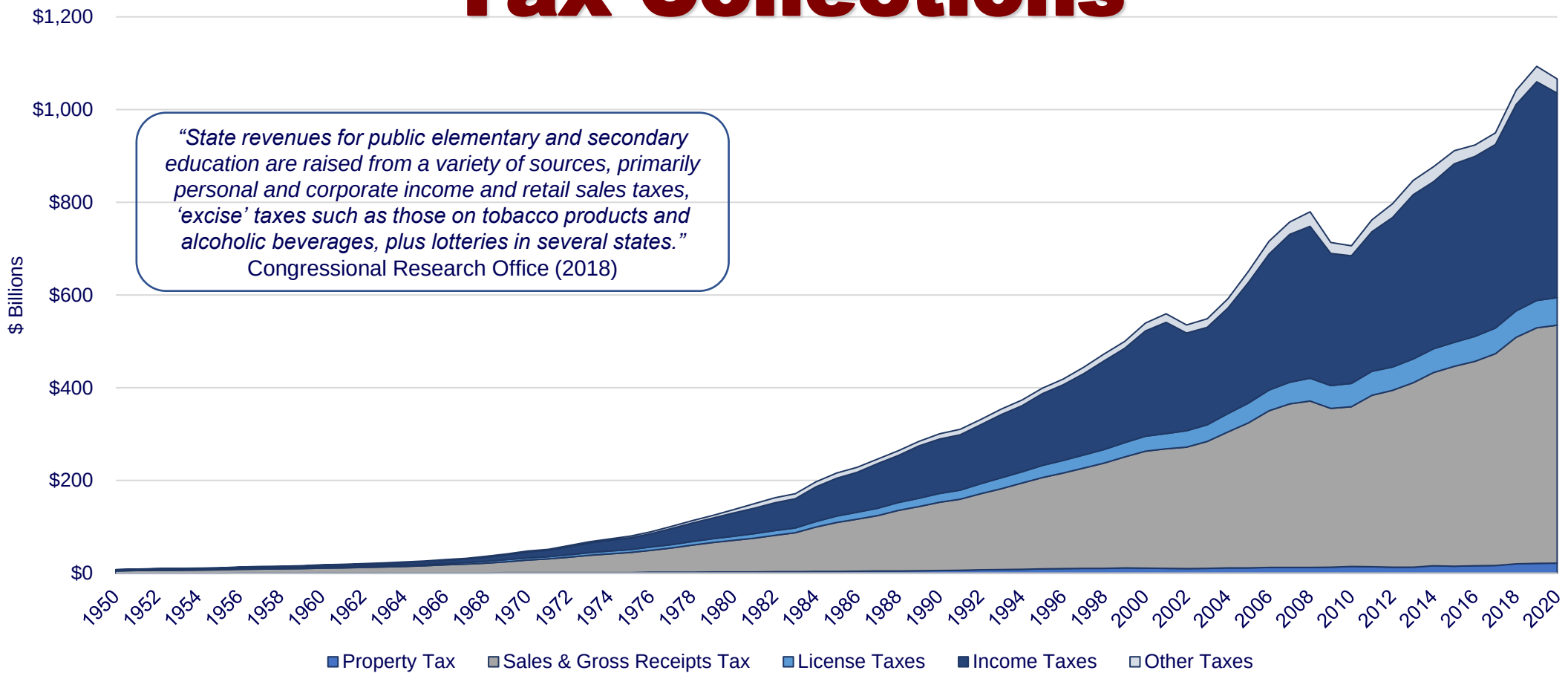
Source: National Conference of State Legislatures . (2008). *Earmarking State Revenues*. https://www.ncsl.org/documents/fiscal/earmarking-state-taxes.pdf.

State Aid: CO, ID, NM, ND and WY

State	General Fund Support %	Other Funds	Notes
Colorado	90%	10%	8.3% State Education Fund (Income Tax); 1.5% State Public Fund from state lands
Idaho	94.7%	5.3%	
New Mexico	100% *(77%)*	*(23%)*	20.8% Permanent Land Fund Investment Income; 2.2% from school lands. Both deposited into Common School Fund within General Fund.
North Dakota	77.5%	22.5%	17.3% from equivalent of Common School Fund (Investment Income and state lands); 5.2% from State Aid Stabilization Fund
Wyoming		100%	

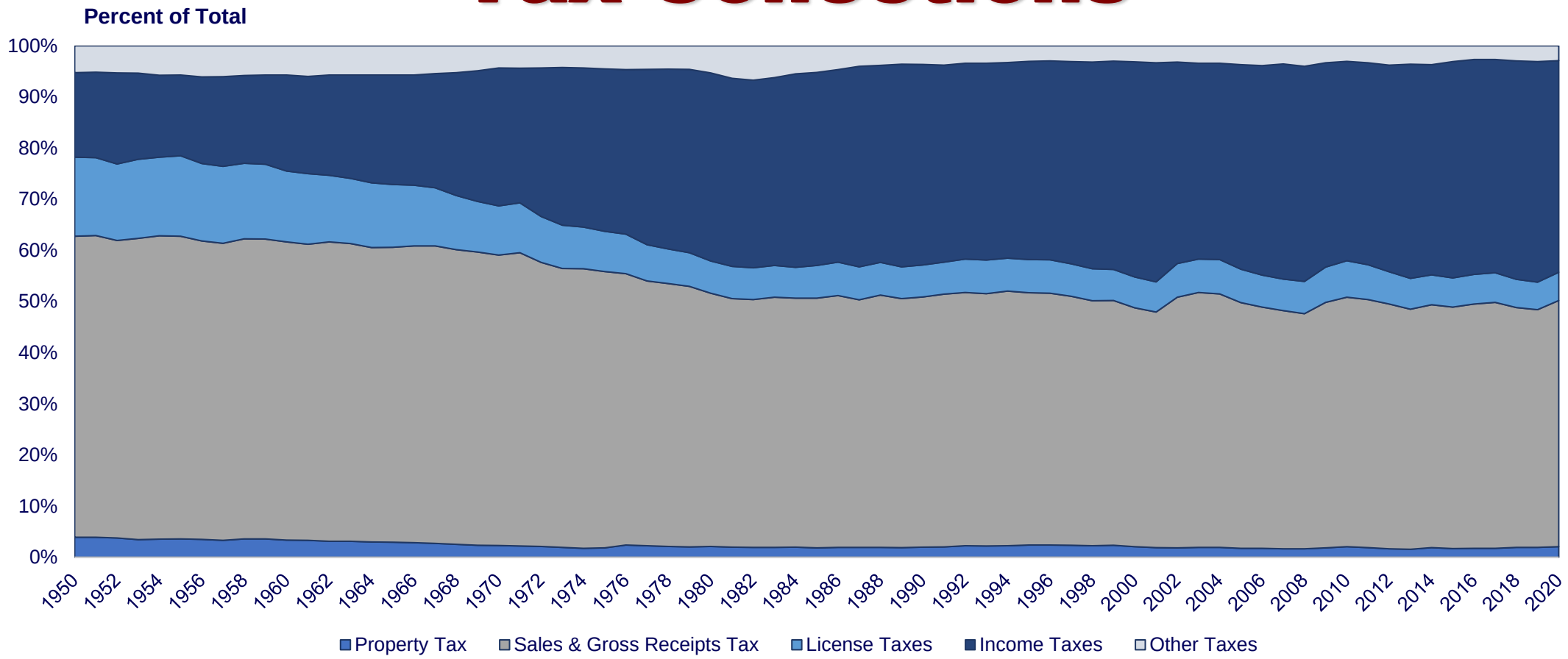
Source: LSO analysis of Colorado, Idaho, New Mexico and North Dakota legislative fiscal documents.

U.S. State Government Tax Collections



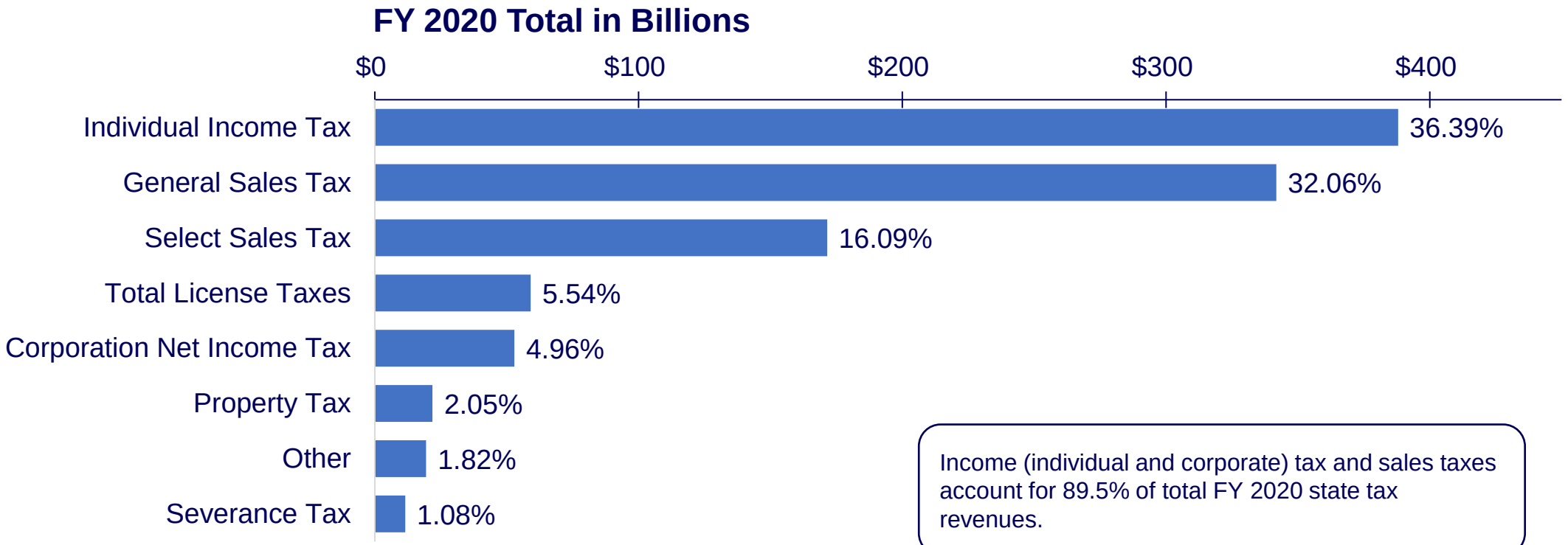
Source: 1) https://www.census.gov/programs-surveys/stc.html; 2) Congressional Research Office. (2019). *State and Local Financing of Public Schools*. https://sgp.fas.org/crs/misc/R45827.pdf.

U.S. State Government Tax Collections



Source: https://www.census.gov/programs-surveys/stc.html.

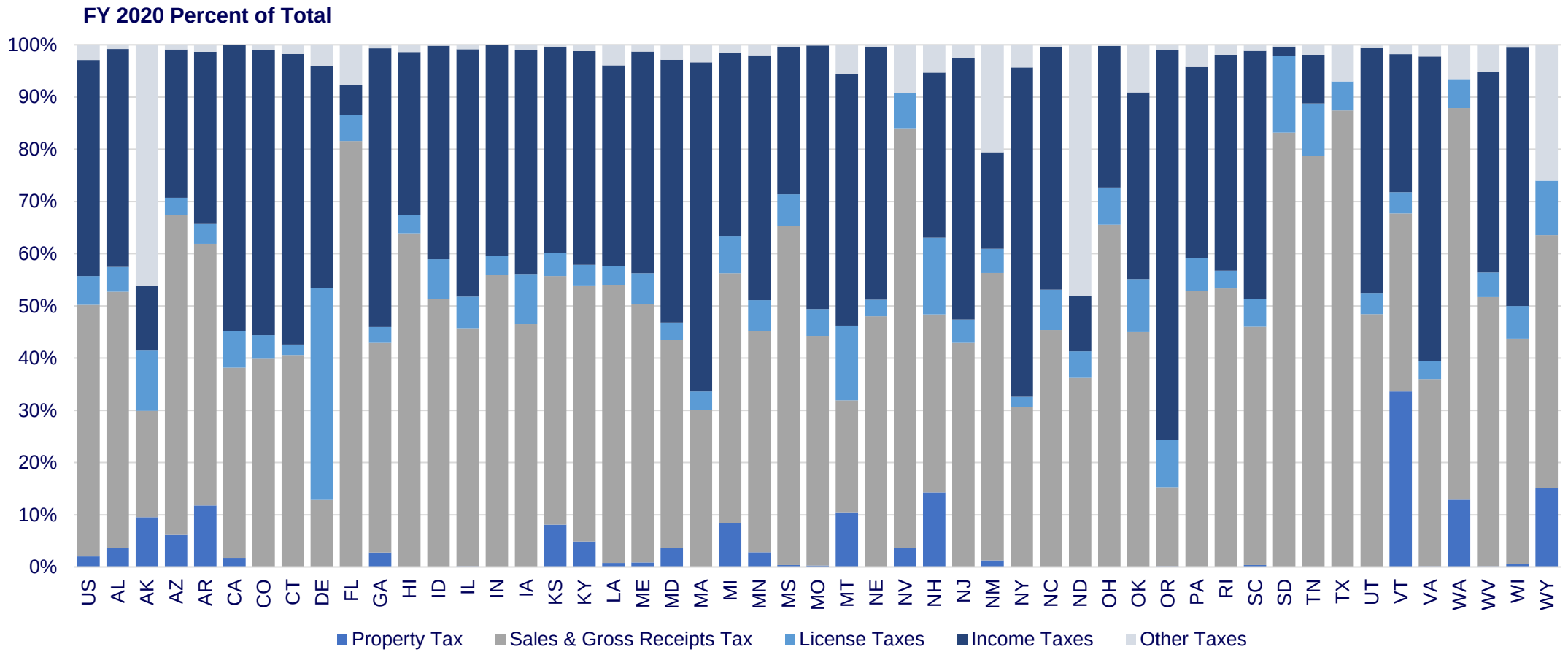
U.S. State Government Tax Collections



Income (individual and corporate) tax and sales taxes account for 89.5% of total FY 2020 state tax revenues.

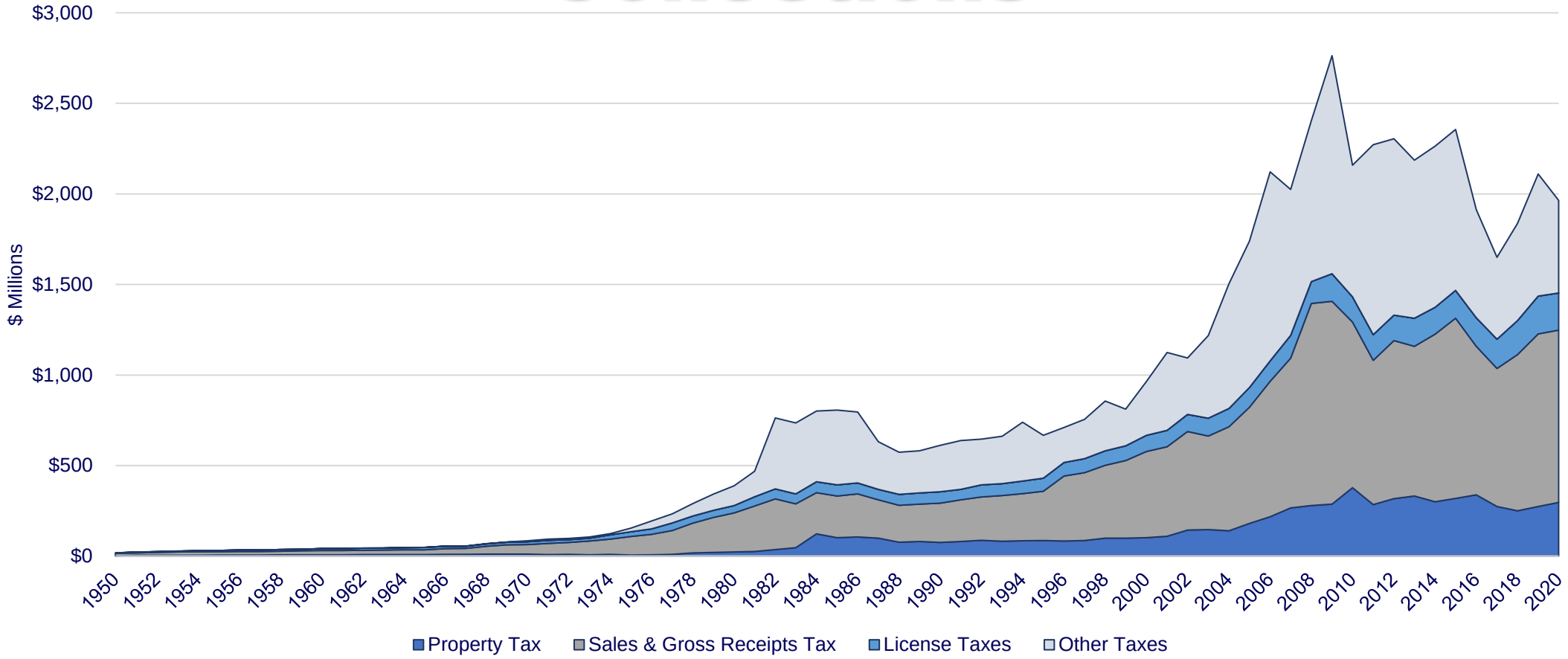
Source: https://www.census.gov/programs-surveys/stc.html.

State Government Tax Collections



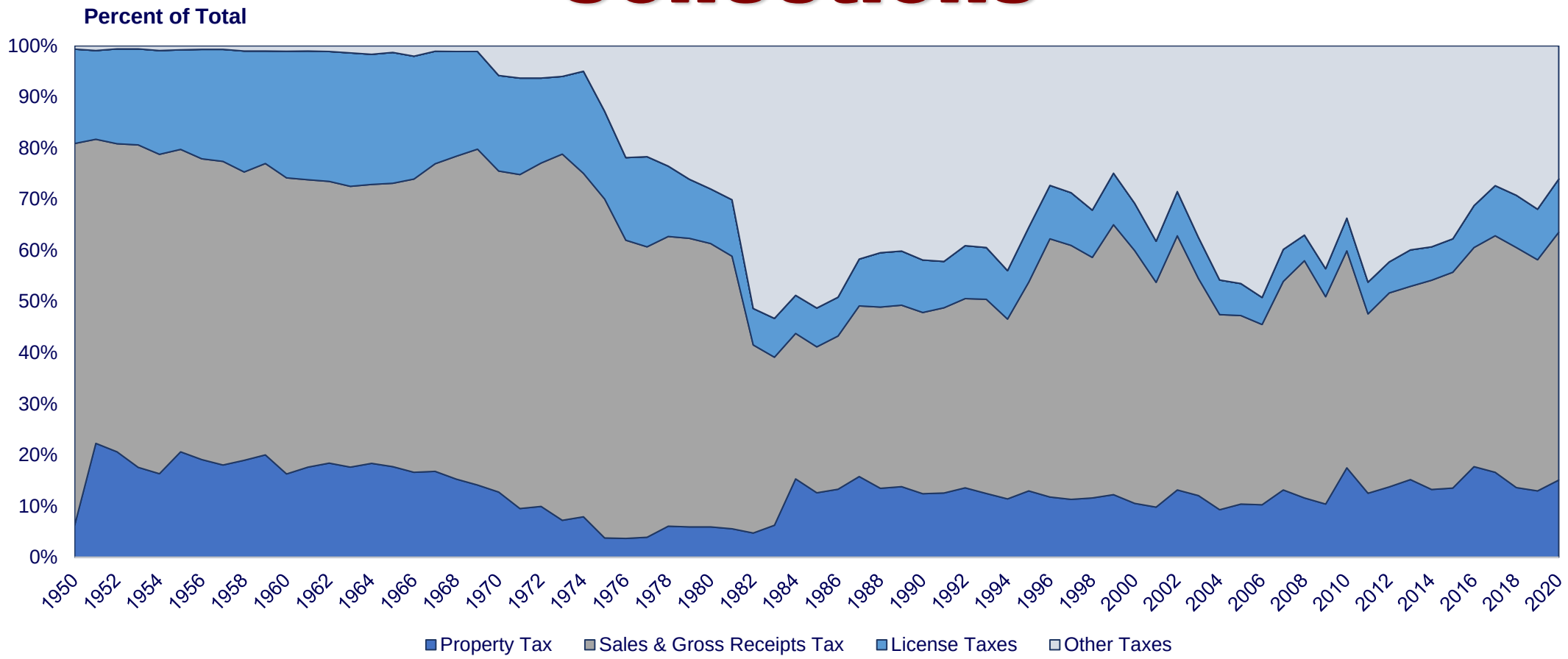
Source: https://www.census.gov/programs-surveys/stc.html.

WY State Government Tax Collections



Source: https://www.census.gov/programs-surveys/stc.html.

WY State Government Tax Collections



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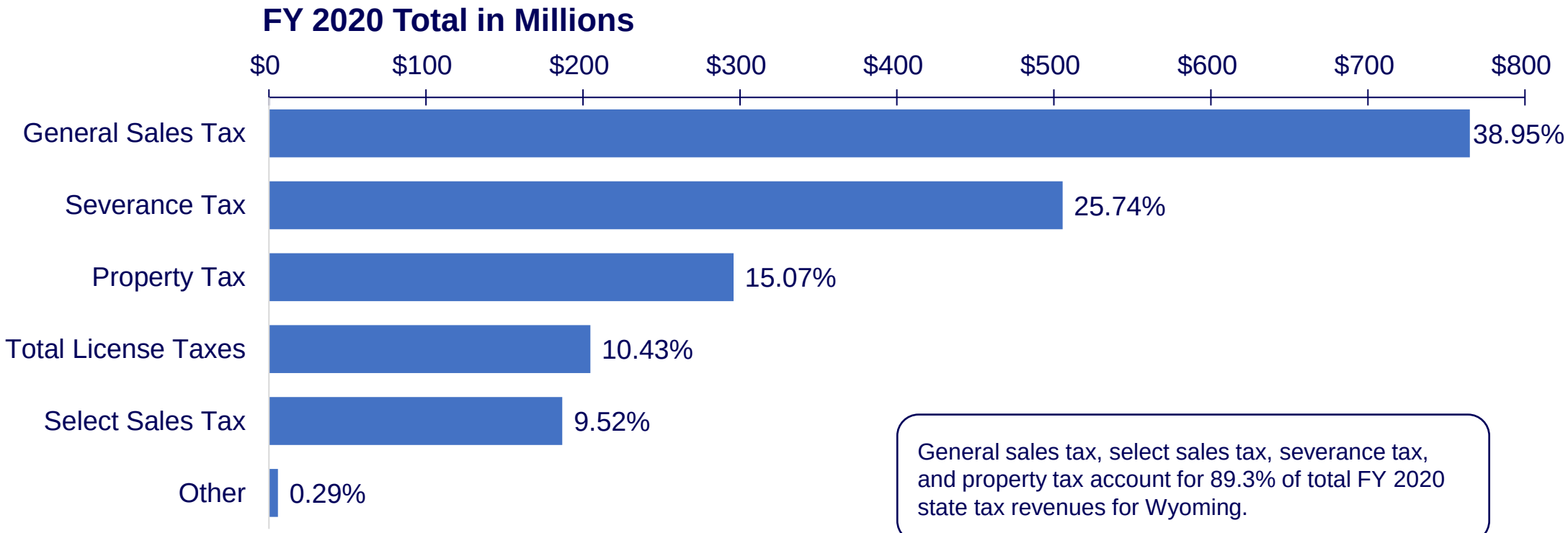
WY State Government Tax Collections



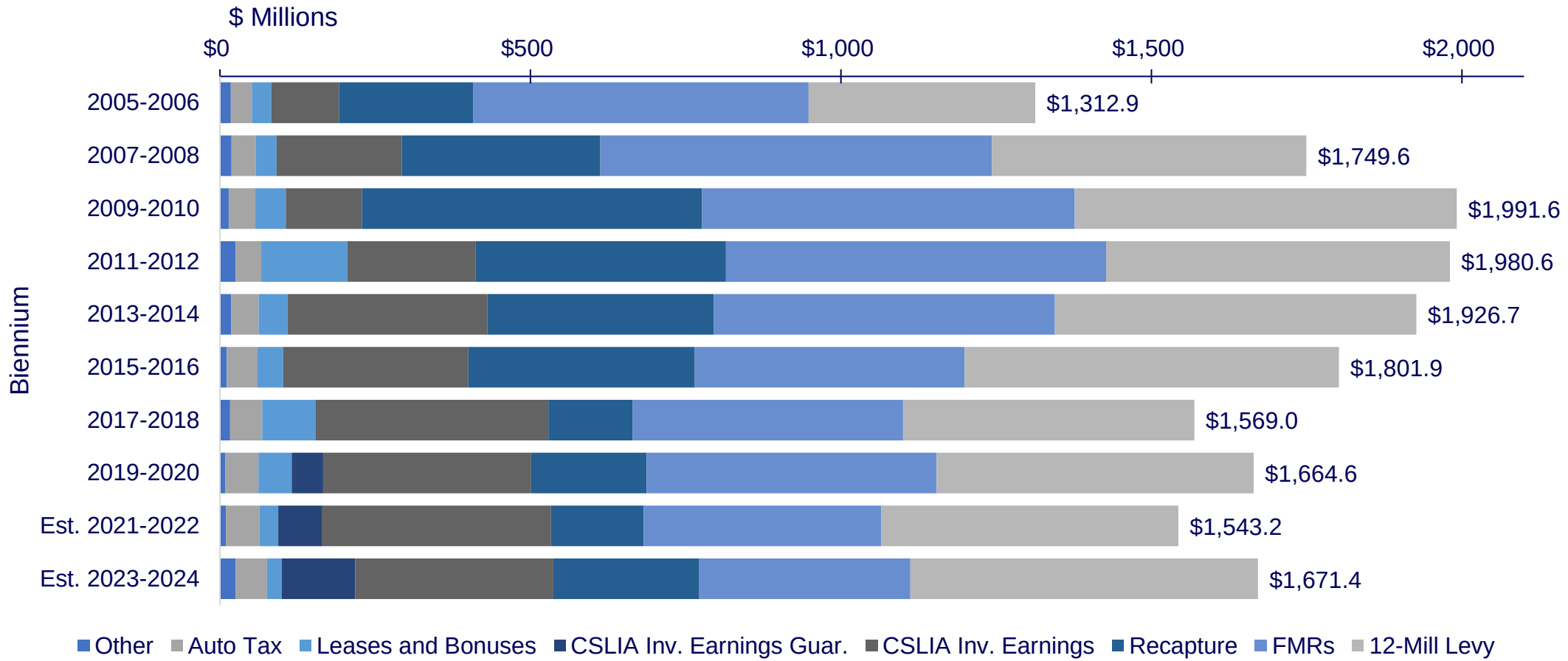
General sales tax, select sales tax, severance tax, and property tax account for 89.3% of total FY 2020 state tax revenues for Wyoming.

Source: https://www.census.gov/programs-surveys/stc.html.

School Foundation Program Account (SFP) Revenues

- **Statewide Levy:** Revenue generated from 12 mill statewide property tax. (W.S. 21-13-303 and 39-13-104(a)(iv))
- **Recapture:** Monies paid by school districts with local resources exceeding their guarantee. (W.S. 21-13-102(b))
- **Common School Land Income (CSLIA):** Interest, dividends, and net realized capital gains on the Common School Account within the Permanent Land Fund. The CSLIA also receives revenue from non-depletable activities on CSA lands, including revenue streams such as grazing leases, and oil or coal bonus payments. (W.S. 21-13-301)
- **Common School Permanent Land Fund Spending Policy Reserve Account (CSPLF SPRA):** If investment income is less than the spending policy amount (SPA), the difference is transferred from the CSPLF SPRA to the CSLIA to ensure an amount equal to the SPA is available. This only occurs if revenue is available in the CSPLF RA. (W.S. 9-4-719(f))
- **Federal Mineral Royalties (FMRs):** Revenue generated from federal payments, distributed under federal law, to the state for mining activity within the state. In the event investment income from the CSA exceeds SPA of the CSA, then the amount over the SPA is directed to the CSPLF SPRA, swapped with FMRs. (W.S. 9-4-601(a)(ii), (d)(iii), (k)(i), (m)(i), and (n)(i))
- **Pooled Interest:** Interest derived from property tax holdings by the county prior to remitting it to the state and interest derived from the pooled earnings of the SFP.
- **E-Rate:** Revenue received from applications to the universal service administrative company under the federal communications commission for amounts available to the state under the schools and libraries program of the universal service fund. (W.S. 9-2-2906(e)(v))
- **Motor Vehicle Registration Fees:** Revenue generated from motor vehicle licensing and registration, distributed in the same manner as property taxes. (W.S. 31-3-103)
- **Car Company Taxes:** Revenue generated from railroad car company taxes, distributed in the same manner as property taxes. (W.S. 39-13-111(a)(iii))
- **Skilled Gaming Tax Revenue:** Revenue generated from skill-based amusement games. (W.S. 11-25-304(d)(ii))
- **School Based Medicaid Revenues**: Revenue from Medicaid to reimburse state for students receiving certain special education programs and services. (W.S. 21-13-321(h))
- **Augmentations:** Any additional revenue directed by the Legislature to the SFP. To the extent the balance of the Legislative Stabilization Reserve Account (LSRA), is not less than $500 million, a transfer is made from the LSRA to the SFP to restore the unobligated, unencumbered balance within the SFP to $100 million on June 30 of each fiscal year. (W.S. 9-4-219(b))

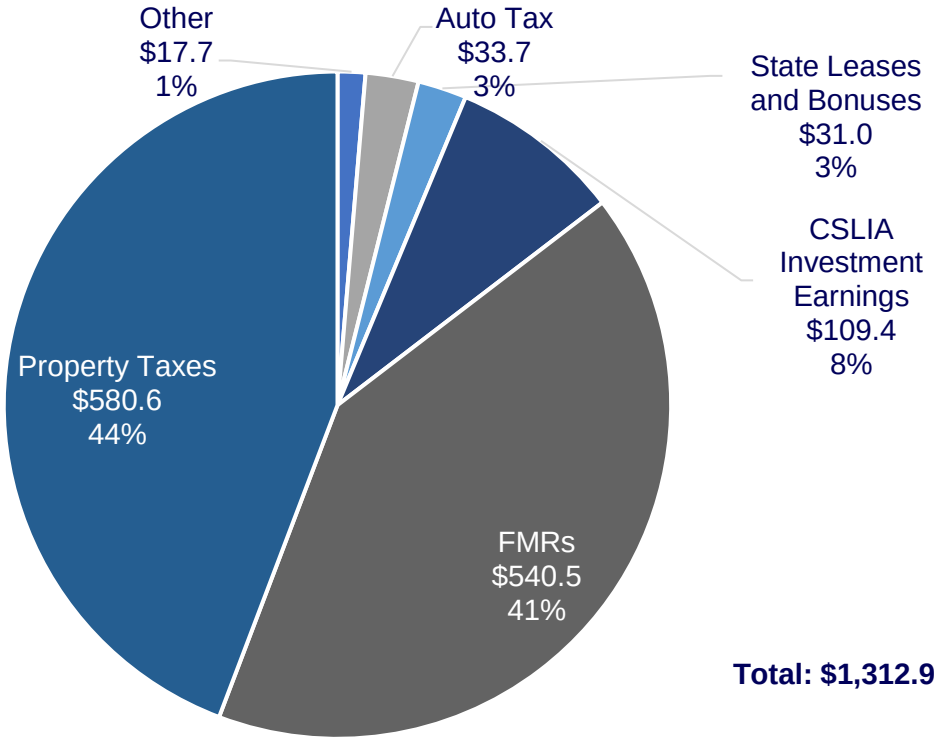
SFP Traditional Revenues



Source: LSO analysis of historical data and January 2022 CREG data.

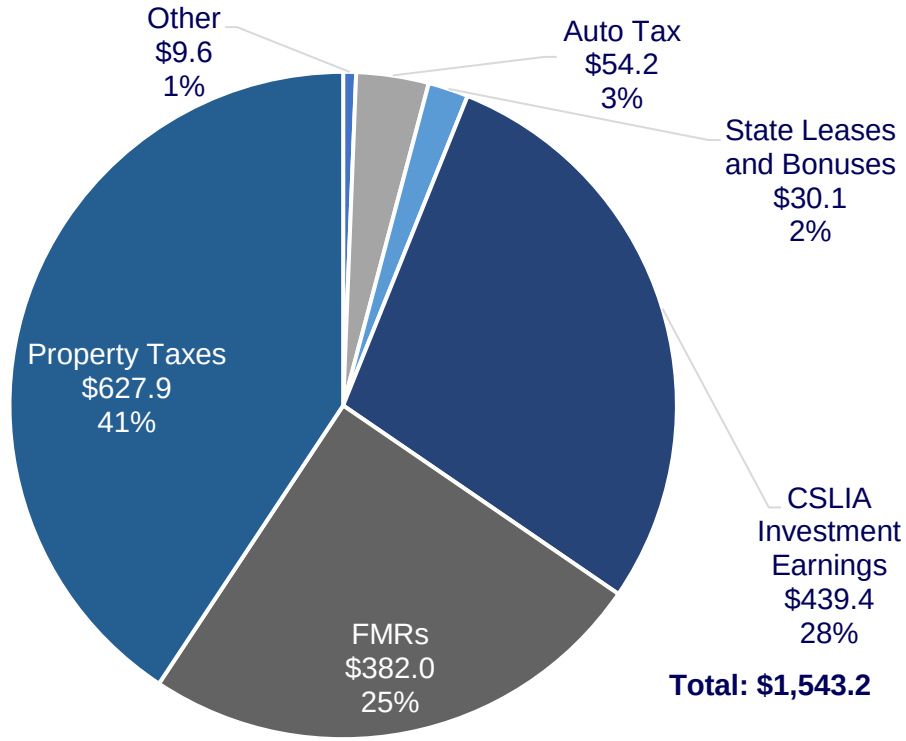
SFP Traditional Revenues Comparison

FY 2005-2006 ($ Millions)



Total: $1,312.9

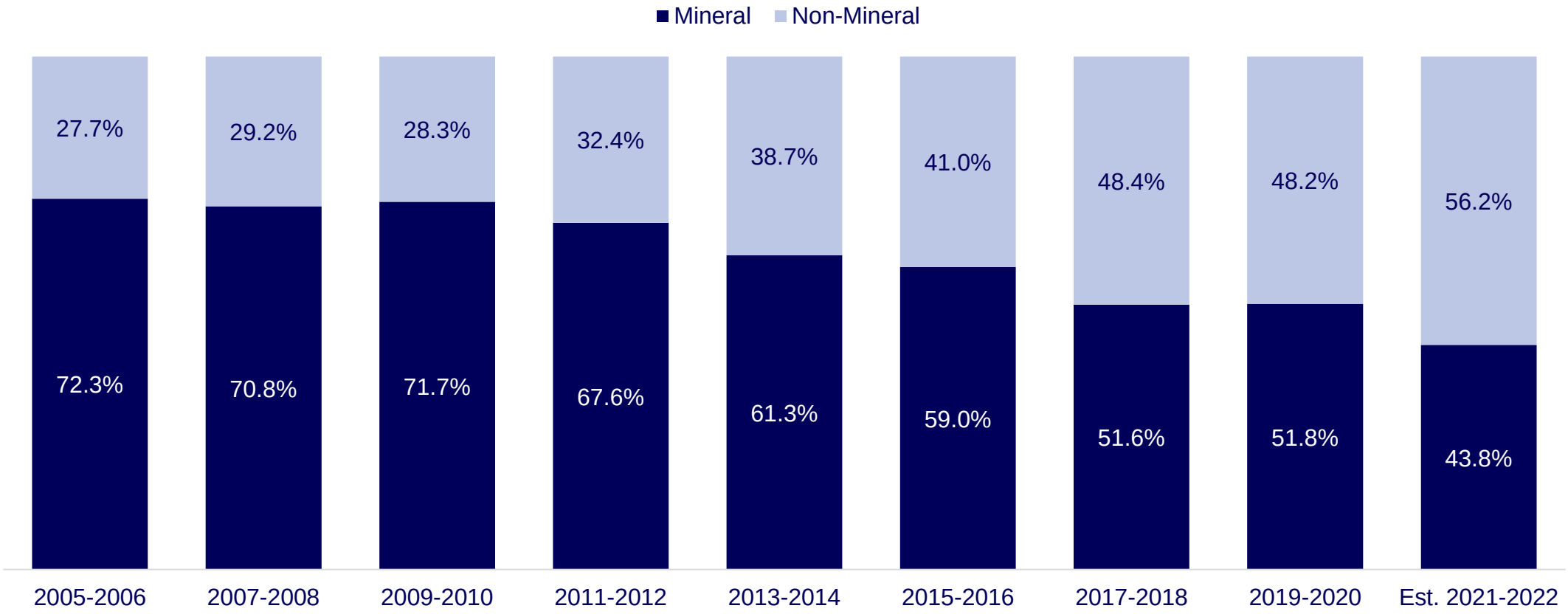
Estimated FY 2021-2022 ($ Millions)



Total: $1,543.2

Source: LSO analysis of historical data and January 2022 CREG data. The "Property Taxes" amount includes the state 12-mill and school district recapture revenue.

Estimated SFP Revenues from Minerals and Non-Minerals

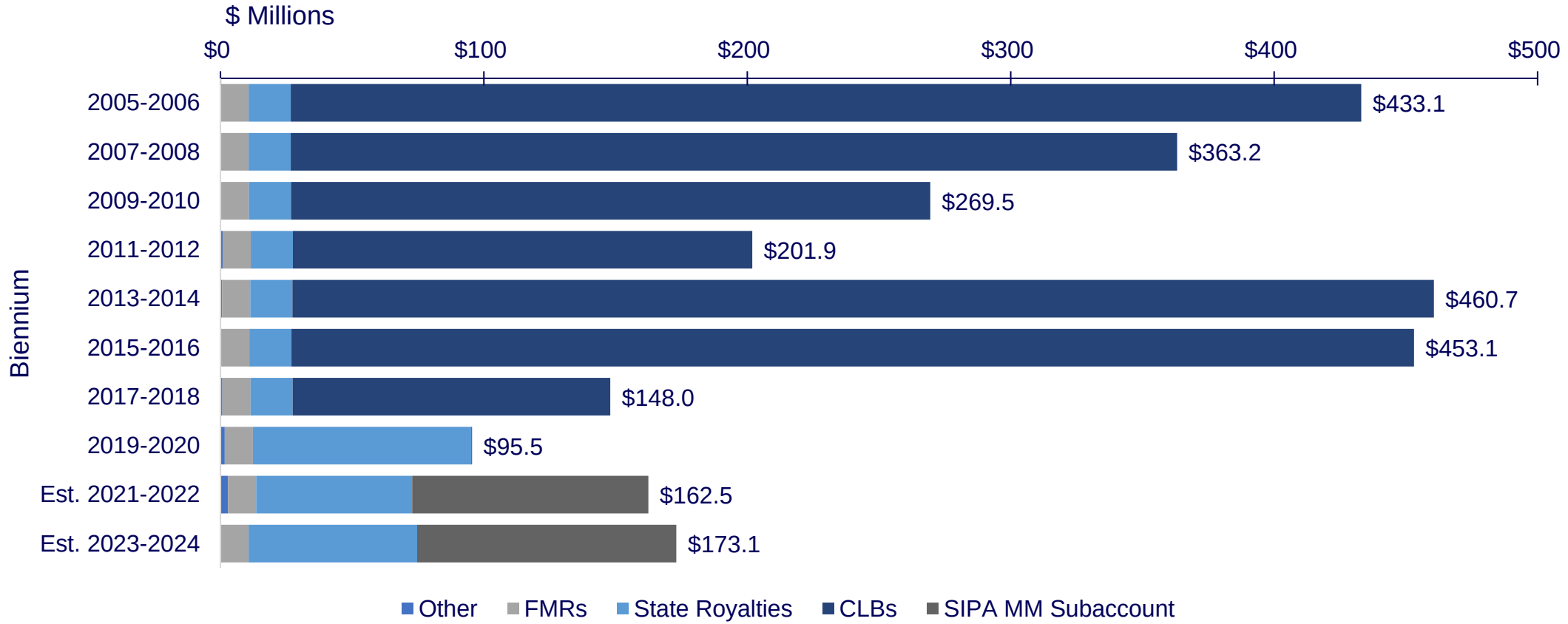


Source: LSO analysis and calculations. Minerals include: FMRs, CLIA state leases and bonuses related to minerals, and proportional share of assessed valuation for state 12-mill and school district recapture revenue

School Capital Construction Account (SCCA) Revenues

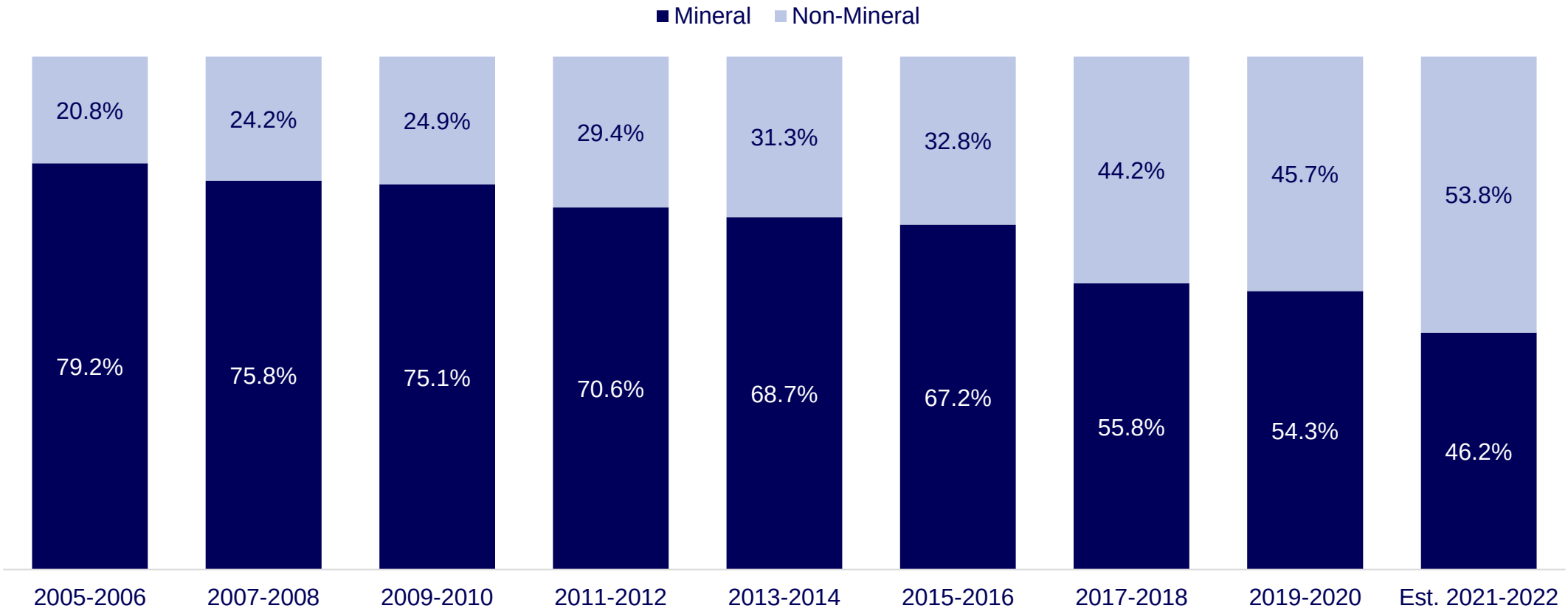
- **Federal Mineral Royalties (FMRs):** Revenue generated from federal payments, distributed under federal law, to the state for mining activity within the state. (W.S. 9-4-601(a)(vii))
- **Common School Land Income – State Royalties:** Up to 33 1/3% of mineral royalties from the lease of school lands to be deposited into the School Lands Mineral Royalties Account. Historically, these amounts were deposited into the SCCA, up to $8 million. The Legislature has continued to transfer these funds to the SCCA, thus are shown as a traditional revenue. (W.S. 9-4-305(b))
- **Pooled Interest:** Interest derived from the pooled earnings of the SCCA. (W.S. 21-15-115(a)(i))
- **Augmentations:**
  - School Major Maintenance Subaccount within the Strategic Investments and Projects Account (SIPA), equal to 45% of the maximum amount which may be credited to the SIPA (1.25% of the Permanent Wyoming Mineral Trust Fund spending policy (W.S. 9-4-220(b)(i))
  - Any additional revenue directed by the Legislature to the SCCA.
- **School District Infrastructure Recapture Agreements:** Revenue received by school districts and transferred to the SCCA for prior infrastructure projects.
- **Federal Coal Lease Bonus (CLB) Payments:** Distributions in accordance with W.S. 9-4-601(b).

SCCA Traditional Revenues



Source: LSO analysis of historical data and January 2022 CREG data.

Estimated SFP/SCCA Revenues from Minerals and Non-Minerals



Source: LSO analysis and calculations. Minerals include: FMRs, CLBs, state royalties, CLIA state leases and bonuses related to minerals, and proportional share of assessed valuation for state 12-mill and school district recapture revenue

Conclusion

- Federal Land Grant Program established revenue for public schools
- State specific constitutions, courts, and formulas play a role in level of support for K-12 funding
- State and local revenue proportion is state specific
- 80% of local school district revenue is derived from property taxes
- 90% of state tax revenue is derived from sales/gross receipt and income taxes; used to support K-12 schools

Conclusion Cont.

- Wyoming revenues are volatile
- SFP and SCCA revenue has shifted from substantial majority (79%) mineral related to slight majority (54%) non-mineral related
- Increased revenue from investment earnings to SFP; lower FMRs
- CLB revenue left significant hole to fill for SCCA; replaced in part by state royalties and SIPA

Additional Questions?

Thank you