

MINIMUM SCHOOL PROGRAM

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
STAFF: BEN LEISHMAN & PATRICK LEE

BUDGET BRIEF

SUMMARY

Minimum School Program (MSP) appropriations support the general operation and maintenance of Utah’s public schools, contributing approximately 60 percent of the revenue to school district and charter school General Funds. The program is divided into three parts, Basic School Program, Related to Basic School Programs, and Voted & Board Leeways. Local Education Agencies (LEAs) receive funding on a formula basis as defined by governing statutes.

Principles of Public School Funding in Utah

State funding allocated to public schools generally supports one or more of the following concepts:

- **Equal Access** – all students should have reasonably equal access to a basic education regardless of the ‘wealth’ of their local district.
- **Focused Distribution** – programs may target resources to meet a specific educational need or student sub-group to ensure equal access.
- **Local Control** – local school or governing boards decide how state funds are expended to best meet the specific educational needs in the public schools under their direction.
- **Local Buy-in** – provides a mechanism for the state, along with local school districts, to share in the cost of educating Utah’s school children.

Program Appropriations

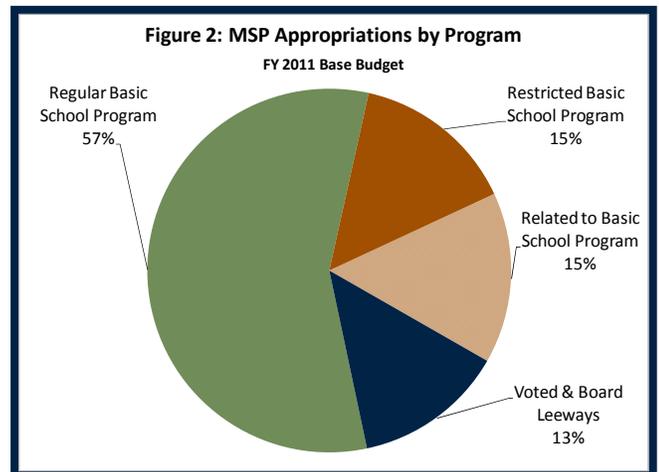
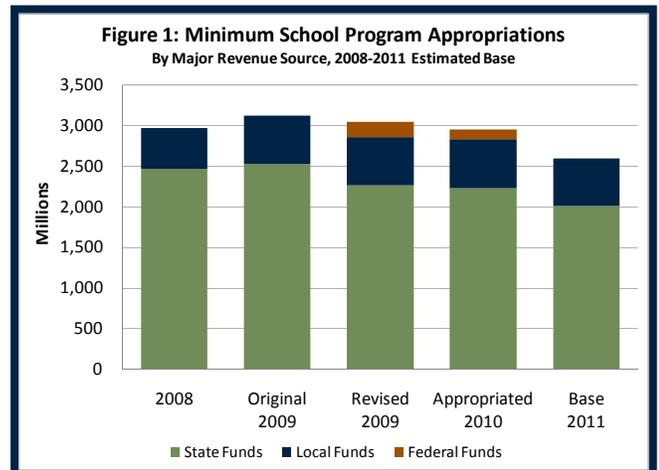
Figure 1 provides a MSP history by major revenue source. State funds from the Uniform School Fund (USF) constitute the largest revenue source. Program level funding is found in the House Bill 1 – Minimum School Program detail spreadsheet.

In the FY 2011 base budget, the USF provides 77.5 percent of total revenues and local revenues provide the remaining 22.5 percent. Historically, the USF has contributed more than 80 percent. In FY 09-10, American Recovery and Reinvestment Act (ARRA) funds off-set the impact of state fund reductions.

Roughly 57 percent of MSP appropriations flow to LEAs through Regular Basic School Program formulas (Figure 2). Combined with the Voted & Board Leeway programs, 70 percent of MSP funds to LEAs are largely un-restricted revenue sources. The remaining 30 percent funds restricted programs.

BASIC SCHOOL PROGRAM

The Basic School Program acts as a series of large block grants to support the local provision of ‘basic’ educational services. It is the largest program in the MSP and provides both restricted and un-restricted funding to LEAs. Basic School Programs are often referred to as “Weighted Pupil Unit (WPU) Driven”



because the cost of each program is derived by multiplying the number of WPUs for each program by the WPU Value set by the Legislature. LEAs receive allocations based on their total number of WPUs.

The Weighted Pupil Unit

The WPU is the common factor used to determine the cost, and distribution, of basic school program appropriations. LEAs generate WPUs based on the number of qualifying students (or other defined factor) for each program. The WPU supports equitable distribution of MSP revenues (state & local) to local education agencies. Estimated WPUs for FY 2011 total 745,100, an increase of 13,581 over FY 2010. These additional WPUs provide basic educational services for the 11,044 projected new students in Fall 2010.

WPU Value

The WPU Value is set each year by the Legislature. When the value is adjusted, the total cost of each program increases or decreases. The WPU Value in FY 2010 is \$2,577. Figures 3 & 4 provide a history of the WPU since 1995. In FY 2002, several WPU driven programs were moved into three non-WPU block grants, reducing the total number of WPUs.

WPU Changes

In FY 2010, the Legislature removed 1,117 WPUs supporting the Career & Technology Education – District Set-Aside program. As a result of this action, these WPUs do not continue into FY 2011.

Pursuant to UCA 53A-2-206, the allocation of 510,441 WPUs to the Grades 1-12 program in FY 2011 includes 238 WPUs to reimburse LEAs enrolled foreign exchange students in FY 2010.

Local Property Taxes

Local school districts share in the cost of providing a basic education. School districts must impose a minimum basic tax rate on taxable property within their boundaries and contribute the proceeds toward the cost of the Basic School Program. This basic property tax levy enables school districts to receive state funding appropriated to support the Minimum School Program.

The state requires, by law, that a certain amount of revenue be generated statewide by the Basic Levy. Each year, the Legislature includes the required revenue amount and an estimated Basic Tax Rate to generate the revenue in an appropriations bill. The Utah State Tax Commission certifies, by June 20th each year, the final Basic Tax Rate required to generate the dollar amount set by the Legislature.

Figure 3: WPU History 1995-2011 Base Bill

WPU Value & Total Number of WPUs

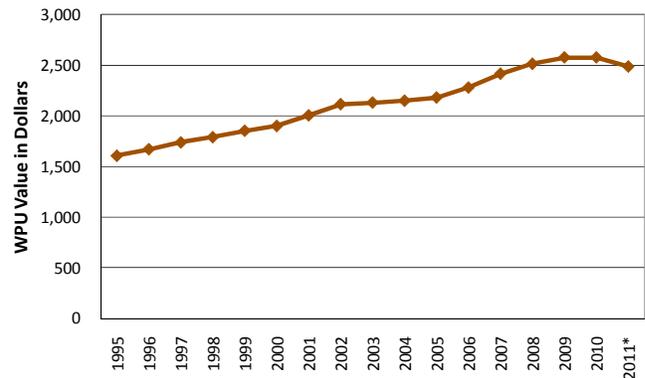
Fiscal Year	WPU Value	% Chg.	Total WPUs	Total Growth	% Chg.
1995	1,608	4.5%	635,379		2.1%
1996	1,672	4.0%	642,121	6,742	1.1%
1997	1,739	4.0%	648,532	6,411	1.0%
1998	1,791	3.0%	666,891	18,359	2.8%
1999	1,854	3.5%	668,465	1,574	0.2%
2000	1,901	2.5%	669,408	943	0.1%
2001	2,006	5.5%	671,513	2,105	0.3%
2002	2,116	5.5%	625,549	(45,964)	-6.8%
2003	2,132	0.8%	627,795	2,246	0.4%
2004	2,150	0.8%	631,771	3,976	0.6%
2005	2,182	1.5%	642,701	10,930	1.7%
2006	2,280	4.5%	652,990	10,289	1.6%
2007	2,417	6.0%	675,758	22,768	3.5%
2008	2,514	4.0%	697,207	21,449	3.2%
2009	2,577	2.5%	714,055	16,848	2.4%
2010	2,577	0.0%	731,519	17,464	2.4%
2011*	2,487	-3.5%	745,100	13,581	1.9%

* WPU value as established in H.B. 1 (2010 General Session). A different WPU Value for FY 2011 may be adopted by the Legislature by the end of the 2010 General Session.

Source: Appropriations Reports, Legislative Fiscal Analyst, 1995-2010

Figure 4: WPU Value History

FY 1995 to FY 2011 Base Budget



Please refer to the Issue Brief titled "[Basic School Program Variables](#)" for additional information on the estimated costs for WPU Value changes, student enrollment growth and local property taxes.

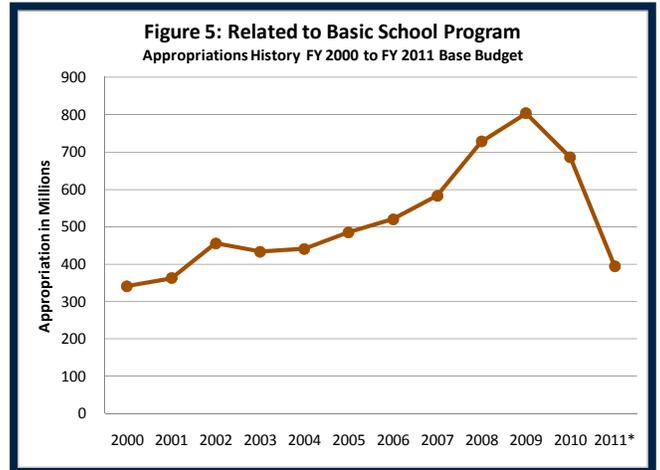
Basic Levy Revenue

Law allows the Basic Tax Rate to generate the same level of revenue collected in the prior year plus the growth in revenue generated from the value of new properties over the prior year. Estimates for FY 2011 indicate a net decline in property values, at approximately -6.4 percent. As a result, revenue from the Basic Levy remains at the FY 2010 level of \$273,950,764. The Basic Tax Rate increases from 0.001307 in FY 2010 to 0.001513 in FY 2011.

House Bill 1, Minimum School Program Base Budget (2010 General Session) includes the estimated revenue and rate for the Basic Levy in FY 2011.

RELATED TO BASIC SCHOOL PROGRAMS

Related to Basic School Programs include several categorical programs often referred to as “Below-the-Line” or “Non-WPU Driven” programs. These programs supplement the Basic School Program, but the funding for each program does not increase with changes in the WPU Value. The Legislature determines program funding levels each year through the appropriations process.



Programs target specific educational needs, student population groups, teacher groups, or education initiatives as determined by the Legislature. In most cases, program funding is distributed broadly to local education agencies based on formulas defined in statute or State Board Rule. However, some programs have qualifying criteria or require an application in order to receive funding.

The number of Related to Basic programs expands or contracts over time, depending on legislative prerogative. The targeted nature of these programs, combined with the restrictions on the use of program funding, allows the Legislature to establish new programs to meet statewide education goals or policy changes that may not otherwise occur given the un-restricted nature of most WPU programs.

Figure 5 shows total Related to Basic School Program appropriations since FY 2000. The large decline in FY 2010 & FY 2011 are a result of program-level funding changes made by the Legislature to meet declining state revenues. From the original FY 2009 appropriation, approximately \$463 million was reduced from the program, a decrease of roughly 46 percent.

VOTED & BOARD LEEWAY PROGRAMS

The Issue Brief titled “Minimum School Program – FY 2010 Supplemental Adjustments” summarizes the Voted & Board Leeway Programs. This brief supplements the information provided in the issue brief, detailing potential FY 2011 budget impacts stemming from local property value and tax rate changes.

Voted & Board Leeway State Guarantee – FY 2011

As mentioned earlier, the value of property statewide is expected to decrease by approximately -6.4 percent. This decline also impacts the state guarantee supporting the Voted & Board Leeway programs. To maintain a guarantee rate of \$25.25 per WPU, state funds supporting the guarantee will need to increase from the ongoing base of \$38 million to \$57.9 million. This is an increase of \$19.9 million. Not funding this increase will cause the state guarantee rate to decrease to approximately \$23.00 per WPU.

The Issue Brief also details how changes in the tax rates for either the Voted or Board Leeway by school districts may impact the total cost of the state guarantee. Statute changes in H.B. 1 (2010 General Session), if approved by the Legislature, will base the cost of the state guarantee on the rate that was in

effect for the previous fiscal year, unless a tax rate increase was authorized in an election conducted prior to December 2 of the previous fiscal year.

FY 2011 BUDGET RECOMMENDATIONS

The Executive Appropriations Committee (EAC) adopted FY 2011 General and Education Fund revenue estimates that are 98 percent of the original FY 2010 ongoing appropriations. The FY 2011 base budget bills (S.B. 1 and H.B. 1) reduce appropriations for all line items and programs proportionately to match revenues. However, the EAC allocated 95 percent of original FY 2010 ongoing appropriations to each subcommittee and directed the subcommittees to compile a list of options equal to a 5 percent ongoing cut. The EAC will use these options to make final adjustments to the FY 2011 budget. The Analyst recommends the following alternatives for budget changes in the Minimum School Program to help accomplish the subcommittee's 5 percent target.

- ***Related to Basic School Program*** – eliminate the remaining state funds that assist school districts and charter schools with their costs for employee Social Security & Retirement, saving \$13,407,831.
- ***Related to Basic School Program*** – apply a proportional 5 percent reduction to categorical programs, largely based on Legislative action during the 2009 General Session. Exclusions for FY 2011 might include the Guarantee Transportation Levy, Charter School Local Replacement, Charter School Administrative Costs, and Educator Salary Adjustments saving \$7,784,871.
- ***Related to Basic School Program*** – re-allocate funding from Social Security & Retirement to support \$2,116,000 in cost increases for the Educator Salary Adjustments program as described in the Issue Brief “Minimum School Program – FY 2010 Supplemental Adjustments.” After this re-allocation, the reduction above totals \$11,299,717 instead of \$13,407,831.
- ***Basic School Program*** – decrease the WPU Value to meet the remaining 5 percent target reduction of \$101,550,200 for the Minimum School Program. Based on adjustments above, an estimated WPU Value decrease of \$2,464 (from \$2,577 in FY 2010) may be required. This reduction saves \$82,661,647 in state funding, approximately 4.4 percent. This reduction estimate is based on the FY 2010 ongoing appropriated budget and will change based on variables decided throughout the remainder of the 2010 General Session.
- ***Voted & Board Leeways*** – consider the impacts associated with not adjusting the state guarantee rate as described above. The subcommittee may wish to re-allocate funding within the Minimum School Program to offset the estimated \$19.9 million cost. An additional WPU Value reduction of approximately 1.1 percent may be required.
- ***Voted & Board Leeways*** – statute provides for an automatic increase in the state guarantee rate each year until the rate equals a certain dollar amount per WPU. The Legislature delayed this rate increase for one year during the 2009 General Session. Legislators may wish to delay the statutory increase in FY 2011 as well by drafting new language to be included in the MSP appropriations bill.
- ***FY 2010 One-time Funds*** – in addition to the \$282.7 million in one-time funding (USF & ARRA) used to back-fill the ongoing reduction to Social Security & Retirement in FY 2010, legislators also provided \$10 million for Teacher Supplies & Materials and \$750,000 to support the Critical Languages & Dual Immersion Program. If the Legislature wishes to continue these programs in FY 2011, the subcommittee may opt to re-allocate funding within the budget or add these items to the priority list submitted to the EAC.

The 98 percent base budget reductions in H.B. 1 (2010 GS) may also be included in the list of options to meet the five percent target reduction. The required reduction total is five percent, not seven percent.