SUMMARY

The Basic School Program within the Minimum School Program has several variables that require adjustment by the Legislature each year. This brief provides background information for each of the variables. First, student enrollment growth results in additional costs to the Minimum School Program due to more Weighted Pupil Units (WPUs) as required in certain statutory formulas. Second, each WPU receives funding based on the WPU Value established by the Legislature. There is a cost, or savings, for changes in the value. Finally, the Legislature estimates a Basic Tax Rate that school districts must assess with the proceeds supporting the cost of the Basic School Program.

ENROLLMENT GROWTH

A summary of student enrollment growth is found in the “Public Education: General Budget Overview” budget brief. In FY 2011, projections indicate that Utah’s public schools will enroll 11,044 more students than in FY 2010.

Each fall, public schools conduct a student enrollment census on the first school day in October. Following this census, representatives from the Legislative Fiscal Analyst, Governor’s Office of Planning and Budget, and the Utah State Office of Education (USOE) establish a projected enrollment for the next school year. The USOE also uses these enrollment projections to estimate the total number of WPUs for the next school year.

Enrollment Growth Cost Estimate

Figure 1 details cost estimates for FY 2011 student enrollment growth. Funding additional WPUs in the Basic School Program represents the most significant cost. In FY 2011, an estimated increase of $35 million will provide the current WPU Value ($2,577) for each of the 13,581 new WPUs projected in fall 2010.

Historically, the Legislature has approved sufficient revenue to provide an increase to several non-WPU programs to account for increases in student enrollment. This increase is generally the percent increase in overall student growth, or 2 percent in FY 2011. The total cost of including these non-WPU programs is estimated at $2.9 million. Prior to ongoing state-fund reductions in the Social Security & Retirement and Quality Teaching Block Grant programs, the total cost of enrollment growth in non-WPU programs was more than $13 million.

The cost estimate also includes an additional $13.6 million to provide local property tax replacement funding to charter schools based on current statute. This provides a statutory replacement amount of $1,607 for each student enrolled in a charter school. Enrollment projections indicate that 42,211 students will likely enroll in charter schools this fall, an increase of 8,045. In addition to this amount,
each charter school also receives $100 for each enrolled student to help cover administrative costs. The enrollment growth cost estimate includes an additional $804,500 to cover these costs.

Finally, state revenue supports the local Voted & Board Leeway programs by providing a revenue guarantee to qualifying school districts. Uniform School Funds ensure that each school district that elects to levy the minimum tax rates for these programs will generate a minimum level of revenue per WPU. To maintain the current guarantee rate of $25.25 per WPU and adjust for additional WPUs, an estimated $19.9 million is required.

**WPU Value Changes**

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

The WPU Value remains at the prior-year level until adjusted by the Legislature. Currently, the WPU Value is $2,577.

Estimates indicate that it will cost approximately $20.5 million for every percent increase or decrease in the WPU Value. Historically, a one percent adjustment cost approximately $25 million.

Figure 2 provides a breakdown, by program in the Minimum School Program, historically adjusted with WPU Value changes. The Basic School Program represents a one percent increase, or decrease, to the WPU Value. In this scenario, the WPU Value changes $26 from $2,577 to $2,603. A one percent reduction changes the WPU Value to $2,551. The totals in Figure 2 are based on the FY 2010 ongoing appropriations in each program. As with the cost of enrollment growth, due to FY 2010 reductions in Social Security & Retirement and the Quality Teaching Block Grant the total estimate for FY 2011 is lower. Adjustments made throughout the 2010 General Session may increase or decrease this estimate.

**Local Property Taxes**

Figure 3 details the total Basic Levy revenue in the Basic School Program and Basie Rate to derive this revenue since 1980. Since 1990, the Basic Rate has decreased from 0.004656 to an estimated rate of 0.001513 in 2011. However, over the same time frame, revenues generated by this rate have increased from $206.5 million to $273.9 million.

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 3 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.
The WPU uses state Uniform School Fund appropriations to equalize a portion of local school district property tax revenues levied to support the Basic School Program. Each school district must impose a basic property tax levy in order to participate in the Minimum School Program. The Basic Levy is the same for each school district, but due to varying property values the revenue generated by each district varies. 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 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.

**Recapture**

If a school district’s Basic Rate yields more revenue than the amount the district is entitled to under the Basic School Program, the state ‘recaptures’ the difference and deposits it into the Uniform School Fund to benefit the entire public education system.

For the past three years, the state has recaptured funds from Park City School District. In FY 2011, estimated recapture funds total approximately $3.4 million. The exact total will not be known until the end of the fiscal year. Actual recaptured revenue will be credited as a revenue source to the Uniform School Fund and can be appropriated by the Legislature.

Potential statutory changes in the 2010 General Session will shift most public education appropriations from the Uniform School Fund (USF) to the Education Fund. This is to bring state-fund appropriations in line with new accounting standards. Appropriations will still continue from the USF, but at a decreased amount. The USF will only contain those revenue sources that are required to be deposited into the fund by statute or the state’s constitution. USF appropriations will only occur in the Minimum School Program – Basic School Program ensuring that recaptured revenue is appropriated back into the program. Appropriations in excess of available USF balances will be made from the Education Fund.