



EXECUTIVE APPROPRIATIONS COMMITTEE
STAFF: BEN LEISHMAN

MINIMUM SCHOOL PROGRAM: NECESSARILY EXISTENT SMALL SCHOOLS

ISSUE BRIEF

SUMMARY

The Necessarily Existent Small Schools (NESS) program assists school districts in operating schools in remote areas of the State with low student populations. School districts must apply to the Utah State Board of Education (USBE) to have a school classified as necessarily existent. Participating schools must meet eligibility requirements established in statute and State Board of Education rule. The program provides participating schools with “add-on” WPUs in addition to the WPUs generated through student membership.

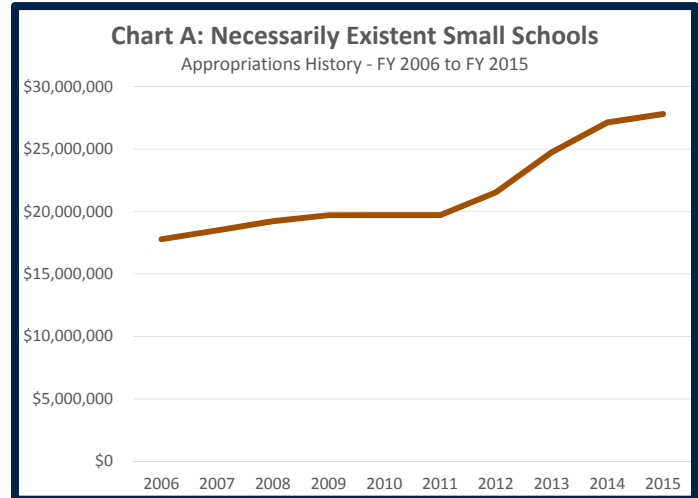
Questions

The following sections of this brief provide the background, participation requirements, funding history, and the distribution of the NESS program appropriations. Legislators have raised the following questions about the program:

1. Given recent increases in the total appropriation for the NESS program, are NESS qualifying schools receiving all the appropriated funds?
2. What guarantees are in place to ensure that NESS qualifying schools actually receive NESS allocations from the school districts?
3. Why are some NESS qualifying schools receiving less funding in light of recent increases in the total appropriation for the program?

Appendix A details the distribution of program appropriations to NESS qualifying schools. This table shows that in three of the past four years, not all of the program appropriations have been distributed to qualifying schools in the year the funds were appropriated, leaving an unallocated balance in the program.

The “Funding Distribution” section below provides information on a State Board of Education rule that requires school districts to distribute NESS funding to the schools that qualify. This rule also prohibits a school district from supplanting other state or local funds allocated to a NESS school.



Fiscal Year	Appropriated Amount	Percent Change	Weighted Pupil Units	Percent Change
2006	\$17,779,440		7,798	
2007	18,487,633	4.0%	7,649	-1.9%
2008	19,229,586	4.0%	7,649	0.0%
2009	19,711,473	2.5%	7,649	0.0%
2010	19,711,473	0.0%	7,649	0.0%
2011	19,711,473	0.0%	7,649	0.0%
2012	21,539,584	9.3%	7,649	0.0%
2013	24,731,100	14.8%	8,702	13.8%
2014	27,125,900	9.7%	9,357	7.5%
2015	27,809,000	2.5%	9,357	0.0%

Notes:

2007 - The number of WPUs decreased due to fewer qualifying NESS schools. An increase in the WPU Value caused an increase in total funding despite the decrease in WPUs.
 2012 - Increase due to an increase in the WPU Value caused by eliminating several categorical "Below-the-Line" programs.
 2013 & 2014 - Increase due to additional funding appropriated by the Legislature in each year and not an increase in the number of NESS qualifying schools.
 Source: Appropriations Reports, Legislative Fiscal Analyst. 2006-2014.

Under program distribution formulas, it is possible for a NESS qualifying school to receive less funding even with increases in total program appropriations. Schools receive funding based on their enrollment in relation to statutory enrollment caps based on school type and their relative position with other like schools. As the enrollment in a school increases towards the cap, the amount of funding they receive will decrease.

BACKGROUND

The NESS program originated with the creation of the Minimum School Program (MSP) in the early 1970s. The Utah School Finance Study, commissioned by the Legislature in 1972, details much of the creation of the current MSP, and states that “small, but necessarily existent, schools must have increased pupil weighting in a finance formula in order to allow for the higher costs involved in the operation of such schools.”¹

Increased weighting for small and isolated schools supports one of the three fundamental goals of the public education system established by the Legislature, namely, that “all children of the state are entitled to reasonably equal educational opportunities regardless of their place of residence in the State and of the economic situation of their respective school districts.”² However, the school finance study recommended that the State evaluate each small and isolated school to determine if it should be allowed to operate. The application and review process required by statute and overseen by the USBE provides this oversight and works to control the number of schools.

Participation Requirements

In order to be classified as necessarily existent, schools must meet two requirements identified in statute ([53A-17a-109](#)):

1. One-way bus travel to the nearest school within the school district of the same type requires students in grades K-6 to travel more than 45 minutes or students in grades 7-12 to travel more than 1 hour and 15 minutes.
2. Average Daily Membership (ADM) of a NESS school does not exceed the following size thresholds:
 - 160 ADM for elementary schools including students enrolled in Kindergarten
 - 300 ADM for a one or two-year secondary school
 - 450 ADM for a three-year secondary school
 - 550 ADM for a four-year secondary school, and
 - 600 ADM for a six-year secondary school.

The USBE has approved an administrative rule ([R277-445](#)) governing the classification of small schools as necessarily existent.

Participating Schools

In FY 2014 and FY 2015, approximately 91 schools in 25 school districts have been classified as necessarily existent. A complete list of NESS schools by school district can be found in Appendix A. As student ADM in a NESS school grows, it is possible for a school to no longer qualify for the program. For example, two fewer schools qualified in FY 2014 than in FY 2013.

¹ Utah School Finance Study. December 1972. Pg. 18.

² UCA [53A-17a-102](#).

FUNDING

The NESS program is part of the Basic School Program in the Minimum School Program and funded by Weighted Pupil Units (WPU).

Charts A and B, on Page 1, provide a 10 year history of program WPUs and appropriation amounts. In FY 2015, the Legislature appropriated a total of \$27.8 million and 9,357 WPUs to the program. The Legislature increased program funding in both FY 2013 and FY 2014 by \$3.2 million and \$2.4 million respectively. Additional WPUs were added in these years to adjust for the change in appropriation amounts.

Prior to FY 2013, program WPUs remained stable at 7,649 for six years. Any program funding increases during this time were the result of increases in the WPU Value. However, due to the economic downturn, program funding levels did not change for two consecutive fiscal years. The last significant change in the number of qualifying schools occurred between FY 2006 and FY 2007 indicated by the reduction of 149 WPUs in FY 2007 as shown in Chart B.

Funding Distribution

USBE rule requires that NESS funds allocated to a school district be utilized at the qualifying school. Board rule states, “Additional WPU funds allocated to school districts for necessarily existent small schools shall be utilized for programs at the school for which the units were allocated. The funds must supplement and not supplant other funds allocated to special schools by the local board of education.”³

Appendix A provides detail on the allocation of NESS funding by qualifying school and school district for FY 2012 to FY 2015. This history shows the change in program funding each year and the allocation of that funding to NESS qualifying schools. In fiscal years 2013, 2014, and 2015 not all appropriated funding was distributed to qualifying schools. This may be a result of the regression formula used by the State Board of Education to distribute program funding. The amount unallocated in each fiscal year is as follows: FY 2013 - \$989,200; FY 2014 - \$761,500; and, FY 2015 - \$700,700.

Unallocated funding is held in the program and becomes a nonlapsing balance at the end of the fiscal year. Statute, 53A-17a-109, directs the State Board to distribute any balance from the prior fiscal year to NESS qualifying schools using a formula that considers the tax effort of a local school board.

The Board rule above also prohibits a school district from supplanting other funds allocated to NESS qualifying schools by local school boards. The State Board of Education may need to develop a more consistent reporting method to ensure that NESS qualifying schools actually receive appropriated funding and that the school district does not supplant other funds allocated for the school.

Statute directs the USBE to develop a regression formula to distribute program funding to qualifying schools. The regression formula is based on a school’s prior-year ADM and the grade span of the school as outlined in statute. As growth in a school nears the statutory ADM threshold, the number of WPUs and as a result, the amount of funding the school receives declines. The regression formula produces maximum WPU allocations for each of the following school types:

- Elementary Schools – 54.8 WPUs
- 1-2 Year Secondary Schools – 105.1 WPUs
- 3 Year Secondary Schools – 134.1 WPUs
- 4 Year Secondary Schools – 140.7 WPUs

³ State Board of Education. Board rule R277-455, Classifying Small Schools as Necessarily Existent.

- 6 Year Secondary Schools – 150.4 WPUs

CONCLUSION

NESS qualifying schools are not receiving the full benefit of state funding in the year the appropriation occurs. In FY 2013, the Legislature appropriated an additional \$3.2 million to the program. In that same year, approximately \$989,200 of the total appropriation remained unallocated. Similarly, in FY 2014, the Legislature increased program appropriations by \$2.4 million and approximately \$761,500 remained unallocated. Leaving large unallocated balances in the program each year reduces the amount each qualifying school may receive lessens the potential impact of funding increases provided by the Legislature in a given year.

Recommendations

The Legislature may wish to consider the following recommendations in regards to the NESS program:

1. Require the State Board of Education to regularly update the regression formula used to distribute program funding to NESS qualifying schools in order to reduce the amount of funding that remains unallocated each year.
2. Require the State Board of Education to implement monitoring and reporting procedures to ensure program funding is allocated to the NESS qualifying schools and that the school district does not supplant other funds allocated to the school.

APPENDIX A – QUALIFYING NESS SCHOOLS AND FUNDING AMOUNTS

Public Education: Necessarily Existent Small Schools - History of Program Appropriations and Allocations by School						
Fiscal Years 2012 to 2015						
		2012	2013	2014	2015	Change 2011-2015
Legislative Appropriation		\$21,539,584	\$24,731,100	\$27,125,900	\$27,809,000	\$6,269,416
Formula Distribution						
Beaver	Minersville EL	\$40,087	\$71,695	\$12,080	\$92,411	\$52,324
	Beaver HI	204,203	265,002	289,714	297,010	92,807
	Milford HI	445,386	557,257	636,658	652,690	207,303
Box Elder	Grouse Creek EL	89,553	85,172	95,331	97,731	8,178
	Grouse Creek MD	89,553	105,239	117,795	120,761	31,208
	Park Valley EL	154,017	144,115	156,256	160,191	6,174
	Park Valley HI	133,065	143,419	144,515	148,154	15,089
	Snowville EL	155,198	147,758	165,382	169,547	14,349
Carbon	Helper MD	388,107	368,789	408,837	419,132	31,025
Daggett	Flaming Gorge EL	144,830	127,495	150,107	153,887	9,058
	Manila EL	154,518	139,713	148,910	152,660	(1,858)
	Manila HI	346,974	401,671	449,586	460,907	113,933
Duchesne	Tabiona EL	137,203	135,362	157,523	161,490	24,286
	Altamont HI	439,302	566,732	635,154	651,147	211,846
	Duchesne HI	389,769	524,440	556,483	570,496	180,727
	Tabiona HI	344,823	398,815	470,893	482,751	137,928
Emery	Book Cliff EL	67,702	71,695	90,142	92,411	24,710
	Cottonwood	0	16,725	47,010	48,194	48,194
	Canyon View MD	363,640	346,733	406,707	416,948	53,308
	San Rafael MD	317,292	301,664	342,856	351,490	34,198
	Emery High	58,979	70,229	95,841	98,254	39,275
	Green River HI	423,249	499,527	541,904	555,550	132,301
Garfield	Antimony EL	103,796	98,819	130,525	133,811	30,015
	Boulder EL	94,553	85,172	95,331	97,731	3,178
	Bryce Valley EL	52,092	45,810	55,510	56,908	4,816
	Escalante EL	156,143	151,348	162,785	166,884	10,741
	Panguitch MD	340,068	287,770	322,096	330,207	(9,861)
	Bryce Valley HI	422,367	523,857	579,011	593,592	171,225
	Escalante HI	355,256	425,854	470,893	482,751	127,495
	Panguitch HI	403,179	472,167	527,421	540,702	137,523
Grand	Grand County MD	201,251	176,835	187,728	192,455	(8,796)
	Grand County HI	178,648	179,637	201,063	206,126	27,478
Iron	Escalante Valley EL	102,309	114,419	61,810	63,366	(38,943)
	Parowan HI	337,885	480,369	566,499	580,764	242,880

MSP – NECESSARILY EXISTENT SMALL SCHOOLS

Public Education: Necessarily Existent Small Schools - History of Program Appropriations and Allocations by School						
Fiscal Years 2012 to 2015						
		2012	2013	2014	2015	Change 2011-2015
Legislative Appropriation		\$21,539,584	\$24,731,100	\$27,125,900	\$27,809,000	\$6,269,416
Formula Distribution						
Kane	Big Water EL	156,288	152,792	172,241	176,578	20,291
	Big Water HI *	206,624	232,987	304,282	311,944	105,320
	Lake Powell EL	107,999	98,819	119,300	122,304	14,305
	Lake Powell HI	124,430	121,672	168,238	172,474	48,044
	Kanab MD	350,632	284,228	325,065	333,250	(17,381)
	Kanab HI	397,874	485,564	533,915	547,359	149,485
	Valley EL	23,765	12,775	40,563	41,584	17,819
	Valley HI	426,605	522,584	583,479	598,171	171,567
Millard	Garrison EL	89,553	125,011	119,300	122,304	32,750
	Delta MD	45,265	0	0	0	(45,265)
	Garrison MD	89,553	101,891	114,044	116,916	27,362
	Fillmore MD	344,930	408,901	451,571	462,942	118,012
	Millard HI	342,909	410,243	437,268	448,279	105,370
	Eskdale HI	89,553	120,410	117,795	120,761	31,208
North Sanpete	Fountain Green EL	27,875	36,241	44,868	45,998	18,123
	Spring City EL	0	8,807	5,407	5,543	5,543
North Summit	North Summit MD	338,810	411,576	438,894	449,946	111,136
	North Summit HI	351,851	441,942	485,800	498,033	146,182
Piute	Circleville EL	95,370	99,024	114,415	117,296	21,925
	Oscarson EL	148,320	144,115	158,053	162,033	13,714
	Piute HI	445,086	550,609	610,532	625,906	180,820
Rich	North Rich EL	100,594	92,467	95,942	98,358	(2,236)
	South Rich EL	82,755	75,259	97,850	100,314	17,559
	Rich MD	383,848	373,666	416,317	426,800	42,952
	Rich HS	419,742	474,014	529,537	542,871	123,130
San Juan	Bluff EL	145,645	124,212	141,970	145,545	(100)
	LaSal EL	136,371	106,586	127,002	130,200	(6,171)
	Lyman MD	255,888	214,281	241,504	247,585	(8,303)
	Monticello HI	419,254	559,448	627,923	643,735	224,482
	Monument Valley HI	438,469	573,317	640,607	656,738	218,269
	Navajo Mountain HI	221,148	232,001	275,362	282,295	61,147
	San Juan HI	243,513	269,243	303,586	311,231	67,718
	Whitehorse HI	431,804	553,016	616,058	631,571	199,767
Sevier	Koosharem EL	159,046	150,623	166,545	170,738	11,692
	North Sevier MD	319,746	314,209	349,202	357,995	38,249
	South Sevier MD	252,917	218,729	204,003	209,140	(43,777)
	North Sevier HI	377,751	459,168	443,721	454,894	77,144
	South Sevier HI	265,591	242,755	285,554	292,745	27,154
South Sanpete	Gunnison Valley MD	305,931	296,918	328,280	336,546	30,616
	Ephraim Md	0	7,420	0	0	0
	Gunnison Valley HI	328,241	378,731	427,304	438,064	109,823
South Summit	South Summit HI	211,025	172,799	193,413	198,283	(12,742)
	South Summit MD	148,190	161,284	127,263	130,468	(17,723)

Public Education: Necessarily Existent Small Schools - History of Program Appropriations and Allocations by School

Fiscal Years 2012 to 2015

		2012	2013	2014	2015	Change 2011-2015
Legislative Appropriation		\$21,539,584	\$24,731,100	\$27,125,900	\$27,809,000	\$6,269,416
Formula Distribution						
Tintic	Callao EL	89,553	85,172	0	0	(89,553)
	Eureka EL	145,645	135,362	136,001	139,425	(6,219)
	Tintic HI	404,505	502,699	574,350	588,813	184,308
	West Desert EL	94,553	85,172	105,840	108,505	13,952
	West Desert HI	89,553	106,115	144,515	148,154	58,601
Tooele	Dugway EL	102,309	80,537	116,180	119,106	16,797
	Ibapah EL	122,486	113,467	130,525	133,811	11,326
	Vernon EL	157,291	147,758	164,124	168,257	10,966
	Dugway HI	395,437	410,030	464,991	476,700	81,262
	Wendover HI	448,932	570,068	637,394	653,445	204,513
Uintah	Eagle View (West MD)	393,921	373,115	424,730	435,425	41,504
Washington	Springdale EL	159,805	149,751	171,667	175,990	16,185
	Enterprise HI	310,282	442,565	512,706	525,616	215,334
Wayne	Hanksville EL	148,320	134,108	142,703	146,297	(2,023)
	Wayne MD	397,837	378,350	421,891	432,515	34,678
	Wayne HI	418,329	490,623	543,267	556,947	138,618
Weber	Snowcrest JR	175,069	185,372	209,221	214,489	39,421
Total Formula Distribution		\$21,539,584	\$23,741,903	\$26,364,431	\$27,108,343	\$5,568,759