



MINIMUM SCHOOL PROGRAM BASIC SCHOOL PROGRAM

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
STAFF: BEN LEISHMAN & THOMAS YOUNG

BUDGET BRIEF

SUMMARY

Statute defines the Basic School Program as “education programs for kindergarten, elementary, and secondary students that are operated and maintained for the amount derived by multiplying the number of weighted pupil units (WPU) for each school district or charter school by the value established each year in statute.” (UCA 53A-17a-103) The basic program is the foundation of Utah’s public education system and includes 12 programs. These programs distribute funding for core educational services and programs established by the Legislature.

ISSUES & RECOMMENDATIONS

The following subsections summarize major issues and recommendations included in this brief. In cases where more detail is required, supporting Issue Briefs will be mentioned.

Base Budget

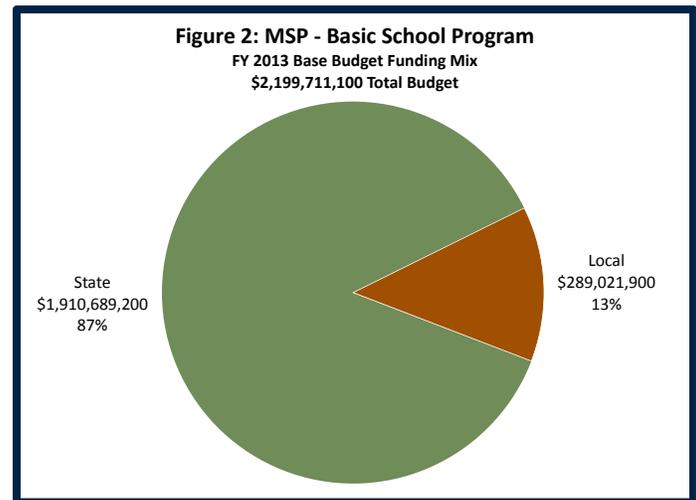
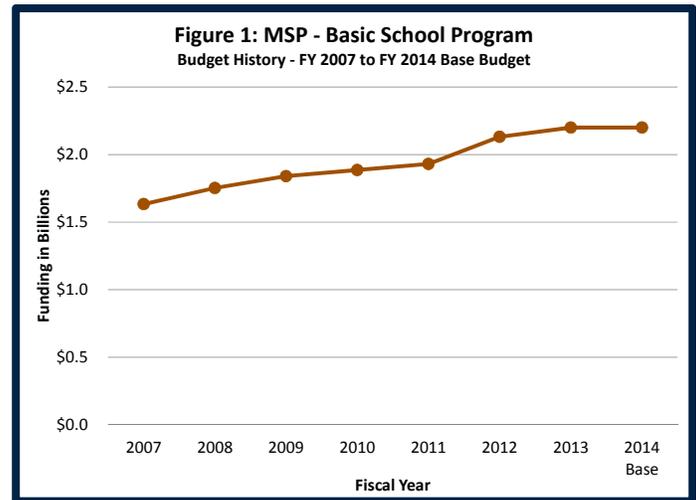
Senate Bill 1, “Public Education Base Budget” includes the ongoing funding levels appropriated in FY 2013. The base budget includes \$1,910,689,200 ongoing from the Education Fund for FY 2014. Local property tax revenues are also included in the base budget and estimated at \$289,021,900. Both amounts are the same as appropriated in FY 2013.

Recommendation

- The Analyst recommends the ongoing base budget of \$1,910,689,200 from the Education Fund continue in FY 2014. This amount is included in the base budget bill. This amount does not include expected adjustments for student enrollment growth in FY 2014.

Student Enrollment Growth

The total estimated cost to adjust the Basic School Programs for enrollment growth is \$56,117,300. School districts contribute to the cost of the program through the Basic Levy. Property tax revenues are estimated to generate an additional \$5.0 million. This increase reduces the overall cost of the program to the state, making the net cost of student enrollment growth \$51,047,200. Figure 3 details the changes in total WPU and program funding for each program.



Projections show that public schools will enroll an additional 13,254 students in fall 2013 (FY 2014). When converted to WPUs, the enrollment increase results in an additional 19,998 WPUs over FY 2013.

The calculation of new growth WPUs each year will correct any estimation errors made in the prior year. In this case, the increase of 19,998 WPUs is the net increase in total WPUs based on the number of WPUs funded in the prior year and the total number of WPUs estimated for the coming year.

The Issue Brief titled “MSP – Basic School Program Annual Adjustment Variables” includes more information on student enrollment growth costs.

Recommendation

- The Analyst recommends that the subcommittee prioritize the amounts listed above to fund enrollment growth related impacts should additional revenues be allocated to support the public education budget.

Note: The FY 2014 base budget does not include the estimated net increase in total WPUs for students entering the public education system this coming fall. Section 53A-17a-105 requires the State Board of Education to reduce the WPU Value in each program where total WPUs are underestimated “so that the amount paid for the program does not exceed the amount appropriated for the program.”

Figure 3: Basic School Program - Estimated FY 2014 Enrollment Growth Increases by Program
Increase/(Decrease) in the Number of WPUs and Program Funding Levels Based on Fall 2013 Student Enrollment Growth Estimates

Program	Weighted Pupil Units				Program Funding			
	FY 2013	FY 2014	Change	% Change	FY 2013	FY 2014	Change	% Change
Kindergarten	27,008	28,018	1,010	3.7%	\$76,756,700	\$79,627,200	\$2,870,500	3.7%
Grades 1-12	534,626	545,838	11,212	2.1%	1,519,407,100	1,551,271,600	31,864,500	2.1%
Necessarily Existent Small Schools	8,702	8,702	0	0.0%	24,731,100	24,731,100	0	0.0%
Professional Staff	48,663	52,564	3,901	8.0%	138,300,200	149,386,900	11,086,700	8.0%
Administrative Costs	1,560	1,500	(60)	-3.8%	4,433,500	4,263,000	(170,500)	-3.8%
Special Education - Add-on WPUs	68,508	70,704	2,196	3.2%	178,600,400	184,325,300	5,724,900	3.2%
Special Education - Regular Self Contained	14,410	14,209	(201)	-1.4%	40,953,200	40,382,000	(571,200)	-1.4%
Special Education - Pre-school	9,381	9,590	209	2.2%	26,660,800	27,254,800	594,000	2.2%
Special Education - Extended Year Program	417	423	6	1.4%	1,185,100	1,202,200	17,100	1.4%
Special Education - State Programs	2,769	2,871	102	3.7%	7,869,500	8,159,400	289,900	3.7%
Career & Technical Education - District Add-on	28,433	29,289	856	3.0%	74,124,800	76,356,400	2,231,600	3.0%
Class Size Reduction	37,540	38,307	767	2.0%	106,688,700	108,868,500	2,179,800	2.0%
Basic School Program Total	782,017	802,015	19,998	2.6%	\$2,199,711,100	\$2,255,828,400	\$56,117,300	2.6%

Note: WPU Value = \$2,842 per WPU in all programs except Special Education - Add-on and Career & Technical Education - District Add-on are valued at \$2,607 per WPU.

WPU Value Increase

The Issue Brief titled “Minimum School Program – Annual Adjustment Variables” includes a cost estimate to increase the WPU Value by one percent. Each percent increase in the WPU Value costs approximately \$24 million. Historically, the Legislature has increased the WPU Value commensurate with the percent increase provided for compensation changes of employees in state agencies. In some years, the Legislature has increased the WPU Value for estimated changes in retirement and/or health insurance costs by providing a one percent increase for each.

The State Board of Education requested a two percent increase in the WPU Value. The Governor recommended a 1.16 percent increase. This 1.16 percent is approximately the same percent increase provided in FY 2013.

Recommendation

- The Analyst recommends that the subcommittee recommend to the Executive Appropriations Committee that the Legislature provide a WPU Value increase commensurate to the compensation package provided for state employees, including retirement and health insurance impacts.

Professional Staff Cost Formula

During a comprehensive review of MSP program formulas during the 2012 Interim, a couple of issues with the Professional Staff Cost Formula were found. These changes are discussed below:

- Updated Data Collection – the estimate for budget year WPUs is based on the number of qualifying educators as reported in June of the most recently completed fiscal year. For example, WPUs for FY 2014 were based on actual teacher data from June 2012 (FY 2012). Data on qualifying educators is queried again in November. The November report captures the number of new teachers hired for the most recent fiscal year and includes a better estimate of the number of qualifying educators employed by LEAs.
- Projection of New-Year Qualifying Educators – the FY 2014 estimate of program WPUs includes a projection of the number of qualifying educators LEAs may hire this fall. Prior new-year WPU estimates did not include a projection of qualifying educators.

Using more current data and including a projection of new qualifying educators increases the number of WPUs in the program based on the matrix included in statute (53A-17a-107.) These changes in methodology should improve the estimate program WPUs in the coming fiscal year. For the past several years, the number of WPUs for the program have consistently been underestimated. As a result, the program has been underfunded.

This change in methodology is included in the enrollment growth cost estimate. As a result, the percent change in the number of program WPUs and the total program cost is higher than the other WPU programs. Figure 3 above shows that both the number of WPUs and the associated costs increase by 8 percent, at a cost of just over \$11 million.

Special Education – High Cost Students

The categorical program “Special Education – State Programs” includes a pool of funding to help LEAs with high-cost special education students. LEAs can request from the State Board of Education additional funding for students where costs exceed \$15,000 per year. Requests for additional funding exceed the amount available each year.

The high cost pool has approximately \$1.3 million available for allocation. The USOE reports that LEAs requests totaled more than \$9.5 million in FY 2012. Both the State Board of Education and the Governor recommend funding an additional \$1,150,000 ongoing for the program.

Recommendation

- The Analyst recommends the subcommittee prioritize \$1,150,000 ongoing from the Education Fund to support the Special Education – High Cost Students program should additional revenues be allocated for the public education budget. This program is funded with weighted pupil units. The \$1,150,000 will provide for an increase of 361 WPUs to the program and pay the associated WPU related impacts to the Voted & Board Local Levy Programs.

Two WPU Values

In FY 2012, the Legislature established two WPU Values for programs in the Basic School Program. The primary WPU Value, which funds most programs, increased from the FY 2011 amount of \$2,577 per WPU to \$2,816 per WPU. The value for WPUs allocated to the Special Education – Add-on and Career & Technical Education – District Add-on programs, known as the Add-on WPU Value, remained at \$2,577. Both WPU Values were increased in FY 2013 to \$2,842 and \$2,607 respectively.

At the end of the 2011 General Session, the Legislature decided not to increase the WPU Value for the add-on programs mentioned above. The funding required to increase the WPU Value for these programs from \$2,577 to \$2,816 was appropriated to the Flexible Allocation – WPU Distribution program.

In FY 2013 a total of \$23.1 million was appropriated for the Flexible Allocation. If the Legislature decided to have only one WPU Value in FY 2014, several factors should be considered:

- Increasing the WPU Value for the add-on programs to \$2,842 costs approximately \$23.5 million. This is the estimated cost after enrollment growth adjustments have been made.
- Using the current funding in the Flexible Allocation program, the distribution of funding among LEAs will change. Currently, the \$23.1 million in the Flexible Allocation program is distributed to LEAs on a WPU basis (Total Funding ÷ Total Number of WPUs). All WPUs receive the same level of funding. Moving this funding into the WPU Value for the add-on programs only, will distribute the funding based on the participation of LEAs in those two programs. Also, moving the funding into the Add-on programs restricts LEAs in how they can use the funding.
- The Legislature could lower the WPU Value for all programs in the Basic School Program and maintain the funding in the Flexible Allocation program. Assuming the current base budget appropriation, plus increases for student enrollment growth, a WPU Value of approximately \$2,812 would fund all WPUs at the same value. This would also redistribute funding among LEAs based on their participation in the various programs.

Hold Harmless

Statute includes several mechanisms that stabilize state funding distribution to LEAs. These distribution formula stabilizers are discussed fully in the 2011 In-Depth Budget Review conducted by the Legislative Fiscal Analyst. The Issue Brief titled “Minimum School Program – Prior-Year + Growth and Hold-Harmless” provides additional information on two of these provisions.

Growth in Student Population Account

The Growth in Student Population Account is a restricted fund within the Uniform School Fund and was created during the 2001 General Session. The account is funded by appropriations from the Legislature and any voluntary contributions to “help alleviate the anticipated surge in student growth in public elementary and secondary school” (UCA 53A-16-112.) Funding from the account can be used to help LEAs meet the challenges created by significant increases in student growth.

During the 2008 General Session, the Legislature appropriated \$100 million to the account. This balance didn’t sit in the account for long. In FY 2011 the Legislature appropriated \$103 million from the account to mitigate the effects of the economic downturn on the public education system. The additional \$3 million was the estimate of interest earned off of the investment of the account balance.

Due to delays in investing the account balance, timing of un-investing/spending of balances, and Fair Market Value adjustments the account was actually overspent by \$298,100.

Recommendation

- The Analyst recommends that the Legislature transfer \$298,100 from MSP nonlapsing balances to the Growth in Student Population Account to eliminate the negative account balance.

Repeal 53A-1-408

Section 53A-1-408 provides authority to the State Board of Education to reallocate funding between line-items for FY 2002. This language was included in statute during the economic recession in the early 2000s to provide flexibility in the application of budget reductions. The language was not updated or used during the state's most recent recession.

Recommendation

- The Analyst recommends that the Legislature repeal this outdated statute. A Legislator would need to open a separate bill file. The Legislature may also wish to study other outdated statutes within the education code.

BUDGET OVERVIEW

The line chart on page one (Figure 1) shows the history of total Basic School Program funding since FY 2007. Program appropriations have continued to increase over the past seven fiscal years regardless of the economic downturn. This is a result of the Legislature always adjusting program funding for changes in the number of WPUs. For a couple of fiscal years, the Legislature transferred funding from other programs in the Related to Basic School Program to fund WPU related impacts in the Basic School Program.

Figure 2 shows the revenue sources supporting the Basic School Program. The majority of funding, 87 percent comes from state revenue sources. The remaining 13 percent comes from local property tax revenues in the school districts. The state does not collect or distribute this funding, but revenues collected by school districts from the Basic Levy are included in the program formulas.

Base Budget

The FY 2014 base budget for the Basic School Program totals \$2,199,711,100, with \$1,910,689,200 coming from state revenue sources and \$289,021,900 coming from local revenue sources. Columns D and E in the budget detail table below provide program-level funding information for the base budget.

Enrollment Growth

Columns F and G of the budget detail table below show the program-level funding changes associated with student enrollment growth.

BUDGET DETAIL TABLE

The following budget detail table shows the FY 2013 appropriated budget, the FY 2014 base budget, and the FY 2014 base budget adjusted for student enrollment growth. This table is an excerpt from the Minimum School Program & School Building Program Budget Detail Table.

Minimum School Program & School Building Program: Budget Detail Table						
2013 General Session						
FY 2013 Appropriation / FY 2014 Base Budget / FY 2014 with Enrollment Growth Adjustments						
A	B	C	D	E	F	G
	Fiscal Year 2013 Appropriation		Fiscal Year 2014 Base Budget		Fiscal Year 2014 Enrollment Growth Adjustments	
Part A: Basic School Program (Weighted Pupil Unit Programs)						
<i>Primary WPU Value:</i>		\$2,842		\$2,842		\$2,842
<i>Add-on WPU Value:</i>		\$2,607		\$2,607		\$2,607
<i>Basic Tax Rate:</i>		0.001665		0.001691		0.001691
Revenue Sources	Changes	Amount	Changes	Amount	Changes	Amount
A. State Revenue						
1. Education Fund	\$0	\$1,894,689,200	\$0	\$1,894,689,200	\$51,047,200	\$1,945,736,400
a. Education Fund, One-time	0	(46,900,000)	46,900,000	0	0	0
2. Uniform School Fund	0	16,000,000	0	16,000,000	0	16,000,000
a. Uniform School Fund, One-time	0	45,000,000	(45,000,000)	0	0	0
3. General Fund, One-time	0	1,900,000	(1,900,000)	0	0	0
B. Local Property Tax Revenue - Basic Levy	0	289,021,900	0	289,021,900	5,070,100	294,092,000
C. Beginning Nonlapsing Balances	0	1,362,200	21,820,900	23,183,100	0	23,183,100
D. Closing Nonlapsing Balances	0	(1,362,200)	(21,820,900)	(23,183,100)	0	(23,183,100)
Total Revenue:	\$0	\$2,199,711,100	\$0	\$2,199,711,100	\$56,117,300	\$2,255,828,400
Expenditures by Program	WPU	Amount	WPU	Amount	WPU	Amount
A. Regular Basic School Program						
1. Kindergarten	27,008	\$76,756,700	27,008	\$76,756,700	28,018	\$79,627,200
2. Grades 1-12	534,626	1,519,407,100	534,626	1,519,407,100	545,838	1,551,271,600
3. Necessarily Existent Small Schools	8,702	24,731,100	8,702	24,731,100	8,702	24,731,100
4. Professional Staff	48,663	138,300,200	48,663	138,300,200	52,564	149,386,900
5. Administrative Costs	1,560	4,433,500	1,560	4,433,500	1,500	4,263,000
Subtotal:	620,559	\$1,763,628,600	620,559	\$1,763,628,600	636,622	\$1,809,279,800
B. Restricted Basic School Program						
1. Special Education - Regular - Add-on WPU	68,508	\$178,600,400	68,508	\$178,600,400	70,704	\$184,325,300
2. Special Education - Regular - Self-Contained	14,410	40,953,200	14,410	40,953,200	14,209	40,382,000
3. Special Education - Pre-School	9,381	26,660,800	9,381	26,660,800	9,590	27,254,800
4. Special Education - Extended Year Program	417	1,185,100	417	1,185,100	423	1,202,200
5. Special Education - State Programs	2,769	7,869,500	2,769	7,869,500	2,871	8,159,400
Subtotal:	95,485	\$255,269,000	95,485	\$255,269,000	97,797	\$261,323,700
6. Career & Technical Education - District Add-on	28,433	\$74,124,800	28,433	\$74,124,800	29,289	\$76,356,400
7. Class Size Reduction	37,540	\$106,688,700	37,540	\$106,688,700	38,307	\$108,868,500
Subtotal:	161,458	\$436,082,500	161,458	\$436,082,500	165,393	\$446,548,600
Total Expenditures:	782,017	\$2,199,711,100	782,017	\$2,199,711,100	802,015	\$2,255,828,400

T H E L I N E