



Budget Brief: Minimum School Program

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE

SUMMARY

The Minimum School Program (MSP) provides state support for the operation and maintenance of Utah's public schools. Conceptually, the program is divided into two sections "Above-the-Line" and Below-the-Line", five programs collectively comprise the MSP: the Basic School Program (Above-the-Line), Related to Basic Programs, Special Populations, Board and Voted Leeway Programs, and Other Programs (all Below-the-Line). Program funding supports educational programs in the school districts and charter schools reaching over 564,500 students. School districts and charter schools receive MSP funding on a formula basis that equalizes state revenues (along with some local property tax revenue) on a weighted pupil basis.

BASIC SCHOOL PROGRAM

The Basic School Program acts as a series of large block grants to support the local provision of educational services. It is the largest program in the Minimum School Program and supports the operation and maintenance of public schools. These basic programs are often referred to as "WPU driven" because total costs are derived by multiplying the number of WPUs for each program by the value of the WPU. School districts and charter schools receive allocations based on their number of WPUs for each of the various programs.

Weighted Pupil Unit

The WPU is the common factor used in determining the costs of, and distributing basic program revenues. Basic School Programs do not represent a plan of expenditure, or budget, for a school district or charter school to follow but provide a way to estimate the cost of a 'basic' education. School districts and charter schools generate WPUs based on their number of qualifying students or programs for each Basic School Program category. The WPU also supports the equitable distribution state revenues. Through the WPU, the State provides 'reasonably equal educational opportunities' (UCA 53A-17a-102) for all public school children in Utah. Further detail on Basic School Programs may be found in the Compendium of Budget Information (COBI) found online.

A complete history of the WPU, including the value of the WPU and the total number of WPUs, can be found in the Issue Brief titled "Student Enrollment Growth." Over the past 15 years, the number of WPUs has increased from 635,379 in 1995 to 732,661 estimated in FY 2010. This is an increase of 97,282 WPUs, or 15.3 percent.

Value of the WPU

The value of the WPU is established each year by the Legislature. When the value of the WPU is adjusted, the total cost of the Basic School Program increases or decreases. The current value of the WPU is \$2,577. The Legislature may establish a new WPU value during the 2009 General Session.

The Basic Property Tax Levy

The Basic School Program provides a mechanism for the state and local school districts to share in the cost of providing basic education services. School districts must impose a minimum basic tax rate on taxable property within the district and contribute the proceeds of this 'Basic Levy' towards their cost of the Basic School Program. This contribution of local revenue enables school districts to receive state revenue supporting the basic program.

The state requires by law a certain dollar amount be generated statewide by the basic rate, and estimates in law the value of the rate itself. The Utah State Tax Commission certifies by June 20 of each year a final Basic Rate based on central and local assessments. The Legislature establishes the Basic Tax Rate required of all school districts in statute each year.

Basic Rate

The table “Public Education: Basic Tax Rates and Yield” provides a history of the Basic Rate from 1990 to 2009 legislative estimates. Included in this table are the annual Basic Rate and the amount of revenue generated statewide over the same time frame.

Since 1990, the Basic Rate has decreased from 0.004656 to an estimated rate of 0.001303 in 2009. However, over the same time frame revenues generated from the Basic Rate have increased from \$206.5 million to \$273.9 million.

In 1994-95 and 1995-06 the Legislature instituted a series of property tax reductions. These reductions reduced the Basic Rate from 0.004220 to .002046, a reduction of more than 50 percent.

Setting the Basic Rate

As mentioned earlier, the Legislature established in statute each year the Basic Rate each school district must levy in order to participate in the Basic School Program. Estimates for FY 2010 indicate that a rate of 0.001303 is required to generate the level of local property tax revenue required for the Basic School Program.

The Basic Rate is set to generate the same level of revenue in the prior fiscal year plus the revenue growth from the value of new properties can be included. In previous years, the Basic Rate has decreased, or ‘floated-down’, each year. In FY 2010 estimates indicate that the Basic Rate will need to ‘float-up’ in order to generate the level of revenue needed for the program.

Recommendation:

The Analyst recommends that the Legislature approve a Basic Property Tax Rate of 0.001303 for FY 2010.

Equalizing Basic Rate Proceeds

School districts must impose the Basic Rate in order receive state funds allocated to the Basic School Program. Proceeds from the Basic Rate offset the cost of the Basic School Program to the state. State funds are used to equalize the revenue differences between ‘richer’ and ‘poorer’ school districts.

Because property values differ from school district to school district, state funds supplement the local property tax revenue to varying degrees across school districts. State funds supporting a school districts ‘basic program’ equals the difference between the proceeds of the basic levy and the cost of the basic program as established by the total number of Weighted Pupil Units (WPU) allocated to a school district. This mechanism ‘equalizes’ the revenue supporting the provision of basic educational services across school districts on a weighted pupil basis.

Tax Year	Basic Rate	Statewide Revenue Yield
1990 (1)	0.004656	\$206,547,092
1991 (1)	0.004275	206,980,205
1992 (1)	0.004275	233,270,047
1993 (1)	0.004275	246,061,605
1994 (1)	0.004220	265,169,587
1995	0.002640	198,601,148
1996	0.002046	173,139,225
1997	0.001950	179,999,007
1998	0.001840	177,151,434
1999	0.001840	188,076,348
2000	0.001881	204,833,990
2001	0.001785	206,375,916
2002	0.001807	222,423,539
2003	0.001825	226,447,025
2004	0.001800	236,027,265
2005	0.001720	242,913,297
2006 (2)	0.001515	232,483,090
2007 (2)	0.001311	245,254,790
2008 (2)	0.001250	260,731,750
2009 (2)	0.001303	273,950,764

Notes:

- Years in which funds were recaptured as a revenue source to the USF the following year from diistricts which collected more from the Basic Rate than they generated from the Basic School Program (WPU). Since recapture funds are not available to the Basic School Program and are deposited as part of the total USF the following year, no recapture funds are shown in these data.
- Yield shown is Legislative target rather than actual collections.

Sources: Utah State Office of Education, Finance and Statistics.
Legislative Fiscal Analyst, Appropriations Reports.
Prepared by: Office of the Legislative Fiscal Analyst (02/09BL).

Charter schools also participate in the equalized Basic School Program. However, since charter schools do not have the ability to levy property taxes, they do not contribute to the cost of the program. Basic School Program allocations to charter schools come entirely from state revenues.

Recapture

If a school district's Basic Rate yields more revenue than the amount to which the district is entitled under the Basic School Program, the state 'recaptures' the difference and deposits it into the Uniform School Fund to benefit the entire public education system. The state has not recaptured local property tax revenue from the school districts since 1994.

Estimates indicate that in FY 2009, recapture provisions will again begin to collecting Basic Levy revenues from Park City School District. As a matter of practice, the Utah State Office of Education generally waits until the end of the fiscal year to ask for recapture revenue from a school district. This is to ensure that final tax settlements and adjustments are made. Park City School District is projected to stay in recapture in FY 2010.

RELATED TO BASIC SCHOOL PROGRAM

The Related to Basic Program includes several categorical programs often referred to as 'non-Weighted Pupil Unit (WPU) driven' programs. These programs supplement the Basic School Program offered in the school districts and charter schools. Unlike the Basic School Program, the majority of Related to Basic Programs do not increase each year based on the number or value of the WPU. The Legislature determines program funding levels each year through the appropriations process.

Programs

Related to Basic School Programs compliment the Basic School Program, but generally target a specific educational need, student population group, or teacher group. Most often, funding allocated to each categorical program is distributed broadly to school districts and charter schools based on a formula established in statute or State Board of Education Rule. However, some programs require a school district or charter school to either qualify (based on established criteria) or apply for funding.

The number of Related to Basic programs expands over time. The addition of new programs is the easiest way for the Legislature to directly implement state education policy. The targeted nature of these programs, combined with the restrictions on the use of program funding, allows the Legislature to establish programs to meet statewide goals that may not otherwise happen given the general un-restricted nature of most WPU programs.

Distribution Formulas

Distribution of funding allocated to each Related to Basic Program is conducted using a specific formula. However, most formulas can be grouped into 5 sub-categories:

- Base Formulas – these formulas provide a base level of funding equal to all school districts (with charter school treated as one district) and distribute the remaining appropriation on some defined factor.
- Simple Per-Student/WPU Formulas – allocates program funding to a school district or charter school on a proportional basis. The formula does not include a base.
- Qualifying Criteria – distributes funding based on a school district or charter school meeting determined criteria. Criteria may include: bus routes operated, accelerated or at-risk students, total number of exams passed, etc.
- Qualifying Educators – allocates program funding based on the total number of educators that qualify to receive program funding. Qualification requirements vary depending on the program, but may include holding a certain license, application, or specialization.
- RFP/Selection – allows school districts or charter schools to apply (or be chosen) to receive program funding.

FY 2010 BUDGET ISSUES

- Review and adopt the base budget for the Minimum School Program.
- Adopt the Basic Rate for FY 2010 at 0.001303 to generate \$273,950,764 in local property tax revenue in the school districts to support the Basic School Program.
- Discuss student enrollment growth costs as detailed in the Issue Brief titled “Student Enrollment Growth” and recommend costs to be funded to the Executive Appropriations Subcommittee.
- Consider delaying the Voted & Board Leeway rate change required by statute.
- Determine the distribution of the ongoing budget reductions taken in FY 2009. Changes made in the 2008 Special Session and 2009 General Session have reduced ongoing Uniform School Fund appropriations by \$270,165,182. These reductions have not been allocated among programs within the Minimum School Program; not distributing this reduction among programs will create a permanent negative categorical program within the Minimum School Program and may reduce spending accountability on the remaining categorical programs.
- Consider the ongoing impact of programs funded in FY 2009 with one-time funding and if these programs should be continued in FY 2010. Major items include:
 - Teacher Supplies & Materials – \$10 million was appropriated to reimburse teachers for classroom supply expenditures.
 - To & From School Pupil Transportation - \$3 million was appropriated to help districts cover rising costs associated with operating school bus routes.
 - Beverley Taylor Sorenson Elementary Arts Learning Program - \$15.8 million appropriated for the 4-year program. Actions so far in the 2009 General Session has reduced this program by \$5,865,000. Based on the 4-year pilot, \$3,950,000 would be spent each year. Assuming the first year of funding has been expended, and the 2009 General Session reduction, approximately \$5,985,000 remains for the remaining 3 years. This amount of funding will likely require a change in the scope or reach of the original program.
- Evaluate any other high-priority needs in funding for school districts and charter schools in FY 2010 and prioritize these items.