



MINIMUM SCHOOL PROGRAM PRIOR-YEAR + GROWTH AND HOLD-HARMLESS

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
STAFF: BEN LEISHMAN & THOMAS YOUNG

ISSUE BRIEF

SUMMARY

State statute includes several mechanisms that stabilize the allocation of state funding to local education agencies (LEAs). These distribution formula stabilizers were discussed fully in the 2011 In-Depth Budget review conducted by the Legislative Fiscal Analyst's office. This brief focuses on two of these stabilizers, namely, Prior-Year + Growth and the Declining Enrollment Hold Harmless.

PRIOR-YEAR + GROWTH

Prior-Year + Growth is a statutory construct used to estimate the cost of the Basic School Program. It also provides additional funding predictability for LEAs. Section 53A-17a-106 of the Utah Code states:

1. (3)(a) The State Board of Education shall use prior year plus growth to determine average daily membership (ADM) in distributing money under the minimum school program where the distribution is based on kindergarten through grade 12 ADMs or weighted pupil units.
2. (b) Under prior year plus growth, kindergarten through grade 12 average daily membership for the current year is based on the actual kindergarten through grade 12 average daily membership for the previous year plus an estimated percentage growth factor.
3. (c) The growth factor is the percentage increase in total average daily membership on the first school day of October in the current year as compared to the total average daily membership on the first school day of October of the previous year.

The average daily membership of students in the current school year forms the basis in determining the number of WPU for each LEA in the next school year. As a result, each LEA has an established base funding level to build the next year's budget. The incremental change in year-over-year student growth and potential changes in the WPU Value become the only major unknown variables for an LEA in budgeting for the next school year.

Declining Enrollment

If the student population of a LEA is declining, the LEA does not receive growth funding but is held at the number of WPUs accrued during the prior school year. The reduced student count is reflected in the following year's WPU count. In a sense, LEAs are held-harmless for one year in a declining enrollment situation.

Figure 1 provides a detail by school district where the estimated net growth in certain programs is lower in the coming budget year than in the current year. The estimated one-year cost associated with the Prior-Year + Growth provision is nearly \$3 million and mostly contained in the Granite School District. If a negative growth adjustment was made, the estimated enrollment growth costs for the new year could be reduced.

Recommendation

- The Analyst recommends that the subcommittee consider the impact of the Prior-Year + Growth provisions in statute. Currently, growth is determined as the “increase in total average daily membership on the first school day of October in the current year as compared to the total average daily membership on the first school day of October in the previous year.” The subcommittee may wish to affirm that this growth holds harmless shrinking districts and as a result growth cannot be negative. Conversely, the subcommittee may wish to clarify that growth is statewide and decreasing enrollments in various LEAs should be included in the calculation of growth.

Charter Schools

The Utah State Office of Education (USOE) has applied the concept of Prior-Year + Growth differently for charter schools. When charter schools were first created, they did not have the prior-year ADM history to form a foundation for the next school year. As a work around, the USOE began using the greater of prior-year ADM or current year fall enrollment as measured on the first school day in October. Statute does not provide for this variance for charter schools.

Now that there is an established ADM base for charter schools, the USOE is evaluating the impact of basing charter school funding on the same basis as school districts. The State Auditor has also released a preliminary finding that the State Board of Education should use the same Prior-Year + Growth method for charters that they use for school districts. The State Auditor also recommended that the “USOE make recommendations to the Legislature to change the law if the USOE determines that an alternate funding formula is necessary or desired” (Office of the State Auditor, Report No. 12-OOE-7, January 2013).

This may result in funding changes for those charter schools that have a higher current year fall enrollment than prior year ADM. Depending on the severity of impact, the transition of charter schools may need to be phased in over a number of years to allow charter schools time to adjust.

Recommendation

- The Analyst recommends that the subcommittee adjust the statutory provisions for Prior-Year + Growth temporarily to include the current practice for charter schools until the State Board of Education finishes its recommendations. The Analyst further recommends that the subcommittee approve intent language directing the State Board of Education to develop a plan to ensure that all LEAs use the same student accounting methodology and report to the Public Education Appropriations Subcommittee prior to the start of the 2014 General Session.

DECLINING ENROLLMENT HOLD HARMLESS

Statute also includes another hold-harmless provision to “avoid penalizing a school district financially for an excessive loss in student enrollment due to factors beyond its control” (UCA 53A-17a-139.) The hold-harmless takes effect when a district’s ADM “drops more than 4% below the average for the highest two of the preceding three years.” State board rule, R277-485, details the eligibility, funding, and application of the hold-harmless provision.

State Board of Education rules identify unencumbered balances in the Minimum School Program as the source to fund the hold-harmless. In years without sufficient balances, the hold-harmless is not funded.

The USOE reports that FY 2010 was the last year the hold-harmless provision was funded. At that time, Jordan School District and Tintic School District qualified for the hold-harmless. Jordan district received \$618,800 and Tintic district received \$38,500.

FIGURE 1

Prior Year Plus Growth

