Minimum School Program: Origins

“The Utah school formula has had an excellent local and nationwide reputation. The State has long been in a leadership role in providing equality of educational opportunity, but that leadership is threatened unless revisions and improvements are made.”

Utah School Finance Study 1972

- Current Program Created in Early 1970s
  - Utah’s Response to a Growing Equity Movement
  - Current Foundational Elements Recommended in the “Utah School Finance Study”

- Program First Funded in 1974

- Reviewed in 1990
  - “A Study of the Utah Public School Finance System”
  - Found that “Utah’s school finance system provides a high degree of equity”
Legal Authority: **Utah Constitution**

**Article X – Education**
- Establish & Maintain a Public Education System

**State Board**
- General Control & Supervision of the System

**Other Constitutional Provisions:**
- Elementary & Secondary Schools Shall be Free
- Legislature May Authorize Student Fees in Secondary Schools
- Restricts the Income Tax to Support the Public & Higher Education
- Public Elementary & Secondary Schools as Designated by the Legislature
- No Direct Support for Religious Schools
- Establishes the Permanent State School Fund & Uniform School Fund

Legal Authority: **Utah Code**

**Title 53E – PED State Administration**
**Title 53F – PED Funding**
**Title 53G – Ped Local Administration**
**53F-2 Minimum School Program**

**Equity**
- All children are entitled to reasonably equal educational opportunities regardless of residence or economic situation of their school district

**State & Local Participation**
- Establishment is primarily a state function and school districts should be required to pay a portion of the cost of a minimum program

**Local Control & Determination**
- School districts empowered to provide educational facilities and opportunities beyond the minimum program
- Latitude of action is permitted and encouraged
Minimum School Program
2019 GS | Implementing the Constitutional Mandate

- Equalizes State & Some Local Property Tax Revenues
- Divided into Three Parts:
  - Basic School Program
  - Related to Basic School Program
  - Voted & Board Local Levy Programs
- Programs Distribute State Funding to LEAs
- Programs Designed to Meet Several Functional Principles:
  - Maintain System Equity
  - Consider Different LEA Cost Structures
  - Address Individual Student Characteristics/Requirements
  - Meet Statewide Educational Goals
  - Support Local Control

Funding Equity
2019 GS | Equal vs. Equity vs. Equalization
Funding Equity in Education
Definitions | What does it mean?

- Equality vs. Equity
  - Equality – Same Funding for All Students
  - Equity – Funding Varies Depending on Student Need

- Equalization
  - Process of Distributing Funding to Provide Reasonably Equal Educational Opportunity
  - Providing Equity Introduces Complexity into the System
  - State Education Fund Revenue Used to “Equalize” Local Property Tax Revenue

Achieving Equity
Definitions | What does it look like?

- Horizontal Equity
  - Equals Treated Equally
  - Easy to Quantify

- Vertical Equity
  - Differences Treated Differently
  - Difficult to Quantify – Often Includes Value Choices

- Tax Equity
  - Wealth of the “Whole” State
  - Taxpayer Effort
MSP – Categorical Programs & Flexibility
2019 GS | MSP Annual Adjustments

Minimum School Program - Appropriations History
By Revenue Source - FY 1995 to FY 2019

Millions


State  Local  Federal
State Perspective:
Minimum School Program Expenditure Flexibility
FY 2019
$4.4 Billion

Unrestricted – Local Boards Determine Expenditures to Fulfill Statutory/Local Priorities

Semi-Restricted – Local Boards Determine Expenditures within Categories (i.e. SpEd, CTE)

Restricted – Funds Must be Used for Program/Purpose Appropriated

Public Education: Minimum School Program 1974-2019
"Above-the-Line" Programs Compared to "Below-the-Line" Programs
Basic School Program

2019 GS | Utah’s Foundation Formula Program

Basic School Program

“Above-the-Line” | WPU Based Programs

- Utah’s Foundation Funding Formula
- Provides for the Delivery of a Basic Education
- Program Funding Levels Determined by Weighted Pupil Units (WPUs) & WPU Value
- WPU Value Set Annually by Legislature
- Primary Funding Equalization Program
- Basic Tax Levy – Certified Revenue Amount
The Weighted Pupil Unit (WPU)

The common factor used to determine the “cost” of basic education programs on a uniform basis and to distribute state revenues to local education agencies (53F-2-102)

- Statute Defines WPUs for Each Program
  - Basic Formula: 1 WPU = 1 Student in Average Daily Membership (ADM)
  - WPU Weightings Vary
    - Kindergarten Student = .55
    - Regular Education = 1.0
    - Special Education Student = 1.53
    - Different Weightings for Charter School Students
- Primary & Add-on Student Counts
- Additional WPUs Allocated to Meet Other Needs

- FY 2019
  - WPUs = 868,622 (Students = 659,438)
  - WPU Value = $3,395 (All Programs)

WPU Value History
FY 1995 to FY 2019
Counting Students: Average Daily Membership

The number of WPUs is computed by adding the average daily membership (ADM) of pupils. The State Board shall use prior year plus growth to determine ADM.

(53F-2-302)

Counting Students: ADM to WPUs

An LEA may not count a student as an eligible student if the student has unexcused absences during all of the prior ten consecutive school days.

(USBE Rule R277-419-5)

<table>
<thead>
<tr>
<th>ADM Based on Days Enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 990 Hours/180 Days (Grades 2-12)</td>
</tr>
<tr>
<td>• 810 Hours/180 Days (1st Grade)</td>
</tr>
<tr>
<td>• 450 Hours/180 Days (Kindergarten)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Student Membership Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
</tr>
<tr>
<td>Student 1</td>
</tr>
<tr>
<td>Student 2</td>
</tr>
<tr>
<td>Student 3</td>
</tr>
<tr>
<td>Student 4</td>
</tr>
<tr>
<td>Student 5</td>
</tr>
<tr>
<td><strong>Total Membership for LEA</strong></td>
</tr>
</tbody>
</table>

Source: School Finance, Utah State Board of Education.

<table>
<thead>
<tr>
<th>Membership Based on Enrollment Status, Not Actual Days Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 10 Day Rule</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Converting ADM to WPUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrolled</td>
</tr>
<tr>
<td>Student 1</td>
</tr>
<tr>
<td>Student 2</td>
</tr>
<tr>
<td>Student 3</td>
</tr>
<tr>
<td>Student 4</td>
</tr>
<tr>
<td>Student 5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: School Finance, Utah State Board of Education.

<table>
<thead>
<tr>
<th># of Days / Total Days (180)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Student 1: 179/180 = 0.994 WPU</td>
</tr>
</tbody>
</table>
Basic School Program: Funding Equalization

Recapture

Tax proceeds that exceed the cost of the basic program “shall be paid into the Uniform School Fund as provided by law.” (53F-2-301)
MSP: Basic School Program by Revenue Source
2019 Est. | State and Local Revenues Contributing to Total WPU Cost by LEA

Largest 21 LEAs (Total Charters)  Smallest 21 LEAs (Note Scale Difference)

Statutory Formula Stabilizers: Predictability for Locals
Statute includes several mechanisms that stabilize state funding distribution to LEAs, create a predictable funding system, and allow flexibility to mitigate funding changes

- Prior Year + Growth
  - Declining Enrollment Hold-Harmless
  - Current Year K-12 WPUs Based on Prior Year Actual ADM (53F-2-302)
  - Growth Factor – October to October
  - Flat or Declining LEAs Held at Prior-Year Count

- Authority to Adjust Allocations
  - State Board Authority to Adjust for Estimating Errors (53F-2-205)

- Education Fund Deficit
  - State & Local Board Flexibility to Adjust to Revenue Reductions (53F-2-203)

- Special Education
  - Additional Variables to Stabilize Funding
State Basic Rate: “Basic Levy”

In order to qualify for receipt of the state contribution toward the basic program and as its contribution toward its costs of the basic program, each school district shall impose a minimum basic tax rate per dollar of taxable value. . . (53F-2-301.5)

The Basic Levy: FY 2019

H.B. 293, “Tax Rebalancing Revisions” (2018 GS)

Target: $462,841,100

New Tax Rates:
- Increment (2015) – $75.0 M
- Equity Pupil (2018) – Difference Between Rate of 0.0016 Minus “Minimum Basic Tax Rate”
- WPU Value (2018) – Maintain State/Local Funding Ratio at 15% when WPU Value is Increased

- Revenue Target Set by Legislature
  - Generates Est. $477.8 M in FY 2020
  - $15.0 M more than FY 2019

- Uniform Statewide Property Tax Rate
  - Estimated by Legislature – 0.001588
  - Statute Holds Rate at 0.0016 Through FY22
  - Actual rate set by the Tax Commission to meet revenue target

- Historically the Basic Rate “Floats” with Taxable Value Changes
  - Rate in FY 2019 – 0.001666
  - FY 2020 rate is lower do to higher taxable value of property

- H.B. 293 (2018 GS) Introduced Changes to the Basic Rate
The Basic Levy: FY 2020 Estimated Revenue

Statute Provides for Certain Increases in Basic Levy Property Tax Revenue

- Basic Levy - $14.9 M from “Net New Growth in Properties” historically used to offset the state cost of enrollment growth.
- Equity Pupil - $12.8 M (Est.) Difference between the traditional “Basic Tax Rate” and the rate floor of 0.0016.
- WPU Value - $4.7 M (Est.) for each 1% increase in WPU Value set by the Legislature

### Minimum School Program: The Basic Levy

<table>
<thead>
<tr>
<th>Basic Rate Components</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2020</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base Revenue</td>
<td>Net New Growth</td>
<td>Formulaic Incr</td>
<td>Discretionary</td>
<td>Total</td>
</tr>
<tr>
<td>Basic Levy</td>
<td>$333,073,800</td>
<td>$14,962,300</td>
<td>$0</td>
<td>$0</td>
<td>$348,036,100</td>
</tr>
<tr>
<td>Basic Levy Increment Rate(2)</td>
<td>$75,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$75,000,000</td>
</tr>
<tr>
<td>Equity Pupil Tax Rate</td>
<td>$36,117,300</td>
<td>$12,880,600</td>
<td>$0</td>
<td>$0</td>
<td>$48,997,900</td>
</tr>
<tr>
<td>WPU Value Rate(1)</td>
<td>$18,650,000</td>
<td>$0</td>
<td>$4,700,000</td>
<td>$0</td>
<td>$18,650,000</td>
</tr>
<tr>
<td>Total</td>
<td>$462,841,100</td>
<td>$14,962,300</td>
<td>$12,880,600</td>
<td>$4,700,000</td>
<td>$490,684,000</td>
</tr>
</tbody>
</table>

Notes:

1. The WPU Value Rate adjusts with the percent increase in the WPU Value as determined by the Legislature. The adjustment is based on the ratio of state/local funding in the prior year (FY 2019 is 85/15 split). For FY 2020, the property tax increase would be approximately $4.7 million for each 1 percent increase. The “FY 2020 Discretionary” amount is not included in the “FY 2020 Total” as the Legislature has yet to determine the WPU Value increase for FY 2020 to calculate the final tax impact amount.

2. Statute allows the Basic Rate to collect property tax revenue on the net new growth of properties in the state. “Net New Growth” is an amount calculated by the Tax Commission each year. Historically, this revenue has accrued to the Basic School Program and offset the state cost for enrollment growth each year. The net new growth amount for the Basic Levy Increment Rate has accrued to the Basic School Program since the creation of that rate in FY 2016.

Source: Utah State Office of Education, Finance & Statistics Section
Prepared by Office of the Legislative Fiscal Analyst.
Basic School Program
State & Local Funding Mix | 1993, 2015, & 2019

State Funds, $2,486,558,000, 84%
Local Funds, $462,841,100, 16%

Basic School Program - Revenues by Source
FY 1993
State Funds, $902,382,700, 80%
Local Funds, $223,880,700, 20%

Basic School Program - Revenues by Source
FY 2015
State Funds, $2,142,971,300, 88%
Local Funds, $296,709,700, 12%

Basic School Program - Revenues by Source
FY 2019
State Funds, $2,486,358,000, 84%
Local Funds, $462,841,100, 16%

WPU Value: $3,395
Basic Tax Rate: 0.001669

Table A: Basic School Program (Weighted Pupil Unit Programs)

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. State Revenue</td>
<td></td>
</tr>
<tr>
<td>1. Education Fund</td>
<td>2,459,066,600</td>
</tr>
<tr>
<td>a. Education Fund, One-time</td>
<td>(10,008,600)</td>
</tr>
<tr>
<td>B. Restricted State Revenue</td>
<td></td>
</tr>
<tr>
<td>1. Uniform School Fund</td>
<td>27,500,000</td>
</tr>
<tr>
<td>a. Uniform School Fund, One-time</td>
<td>10,000,000</td>
</tr>
<tr>
<td><strong>Subtotal - State Revenues:</strong></td>
<td><strong>$2,486,558,000</strong></td>
</tr>
<tr>
<td>C. Local Property Tax Revenue</td>
<td></td>
</tr>
<tr>
<td>1. Minimum Basic Tax Rate</td>
<td></td>
</tr>
<tr>
<td>a. Basic Levy</td>
<td>333,073,800</td>
</tr>
<tr>
<td>b. Basic Levy Increment Rate</td>
<td>75,000,000</td>
</tr>
<tr>
<td>2. Equity Pupil Tax Rate[^1]</td>
<td>36,117,300</td>
</tr>
<tr>
<td>3. WPU Value Rate[^2]</td>
<td>18,650,000</td>
</tr>
<tr>
<td><strong>Subtotal - Local Property Tax Revenues:</strong></td>
<td><strong>$462,841,100</strong></td>
</tr>
<tr>
<td>D. Transfer to Education Fund[^3]</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Revenues:</strong></td>
<td><strong>$2,949,399,100</strong></td>
</tr>
</tbody>
</table>
### Table A: Basic School Program (Weighted Pupil Unit Programs)

<table>
<thead>
<tr>
<th>Expenditures by Categorical Program</th>
<th>WPU Value: $3,395</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WPU's</td>
</tr>
<tr>
<td>A. Regular Basic School Program</td>
<td></td>
</tr>
<tr>
<td>1. Kindergarten</td>
<td>26,383</td>
</tr>
<tr>
<td>2. Grades 1-12 (1)</td>
<td>593,523</td>
</tr>
<tr>
<td>3. Foreign Exchange Students</td>
<td>328</td>
</tr>
<tr>
<td>4. Necessarily Existent Small Schools</td>
<td>9,588</td>
</tr>
<tr>
<td>5. Professional Staff</td>
<td>55,545</td>
</tr>
<tr>
<td>6. Administrative Costs</td>
<td>1,505</td>
</tr>
<tr>
<td><strong>Subtotal - Regular Basic School Program:</strong></td>
<td>686,872</td>
</tr>
<tr>
<td>B. Restricted Basic School Program</td>
<td></td>
</tr>
<tr>
<td>1. Special Education - Regular - Add-on WPU's (1)(2)</td>
<td>82,342</td>
</tr>
<tr>
<td>2. Special Education - Regular - Self-Contained</td>
<td>13,970</td>
</tr>
<tr>
<td>3. Special Education - Pre-School</td>
<td>11,052</td>
</tr>
<tr>
<td>4. Special Education - Extended Year Program</td>
<td>447</td>
</tr>
<tr>
<td>5. Special Education - Impact Aid(2)</td>
<td>2,015</td>
</tr>
<tr>
<td>6. Special Education - Intensive Services</td>
<td>778</td>
</tr>
<tr>
<td>7. Special Education - Extended Year for Special Educators</td>
<td>909</td>
</tr>
<tr>
<td>8. Career &amp; Technical Education - District Add-on(2)</td>
<td>28,821</td>
</tr>
<tr>
<td>9. Class Size Reduction</td>
<td>41,416</td>
</tr>
<tr>
<td><strong>Subtotal - Restricted Basic School Program:</strong></td>
<td>181,750</td>
</tr>
<tr>
<td><strong>Total Expenditures:</strong></td>
<td>868,622</td>
</tr>
</tbody>
</table>

Budget Issues: Basic School Program

FY 2019 Supplemental & FY 2020 Issues for Consideration by the Legislature

- **Enrollment Growth**
  - State Funds – $35.7 m ongoing
  - V&B State Fund Offset – ($20.9 m one-time)

- **WPU Value**
  - 1% Cost - $32.0 m ongoing
  - Property Tax Impact - $5.0 m ongoing

- **Detail in “Minimum School Program – Annual Adjustments” presentation & “Issues” tab in COBI**