



PUBLIC EDUCATION APPROPRIATIONS SUMMARY OF BUDGET ISSUES

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

This brief provides a summary of budget issues, recommendations, and action items the subcommittee may wish to consider before concluding its 2013 General Session meetings. Each item is included in a Budget Brief or Issue Brief prepared by staff and presented to the subcommittee. The items listed below are organized by major budget area and include references to the source brief for additional information.

PUBLIC EDUCATION

Issue: Budget Approval by Line-Item

Each session, subcommittees review and approve each line-item budget. The Legislature passed Senate Bill 1, Public Education Base Budget which established base funding levels for FY 2014 for each line-item. Budget detail tables for each line item may be found in the following briefs:

- Tab 3: *Minimum School Program – Basic School Program (Page 6)*
- Tab 4: *Minimum School Program – Related to Basic School Program (Page 6)*
- Tab 5: *Minimum School Program – Voted & Board Local Levy Programs (Page 3)*
- Tab 6: *School Building Program (Page 3)*
- Tab 7: *Utah State Office of Education (Page 3)*
 - USOE Initiatives – Contracts and Grants (Page 3)*
 - Educator Licensing (Page 5)*
 - Education Contracts (Page 3)*
 - Child Nutrition (Page 2)*
- Tab 8: *Charter School Board & Charter School Reserve Account (Page 2)*
- Tab 9: *Science Outreach (Page 2)*
 - Fine Arts Outreach (Page 2)*
- Tab 10: *Utah Schools for the Deaf and the Blind (Page 4)*

Recommendation

- The Analyst recommends that the subcommittee review each line-item budget and approve the FY 2014 Base Budget amounts as a starting point for building the FY 2014 final budget.

MINIMUM SCHOOL PROGRAM

Issue: Minimum School Program Performance Measures

The State Board of Education will report on a comprehensive performance measurement plan for the Minimum School Program requested by the Legislature in intent language passed during the 2012 General Session. *(Brief: Minimum School Program – Budget Overview/Tab 3)*

Recommendations

- The Analyst recommends that the subcommittee evaluate the comprehensive performance measurement plan to ensure that it includes specific outcome-based evaluation metrics.
- Ensure that the program-level performance measures for restricted and semi-restricted performance programs provide the level of specificity desired by the Legislature.
- Establish a clear understanding with the State Board of Education that the measures will be used in the future to evaluate effectiveness of specific restricted and semi-restricted programs.

Basic School Program

Issue: Student Enrollment Growth

The total estimated cost to adjust the Basic School Program for enrollment growth is \$51,047,200. *(Briefs: Minimum School Program – Basic School Program/Tab 3; Minimum School Program – Annual Adjustment Variables/Tab 3)*

Recommendation

- The Analyst recommends that the subcommittee prioritize the amounts listed above to fund enrollment growth related impacts should additional revenues be allocated to support the public education budget.

Issue: WPU Value Increase

Each percent increase in the WPU Value costs approximately \$24 million. *(Briefs: Minimum School Program – Basic School Program/Tab 3; Minimum School Program – Annual Adjustment Variables/Tab 3)*

Recommendation

- The Analyst recommends that the subcommittee recommend to the Executive Appropriations Committee that the Legislature provide a WPU Value increase commensurate to the compensation package provided for state employees, including retirement and health insurance impacts.

Issue: Special Education – High Cost Students

LEAs can request from the State Board of Education additional funding for students that cost more than \$15,000 a year. The High Cost pool currently has \$1.3 million available for allocation with over \$9.5 million in requests (FY 2012). *(Brief: Minimum School Program – Basic School Program/Tab 3)*

Recommendation

- The Analyst recommends that the subcommittee prioritize \$1,150,000 ongoing from the Education Fund to support the Special Education – High Cost Students program should additional revenues be allocated for the public education budget. This program is funded with weighted pupil unit. The \$1,150,000 will provide for an increase of 361 WPUs to the program and pay the associated WPU related impacts to the Voted & Board Local Levy Programs.

Issue: Prior-Year Plus Growth – Declining Enrollment Hold Harmless

If the student population of a school district is declining, the district 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. *(Brief: Minimum School Program: Prior-Year + Growth and Hold Harmless/Tab 3)*

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.

Issue: Prior-Year Plus Growth – Charter Schools

The State Auditor has released an audit finding that the State Board of Education should use the same Prior-Year + Growth method for charters that they use for school districts. Currently, charter schools are funded by using the greater of prior-year ADM or current year fall enrollment. *(Brief: Minimum School Program: Prior-Year + Growth and Hold Harmless/Tab 3)*

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.

Issue: Growth in Student Population Account

In FY 2011, the Legislature appropriated \$103 million from the account to mitigate the effects of the economic downturn on the public education system. The \$3 million was the estimate of interest earned off the investment of the account balance. Due to delays in investing the account balance, timing of un-investing/spending of balances, and Fair Market Value adjustments the account was overspent by \$298,100. *(Brief: Minimum School Program – Basic School Program/Tab 3)*

Recommendation

- The Analyst recommends that the Legislature transfer \$298,100 from MSP nonlapsing balances to the Growth in Student Population Account to eliminate the negative account balance.

Issue: Repeal 53A-1-408

Section 53A-1-408 provides authority to the State Board of Education to reallocate funding between line-items for FY 2002. This language was included in statute during the economic recession in the early 2000s to provide flexibility in the application of budget reductions. The language was not updated or used during the state’s most recent recession. *(Brief: Minimum School Program – Basic School Program/Tab 3)*

Recommendation

- The Analyst recommends that the Legislature repeal this outdated statute.

Related to Basic School Program

Issue: Student Enrollment Growth

The total estimated cost to adjust the Related to Basic School Program for enrollment growth is \$12,547,100 ongoing and \$2,296,300 one-time (FY 2013 supplemental). *(Briefs: Minimum School Program – Related to Basic School Program/Tab 4; Minimum School Program – Annual Adjustment Variables/Tab 3)*

Recommendation

- The Analyst recommends that the subcommittee prioritize the amounts listed above to fund enrollment growth related impacts should additional funding be allocated for the public education budget.

Issue: FY 2013 One-time Funding Items

The FY 2013 budget includes several programs funded from one-time revenue sources. Funding for these programs will not continue in FY 2014 without additional appropriations from the Legislature. A total of \$15.3 million in one-time funding was appropriated and supported the following programs. *(Brief: Minimum School Program – Related to Basic School Program/Tab 4)*

- Dual Immersion - \$800,000
- Teacher Supplies & Materials - \$5,000,000
- Beverley Taylor Sorenson Elementary Arts Learning Program - \$2,000,000
- Early Intervention Program - \$7,500,000 + \$2,500,000 Technology (USOE Budget)

Recommendation

- The Analyst recommends that the subcommittee prioritize the amounts listed above to continue the programs in FY 2014 should additional funding be allocated to the public education budget. The subcommittee may also want to consider if funding should come from ongoing or one-time sources.

Issue: School LAND Trust

Estimates indicate that approximately \$28.7 million may be available for distribution to schools in FY 2014. The base budget bill includes \$22,600,000 appropriated in FY 2013. Statute provides that schools can receive the revenue earned to the account in the immediately preceding fiscal year. *(Brief: Minimum School Program – Related to Basic School Program/Tab 4)*

Recommendation

- The Analyst recommends the Legislature appropriate an additional \$6,110,000 from the Interest and Dividends Account to the School LAND Trust program for FY 2014. This will bring the total to \$28,710,000.

Issue: Enhancement for At-Risk Students

During the 2011 General Session, changes in the budget resulted in a reduction of \$8 million to At-Risk programs and a corresponding increase in the WPU Value. Funding was essentially transferred between programs. *(Brief: Minimum School Program – Related to Basic School Program/Tab 4)*

Recommendation

- The Analyst recommends that the Legislature consider addressing the change in funding distribution without increasing the overall funding to the budget. If a WPU Value increase is provided by the Legislature for FY 2014, the Legislature may wish to reduce this value increase by \$8 million and restore the funding to the Enhancement for At-Risk Students program.

Issue: Pupil Transportation

Each year the Legislature includes intent language in the budget directing a portion of the appropriation for To and From School – Pupil Transportation program be used to fund student transportation costs at the Utah Schools for the Deaf and the Blind. This amount has been \$2,584,400 for the past several years. Statute also provides that all student transportation costs of the schools be paid from this MSP allocation (53A -17a-126). The cost difference between the MSP allocation and the current contract is approximately \$600,000. *(Brief: Minimum School Program – Related to Basic School Program/Tab 4)*

Recommendation

- The Analyst recommends that the Legislature include in the final education budget bill intent language directing the amount of funding for USDB transportation from the To and From School – Pupil Transportation program. The Legislature may also wish to consider adjusting the amount authorized to correspond to the anticipated contract amount of \$3.2 million in FY 2014. This increase can be accomplished by transferring funding from the USDB budget, or if the subcommittee prefers, including the amount in its prioritized list of new funding requests submitted to the Executive Appropriations Committee.

Intent Language from 2012 General Session

The Legislature intends that the State Board of Education allocated \$2,584,400 from the appropriation for “To and From School – Pupil Transportation” to support transportation costs at the Utah Schools for the Deaf and the Blind.

Issue: Educator Salary Adjustments – Employer Paid Benefits

The appropriation for the Educator Salary Adjustments program includes a percent allowance for employer paid benefits (retirement, workers compensation, Social Security, Medicare). Since the program began, the retirement rate has increased from 15.72 percent to 20.32 percent in FY 2014. Adjusting for changes to the retirement rate would increase the employer-paid benefits percentage from 24.16 percent to 28.9 percent. The estimated cost of this adjustment is \$5,996,900. The adjustment for the current year, FY 2013, is slightly less at \$3,846,100. Both amounts are on top of enrollment growth amounts detailed above. *(Brief: Minimum School Program – Related to Basic School Program/Tab 4)*

Voted & Board Local Levy Programs

Issue: Student Enrollment Growth

The total estimated cost to adjust the Voted & Board Local Levy Programs for enrollment growth is \$4,870,000. *(Briefs: Minimum School Program – Voted & Board Local Levy Programs/Tab 5; Minimum School Program – Annual Adjustment Variables/Tab 3)*

Recommendation

- The Analyst recommends that the subcommittee prioritize \$4,870,000 ongoing from the Education Fund for enrollment growth costs in the Voted & Board Local Programs and maintain the state guarantee rate of \$27.36 per WPU in FY 2014.

Issue: State Guarantee Rate Change

Statute (53A-17a-133) provides for an annual increase to the state guarantee rate each year. The increase is based on the prior-year WPU Value. Implementing this statutory increase in FY 2014 raises the guarantee rate from \$27.36 to \$29.97, at an estimated cost of \$27.3 million. *(Briefs: Minimum School Program – Voted & Board Local Levy Programs/Tab 5; Voted & Board Local Levy Programs – State Guarantee Rate/Tab 5)*

Recommendations

- The Analyst recommends that the Legislature delay the statutory rate change for one-year and revisit an increase to the state guarantee rate during the 2014 General Session. This will require a change in the governing statutes for the programs.
- The Analyst recommends that the Legislature adjust the statutory index used to determine the state guarantee rate amount beginning on July 1, 2013 as outlined in the “State Guarantee Rate” Issue Brief.

Issue: Local Revenues

The base budget does not include changes in local property tax revenues estimated for FY 2014. Local property tax estimates for the Voted Local Levy show a decrease of \$1,266,900. Property tax revenue supporting the Board Local Levy is estimated to increase by \$7,159,900.

Due to recent changes in the statutory provisions authorizing local property tax levies, questions have surfaced on how local property tax revenues for the levy programs are reflected in the state budget. The Issue Brief titled “Voted & Board Local Levy Programs – Local Property Tax Revenues” details these questions. (*Briefs: Minimum School Program – Voted & Board Local Levy Programs/Tab 5; Voted & Board Local Levy Programs – Local Property Tax Revenues/Tab 5*)

Recommendations

- The Analyst recommends that the Legislature approve the changes in local revenue estimates for FY 2014 as detailed above.
- The Analyst recommends that the Legislature only include the local revenues guaranteed by the state for the Voted Local Levy and the Board Local Levy in the state budget.

SCHOOL BUILDING PROGRAM

No major issues for consideration.

The subcommittee may wish to review and approve the budget for the line-item found in the Budget Brief titled “School Building Program” found behind Tab 6.

EDUCATION AGENCIES

Issue: State Board of Education – Funding Requests

The State Board has requested the following cost increases:

- Expand ACT statewide and increases overhead associated with test oversight (\$1,000,000);
- Educator Effectiveness Project (lunches, snacks, materials, payments to teachers, travel, other) (\$450,000);
- Two Financial management programmers (\$192,000);
- Two IT employees (\$192,000);
- IT staff salary increases (\$705,000);
- Software security and training (\$36,000 1X);
- Financial management programming start-up (\$40,000 1X);
- IT equipment (computers and software) (\$35,000); and
- Common Core Standards professional development (\$1,000,000).

The Subcommittee may wish to wish to prioritize none, some, or all of these items. *(Brief: Utah State Office of Education – Budget Requests/Tab 7)*

Issue: Utah Schools for the Deaf and the Blind – Funding Requests

The Schools for the Deaf and the Blind (USDB) has requested the following cost increases:

- Educator Steps & Lanes (\$215,300);
- Outreach Educators (\$403,500); and
- Two Professional Staff Development Days (\$126,600).

The Subcommittee may wish to wish to prioritize none, some, or all of these items. *(Brief: Utah Schools for the Deaf and Blind - Budget Requests/Tab 10)*

Issue: Utah Schools for the Deaf and the Blind – FY 2013 Compensation

In addition to the budget requests, Item 3 of the USDB Budget Brief addresses the overfunding of USDB in the compensation bill from last year. The compensation bill for USDB was \$99,300 too high because it included Schedule-AH employees.

Recommendations

- The Analyst recommends that the Legislature adjust the USDB budget down by the \$99,300 shown in Table 3 of page 4 of the USDB Budget Brief.

Issue: Fees

The Schools for the Deaf and the Blind has requested three fee increases:

- Educator fee (\$52.83 to \$58.86);
- Student Education Services fee (\$22.54 to \$26.15); and
- Educational Interpreter fee (\$36.17 to \$36.31).

These three fees are charged school districts for services provided. *(Brief: Public Education Fees/Tab 7)*

In addition to the USDB fees, the Educator Licensing line item includes some recommended fee rate reductions.

Recommendations

- The Analyst recommends adoption of the fees shown in the Public Education Fees Issue Brief.

Issue: Federal Funds

The State Board has requested \$481,443,100 in federal funds for FY 2014. *(Brief: Public Education Federal Funds/Tab 7)*

Recommendations

- The Analyst recommends adoption of the federal funds shown in the Public Education Federal Funds Issue Brief.

Issue: USOE Initiatives – Contracts and Grants

In adding all the appropriated programs covered by the Education Fund within the Initiatives line item, the amount is \$12,800 higher than the recommended adjusted appropriation of \$9,506,900 (base budget). *(Brief: USOE Initiatives – Contracts and Grants/Tab 7)*

Recommendations

The Analyst recommends adjusting the budgeted amount for the Electronic High School down by \$12,800 to bring the budgeted balance in line with appropriated balance. The budgeted expenditures for the Electronic High School would then be \$992,900.

Issue: Utah State Office of Education – Budget Reallocations and Adjustments

Included in the State Office of Education’s Budget Brief are some reallocations and adjustments, such as increasing the budgeted Land Exchange Distribution Account funding by \$12,700. The changes are listed on page 1 or in the Table on page 3 of the brief. *(Brief: Utah State Office of Education/Tab 7)*

Recommendations

The Analyst recommends adjusting the base budget amount and the program reallocations given in the FY 2014 Recommended column of page 3 of the Utah State Office of Education Budget Brief.

Issue: Child Nutrition – Liquor Tax Revenue

Included in the Child Nutrition Budget Brief is an expected increase in the liquor tax of \$2,436,400 because of anticipated year over growth in retail sales. *(Brief: Child Nutrition/Tab 7)*

Recommendations

The Analyst recommends adjusting the Child Nutrition base budget amount up by \$2,436,400 as shown on page 2 of the Child Nutrition Budget Brief.