



# ISSUE BRIEF: FUNDING INCENTIVES FOR VOCATIONAL EDUCATION

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE  
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ISSUE BRIEF

## SUMMARY

The State supports applied technology education in at least three ways: 1.) direct appropriations to the Utah College of Applied Technology (UCAT); 2.) categorical appropriations to school districts and charter schools for the Career and Technology Education (CTE) Add-on; and, 3.) an incentive to school districts and charter schools to send students to UCAT. In Senate Bill 1, Public Education Base Budget (2011 General Session) the Legislature discontinued the incentive program and moved its funding into the value of the Weighted Pupil Unit (WPU).

Past legislative audits have suggested that the incentive disproportionately benefits districts with UCAT campuses in close proximity to high schools. As such, elimination of the incentive would also disproportionately impact those districts. However, neither the Utah State Office of Education (USOE) nor UCAT can accurately identify potential impacts by district or school. Because student enrollment counts are funded on a lag, and because the State Board of Education has authority to adjust the value of the WPU, districts will not experience the monetary impacts of this policy change until fiscal year 2013.

## BACKGROUND

The Public Education Base Budget (S.B. 1, 2011 General Session) amended statutory provisions governing how high schools count students that attend the Utah College of Applied Technology during a regular classroom period. Prior to this change, local education agencies (LEAs) – i.e. school districts & charter schools – were allowed to count students attending a UCAT campus as if those students were attending their regular high schools on a full-time basis. According to the Legislative Auditor General “this policy was adopted in the early 1980s as a means to encourage districts to send their students to the ATCs.”<sup>1</sup>

Legislators made the policy change in Section 3 of Senate Bill 1. Section 53A-17a-114 “*Career and technical education program alternatives*” was amended as follows:

[~~(1)~~] If a school district determines that a secondary student’s career and technical education goals are better achieved at a regional applied technology college created under Title 53B, Chapter 2a, Utah College of Applied Technology, the student may attend that institution.

[~~(2)~~ Students served under this section in a regional applied technology college shall continue to be counted in the regular school program average daily membership of the sending school district.]

Beginning on July 1, 2011, LEAs may no longer count students served at a regional UCAT campus in the regular school program Average Daily Membership (ADM). The student count beginning on July 1, 2011 will be used to distribute funds for the 2012 - 2013 school year.

The Legislative Auditor General states in his 1994 audit that the CTE incentive “produces a huge benefit for school districts and students near an ATC or college because not only do these students receive their training in better facilities, but school districts also get a financial benefit for sending them to these better facilities.”<sup>2</sup>

<sup>1</sup> *Applied Technology Education Funding*, Legislative Auditor General, Report 94-10, December 1994, p. 15.

<sup>2</sup> *Ibid.*

A follow-up audit in 2009 again questioned the ATE incentive policy. The Auditor's assignment was to review funding equity. In the report, the Auditor stated "we assessed equity based on whether funding is aligned with costs." If the Legislature wants a more equitable approach "it should consider either (1) adjusting the student membership counts for secondary students attending ATCs or (2) requiring school districts to pay the cost of tuition for students attending an ATC" and the "justification for changing state policy would be to provide greater equity to the funding system by more directly aligning funding with the cost of instruction."<sup>3</sup>

The 2009 audit provided the basis for calculating the impact of this policy on the Grades 1-12 program in the MSP. Auditors estimated the state-wide cost at just under \$5 million.

### **PUPIL ACCOUNTING & WEIGHTED PUPIL UNITS**

LEAs track daily student attendance in order to calculate Average Daily Membership (ADM). ADM is used for many purposes throughout the education system, but is used significantly in state funding formulas and equals a full-day equivalent pupil (53A-17a-103). Rules passed by the State Board of Education specify the eligibility, reporting, calculation, constraints and exceptions associated with student membership (R277-419).

Included in the exceptions of R277-419-4(E) is a repeat of the policy outlined in 53A-17a-114. The rule states that "LEAs may also count a student in membership for the equivalent in hours up to: (3) all periods each school day, if the student is enrolled in: (d) Electronic High School or UCAT classes for credit which meet curriculum requirements, consistent with the student's SEOP and following written school counselor approval." In addition, Board rule allows LEAs to count "two periods each school day for time spent in bus travel during the regular school day to and from UCAT facilities, if the student is enrolled in CTE instruction consistent with the student's SEOP." Legislative action only removed the first exception. It is unclear if the State Board of Education will retain the transportation provisions.

LEAs submit aggregate student membership data to the Utah State Office of Education (USOE). Board rule requires each LEA to contract with an independent auditor to audit its student accounting records annually and report findings to the LEA board of education and the Utah State Office of Education. Because disaggregated data is not reported on a statewide basis it is not possible to determine the distribution of these student membership exceptions among LEAs.

Average Daily Membership forms the basis in determining the total number of WPUs an LEA receives. Using the audited data, the USOE converts reported ADMs into WPUs based on statutory requirements for each WPU program. In most cases, one WPU equals one student in ADM.

As mentioned previously, the action taken by the Legislature removed a total of 1,939 WPUs from the Grades 1-12 program. This WPU count was based on a cost estimate included in the 2009 legislative audit which converted secondary student membership hours at UCAT facilities into an estimated Full-Time Equivalent (FTE) student, or ADM/WPU, count.

### **SECONDARY & POST SECONDARY VOCATIONAL EDUCATION FUNDING**

This change in state funding policy does not directly impact vocational education budgets appropriated by the Legislature for LEAs (Career & Technology Education) or UCAT institutions. Section 53A-17a-114 stated that students "shall continue to be counted in the regular school program average daily membership." Because of this, the Grades 1-12 program in the Minimum School Program (MSP) was reduced. The Grades 1-12 program provides general, unrestricted, operations revenue to LEAs to support the associated grades.

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<sup>3</sup> *A Performance Audit of Career and Technical Education Costs*, Legislative Auditor General, Report 09-15, November 2009, p. 31.

Although not directly impacted, the following sections outline state vocational education funding in the public secondary schools and higher education institutions.

**Secondary Schools**

State funding is appropriated through the Career & Technology Education (CTE) – District Add-on program in the MSP. Similar to the Grades 1-12 program, the CTE Add-on is funded with WPU's and provides resources to qualifying LEAs "for the higher cost of state approved CTE courses provided either directly by districts or through external providers [UCAT Institutions] on contract to districts"<sup>4</sup>. The CTE Add-on is in addition to WPU's received through the regular school program.

LEAs receive CTE Add-on funding proportionately based on prior year CTE ADM plus a growth factor. Funds are distributed to LEAs based on four criteria: (1) 84.4 percent general allocation, (2) 12 percent based on competency measures, (3) 2.2 percent to support summer agriculture programs, and (4) the remaining to support Student Leadership Organizations<sup>5</sup>.

The Legislature appropriated \$71.9 million, 27,907 WPU's, to support the CTE Add-on in FY 2012. In addition, the state receives nearly \$14 million in federal funding to support vocational education in the public schools.

**Higher Education**

UCAT was created in 2001. The Legislature moved five Applied Technology Centers (ATCs) and three Applied Technology Center Service Regions (ATCSRs) from the governance of the State Board of Education to the Utah System of Higher Education. Although governance was moved to the higher education system, UCAT's mission remained "to provide market-driven career and technical education to both secondary and adult students to meet the demand by Utah employers for technically skilled workers."<sup>6</sup>

Legislators provided \$54.3 million in appropriations to UCAT for FY 2012. About \$47.8 million of that comes from the General and Education funds.

**BUDGETARY IMPACTS**

Since the end of the 2011 General Session, many questions have surfaced regarding the budget implications associated with this change in policy. Removing this incentive may cause LEAs that benefited most from the incentive to reevaluate program offerings in light of potential budget impacts. In the short term, the impact of this policy change on individual LEAs is unknown. Budgetary impacts will range in severity based on an LEA's use of the incentive and likely phase in over a couple of fiscal years.

As stated earlier, this policy change did not impact state funding allocated to LEAs for Career & Technology Education nor did it impact appropriations to UCAT institutions. Instead, the Legislature reduced the number of WPU's in the Grades 1-12 category of the Minimum School Program by 1,939. The approximately \$5 million associated with that 1,939 WPU's contributed, in part, to an increase in the value of each WPU from \$2,577 to \$2,816. Viewing this funding change in context, the Grades 1-12 program is funded at \$1.47 billion (523,304 WPU's); the \$5 million change is approximately 0.004 percent of the Grades 1-12 program budget.

This change is likely to impact individual schools that built programs to maximize the incentive and are located near a UCAT institution. However, which schools will be impacted and the severity of that impact

<sup>4</sup> *Minimum School Program Descriptions*, Utah State Office of Education, School Finance and Statistics, On-line, Accessed June 8, 2011.

<sup>5</sup> *Ibid.*

<sup>6</sup> *Compendium of Budget Information for the 2011 General Session*, Office of the Legislative Fiscal Analyst, On-line, Accessed June 8, 2011.

is unknown. In the 1994 audit report, school district participation showed that 20 school districts each enrolled less than 1 percent of the total secondary student population attending ATCs. Similarly, 11 school districts enrolled less than 10 percent of the total. The remaining 9 school districts enrolled between 12 percent and 44 percent of the total population.<sup>7</sup>

Due to aggregate reporting of annual ADM data, USOE has not been able to identify in the state financial and data systems precisely which LEAs are impacted and how. This has complicated distributing the 1,939 WPUs among LEAs.

Further complicating the distribution are other statutes governing the determination of Weighted Pupil Units. Specifically, 53A-17a-106 requires the Board to:

(3)(a) . . . use prior year plus growth to determine average daily membership in distributing money under the minimum school program where the distribution is based on kindergarten through grade 12 ADMs or weighted pupil units.

(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.

(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 statutory change eliminating the public education CTE incentive took effect on July 1, 2011 (FY 2012). Although the Legislature eliminated the 1,939 WPUs associated with this incentive when it appropriated funds for FY 2012, the “prior-year-plus-growth” provisions require the 1,939 WPUs to be included in FY 2012 funding distribution to LEAs. Beginning July 1, LEAs will no longer count students attending a UCAT campus in their ADMs. The ADM counts beginning after July 2011 will be used to distribute funds for FY 2013.

Under the Minimum School Program Act, “if the number of weighted pupil units in a program is underestimated, the State Board of Education shall reduce the value of the weighted pupil unit in that program so that the total amount paid for the program does not exceed the amount appropriated for the program.”<sup>8</sup> Because the State Board must use last year’s ADM to distribute this year’s funding, and this year’s funding does not include 1,939 WPU, the base number of WPUs is by definition underestimated.

If appropriations are insufficient to cover all WPU included in ADM plus growth, the State Board will reduce the value of all WPUs in the Grades 1-12 program, essentially reversing the Legislature’s action to increase the value of the WPU by \$5 million. If program WPU estimates are accurate, the policy change has no effect in FY 2012.

Statute provides mechanisms that may mitigate a need to reduce the WPU value. Funding for FY 2012 is partially based on estimated enrollment growth. If growth in the Grades 1-12 program is overestimated, the overestimate could offset the reduction of 1,939 WPUs. Further if growth in other WPU driven programs is overestimated, the State Board of Education shall use excess funds “to support the value of the weighted pupil unit in a program within the basic state-supported school program in which the number of weighted pupil units is underestimated.”<sup>9</sup> For example, if too many WPUs were estimated for kindergarten and too few for Grades 1-12 the excess kindergarten funding can be moved to balance Grades 1-12.

<sup>7</sup> Legislative Auditor General Report 94-10, p. 16.

<sup>8</sup> Utah Code Annotated 53A-17a-105, July 1, 2011.

<sup>9</sup> Ibid.

Minimum School Program funding balances resulting from overestimate of the number of weighted pupil units and underestimates of local property tax collections has ranged from \$4 million to \$49 million per year in the past five years.

**CONCLUSION**

The Legislature's policy decision to eliminate public school incentives for sending high school students to UCAT may have disproportionate impact on certain high schools. Which schools are impacted – and to what degree – is unknown due to insufficient data collection. WPU calculation methodology will delay any disproportionate impact until FY 2013.

Five million dollars previously associated with 1,939 WPU for CTE incentives was used to increase the overall value of the Weighted Pupil Unit for FY 2012. If estimates for the number of WPU in FY 2012 are accurate, the State Board will by statute automatically reverse some of the value increase. However, the number of WPUs is regularly overestimated and as such no value change may be necessary. In this case, districts participating in the CTE incentive will receive a one-time windfall.

Policymakers will be better able to determine budgetary impacts in late fall 2011 once student enrollment counts are taken. Based on this information, the Legislature can make any FY 2012 budget adjustments or FY 2013 policy adjustments it deems necessary in the 2012 General Session.