



MINIMUM SCHOOL PROGRAM ANNUAL ADJUSTMENT VARIABLES

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Several variables within the Minimum School Program (MSP) require annual adjustment by the Legislature. Growth in student enrollment results in additional Weighted Pupil Units (WPUs) as required by certain statutory formulas. Additional WPUs increase the cost of the Basic School Program and the Voted & Board Local Levy Programs. Historically, certain programs in the Related to Basic School Program have also been adjusted for student growth.

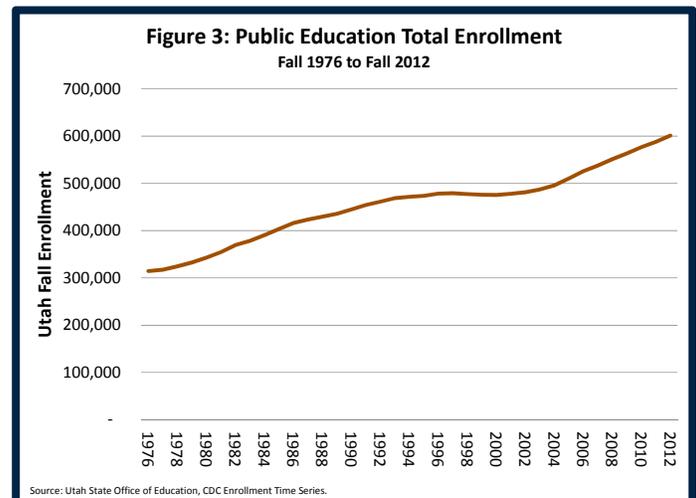
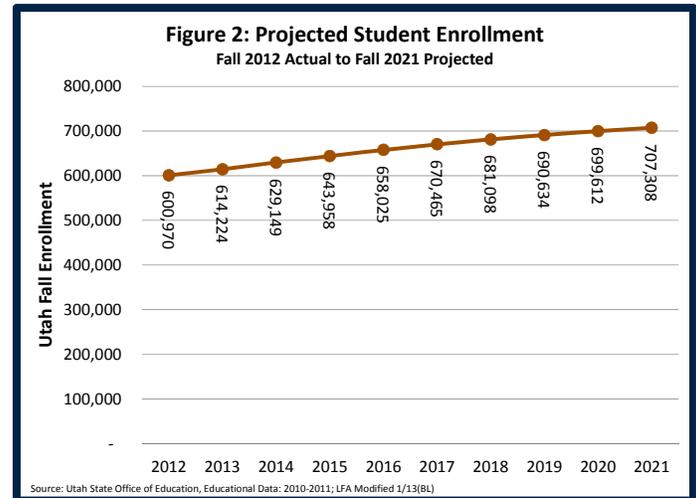
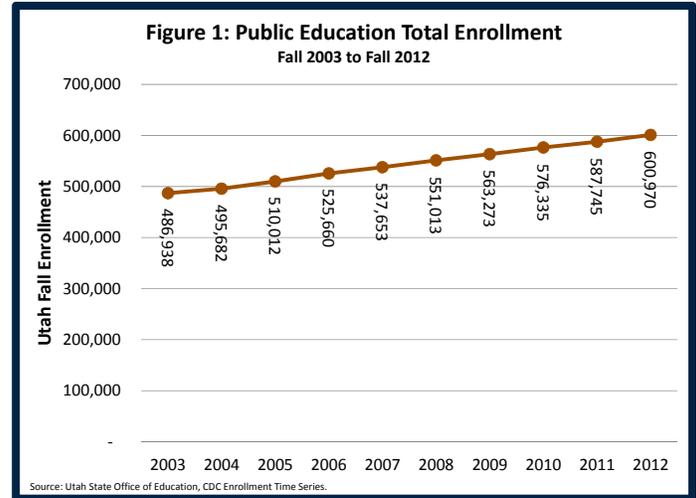
In the Basic School Program, each WPU receives funding based on a WPU Value established by the Legislature and the cost of each basic program increases (or decreases) with changes in the value. Finally, the Legislature annually adopts an estimate for the Basic Tax Rate to generate a certain level of revenue allowed by statute. School districts must assess this rate to participate in the program and the proceeds support the district's WPUs.

STUDENT ENROLLMENT GROWTH

Each fall, public schools conduct a student enrollment census on the first school day of October. This past October, Utah's public schools enrolled 600,970 students, an increase of 13,225 students for a 2.3 percent increase over fall 2011.

Following each fall enrollment count, the Common Data Committee (CDC) establishes a consensus projection for student enrollment for the next school year. The CDC includes representatives from the Legislative Fiscal Analyst (LFA), Governor's Office of Planning and Budget, and the Utah State Office of Education (USOE).

The new-year enrollment projection is also used to estimate growth WPUs for the Basic School Program. Two CDC participants, the USOE and the LFA, develop independent WPU conversion estimates. Then, the CDC uses these estimates to develop a consensus estimate of the total number of WPUs by program for the next school year.

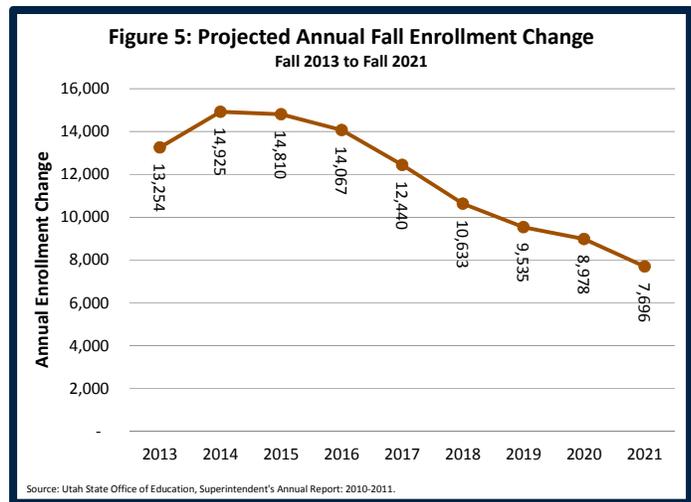
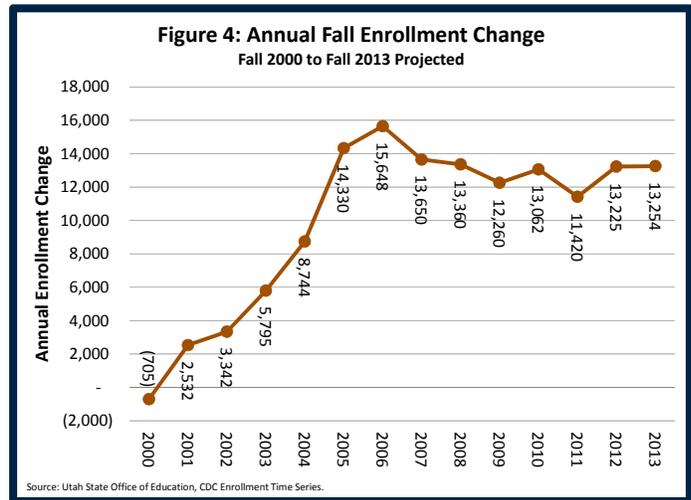


Projections indicate that student enrollment may increase another 2.2 percent in fall 2013 (FY 2014.) This is an increase of 13,254 students, for a total enrollment of 614,224.

Since fall 2003, student enrollment has increased by 114,032 students, or approximately 23.4 percent. Figure 1 shows fall enrollment for each year since fall 2003. Projections indicate that student enrollment will continue to increase, but the year-over-year change should slow. Looking forward to fall 2021, projections show that student enrollment will increase by another 106,300 students, or 17.7 percent over fall 2012. Figure 2 shows this projected fall enrollment through 2021.

Since 1976, Utah has only seen three years where student enrollment decreased (fall 1998, 1999, and 2000.) Figure 3 shows the fall enrollment history since 1976.

Figure 4 details the annual year-over-year change in fall enrollment since 2001. The current growth pattern peaked in 2006 with a net increase of 15,648 new students. Although fall enrollment in Utah is still growing, the annual rate of change is slowing. Projections indicate 2.2 percent to 2.6 percent increases in the next four years, then slowing to approximately 1.1 percent in 2021. Figure 5 shows the projected change in fall enrollment through fall 2021.



Enrollment Growth Cost Estimate

Figure 6 details the FY 2014 enrollment growth cost estimate. This estimate makes adjustments to certain programs in the Minimum School Program to account for increased costs associated with having more students in the public education system.

Funding additional WPU's in the Basic School Program represents the most significant cost. In FY 2014, an estimated increase of \$56.1 million will provide the FY 2013 WPU Value for each of the 19,998 new WPU's projected in fall 2013. WPU's in most programs are valued at \$2,842. However, WPU's in the Special Education Add-on and Career & Technology Education Add-on programs are valued at \$2,607. FY 2012 was the first year the Legislature has established two WPU values.

Growth in revenue from the Basic Tax Levy (discussed below) is projected to generate an additional \$5.0 million. This increase reduces the state's cost for the Basic School Program. The total estimated cost for statutory related enrollment growth costs is \$51.0 million.

Figure 6 also details additional programs that have statutory formulas that require annual adjustment by the Legislature. This includes five programs in the Related to Basic School Program and the Voted & Board Local Levy Programs. Together, a growth adjustment for these programs totals \$17.4 million.

Prior to the economic downturn in FY 2010, the Legislature also increased funding for several Related to Basic School Programs by the projected percent increase in student enrollment growth. As with all

Related to Basic School Programs, the Legislature has discretion to adjust funding levels for student enrollment growth impacts. These four programs have traditionally been adjusted. Figure 6 details the cost of providing a 2.1 percent funding increase to each of these programs.

Figure 6 also shows the estimated cost to implement a statutorily mandated increase in the state guarantee rate for the Voted & Board Local Levy Programs. UCA 53A-17a-133 increases the state guarantee rate in FY 2014. The rate continues to increase in each succeeding year by 0.0005 times the value of the prior year WPU. In FY 2013 the state guarantee rate is \$27.36 per qualifying WPU, costing approximately \$94.6 million. Statute increases this rate to \$29.96 in FY 2014 for an additional cost of nearly \$27.2 million on top of the adjustment for additional WPUs.

Figure 6: FY 2014 Enrollment Growth Cost Estimate		
Based on Fall 2013 Enrollment Projections		
Program	FY 2013	FY 2014
Basic School Program		
Additional WPUs - Total of 19,998		\$56,117,300
Local Revenue Increase - Basic Rate		(5,070,100)
Subtotal - Basic School Program		\$51,047,200
Related to Basic School Program		
<i>Statutory</i>		
Pupil Transportation		1,444,300
Concurrent Enrollment		187,700
Charter School Local Replacement		6,886,100
Charter School Administrative Costs		550,600
Educator Salary Adjustment ⁽¹⁾	2,296,300	2,296,300
<i>Discretionary</i>		
Enhancement for At-Risk Students		493,500
Youth-in-Custody		403,100
Adult Education		198,000
Enhancement for Accelerated Students		87,500
Subtotal - Related to Basic School Program	\$2,296,300	\$12,547,100
Voted & Board Local Levy Programs		
State Guarantee Rate - WPU Impact		4,870,000
State Guarantee Rate - Statutory Rate Change		27,241,300
Subtotal - Voted & Board Local Levy Programs		\$32,111,300
Total Enrollment Growth Cost Estimate	\$2,296,300	\$95,705,600
Total Estimate - Less V&B Rate Change		\$68,464,300
Notes:		
(1) ESA program growth contains two parts:		
a. A one-time appropriation in FY 2013 to cover costs associated with new qualifying teachers hired in fall 2012 for the current school year.		
b. A similar ongoing amount for FY 2014 to continue to provide adjustments for these new teachers in FY 2014.		

WPU VALUE CHANGES

The Legislature establishes a WPU Value for each fiscal year. Total funding for each Basic School Program is determined by multiplying the number of WPUs in the program by the WPU Value established in statute for the program. Altering the WPU Value will increase (or decrease) the total funding for each program.

The WPU Value remains at the prior-year appropriated amount until adjusted by the Legislature. The WPU Value for most programs was set at \$2,842 in FY 2013, however, the WPU Value for the Special Education – Add-on and Career & Technical Education – Add-on programs is \$2,607. FY 2012 was the first year since the creation of the WPU in 1974 that the Legislature set two WPU Values.

Figure 7 shows the WPU Value and total number of WPUs for each year since FY 1995. Since the WPU was first funded in 1974, the year-over-year WPU Value has never decreased. However, some years the WPU Value did not increase. For example, the WPU Value did not increase from FY 2009 to FY 2011. The FY 2012 increase is the result of funding reallocations within the Minimum School Program. Figure 8 charts the WPU Value changes since 1995.

One Percent WPU Value Increase

Estimates indicate that it will cost approximately \$23,865,600 for every percent increase in the WPU Value. This amount includes both WPU programs in the Basic School Program and certain programs in the Related to Basic School Program historically adjusted with the WPU Value.

Figure 9 details the various components of a one percent WPU Value increase. The Basic School Program represents a one percent increase to both WPU Values. Programs valued at \$2,842 increase \$28 to \$2,870. Programs valued at \$2,607 increase \$26 to \$2,633.

The totals in Figure 9 are based on the estimated FY 2014 ongoing appropriations in each program with adjustments for student enrollment growth. Other adjustments made during the 2013 General Session may increase or decrease this estimate.

Figure 7: WPU History
FY 1995 to FY 2014 Base Budget
WPU Value, Total WPUs and Percent Change

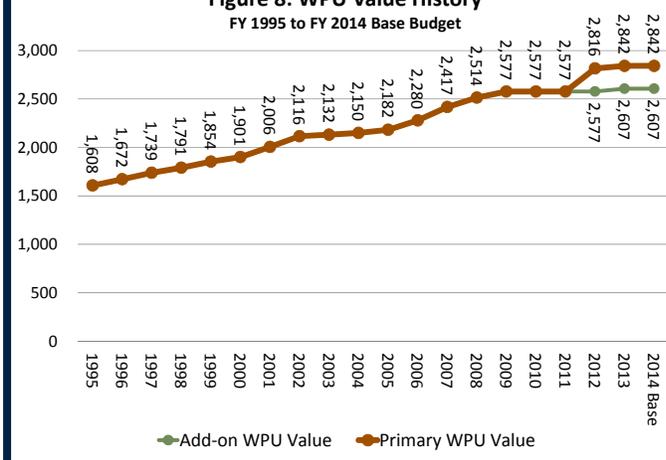
Fiscal Year	WPU Value	% Chg.	Total WPUs	Total Growth	% Chg.
1995	1,608	4.5%	635,379		2.1%
1996	1,672	4.0%	642,121	6,742	1.1%
1997	1,739	4.0%	648,532	6,411	1.0%
1998	1,791	3.0%	666,891	18,359	2.8%
1999	1,854	3.5%	668,465	1,574	0.2%
2000	1,901	2.5%	669,408	943	0.1%
2001	2,006	5.5%	671,513	2,105	0.3%
2002	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	2,577	0.0%	745,100	13,581	1.9%
2012	2,577	0.0%	93,097		
2012	2,816	9.3%	671,628		
2012 Total			764,725	19,625	2.6%
2013	2,607	1.2%	96,941	3,844	4.1%
2013	2,842	0.9%	685,076	13,448	2.0%
2013 Total			782,017	17,292	2.3%
2014 Base	2,607	0.0%	96,941	0	0.0%
2014 Base	2,842	0.0%	685,076	0	0.0%
2014 Total			782,017	0	0.0%

Notes:

In FY 2012, the Legislature established two WPU Values. The WPU Value for most programs increased from \$2,577 to \$2,816. However, the WPU Value for the Special Education - Add-on and Career & Technology Education - Add-on programs remained at \$2,577.

Source: Appropriations Reports, Legislative Fiscal Analyst, 1995-2012

Figure 8: WPU Value History
FY 1995 to FY 2014 Base Budget



LOCAL PROPERTY TAXES

Basic Levy

Figure 10 details the total property tax revenue generated in the school districts by imposing the Basic Tax Rate on property located in within the district’s boundaries. Revenue generated from this Basic Levy supports the cost of a district’s WPUs in the Basic School Program. School districts must levy the Basic Tax Rate set by the Legislature each year in order to participate in the state contribution to the Basic School Program.

Recapture

State funds make up the difference between the total cost of a district’s Basic School Program and the revenue it generates through the Basic Levy. If a district generates more revenue than the cost of its basic program, the remaining amount is remitted to the Uniform School Fund for use by the entire system. This process is called recapture.

The state has recaptured funds from Park City School District since FY 2009. In FY 2012, the state recaptured \$2,179,100. In FY 2013, estimates indicate a recapture amount of approximately \$1.7 million. The exact total will not be known until the end of the fiscal year. Actual revenue will be credited as a revenue source to the Uniform School Fund and can be appropriated by the Legislature.

Basic Levy Revenue – FY 2013

Basic Levy revenue is estimated at \$294,092,000 for FY 2014 (Tax Year 2013), an increase of \$5.0 million or 1.75 percent more than FY 2013. Statute, 53A-17a-103, allows the basic rate to generate the same level of funding collected in the prior year plus an increase for net new growth in property. To generate the amount of authorized revenue in FY 2014, the Basic Tax Rate increases from 0.001665 to an estimated 0.001691 in FY 2013.

Figure 9: One-Percent WPU Value Increase Estimate
Minimum School Program - FY 2014

Program	FY 2014
Basic School Program	
One-Percent WPU Value - All Programs	\$22,558,300
Subtotal - Basic School Program	\$22,558,300
Related to Basic School Program	
Pupil Transportation	670,900
Concurrent Enrollment	87,200
Enhancement for At-Risk Students	229,300
Youth-in-Custody	187,200
Adult Education	92,000
Enhancement for Accelerated Students	40,700
Subtotal - Related to Basic School Program	\$1,307,300
Total Enrollment Growth Cost Estimate	\$23,865,600

Figure 10: Basic Levy -

Minimum School Program

Total Basic Levy Revenue & Basic Tax Rate
Tax Years 2000 to 2013 Estimated

Tax Year (TY13 = FY14)	Basic Levy Revenue (Actual)	Basic Tax Rate
2000	204,833,990	0.001881
2001	206,375,916	0.001785
2002	222,423,539	0.001807
2003	226,447,025	0.001825
2004	236,027,265	0.001800
2005	242,913,297	0.001720
2006	249,985,190	0.001515
2007	259,115,489	0.001311
2008	261,345,275	0.001250
2009	283,799,229	0.001433
2010	297,509,243	0.001495
2011	310,279,300	0.001591
2012 ⁽¹⁾	289,021,900	0.001665
2013 ⁽¹⁾	294,092,000	0.001691

Note:

1. Revenue shown represents the estimate for budget appropriations not actual collections.

Source: Utah State Office of Education, Finance & Statistics Section
Prepared by: Office of the Legislative Fiscal Analyst (01/13BL)

Since 1990, the Basic Rate has decreased from 0.004656 to an estimated rate of 0.001691 in 2013. However, over the same time frame, revenues generated by this rate have increased from \$206.5 million to \$294.1 million. Figure 11 shows revenue collected since 1980 as well as the Basic Tax Rate. In 1994-95 and 1995-96, the Legislature instituted a series of property tax reductions. These reductions reduced the Basic Rate from 0.004220 to 0.002046, a rate reduction of more than 50 percent. The second axis of the chart in Figure 11 shows this rate change.

Equalization

Utah is nationally regarded as having one of the best programs for equitably distributing state education funds. The allocation of state funding through the WPU maintains this equity. Utah’s system identifies a “basic” amount for educating each student, one WPU. However, the system also recognizes that the costs associated with educating each student varies depending on need. Allocating fewer, or additional WPUs, provides adjustments to accommodate the relative cost differentials among students. Finally, not restricting the use of the majority of state funds allocated to local education agencies allows local governing boards to target state funding to meet individual student needs.

Funding the WPU includes the use of state revenue from the Education Fund to equalize a portion of local school district property tax revenues. Each school district must impose a basic property tax levy in order to participate in the Basic School Program (part of the Minimum School Program). The Basic Tax Rate is the same for each school district. Since the value of property in each school district varies, the revenue generated by each school district is different. The state contribution to the Basic School Program for each school district equals the difference between the proceeds of the Basic Levy and the cost of the district’s Basic School Program (based on its total number of WPUs). This process mitigates some of the relative inequities between property tax “rich” and “poor” school districts.

Since charter schools do not have the ability to levy property taxes, they do not contribute to the cost of the Basic School Program. However, students attending charter schools receive the same level of funding as a similarly situated student attending a district school, but the cost is entirely state-funded.

