

Budget Brief – Minimum School Program

NUMBER PEDBB-05-02

MINIMUM SCHOOL PROGRAM

The Minimum School Program Act was established to: ". . . provide a minimum school program for the State of Utah in accordance with constitutional mandate." It is the purpose of the Act to describe the manner in which the State and the school districts shall jointly pay for the costs. While the program is designed to be a distribution methodology of funds to school districts, the local boards of education have discretion and responsibility to allocate funding based on the unique circumstances of the district. Compensation issues are determined through local contract negotiations regardless of Legislative funding decisions.

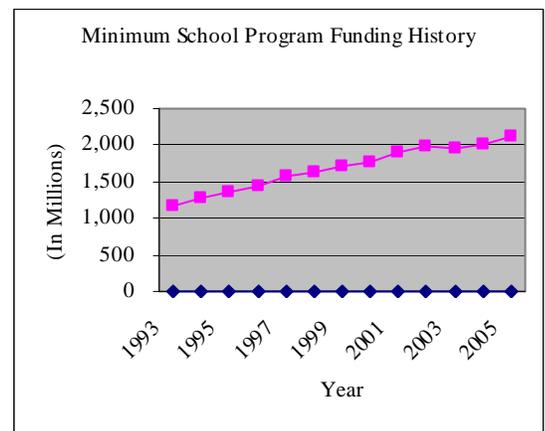
The Minimum School Program is codified in statute in section 53A-17a. It supports public school programs for kindergarten, elementary, and secondary schools. The Basic state-supported school program provides support to public schools in each of forty local school districts to enable education for all children in the State. Distribution of State money is made on a formula basis to equalize wealth between "poorer" districts and "richer" districts. The basis for the distribution of the basic program is the Weighted Pupil Unit (WPU). A weighted pupil unit, in general, is one full time student. Specific programs may have other formulas to define a "Weighted Pupil Unit; i.e., one kindergarten student equals .55 of a weighted pupil unit.

BUDGET RECOMMENDATION AND HISTORY

The Analyst recommends a base budget of \$2,127,959,437. This includes funding of \$1,678,119,511 from the Uniform School Fund; \$9,920,000 from the Uniform School Fund Restricted – School Land Trust account; and \$446,802,002 from local revenues.

The weighted pupil unit value is set at \$2,182 which is the same as the current fiscal year value. The basic levy is recommended to be set at a tax rate of 0.001702 which is 0.000052 less than the current year appropriated rate. The basic levy rate allows for new assessed valuation growth which provides \$8,281,435 in additional revenue for FY 2006. The voted and board leeway local revenue increase is \$18,620,990. This is offset by increased costs of \$20,020,349 in the programs. The costs are a combination of program growth and statutory required rate and inflationary factors. After the cost offsets and new voted and board leeway increases the remaining local revenue left for committee allocation for other expenditures is \$6,882,076.

Another difference in the Base Budget from the current FY 2005 appropriated budget is an increase in the School Land Trust program of \$1,100,000. The total recommendation for this program is \$9,920,000 compared with the current year appropriation of \$8,820,000. The increase is funded with Uniform School Fund – restricted School Land Trust account. In addition, the total program is now funded from that account which is reflected in the base budget recommendations.



Minimum School Program		
Fiscal Year	Appropriation	Percent Change
1993	1,175,515,093	
1994	1,265,420,447	7.65%
1995	1,371,445,262	8.38%
1996	1,453,260,040	5.97%
1997	1,585,515,404	9.10%
1998	1,621,679,486	2.28%
1999	1,723,031,923	6.25%
2000	1,758,941,000	2.08%
2001	1,901,796,912	8.12%
2002	1,991,235,420	4.70%
2003	1,959,801,809	-1.58%
2004	1,997,622,111	1.93%
2005	2,123,639,488	6.31%

One remaining difference between the Base Budget from the current FY 2005 appropriated budget is the reduction of the one time appropriations that were made for FY 2005.

Other Recommendations

The Analyst recommends funding of a number of items that the committee has not yet been allocated funding for from the Executive Appropriations Committee. These are considered high priority items and do not address a number of other funding concerns or requests from the State Board of Education which the committee will have opportunity to review. The recommended priority items from the Analyst are listed. There are Issue Briefs addressing each of these requests in detail.

<u>Programs</u>	<u>On-going</u>	<u>One Time</u>	<u>Total</u>
1. Student Growth - 9,786 Students; 11,028 WPUs	\$28,518,400		\$28,518,400
2. Charter School Growth	5,275,000		5,275,000
3. At Risk Programs - Youth-In-Custody	912,200	\$442,000	1,354,200
4. Electronic High School	300,000	200,000	500,000
5. Teacher Supplies and Equipment		5,500,000	5,500,000
6. Online Testing		5,000,000	5,000,000
7. Literacy and Math Materials		10,000,000	10,000,000
8. Performance Plus II 4th-6th Grade Math		16,000,000	16,000,000
TOTAL	\$35,005,600	\$37,142,000	\$72,147,600

Student Growth

Since student growth is the largest factor in the recommendation the breakdown of those increased costs are represented in the following table.

<u>Minimum School Program Student Growth Costs</u>	WPU Value = \$2,182	
<u>Programs</u>	<u>WPUs</u>	<u>Amount</u>
1. Kindergarten	288	\$628,416
2. Grades 1-12	6762	14,754,684
3. Necessarily Existent Small Schools	131	285,842
4. Professional Staff	728	1,588,496
5. Special Education-Regular Program		
a. Special Education add-on WPU's	1233	2,690,406
b. Self-Contained Regular WPU's	275	600,050
6. Special Education - Pre-School	588	1,283,016
7. Extended Year Program for Severely Disabled	6	13,092
8. Special Education-State Programs	24	52,368
9. Applied Technology Education - District	402	877,164
10. Applied Tech. Education-District Set Aside	20	43,640
11. Class Size Reduction	571	1,245,922
Social Security & Retirement		4,455,304
TOTAL	11,028	\$28,518,400

The Public Education Minimum School Program spreadsheet is shown on the following page. It represents the plan of financing and expenditures for all of the programs listed. One time appropriations are itemized and the School Building Program total is also represented. The spreadsheet shows the FY 2005 budget as appropriated both in number of weighted pupil units (WPU) and dollar amounts. The same data is represented for the recommended base budget. Also represented is the budget with the Analyst's recommended increases for committee prioritization in the third set of columns.

Compensation has not been included in the base budget or the additional FY 2006 recommended budget. A one percent increase in the value of the WPU results in a cost of \$14,382,038 in the weight pupil unit driven programs. Associated social security and retirement costs add another \$2,683,847 for a total one percent cost of \$17,065,885. If the increase is also given for transportation and other personnel driven programs that are not WPU driven the additional costs are \$1,686,426 for a total one percent amount of **\$18,752,311**. The compensation costs of a one percent increase are summarized in the table.

Minimum School Program One Percent Compensation Costs	
WPU driven programs	\$14,382,038
Social Security and Retirement	<u>2,683,847</u>
Sub-total	17,065,885
Tranportation	570,611
Interventions for Student Success Block Grant	153,087
Quality Teaching Block Grant	574,266
At Risk Programs	243,242
Adult Education	58,269
Accelerated Learning	<u>86,951</u>
Sub-total	\$1,686,426
TOTAL	\$18,752,311

These costs can change by actions that may be taken by the committee. For instance, if additional funding is provided by adding weighted pupil units in those programs that are driven by the WPU value the compensation cost go up on those increases. Adding additional weighted pupil units also can add to Voted Leeway program costs as the state participation is based on an amount per weighted pupil unit.

LEGISLATIVE ACTION

The Analyst recommends that the committee adopt the base budget as represented in the middle set of columns on the following page. It is recommended that the committee adopt a basic levy tax rate of 0.001702. Also, in adopting the budget it is recommended that committee action refer to weighted pupil units where those are presented rather than dollar amounts. It is recommended that the committee adopt a position of amounts for voted and board leeway and social security and retirement as may be adjusted by further Legislative action. It is recommended that the committee adopt the revenue amounts as represented in funding spreadsheet.

	FY 2005 Appropriation		FY 2006 Base Budget		FY 2006 Recommend	
	WPU's	Funding @	2005-06	Funding @	WPU'S	Funding @
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Financing						
I. Local Revenue	2004-05	\$2,182	WPU's	\$2,182	2004-05	\$2,182
A. Basic Tax Levy	0.001754	217,590,703	0.001702	\$225,872,138	0.001702	\$225,872,138
B. Voted Leeway		146,631,201		162,172,538		162,172,538
C. Board Leeway		40,677,673		43,757,326		43,757,326
D. Board Leeway/Other--Reading				15,000,000		15,000,000
Local Contribution (A, B, & C) Subtotal		404,899,577		446,802,002		446,802,002
II. State Revenue						
A. Uniform School Fund		1,686,939,511		1,678,119,511		1,707,085,744
B. Uniform School Fund - One Time		31,800,400				37,142,000
C. School Land Trust				9,920,000		9,920,000
State Revenue Subtotal		1,718,739,911		1,688,039,511		1,754,147,744
REVENUE (I & II) TOTAL		2,123,639,488		2,134,841,513		2,200,949,746
I. Basic Program						
A. Regular Basic School Programs						
1. Kindergarten	22,481	49,053,542	22,481	49,053,542	22,769	49,681,958
2. Grades 1-12	438,303	956,377,146	438,303	956,377,146	445,065	971,131,830
3. Necessarily Existent Small Schools	7,667	16,729,394	7,667	16,729,394	7,798	17,015,236
4. Professional Staff	42,814	93,420,148	42,814	93,420,148	43,542	95,008,644
5. Administrative Costs	1,662	3,626,484	1,662	3,626,484	1,662	3,626,484
Regular Basic School Programs (1-5) Subtotal	512,927	1,119,206,714	512,927	1,119,206,714	520,836	1,136,464,152
B. Restricted Basic School Programs						
1. Special Education-Regular Program						
a. Special Education add-on WPU's	53,891	117,590,162	53,891	117,590,162	55,124	120,280,568
b. Self-Contained Regular WPU's	12,579	27,447,378	12,579	27,447,378	12,854	28,047,428
2. Special Education - Pre-School	6,664	14,540,848	6,664	14,540,848	7,252	15,823,864
3. Extended Year Program for Severely Disabled	351	765,882	351	765,882	357	778,974
4. Special Education-State Programs	1,378	3,006,796	1,378	3,006,796	1,402	3,059,164
Special Education (1-4) Subtotal	74,863	163,351,066	74,863	163,351,066	76,989	167,989,998
5. Applied Technology Education - District	23,698	51,709,036	23,698	51,709,036	24,100	52,586,200
6. Applied Tech. Education-District Set Aside	1,010	2,203,820	1,010	2,203,820	1,030	2,247,460
Applied Technology Ed. (5 - 6) Subtotal	24,708	53,912,856	24,708	53,912,856	25,130	54,833,660
7. Class Size Reduction	30,203	65,902,946	30,203	65,902,946	30,774	67,148,868
Total Restricted Basic Programs :	129,774	283,166,868				
TOTAL BASIC SCHOOL PROGRAM WPU's (I):	642,701	1,402,373,582	642,701	1,402,373,582	653,729	1,426,436,678
C. Related to Basic Programs						
1. Interventions for Student Success Block Grant		15,308,708		15,308,708		15,308,708
2. Quality Teaching Block Grant		57,426,623		57,426,623		57,426,623
3. Local Discretionary Block Grant Program		21,824,448		21,824,448		21,824,448
4. Social Security & Retirement		261,482,231		261,482,231		265,937,535
5. Pupil Transportation		57,061,128		57,061,128		57,061,128
6. Garantee Transportation Levy		500,000		500,000		500,000
7. Math/Science - Beginning Teacher Recruitment						
Related to Basic Programs Subtotal		413,603,138		413,603,138		418,058,442
D. Special Populations						
1. Highly Impacted Schools		5,123,207		5,123,207		5,123,207
2. At Risk Programs		24,778,484		24,778,484		25,690,684
3. Adult Education		5,826,865		5,826,865		5,826,865
4. Accelerated Learning Programs		8,695,104		8,695,104		8,695,104
Special Populations Subtotal		44,423,660		44,423,660		45,335,860
E. Other						
1. Reading Program SB 230		12,500,000		12,500,000		12,500,000
2. Electronic High School		700,000		700,000		1,000,000
3. School Land Trust Program		8,820,000		9,920,000		9,920,000
4. Charter School Local Replacement Funding		4,602,450		4,602,450		10,720,159
5. U of U Reading Clinic		375,000		375,000		375,000
Other Subtotal		26,997,450		28,097,450		34,515,159
Related, Special, & Other (C,D,& E) TOTAL		485,024,248		486,124,248		497,909,461
II. Board and Voted Leeway Programs:						
A. Voted Leeway Program		159,084,242		176,049,358		176,049,358
B. Board Leeway Program		45,357,016		48,412,249		48,412,249
C. Board Leeway/Other--Perf. Plus				15,000,000		15,000,000
Voted and Board Leeway Programs TOTAL		204,441,258		239,461,607		239,461,607
Minimum School Program - I - II Subtotal		2,091,839,088		2,127,959,437		2,163,807,746
III. One Time Appropriations TOTAL		31,800,400				37,142,000
MINIMUM SCHOOL PROGRAM (I - III) TOTAL		\$2,123,639,488		\$2,127,959,437		\$2,200,949,746
School Building Program		27,288,900		\$27,288,900		\$27,288,900
One Time Appropriations Summary						
1. Literacy and math materials						10,000,000
2. Electronic High School						200,000
3. Adult Education		1,600,000				
4. UPASS Technology - On line Testing (SB 51)		5,000,000				5,000,000
6. Teacher Supplies & Materials		5,500,000				5,500,000
7. One time Funding - 1% Compensation Bonus		17,200,400				
8. One time Funding - Reading Program SB 230		2,500,000				
9. Performance Plus II 4th - 6th grade math						16,000,000
10. At Risk Programs - Youth-In-Custody						442,000
III. One Time Appropriations TOTAL		31,800,400				37,142,000
Revenue Balance available for committee allocation				\$6,882,076		

Issue Brief – MSP/Enrollment Growth

NUMBER PEDIB-05-07

SUMMARY

There are two data inputs into the Minimum School Program that have a significant impact on how the budget is presented. The first is projected student enrollment. If the Governor’s budget, the budget submitted by the Utah state board of education, or the recommended budget by the Legislative Fiscal Analyst contains different data on this variable then the budgets are not comparable.

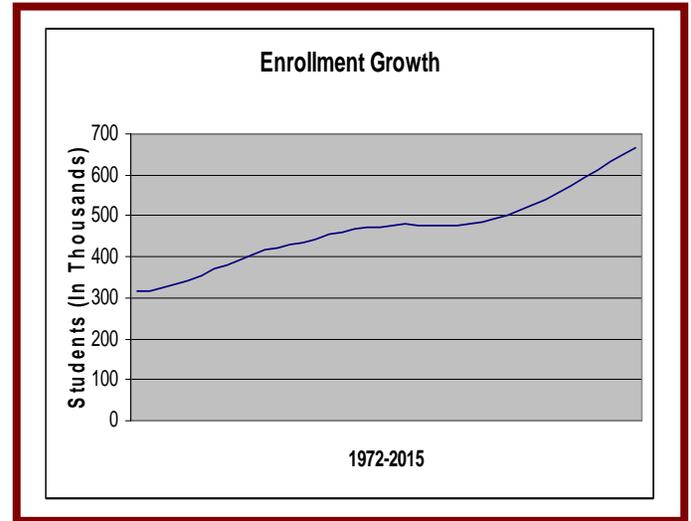
The method utilized to project student enrollment has historically provided a relatively accurate basis for Legislative appropriations. Representatives from the Legislative Analyst Office, Governor's Office, and the State Office of Education, develop independent projections. They each use methodologies which may include historical trends, district reporting, birth statistics, mortality rates, and any number of other factors. They then meet to try and agree on a common projection.

The enrollment trends for the next decade are predicted to increase anywhere from 100,000 to 160,000 new students. This will not only require resource allocation for new growth but could dramatically affect facility costs.

Growth trends are represented in the graph. The table gives an indication of potential costs associated with this growth.

ANALYSIS

The actual fall enrollment count for FY 2005 is 495,689 compared to the committee estimate a year ago of 494,100 or an underestimate of 1,589, and represents a 1.47 percent variance from the prior year enrollments of 486,938. The fall enrollment estimate for FY 2005 is 505,475, an increase of 9,786 for a growth of 1.97 percent. Costs resulting from growth for FY 2005 are calculated to be \$28,518,400. Utah student growth averaged four percent over a fifteen year period from 1949 to 1964 and three percent from 1978 to 1987. During the ninety’s student growth averaged just below one percent. There were three years of negative growth at the end of the ninety’s and year 2000. The growth projections for the next decade indicate growth patterns that will average just over three percent. It is expected to somewhat mirror the 1978 to 1987 growth spurt.



Fiscal Year	Fall Enrollment Increase	Increase in WPU's	Projected Cost - Growth Only	WPU Value Increase	Projected Cost- Growth Plus WPU @ 2%/Yr.	WPU Value Incremental Increase
2,004	5,795	5,630	\$15,726,018	2,150 *	\$50,590,229	\$18
2,005	7,162	9,276	24,477,397	2,193	60,206,433	43
2,006	8,471	11,097	29,842,866	2,237	66,894,690	44
2,007	11,667	15,284	41,889,924	2,281	79,728,817	44
2,008	13,371	17,516	49,090,714	2,327	89,439,996	46
2,009	14,097	18,467	53,708,584	2,374	95,877,876	47
2,010	16,212	21,238	63,435,212	2,421	106,772,752	47
2,011	17,882	23,425	71,344,957	2,470	117,727,194	49
2,012	17,980	23,554	73,104,129	2,519	120,837,144	49
2,013	19,610	25,689	81,209,030	2,569	131,350,969	50
2,014	18,158	23,787	76,588,339	2,621	130,049,353	52
2,015	17,090	22,387	73,556,379	2,673	128,379,848	52
2,016	16,061	21,040	70,563,980	2,727	128,696,676	54
2,017	13,595	17,809	60,853,371	2,781	120,111,592	54
Total	197,151	256,199	\$785,390,900	\$34,343	\$1,426,663,569	\$649

LEGISLATIVE ACTION

The Analyst recommends that student growth be the first funded priority in the amount of \$28,518,400 or an additional eleven thousand and twenty eight weighted pupil units. This will accommodate the new fall enrollment increase projected at 9,786 for a student growth factor of 1.97 percent. Note that because of different program weightings the correlation between fall enrollment count and weighted pupil units is a ratio of .88 to 1.0. Student growth is recommended in the following programs by weighted pupil units and the amount at the current WPU value of \$2,182:

Minimum School Program Student Growth Costs		WPU Value = \$2,182	
<u>Programs</u>	<u>WPU's</u>	<u>Amount</u>	
1. Kindergarten	288	\$628,416	
2. Grades 1-12	6762	14,754,684	
3. Necessarily Existent Small Schools	131	285,842	
4. Professional Staff	728	1,588,496	
5. Special Education-Regular Program			
a. Special Education add-on WPU's	1233	2,690,406	
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10. Applied Tech. Education-District Set Aside	20	43,640	
11. Class Size Reduction	571	1,245,922	
Social Security & Retirement		4,455,304	
TOTAL	11,028	\$28,518,400	

For committee voting the Analyst recommends that motions be made using the number of weighted pupil units rather than the dollar amount. If the value of the weighted pupil unit is changed by the Legislature the amount will adjust and the voted intent of the committee will remain. For the Social Security and Retirement amount the dollar amount can be voted upon and made subject to appropriate adjustments that may be made related to possible changes in the value of the weighted pupil unit.

Issue Brief – Basic Levy/Property Tax Offset

NUMBER PEDIB-05-10

SUMMARY

The total cost of operation and maintenance of the Minimum School Program in the state is divided between the state and school districts. Each school district, in order to qualify for receipt of the state funds, must impose a minimum basic (ad valorem) tax rate on all taxable property in the school district and contribute the proceeds toward the cost of the Basic Program. The Basic Levy is the local-state shared portion of each school district's Maintenance and Operations expenditures. The state contributes the balance of the total costs from the Uniform School Fund.

The Basic Tax Rate is first estimated by the legislature each March during the annual legislative session so as to yield the dollar amount budgeted by the legislature for the coming fiscal year when levied by each school district. The following June, when more accurate assessed valuation data becomes available, the State Tax Commission—in cooperation with the State Office of Education—sets the final tax rate that generates the statewide amount established by the Legislature.

If the proceeds of a districts basic levy equal or exceed the cost of the basic program in that school district, no state contribution is made to the districts basic program. Proceeds which exceed the cost of the basic program are paid into the Uniform School Fund as provided by law. This is commonly known as the recapture provision in the Minimum School Program.

ANALYSIS

The basic tax rate is set by the Legislature according to state statute. The rate is to generate an amount of ad valorem property tax revenue equal to the sum of the prior year amount and new growth. A simple definition of "New growth" is value added to the tax rolls from a new subdivision or a new business. If the Legislature were to exceed this amount it would be subject to truth in taxation the same as other political subdivisions of the state. The procedures for this are in 59-2-926 of the Utah Code. Utah's "Truth in Taxation" laws are revenue-driven, not rate-driven. This means that the requirement to hold a "Truth in Taxation" hearing is based upon the actual property tax collections of a taxing entity, not the rate charged.

The new growth allowed by law each year has increased the funding base by 37 percent over nine years and provided an additional \$61 million for the Minimum School Program. This is illustrated in the table.

LEGISLATIVE ACTION

The Analyst recommends the new growth amount of \$8,281,435 in the basic levy revenue which when added to the base amount of \$217,590,703 would provide for a total of \$225,872,138 in local revenues for the Minimum School Program. The rate is recommended to be approved at .00170. This is .000054 less than the FY 2005 rate of .001754. The rate continues to decline as the property values increase so as to not exceed the allowed revenue by law. The increase amount is available to be used for increased program expenditures in the Minimum School Program such as enrollment growth etc.

Basic Tax Rate yield - 1997 - 2006			
<u>Year</u>	<u>Base</u>	<u>New Growth</u>	<u>Total</u>
1997			\$164,837,930
1998	\$164,837,930	\$6,751,800	171,589,730
1999	171,589,730	4,369,900	175,959,630
2000	175,959,630	6,934,016	182,893,646
2001	182,893,646	6,436,180	189,329,826
2002	189,329,826	7,578,945	196,908,771
2003	196,908,771	9,781,807	206,690,578
2004	206,690,578	5,420,103	212,110,681
2005	212,110,681	5,480,022	217,590,703
2006	217,590,703	\$8,281,435	225,872,138
Total 9 yr.increase		\$61,034,208	