



VOTED & BOARD LOCAL LEVY PROGRAMS STATE GUARANTEE RATE

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Governing statutes for the Voted & Board Local Levy Programs provide for an annual increase in the state guarantee rate. This brief provides information and recommendations on two issues for consideration by the Legislature. First, the annual increase in the state guarantee rate is set to begin in FY 2014. And, second, adjusting the rate formula in statute to eliminate unintended impacts related to an increase in the WPU Value in FY 2012.

ISSUE DETAIL & RECOMMENDATIONS

State Guarantee Rate Change

During the 2012 General Session, the Legislature delayed the annual increase in the state guarantee rate. This delay avoided a potential cost increase of nearly \$44 million. In Senate Bill 2, "Public Education Budget Amendments" the Legislature amended the statutory language governing the state guarantee rate to have the increase begin in July 2013 (FY 2014).

The statute, 53A-17a-133, states that beginning July 1, 2013 the \$27.36 guarantee "shall be indexed each year to the value of the weighted pupil unit for the grades 1 through 12 program by making the value of the guarantee equal to 0.010544 times the value of the prior year's weighted pupil unit for the grades 1 through 12 program." Statute continues to provide that the guarantee "shall increase by 0.0005 times the value of the prior year's weighted pupil unit for the grades 1 through 12 program for each succeeding year subject to the Legislature appropriating funds for an increase in the guarantee."

Without further legislative action, on July 1, 2013 the state guarantee rate will increase from \$27.36 to \$29.96 [$0.010544 \times \$2,842 = \29.96] per qualifying weighted pupil unit (WPU). The state cost to the program will increase by an estimated \$27.3 million. This cost is in addition to the amounts required to adjust the program for student enrollment growth.

Figure 1 shows the distribution of funding by school district for both the \$27.36 and \$29.96 guarantee rates. Both distributions include the funding associated with student enrollment growth. An increase in the state guarantee rate will provide additional state funding to all school districts currently participating in the program. In addition, Washington County School District will also receive an allocation of state funds at the higher rate.

Legislative Action

The subcommittee may wish to evaluate the costs and programmatic implications associated with state guarantee rate change and consider the following options:

- Include the \$27.3 million on the subcommittee's prioritized list of new funding items submitted to the Executive Appropriations Committee.
- Opt to delay the rate change for another year and have statutory language included in House Bill 2, "Public Education Budget Amendments."

Figure 1: Voted & Board Local Levy Programs

FY 2014 Estimated Allocations by School District | State Guarantee Rate at \$27.36 and \$29.97

School District	Total Program Funding State Guarantee Rate Set At:			State Funding Only State Guarantee Rate Set At:		
	\$27.36	\$29.97	Difference	\$27.36	\$29.97	Difference
Alpine	\$51,682,411	\$56,462,554	\$4,780,143	\$25,239,957	\$30,020,100	\$4,780,143
Beaver	1,670,427	1,775,811	105,384	69,217	174,601	105,384
Box Elder	4,069,670	4,457,895	388,225	874,789	1,263,014	388,225
Cache	11,489,016	12,585,009	1,095,993	4,332,688	5,428,681	1,095,993
Carbon	2,991,940	2,991,940	0	0	0	0
Daggett	108,800	108,800	0	0	0	0
Davis	47,703,388	52,254,040	4,550,652	16,962,078	21,512,730	4,550,652
Duchesne	3,912,720	3,912,720	0	0	0	0
Emery	4,005,912	4,005,912	0	0	0	0
Garfield	251,041	274,989	23,948	4,241	28,189	23,948
Grand	551,200	551,200	0	0	0	0
Granite	46,977,722	51,459,150	4,481,428	10,380,133	14,861,561	4,481,428
Iron	3,841,107	4,207,529	366,422	536,112	902,534	366,422
Jordan	36,607,217	40,099,354	3,492,137	12,560,573	16,052,710	3,492,137
Juab	688,018	753,652	65,634	75,218	140,852	65,634
Kane	465,600	465,600	0	0	0	0
Millard	2,668,800	2,668,800	0	0	0	0
Morgan	374,919	410,684	35,765	39,303	75,068	35,765
Nebo	18,982,694	20,793,543	1,810,849	9,569,794	11,380,643	1,810,849
North Sanpete	1,860,638	2,038,133	177,495	670,895	848,390	177,495
North Summit	474,760	474,760	0	0	0	0
Park City	20,943,651	20,943,651	0	0	0	0
Piute	175,735	192,499	16,764	104,732	121,496	16,764
Rich	1,467,958	1,467,958	0	0	0	0
San Juan	2,933,660	3,213,515	279,855	777,660	1,057,515	279,855
Sevier	1,885,163	2,064,997	179,834	515,163	694,997	179,834
South Sanpete	2,637,582	2,889,194	251,612	1,597,582	1,849,194	251,612
South Summit	1,406,000	1,406,000	0	0	0	0
Tintic	487,047	528,969	41,922	340,779	382,701	41,922
Tooele	5,263,171	5,765,249	502,078	2,308,179	2,810,257	502,078
Uintah	2,102,423	2,102,423	0	0	0	0
Wasatch	6,597,020	6,597,020	0	0	0	0
Washington	14,663,868	15,718,789	1,054,921	0	1,054,921	1,054,921
Wayne	136,807	149,858	13,051	27,607	40,658	13,051
Weber	17,225,430	18,868,645	1,643,215	7,187,656	8,830,871	1,643,215
Salt Lake	19,495,636	19,495,636	0	0	0	0
Ogden	7,495,395	8,210,416	715,021	2,911,956	3,626,977	715,021
Provo	9,431,376	10,331,079	899,703	2,038,280	2,937,983	899,703
Logan	2,616,802	2,866,431	249,629	344,157	593,786	249,629
Murray	5,766,760	5,766,760	0	0	0	0
Canyons	27,173,162	27,173,162	0	0	0	0
Total	\$391,282,673	\$418,504,356	\$27,221,680	\$99,468,776	\$126,690,459	\$27,221,680

Adjusting the Statutory Formula

The high cost associated with the statutory rate change mentioned above is an unintended consequence associated with a large WPU Value increase in FY 2012. During the 2011 General Session, the Legislature reallocated the funding from certain programs in the Related to Basic School Program into the WPU Value. This action increased the WPU Value by approximately 9 percent, but did not introduce any new funding to the Minimum School Program.

Because the statutory increase is indexed to the prior year WPU Value, this reallocation of funding in FY 2012 impacts the state guarantee rate. The Legislature may wish to adjust the statutory index [0.010544] to negate the unintended consequences associated with the WPU Value increase in FY 2012. This will essentially re-set the state guarantee rate next year so it will adjust by any increases in the WPU Value appropriated this session. Because the state guarantee is indexed to the prior-year WPU Value, it is not possible to estimate the full cost of the rate change in FY 2015 until the FY 2014 WPU Value is adopted by the Legislature. Beginning in FY 2016, the automatic adjustments of 0.0005 as provided in statute will take effect contingent on appropriation.

By taking the current state guarantee rate and dividing it by the prior year WPU value produces a new index on which to base the state guarantee rate and future adjustments [$\$27.36 \div \$2,842 = 0.00963$]. With this change, and a delay of the effective date, beginning in FY 2015 the state guarantee would be based on 0.00963 times the prior-year (FY 2014) WPU Value. Following FY 2015, the annual increase of 0.0005 would begin as provided in statute.

Recommendation

- The Analyst recommends that the Legislature adjust the state guarantee rate index from 0.010544 to 0.00963 by directing staff to draft language for inclusion in House Bill 2, “Public Education Budget Amendments” and set FY 2016 as the beginning date of the annual 0.0005 increase in the guarantee rate.