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# Utah State Legislature

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December 10, 2018

Senator Jerry W. Stevenson, Senate Chair  
Representative Bradley G. Last, House Chair  
Executive Appropriations Committee  
Utah State Legislature  
Salt Lake City, UT 84114

Dear Senator Stevenson and Representative Last,

The Public Education Appropriations Subcommittee is pleased to report our actions during the 2018 Interim. You encouraged us to meet three times (June, August, and October) and use the three meetings as follows:

- *June*: Look back at what was accomplished – and not accomplished – in the 2018 General Session, including technical corrections. Follow-up on any issues that are outstanding from General Session. List and identify items from the 2018 General Session and earlier on which LFA might report in August.

We also discussed the relationship of public and higher education allocations from the Education Fund, a report on new personnel to be hired by the State Board of Education, and an update on State Board IT systems.

- *August*: Discuss FY 2018 close-out and what it means going forward. Follow-up on fiscal notes and funding items from 2018 General Session and earlier. Receive reports on performance metrics for FY 2018. Identify potential base budget actions for discussion in October.

Further, we discussed pupil transportation funding and how to measure the 85 percent state funding threshold mentioned in statute, charter school local replacement, and statewide assessment contracts.

- *October*: Review base budgets as known including one-time appropriations that fall out. Adopt recommendations for current year and new year budget changes identified in June, August, or otherwise. Review new funding initiatives/requests for appropriation as available. Receive reports on performance metrics from 2018 General Session, if applicable.

We heard the performance audit of secondary school fees from the Legislative Auditor General. We also discussed line item performance measures, nonlapsing balances, special education intensive services funding, and the reauthorization of the federal Perkins grant for Career & Technical Education.

The following highlight subcommittee reports and recommendations on the items we studied:

**June**

1. Budget Technical Corrections

- a. *H.B. 293, Tax Rebalancing Revisions* – The statute governing the calculation of the State Guarantee Rate was not changed to reflect program changes included in H.B. 293. The statute indexes the rate to the prior-year increase in the WPU Value. Since the index was not changed, the calculating the rate based on the statute produces a FY 2020 rate less than the rate in FY 2019. The index factor needs to be changed from 0.011962 to 0.012696.

**Recommendation:** Direct staff to work with the State Board of Education and the Governor’s Office to prepare enrollment growth cost estimates for FY 2020 that include an adjusted index to ensure the State Guarantee Rate does not decrease. The subcommittee also recommends that the Executive Appropriations Committee include a statutory change in the Public Education Base Budget Bill correcting the underlying statutory language.

- b. *H.B. 404, Land Trusts Protection and Advocacy Act* – The bill passed after the Bill of Bills (H.B. 3) was completed. As a result, funds were not transferred from the State Board of Education to the Treasurer’s Office.

**Recommendation:** Reduce the Trust Distribution Account appropriation to the State Board of Education by \$211,100 in FY 2020 and appropriate the same amount to the State Treasurer’s Office to fund the Trusts Protection and Advocacy Office.

- c. *S.B. 16, Public Safety Fee Revisions* – The bill changed fees for services provided by the Utah Department of Public Safety, lowering background check costs for licensing educators.

**Recommendation:** Reduce the Education Fund appropriation to the State Board of Education – Educator Licensing line item by \$77,900 one-time in FY 2019 and \$77,900 ongoing in FY 2020.

- d. *H.B. 370, Suicide Prevention and Medical Examiner Provisions* – Funding appropriated to the State Board of Education should have gone to the Department of Human Services to administer grants to Higher Education Institutions.

**Recommendation:** Reduce the Education Fund appropriation to the State Board of Education by \$500,000 in FY 2020 and appropriate \$500,000 from the General Fund to the Utah Department of Human Services. The Agencies are working out details on funding in the grants in FY 2019.

- e. *Digital Teaching and Learning Administration (DT&L)* – The Legislature transferred \$187,600 from the DT&L program in the Minimum School Program to the State Board of Education administration line-item. This transfer was done in error as the funds were already transferred in FY 2018.

**Recommendation:** Reduce the Education Fund appropriation to the Utah State Board of Education – MSP Categorical Program Administration line-item by \$187,600 one-time in FY 2019 and appropriate the funds to the DT&L program in the Minimum School Program.

2. State Board of Education IT Systems - The subcommittee heard from the State Board of Education on their plan to improve Board IT systems, specifically, financial reporting and educator licensing using approved nonlapsing balance authority. The plan included systems that will be upgraded/replaced, implementation timelines, and budget estimates.
3. State Board of Education Personnel Review – The subcommittee heard from the State Board of Education on the hiring plans for additional Board staff authorized during the 2018 General Session.

### **August**

4. To and From School Pupil Transportation – The State Board of Education reported as a follow up on issues raised during the 2018 General Session regarding the transportation funding formula and how to measure the 85% state funding threshold outlined in statute. The Board staff convened a working group to address these questions. The subcommittee heard and discussed the working group’s recommendations for further action and passed a motion accepting the agreed upon calculation method.
5. Charter School Local Replacement Formula Review - The subcommittee reviewed the formula, including changes leading up to the revised formula adopted during the 2016 General Session. Subcommittee members also reviewed potential formula adjustments to mitigate a data reporting lag used in setting the local replacement rate each year for further action.
6. H.B. 230, “Related to Basic School Programs Review” – The subcommittee reviewed H.B. 230 which requires the subcommittee to review each categorical program within the Related to Basic School Program and establish a program review schedule. Subcommittee staff outlined each program and provided recommendations on a schedule for future programmatic reviews for adoption by the subcommittee. The subcommittee adopted the proposed review schedule.

### **October**

7. A Performance Audit of Secondary School Fees – The subcommittee heard the report from the Legislative Auditor General on the recent audit and the State Board of Education provided a response. The Board indicated it is working internally on the issue and will likely have findings from a working group by the 2019 General Session. Subcommittee members discussed the audit and potential issues. No formal action was taken by the subcommittee.
8. Line Item Performance Measures – Subcommittee members received an update from the State Board of Education on the performance measures included in the FY 2019 Public Education Base Budget. The update included performance data, including revised targets and performance history. The Board recommended several changes to be included in the FY 2020 base budget bill.

**Recommendation:** The subcommittee passed a motion accepting the proposed changes identified by the State Board of Education to be included in the base budget bill.

9. Special Education: Intensive Services - The subcommittee reviewed the program formula and reimbursement process used to distribute appropriated funding to local education agencies. Members also discussed which revenue sources should be included or excluded from the reimbursement formula as a possible item for action during the 2019 general Session. Due to

the way LEAs report data to the State Board of Education, it is possible that the State is reimbursing LEAs for costs already paid from other restricted state or federal sources.

**Recommendation:** The subcommittee passed a motion directing staff to prepare statutory or intent language to implement staff recommendations on the following:

- Require LEAs to submit expenditures on high-cost students and the revenues used to pay the costs.
- Discontinue reimbursing LEAs for costs paid from restricted state and federal sources for special education, and local property tax revenue from the Basic Levy.
- Continue reimbursing LEAs for costs paid from general unrestricted state and other local revenue sources transferred to the special education program. But, only reimburse these sources in proportion to the amount of unrestricted funds contribute to the cost of all special education students, not only high-cost students.

10. State Board of Education Line Item Nonlapsing Balances – The subcommittee reviewed nonlapsing balances at the State Board remaining from the close of FY 2018 by appropriation line-item. The subcommittee will be working with the Board on how these funds will be expended or if they can be re-appropriated during the 2019 General Session.

**Recommendation:** The subcommittee passed a motion directing the State Board of Education prepare a detailed list of the source of nonlapsing balances and all planned expenditures, by line-item (excluding the Minimum School Program), for discussion by the subcommittee during the 2019 General Session base budget review process.

11. Follow-up Items from Past Meetings – The subcommittee heard several updates from questions raised in the prior two meetings. State presented a brief on the \$65,150,000 one-time appropriation from the Teacher and Student Success restricted account created in H.B. 293, Tax Rebalancing Revisions. The source of funding is ongoing, but the appropriation in FY 2019 was made one-time to allow the Legislature time to determine the final distribution formula.

Because this was a one-time appropriation, it will not be included in the FY 2020 base budget bill. As a result, the public education budget will appear to be reduced by \$65.2 million.

**Recommendation:** The subcommittee passed a motion recommending the Executive Appropriations Committee to include a one-time appropriation of \$65,150,000 one-time from the Teacher and Student Success Account to the Minimum School Program – Flexible Allocation program in the FY 2020 base budget bill. This action will maintain the status quo on the budget amount. The Legislature can alter the appropriation in a subsequent budget bill once final distribution details have been worked out.

Sincerely,

Chairs of the Public Education Appropriations Subcommittee.

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Sen. Lyle W. Hillyard, Co-Chair

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Rep. Daniel McCay, Co-Chair

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Rep. Robert M. Spendlove, Vice Chair