SUMMARY

The Legislature’s budgeting process allows for the subcommittee to review the current-year (FY 2010) budget and make supplemental adjustments to program funding levels or to fix errors in the original appropriation. Legislators may wish to examine two issues for possible supplemental adjustments, namely, the Educator Salary Adjustments (ESA) program and the state guarantee supporting the Voted & Board Leeway programs. These issues are detailed in the following subsections.

EDUCATOR SALARY ADJUSTMENTS

During the 2007 General Session, the Legislature created the ESA program to attract and retain qualified and dedicated teachers in the public schools. Educators qualifying for the ongoing salary adjustment include: classroom teachers, speech pathologists, librarians or media specialists, preschool teachers, school-level administrators, mentor teachers, teacher specialists or teacher leaders, guidance counselors, audiologists, psychologists, and social workers.

The program envisioned that salary adjustments for each qualifying educator would be the same dollar amount. Through this process, the Legislature provided a greater percentage increase to beginning school teachers, supporting an effort to raise the average beginning salary in the state.

Funding provides adjustments under two categories. First, an ongoing adjustment of $2,500 for all qualifying educators listed above and funded beginning in FY 2008. In FY 2009, Legislators increased the adjustment an additional $1,700 for all categories except school-level administrators. Appropriated amounts include sufficient funding to pay for the associated employer-paid benefit costs of retirement, workers’ compensation, Social Security, and Medicare. Qualifying teachers must pay all personal payroll deductions as they do with their base salary.

Supplemental Appropriation

Statute 53A-17a-153, requires an annual adjustment to “maintain educator salary adjustments provided in prior years; and provide educator salary adjustments to new employees.” Since the beginning of this program, estimating the actual number of new qualifying educators each year has been difficult. This is largely a result of state-level individuals trying to predict the hiring practices of local school districts and charter schools.

During the 2009 General Session, it was decided, in consultation with the Utah State Office of Education, to stop trying to predict local hiring practices and fund increases on a supplemental basis. This allows the Legislature to know exactly how many teachers local school districts and charter schools hired and adjust the appropriation mid-year. Since supplemental adjustments are one-time in nature, the mid-year adjustment requires two steps. First, adjust the current year budget. Second, adjust the ongoing funding base in the upcoming fiscal year to account for the ongoing impact of the new qualifying educators.
Cost Estimate

Although total funding to the Minimum School Program decreased by approximately 5.5 percent in FY 2010, school districts and charter schools hired 408 FTEs eligible for the $2,500 adjustment and 398 FTEs that are also eligible for the $1,700 adjustment. Total cost for these additional FTEs totals approximately $2,116,000, including the cost of employer paid benefits.

<table>
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<tr>
<th>Category</th>
<th>Qualifying Educators</th>
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Recommendation

The Analyst recommends that the Legislature consider prioritizing $2,116,000 in one-time funds in FY 2010 and $2,116,000 in ongoing funds in FY 2011 to fund the growth in educators qualifying for the Educator Salary Adjustments.

Voted & Board Leeways – State Guarantee

The Voted Leeway and Board Leeway are state-supported local option property tax programs in which a school district levies a property tax and the state ‘guarantees’ the district will generate a certain amount of revenue per Weighted Pupil Unit. The purpose of the program is to target state guarantee funding to the school districts with the lowest property tax revenue per student in the state. The formula ensures that the relative value of property in school districts receiving the state guarantee is lower and not a result of a lower tax effort.

Estimating the Cost of the State Guarantee

Qualifying school districts receive a state guarantee rate “based on a statutorily set dollar amount per 0.0001 of tax rate per Weighted Pupil Unit.” Legislators appropriate funds for the state guarantee rate based on the projected value of property and total number of estimated WPUs in each school district. Both estimates are conducted each fall in a collaborative effort between the Utah State Office of Education, Governor’s Office of Planning and Budget, and the Legislative Fiscal Analyst.

Outside the formal estimating process for property value and WPUs, school districts may also change the tax rates associated with their Voted or Board Leeway. Some adjustments made by school districts may trigger an increase or decrease in the state guarantee amount based on the revenue collected per WPU. These tax-rate changes are generally not known until the later part of the fiscal year.

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**FY 2010 State Guarantee**

During the 2009 General Session, Legislators appropriated state funding sufficient to provide a guaranteed rate of $25.25 per WPU based on the property-value and WPU estimates at the time. Implementation of the budget for FY 2010 resulted in an actual guarantee rate of approximately $23.43. Two primary reasons contributed to the decline in the guarantee rate per WPU.

1. At the close of FY 2009 there was an over-commitment of state guarantee funds resulting in a program deficit. The Utah State Office of Education reports that approximately 23.6 percent of this deficit was a result of under-estimating the number of WPUs qualifying for the guarantee. This portion was made up by transferring excess balances from Weighted Pupil Unit programs in the Minimum School Program. Approximately 18.7 percent of the deficit was a result of over-estimating property values. Finally, the remaining 57.7 percent was caused by appropriations made prior to local boards setting final tax-rates for the Voted and/or Board Leeway. These two components could not be made up, resulting in a deficit of approximately $5.2 million. State budgetary procedures require the deficit be made up in the following fiscal year.

2. Further complicating this issue, the value of property continues to decline in FY 2010. Projections during the 2009 General Session anticipated total state-wide property values at $217.8 billion. Current estimates show a state-wide decline in property values of $23.9 billion, for a total of $193.9 billion. This change in local property values results in a total state guarantee cost of $46,318,800 compared to the FY 2010 appropriation of $38,000,184, a difference of approximately $8.3 million.

To fund a state guarantee rate of $25.25 in FY 2010, a supplemental appropriation of approximately $13.5 million is required. This amount will fund the state guarantee based on current estimates and does not include any changes in final tax rates set by school districts for the two levies.

**Statute Provides a Remedy**

Provisions in the Minimum School Program Act (53A-17a-105) provide a remedy for dealing with under- or over-estimation of WPUs and local property tax contributions. This section allows the state superintendent to transfer unused amounts from WPU programs to another program included in the Minimum School Program. This mechanism was used to cover a portion of the FY 2009 deficit.

The remaining portions of the deficit, and at least part of the FY 2010 amount, are a result of over-estimating the local property taxes generated to support the program. Statute, 53A-17a-105(5), states “if local contributions are overestimated, the guarantee per weighted pupil unit is reduced for all programs so the total state contribution for operation and maintenance programs does not exceed the amount authorized.” This statute forces a decrease in the state guarantee rate per WPU, when caused by decreased local contributions, in order to meet the amount of funding appropriated by the Legislature. Other than reducing the state guarantee rate, the only mechanism available to keep the rate at the level anticipated is an increased appropriation by the Legislature.

**Recommendation**

The Analyst recommends the Legislature consider the impact associated with a decreased state guarantee rate on qualifying school districts.