



# MINIMUM SCHOOL PROGRAM BUDGET OVERVIEW

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE  
STAFF: BEN LEISHMAN & THOMAS YOUNG

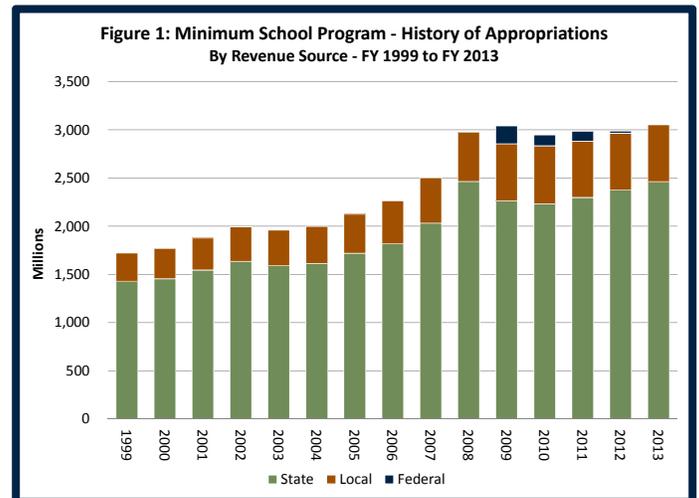
BUDGET BRIEF

## SUMMARY

The Minimum School Program (MSP) provides funding for LEAs to develop a basic education program for Utah’s public school students. Often called a foundation formula program, the MSP distributes state funding to LEAs on a formula basis as provided in governing statutes. Local elected schools boards, or charter school governing boards, determine the final allocation to public schools and the structure of education programs provided.

The MSP is the primary source of operating revenue for Utah’s 41 school districts and 85 charter schools. Programs in the MSP support local programs in all grades from kindergarten through high school graduation.

The program is divided into three major programs, the Basic School Program, the Related to Basic School Program, and the Voted & Board Leeway Programs. Each major program contains several categorical programs that target funding to meet the needs of the state’s education system as defined by the Legislature. Subsequent budget briefs provide more information on each major program.

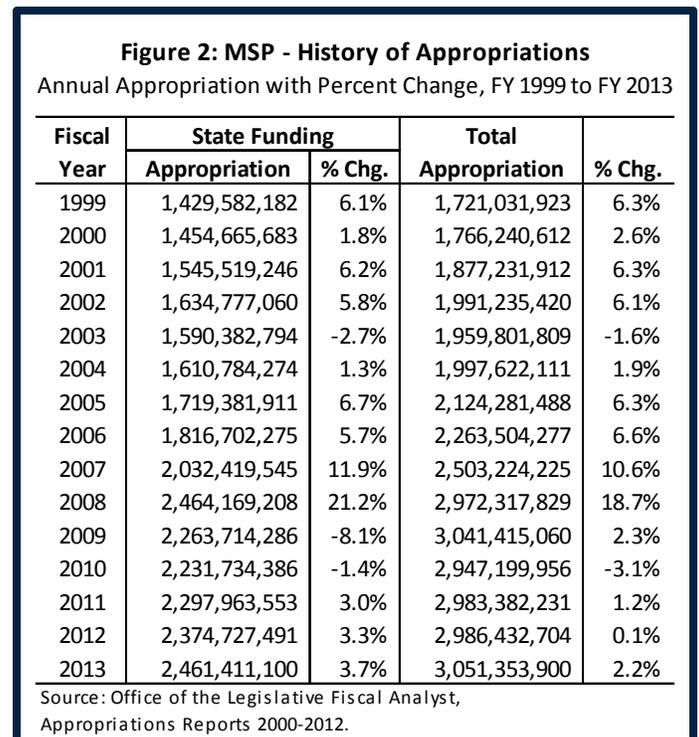


## BUDGET SUMMARY – STATE

Appropriations provided through the MSP represent approximately 60 percent of all public education revenues in the state for FY 2012. Figures 1 & 2 provide a 15-year history of MSP appropriations, from FY 1999 to FY 2013.

In FY 2013, the Legislature appropriated \$3,051,353,900 to support the Minimum School Program. Of this total, \$2,461,411,100 [81%] comes from state-level revenue sources and \$589,942,800 [19%] comes from local property tax revenue.

In FY 2009 to FY 2012 federal funds from the American Recovery and Reinvestment Act (ARRA) and the Education Jobs Fund supported the MSP. The MSP does not normally include federal revenue sources.



Since 1999, the MSP budget has grown by approximately \$1.3 billion, or 77 percent. Most of this growth has been in state funding, which has increased by nearly \$1.0 billion, or 72 percent. Figure 2 provides the total MSP budget since 1999, with a breakout showing the funding from state sources. The largest increase to the budget came just before the economic downturn that began in FY 2009.

From FY 2008 to FY 2010, state funds supporting the MSP decreased by \$232.4 million due to the recession. Since FY 2010, state funds have slowly increased to nearly match FY 2008 funding levels. As mentioned in the Subcommittee Overview, student enrollment since fall 2008 has increased by nearly 50,000 students.

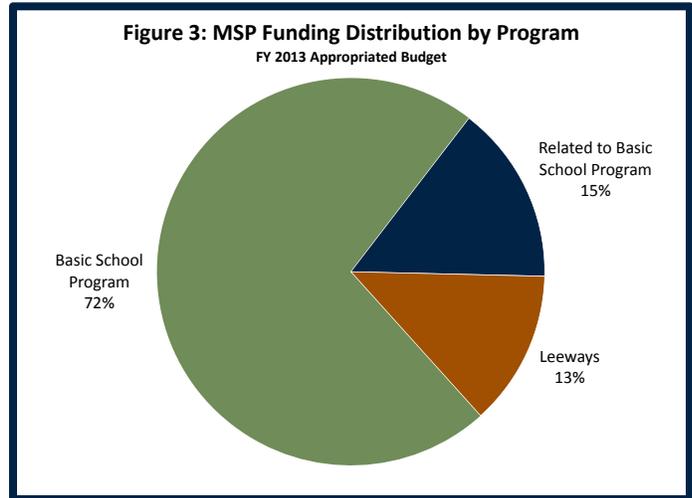


Figure 3 divides the MSP budget by major program. Seventy-two percent of the budget is dedicated to the Basic School Program, which funds all WPU in the LEAs. The Related to Basic School program and the Voted & Board Leeway programs are nearly the same size, with 15 percent and 13 percent respectively.

**BUDGET SUMMARY – LOCAL**

LEAs report total revenue and expenditure details to the state at the close of each fiscal year. LEAs submit two reports, the Annual Financial Report (AFR) and the Annual Program Report (APR). Both reports use the chart of accounts outlined in the Financial Accounting for Local and State School Systems handbook published by the National Center for Education Statistics. Reports from FY 2012 are the most recent.

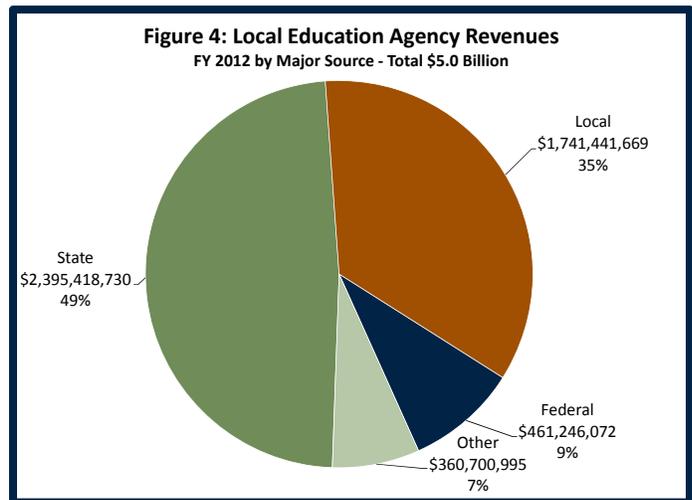


Figure 4 shows total revenues supporting the public education system in FY 2012. The state contributes 49 percent of the total \$5.0 billion. Local property taxes and other local revenue sources contribute the second largest share at 35 percent. Federal funds contribute 9 percent. Other revenue sources make up the remaining 7 percent. Any bonding revenue is reported in the “Other” category.

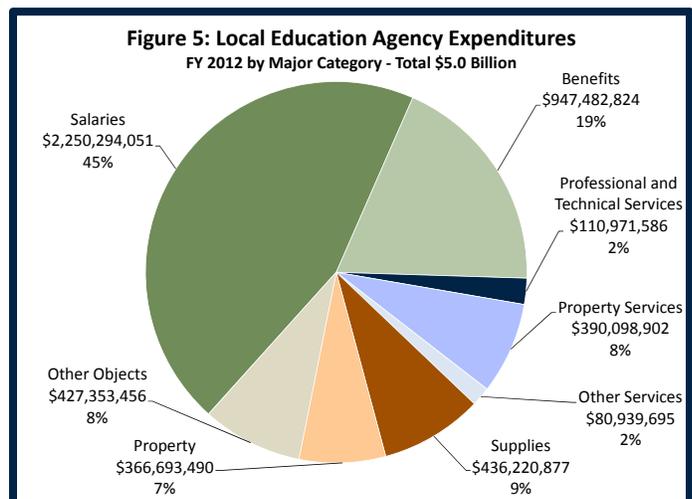


Figure 5 provides a summary view of LEA expenditure details in FY 2012. LEAs expended \$5.0 billion in FY 2012. Most expenditures supported employee compensation (salaries and benefits) at approximately 64 percent. The other reported categories are detailed in the pie chart.

## **PERFORMANCE MEASURES**

Performance measurement in the MSP lacks structure and uniformity. Specific program-level performance measures do not exist in most cases. Governing statutes and rules generally do not require program-level performance measuring or reporting. As a result, policy makers and the public can't evaluate the effectiveness of programs.

During the 2011 Interim, the Legislature tasked the Legislative Fiscal Analyst to conduct an in-depth study of the MSP. In this study, the Fiscal Analyst recommended that the Legislature implement specific program-level performance measures for programs in the MSP and provided a framework to focus program-level performance measurement. Specifically, the Analyst recommended the following:

- Require the State Board of Education to develop a comprehensive program-level performance measurement plan for the MSP identifying specific outcome and evaluation metrics.
- Require the State Board of Education to report annually during the General Session on the progress and effectiveness of each program to the Public Education Appropriations Subcommittee.

To implement program-level performance measurement, the Analyst recommended the State Board of Education use the various levels of expenditure flexibility provided for each program to guide performance measure development. There are three levels of expenditure flexibility in the MSPs; Unrestricted, Semi-Restricted, and Restricted. Each category is explained below:

- **Unrestricted** – State funding allocated through unrestricted programs is used by LEAs for the general maintenance and operation of the public schools. In the case of these programs, the Legislature provides little direction on the use of funding, other than to operate the public schools as determined by local governing boards. The general accountability plan established by the Legislature, namely, the Utah Comprehensive Accountability System, provides a mechanism to evaluate the general performance of the entire system.

Unrestricted programs include: Kindergarten, Grades 1-12, Necessarily Existent Small Schools, Professional Staff Cost Formula, Administrative Costs, Class-size Reduction, Flexible Allocation, Charter School Local Replacement, Charter School Administrative Costs, and the Voted Leeway.

- **Semi-Restricted & Restricted** – In the cases where the Legislature has placed limits on the use of funding by local boards, program-level performance measurement should be standard. By having a certain level of restriction, the Legislature has indicated that it has specific interest in the progress and degree of effectiveness of the program.

### ***Intent Language***

During the 2012 General Session, the Legislature passed the following intent language:

*The Legislature intends that the State Board of Education develop a comprehensive performance measurement plan for the Minimum School Program that identifies specific program-level outcome and evaluation metrics. This plan shall include program-level performance detail on all restricted and semi-restricted programs as outlined in the 2011 In-Depth budget Review. The State Board of Education shall report the details of this plan to the Public Education Appropriations Subcommittee during the 2013 General Session.*

The State Board of Education will report the comprehensive performance measurement plan during the subcommittee's discussions of the Minimum School Program budget. Individual program-level performance measures should establish a baseline to evaluate restricted and semi-restricted programs in the future.

*Recommendation*

- The Analyst recommends that the subcommittee evaluate the comprehensive performance measurement plan to ensure that it includes specific outcome-based evaluation metrics.
- Ensure that the program-level performance measures for restricted and semi-restricted performance programs provide the level of specificity desired by the Legislature.
- Establish a clear understanding with the State Board of Education that the measures will be used in the future to evaluate effectiveness of specific restricted and semi-restricted programs.

**BUDGET DETAIL TABLE**

The “Minimum School Program & School Building Program: Budget Detail Table,” available in a separate spreadsheet document, provides detail on the various revenue sources supporting the Minimum School Program and the programs of expenditure. The table includes three budget stages. Columns B & C show the total FY 2013 appropriated budget. This includes all actions taken during the 2012 General and Special Sessions. Columns D & E show the FY 2014 base budget as included in Senate Bill 1, “Public Education Base Budget” (2013 General Session) and includes all ongoing revenue amounts appropriated in FY 2013. Finally, Columns F & G show the FY 2014 base budget with enrollment growth adjustments.