

Fiscal Highlights

Minimum School Program Estimates - Ben Leishman

The annual appropriation for the Minimum School Program (MSP) is mostly based on two estimates: local school district property tax collections and the number of students. Over the past several years, large year-end balances have accumulated in the program at the close of the fiscal year. These balances have ranged from \$30 million to \$100 million annually and occur when the amount of property tax collections is underestimated or the number of WPUs is overestimated.

A consensus process is used to develop the MSP estimates. Specialists from the Office of the Legislative Fiscal Analyst, the Utah State Office of Education, the Governor's Office of Planning and Budget, and the Utah State Tax Commission develop the estimates. Accurate projections are important to not unnecessarily tie up funding that could be used for other purposes or require the Legislature to allocate additional funding.

Through the consensus process, the methodology used to estimate local property tax collections changed two years ago. The goal of the change was to decrease the variance between the statutory local revenue target appropriated by the Legislature each year and actual collections. From FY 2010 to FY 2014 the variance ranged from 4 percent to 12 percent as seen in the chart below. The new methodology anticipates a variance between 1 percent and 4 percent.

FY 2015 was the first budget year using the new methodology. Based on actual collections, the property tax collection estimate came in within the new range at 2 percent. The change in methodology has reduced the variance between the amount estimated in local property tax collections and the amount actually collected. As a result, the amount remaining in the program is also lower at \$5.6 million.

Fiscal Year	Basic Rate: Estimated vs. Actual Collections FY 2010 to FY 2015			
	Estimated	Actual	Difference	Variance
2010	\$273,950,764	\$283,799,229	\$9,848,465	4%
2011	\$273,950,764	\$297,509,243	\$23,558,479	9%
2012	\$284,221,713	\$310,279,300	\$26,057,587	9%
2013	\$289,021,900	\$322,574,011	\$33,552,111	12%
2014	\$294,092,000	\$306,814,191	\$12,722,191	4%
2015	\$296,709,700	\$302,335,197	\$5,625,497	2%

Historically, the student enrollment estimate has been very accurate. In FY 2015, initial estimates indicated that 622,813 students would enroll in Utah's public schools. The actual enrollment was 622,153, a difference of 660 students (0.1 percent). The Legislature appropriated funds based on the higher enrollment estimate. As a result, approximately \$2.2 million more was appropriated than required.

Approximately \$7.8 million may be added to the MSP year-end balance as a result of the property tax and enrollment estimates. Preliminary figures show that FY 2015 may close with approximately \$40.0 million in remaining balances.

This information leads to a natural question: will there be approximately \$40.0 million available to spend on education programs next year? The Utah State Office of Education is still in the process of finalizing the FY 2015 budget and it is likely this estimate will change. Also, the amount includes funds committed to multi-year programs or encumbered and waiting for distribution to school districts or charter schools.

When accounting for final changes, multi-year programs, and encumbrances, there may be approximately \$25.0 million in balances remaining in the MSP. Before you answer the question on how much can be spent in the next session, you may want to answer the following:

- How much of a budgetary cushion is appropriate for the Minimum School Program?
- What happens when estimates are off and balances are insufficient to cover the difference?

While \$25.0 million is a lot of money, it is less than 1 percent of the total \$3.5 billion MSP budget. Also, funding for students (converted to WPU) is guaranteed under statutory formulas. The Legislature has two options if future estimates are significantly wrong and balances are insufficient to cover the difference. First, the Legislature could appropriate more funding either in a special session or the following general session. Or, second, statute requires that the State Board of Education reduce the WPU Value (reduce funding for all students) to meet the level of revenue appropriated by the Legislature.