



# MINIMUM SCHOOL PROGRAM

Budget Review & Recommendations

R. Benjamin Leishman, Finance Manager February 2020

1

## Legal Authority: *Utah Constitution*

*Article X – Education*

*Article XIII – Revenue & Taxation*


## Utah Code

*Title 53E – PED State Administration*

*Title 53F – PED Funding (53F-2: Minimum School Program)*

*Title 53G – PED Local Administration*

- Utah Constitution
  - Legislature: Establish & Maintain a Public Education System
  - State Board of Education: General Control & Supervision of the System
  - Elementary & Secondary Schools Shall Be Free
    - Legislature May Authorize Fees in Secondary Schools
  - Income Tax Restricted to Support the Public & Higher Education Systems as Established by the Legislature
- Utah Code | 53F-2-103 Public Education System Purpose
  - Equity
    - Children Entitled to Reasonably Equal Educational Opportunities Regardless of Residence or Economic Situation of District
  - State & Local Participation
    - Provision of System is Primarily a State Function
    - Districts Required to Pay a Portion of a Minimum Program
  - Local Control & Determination
    - Local Board Empowered to Provide Opportunities Beyond the Minimum Program
    - Latitude of Action Permitted and Encouraged



2

## Minimum School Program

2020 GS | Implementing the Constitutional & Statutory Mandates

- Created in the Early 1970s
- Allocates State Support
- Distribution Applies State Funding to “Equalize” Local Property Tax Collections
- Divided into Three Parts:
  - Basic School Program
  - Related to Basic School Program
  - Voted & Board Local Levy Programs
- Categorical Programs Meet Several Functional Principles:
  - Maintain System Equity
  - Consider Different LEA Cost Structures
  - Address Individual Student Characteristics/Requirements
  - Meet Statewide Educational Goals
  - Support Local Control
- 50+ Categorical Programs Distribute State Funding to LEAs



3

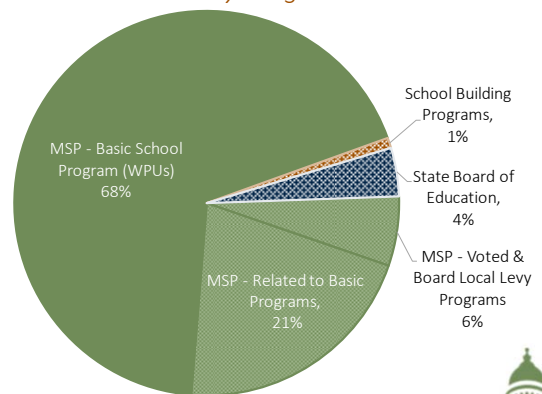
## Minimum School Program

FY 2021 Base | Comparison to Total Public Education Budget

- Largest Program in the State Budget
  - 55% of State Funds Appropriated by Legislature
  - MSP = 95% of Education Budget

Minimum School Program   FY 2021 Base Budget		
Minimum School Program	State Funds	Total Funds
Basic School Program	\$2,589,010,800	\$3,136,963,400
Related to Basic School Program	\$791,284,500	\$904,376,100
Voted & Board Local Levy Programs	\$221,435,700	\$858,042,700
<b>Total</b>	<b>\$3,601,731,000</b>	<b>\$4,899,382,200</b>

State Funds by Program



Total = \$3.8 Billion



4

# Basic School Program

---

2020 GS | Utah's Foundation Formula Program




5

# 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 (WPU) & WPU Value
- WPU Value Set Annually by Legislature
- Primary State Equalization Program
  - Basic Levy – Property Tax
  - Local Contribution to a “Basic Program”

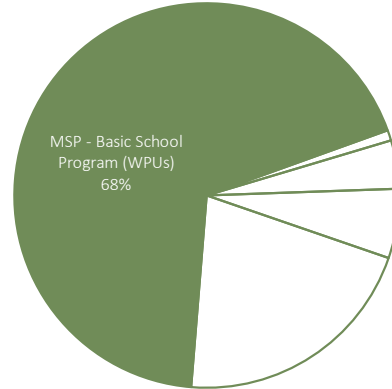


6

## Basic School Program FY 2021 Base | Total & State Fund Budget

Basic School Program   FY 2021 Base Budget			
Categorical Programs	WPU	State Funds	Total Funds
Kindergarten	27,308	\$79,604,100	\$96,451,900
Grades 1-12	606,016	\$1,766,563,300	\$2,140,448,500
Foreign Exchange	328	\$956,100	\$1,158,500
Necessarily Existent Small Schools	9,730	\$28,363,300	\$34,366,300
Professional Staff	56,572	\$164,909,900	\$199,812,300
Administrative Costs	1,515	\$4,416,300	\$5,351,000
<i>Restricted Programs</i>			
SpEd - Add-On	86,450	\$252,005,500	\$305,341,400
SpEd - Self-Contained	13,229	\$38,563,100	\$46,724,800
SpEd - Preschool	11,311	\$32,972,100	\$39,950,500
SpEd - Extended Year	457	\$1,332,200	\$1,614,100
SpEd - Impact Aid	2,060	\$6,005,000	\$7,275,900
SpEd - Intensive Services	795	\$2,317,400	\$2,807,900
SpEd - Extended Year SpEducators	909	\$2,649,800	\$3,210,600
Career & Technical Education Add-on	29,100	\$84,827,800	\$102,781,200
Class Size Reduction	42,375	\$123,525,000	\$149,668,500
<b>Total</b>	<b>888,155</b>	<b>\$2,589,010,900</b>	<b>\$3,136,963,400</b>

State Funds by Program



State Fund Total = \$2,589,010,900



7

## The WPU & WPU Value

2020 GS | Basic School Program Components



8

## 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 2021 Base
  - WPUs = 888,155 (Students = 675,305)
  - Ratio = 1.3 WPUs/Student



9

## 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)

- ADM Based on Days Enrolled
  - 990 Hours/180 Days (Grades 2-12)
  - 810 Hours/180 Days (1<sup>st</sup> Grade)
  - 450 Hours/180 Days (Kindergarten)

**Student Membership Days**

	<b>Enrollment</b>	<b>Days</b>
Student 1	10th Grade - Full Time 8 of 8 Class Periods	180 Days
Student 2	8th Grade - Less than Full Time 6 of 8 Class Periods	135 Days
Student 3	11th Grade - Part Time 4 of 8 Class Periods	90 Days
Student 4	5th Grade Full Time	180 Days
Student 5	6th Grade Part Time	90 Days
<b>Total Membership for LEA</b>		<b>675 Days</b>

Source: School Finance, Utah State Board of Education.



10

### Counting Students: ADM to WPU

*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)*

- Membership Based on Enrollment Status, Not Actual Days Attended
  - 10 Day Rule

Converting ADM to WPU

	Enrolled	Consecutive Days of Unexcused Absence	Final Membership Days	WPU (Membership /180)
Student 1	180 Days	11	179	0.994
Student 2	135 Days	0	135	0.75
Student 3	90 Days	10	90	0.5
Student 4	180 Days	40	150	0.833
Student 5	90 Days	5	90	0.9
<b>Total</b>	<b>675 Days</b>		<b>644</b>	<b>3.977 WPU</b>

Source: School Finance, Utah State Board of Education.

- # of Days / Total Days (180)
  - Student 1:  $179/180 = 0.994$  WPU



11

### 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 WPU 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



12

### The WPU Value

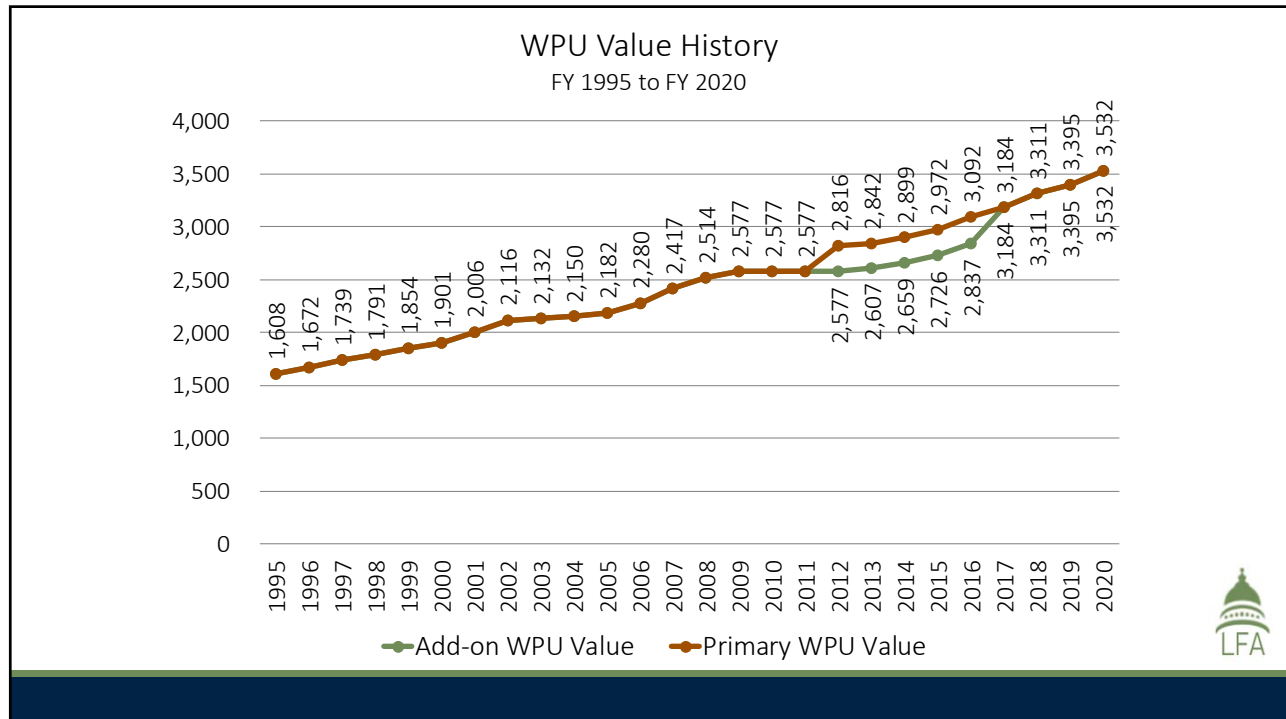
*Except as provided . . . If the number of weighted pupil units is underestimated, the state board shall reduce the value of the weighted pupil unit in that program so that the total amount paid for the program does not exceed the amount appropriated for the program*

(53F-2-205)

- The Amount Paid for Each WPU
  - Determined Annually by the Legislature
  - Applies to all WPUs
    - FY 2012 to FY 2016 – Two Values
    - Funding for All “Basic” Programs Increase/Decrease
    - Never Decreased by Legislature
  - Statutory Mechanism for USBE to Decrease Value Based on Actual vs. Estimated WPUs/Property Tax
- FY 2021 Base
  - WPU Value = \$3,532 (FY 2020)



13



14

# The WPU & Property Tax

2020 GS | How Equalization Works



15

## Basic School Program: Funding Equalization

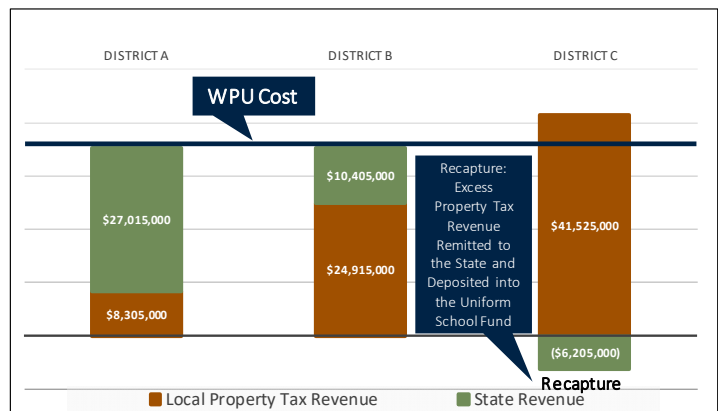
### Recapture

*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)*

### Minimum School Program: Basic School Program Equalization

Basic Levy Revenue Equalization Example Using the Weighted Pupil Unit (WPU)

Cost	District A	District B	District C
WPU Value:	\$3,532	\$3,532	\$3,532
Number of WPUs:	10,000	10,000	10,000
Basic School Program (WPU) Cost:	\$35,320,000	\$35,320,000	\$35,320,000
Revenues			
Taxable Value of Property in District:	\$5,000,000,000	\$15,000,000,000	\$25,000,000,000
Basic Rate (Set by State):	0.001661	0.001661	0.001661
<b>Local Property Tax Revenue</b>	<b>\$8,305,000</b>	<b>\$24,915,000</b>	<b>\$41,525,000</b>
<b>State Revenue</b>	<b>\$27,015,000</b>	<b>\$10,405,000</b>	<b>(\$6,205,000)</b>



16



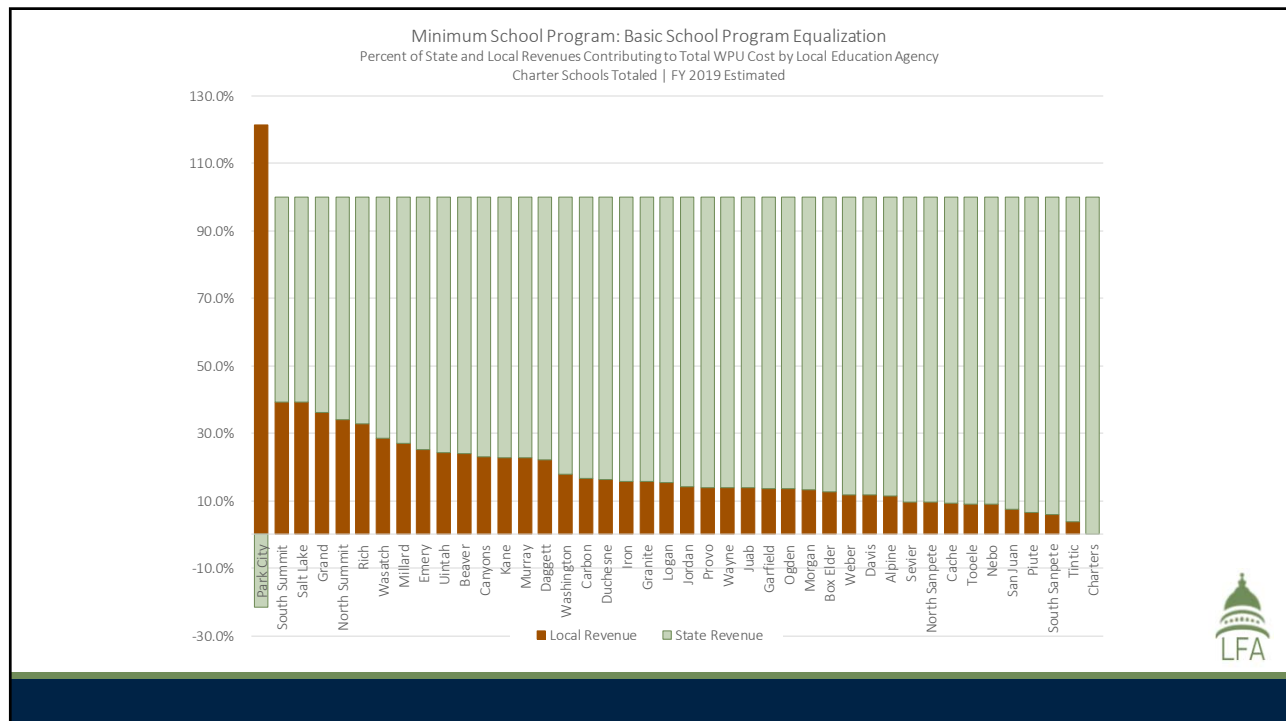
## State Basic Rate: "Basic Levy"

*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)*

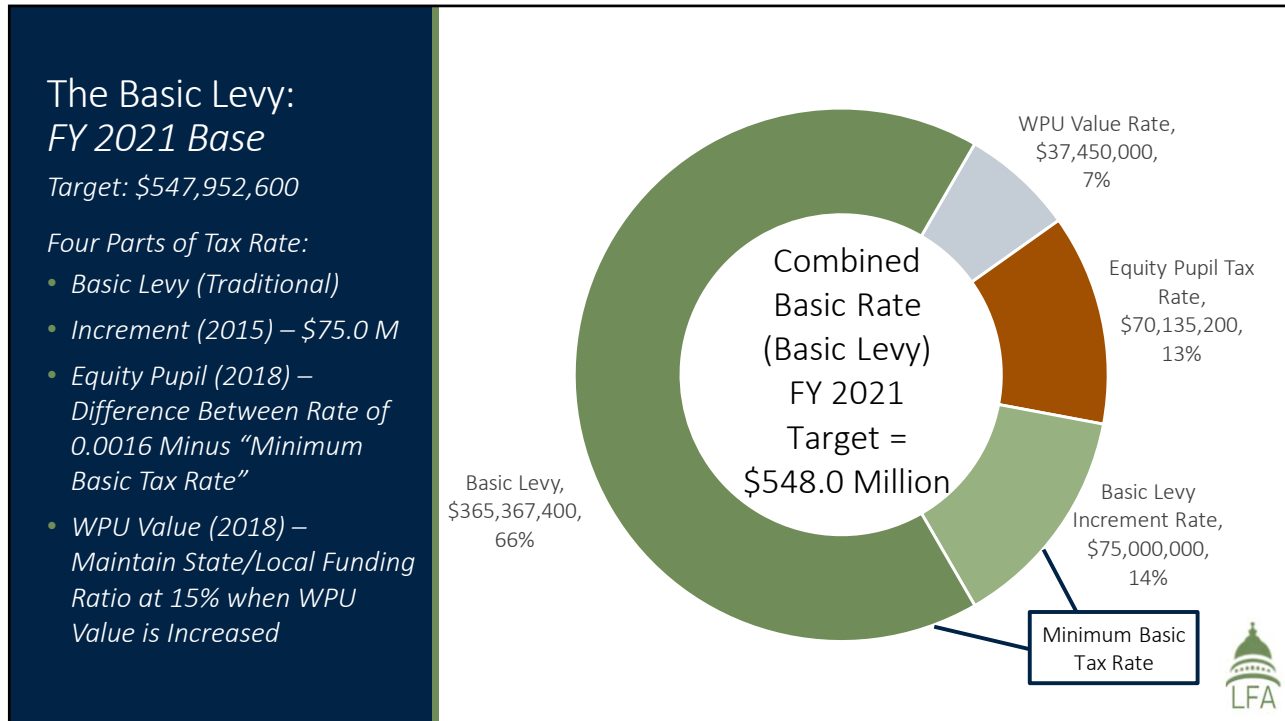
- Revenue Target Set by Legislature
  - Generates Est. \$548.0 M in FY 2021 Base
  - \$17.3 M more than FY 2020
  - Target Increases Based on WPU Value Rate
- Uniform Statewide Property Tax Rate
  - Rate in FY 2020 – 0.001661
  - Initial Estimated Rate FY 2021 – 0.0016
    - Traditional Basic Rate – 0.001576
    - Statute Holds Rate at 0.0016 Through FY22
  - Actual rate set by the Tax Commission to meet revenue target
  - Rate Increases Based on WPU Value Rate
- Historically the Basic Rate "Floated" with Taxable Value Changes



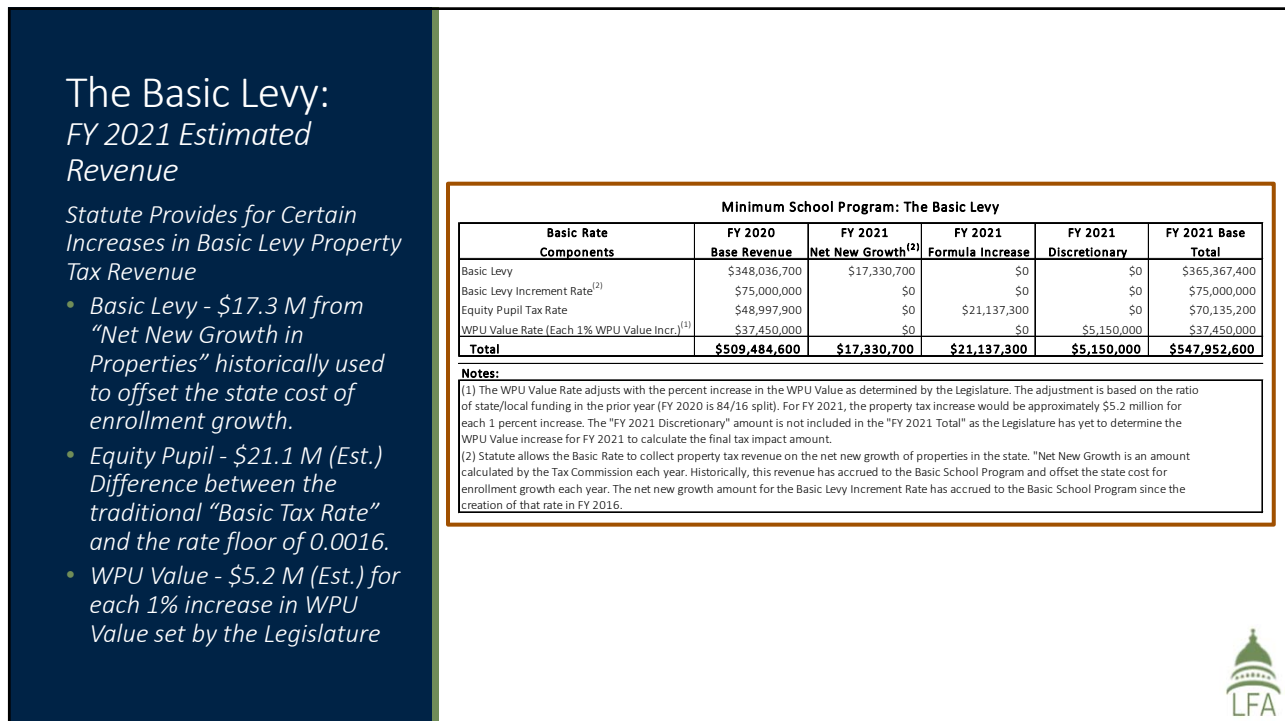
17



18



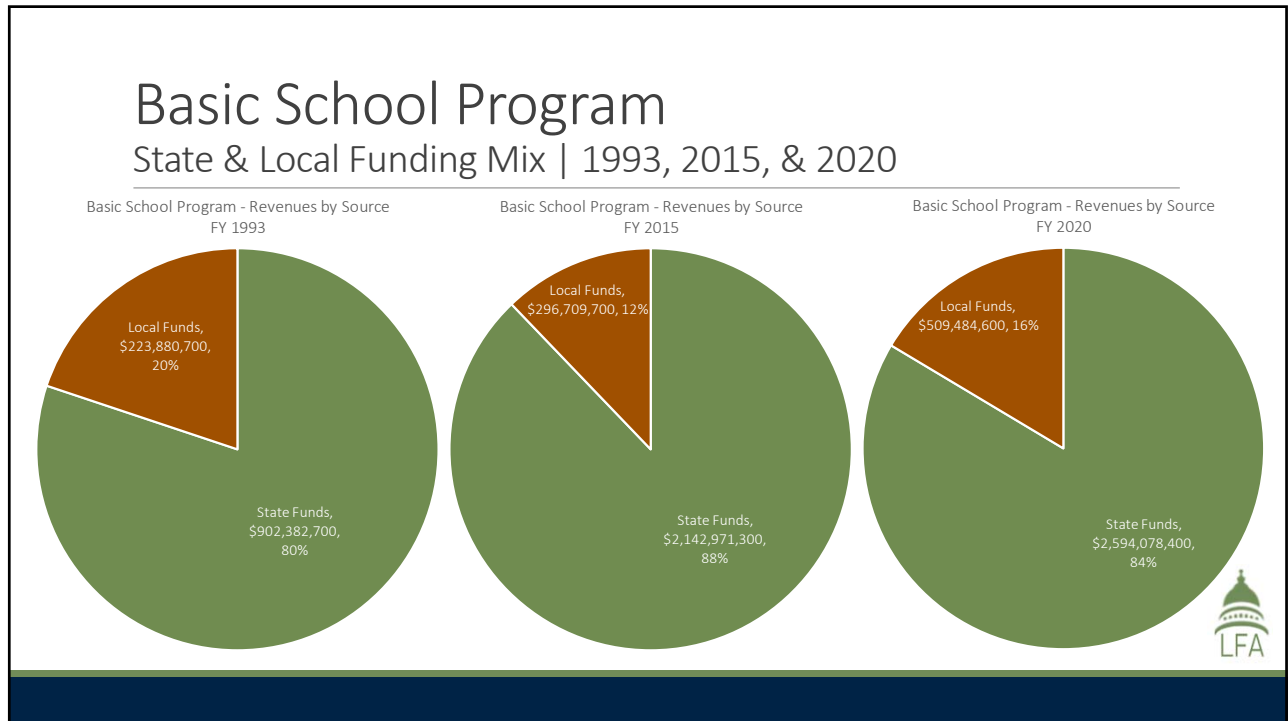
19



20



21




22

# Basic School Program

---


2020 GS | Budget Issues & Recommendations



23

**Budget Issues & Recommendations:**  
*Basic School Program*  
*FY 2020 Supplemental*  
*FY 2021 Budget*  
*Items for Consideration by the Legislature*


- Statute Directs the Legislative Fiscal Analyst to Recommend a Balanced Budget
- We Recommend the Legislature Consider the Following:
  - Enrollment Growth – \$50.6 M Ongoing + \$4.7 M One-time
    - Funded in House Bill 1, Public Education Base Budget Amendments
    - Changes to the Base Allocation
  - WPU Value – \$153.0 Million Ongoing
    - 4.5 Percent Increase | \$34.0 M/Percent
    - \$23.4 M Ongoing Basic Rate – WPU Value Amount
  - Necessarily Existent Small Schools – Isolating Conditions
    - \$530,000 Ongoing
- Detail in “Issues” tab in COBI



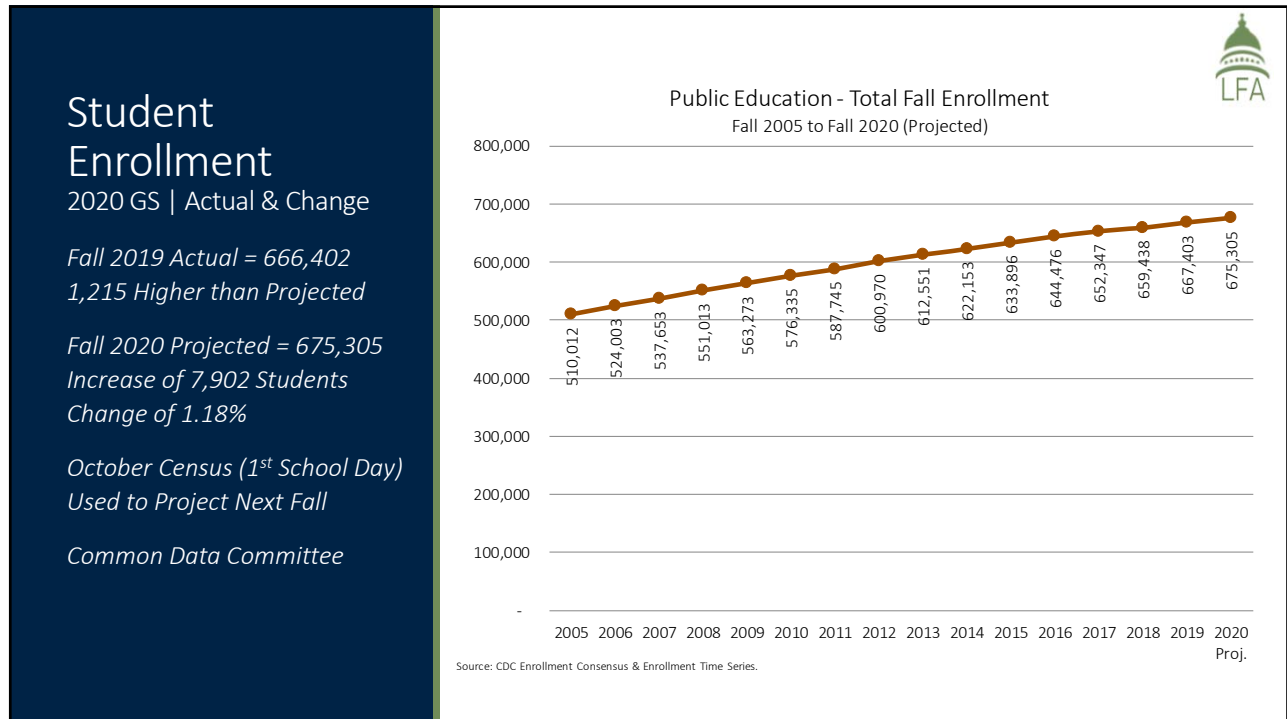
24

# Student Enrollment Growth

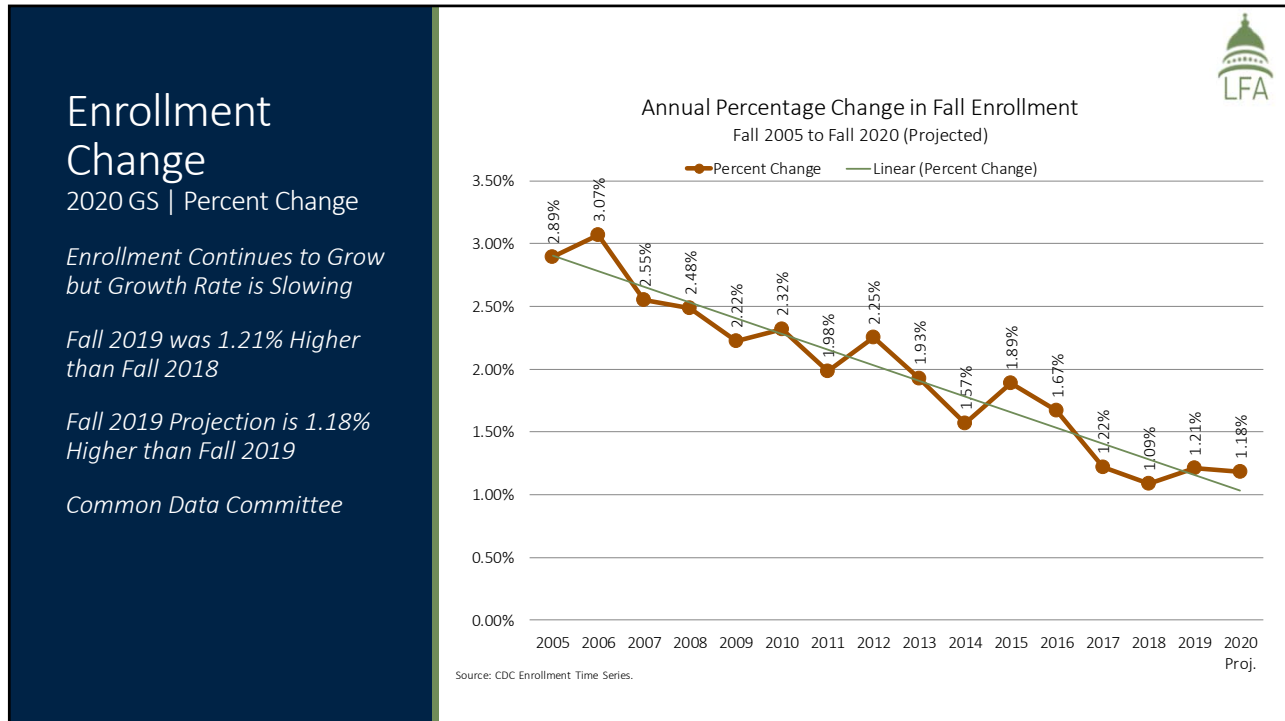
2020 GS | Issues & Recommendations



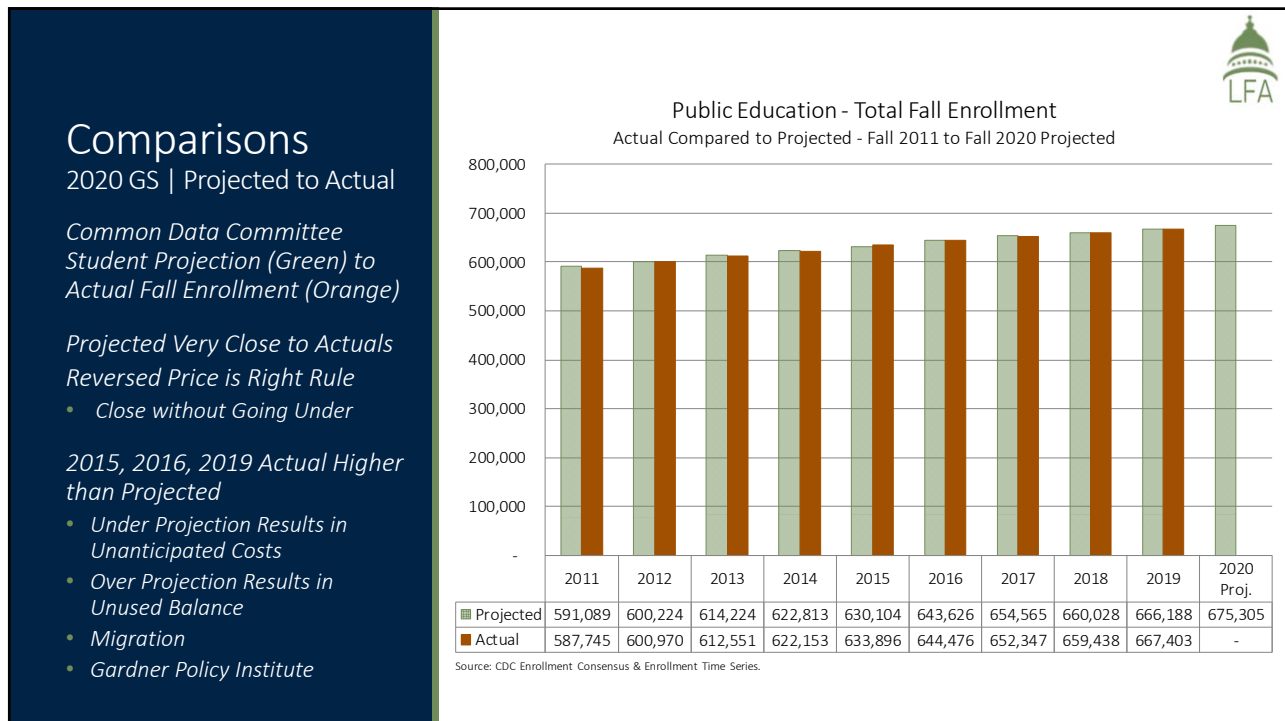
25



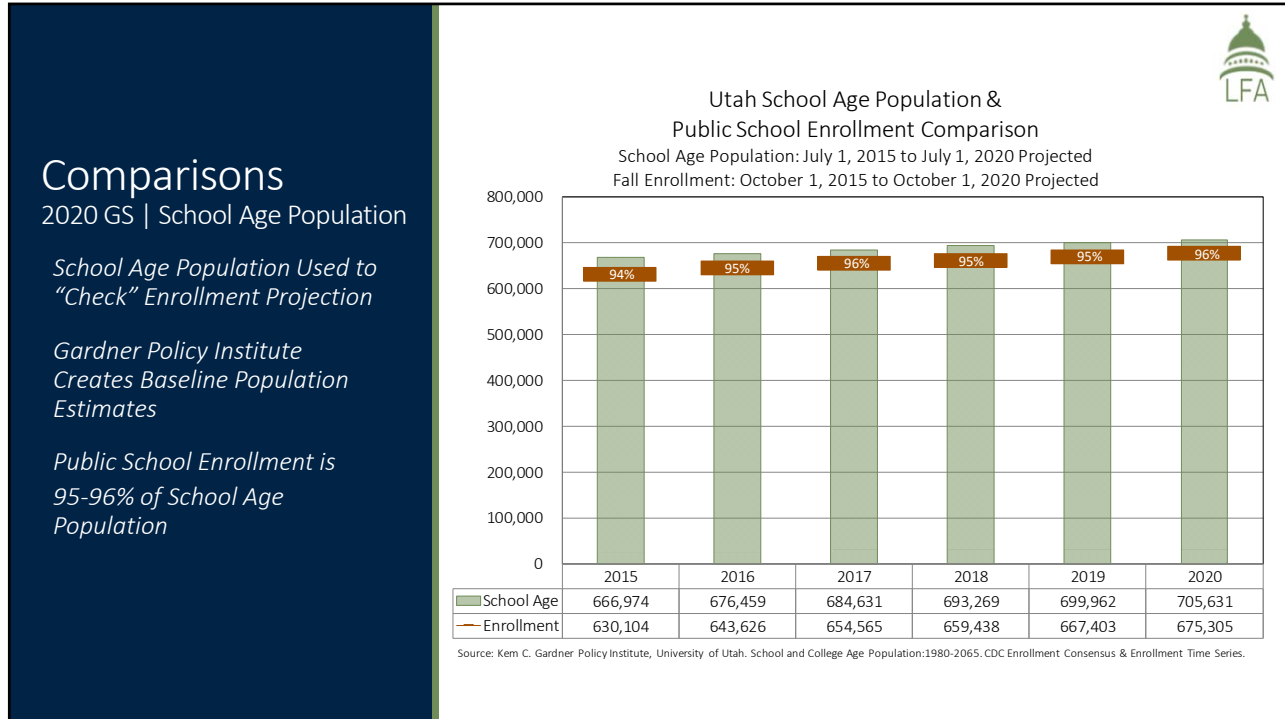
26



27



28



29

### 2020 General Session Enrollment Growth Cost Estimate

FY 2020 Supplemental & FY 2021

Program	FY 2020	FY 2021
<b>Basic School Program</b>		
Additional WPU's - Total of 9,459		\$33,400,400
Local Revenue Increase - Basic Rate		(17,330,700)
<b>Subtotal - Basic School Program</b>		<b>\$16,069,700</b>
<b>Related to Basic School Program &amp; Other Programs</b>		
To & From School Pupil Transportation		\$1,165,800
Enhancement for At-Risk Students		2,515,300
Youth-in-Custody		298,600
Adult Education		167,800
Enhancement for Accelerated Students		64,900
Concurrent Enrollment		139,100
Centennial Scholarships		3,200
Educator Salary Adjustments	\$4,680,900	4,680,900
<b>Charter School Adjustments</b>		
Charter School Local Replacement		28,715,300
Local Revenue Increase - Charter School Levy		(3,497,500)
Charter School Administrative Costs		(97,700)
<b>Initiative Programs in USBE Budgets</b>		
Carson Smith Scholarships		350,000
Statewide Online Education Program		9,800
<b>Subtotal - Related to Basic &amp; Other</b>	<b>\$4,680,900</b>	<b>\$34,515,500</b>
<b>Total Enrollment Growth Cost Estimate</b>	<b>\$4,680,900</b>	<b>\$50,585,200</b>

**Notes:**  
 (1) ESA program growth contains two parts:  
 a. A one-time appropriation in FY 2020 to cover costs associated with new qualifying teachers hired in fall 2019.  
 b. A similar ongoing amount to continue providing these adjustments in FY 2021.

30

**2019 General Session Estimated WPU Changes**  
 FY 2021 - Statutory WPU Calculation  
 All Local Education Agencies on Prior-Year + Growth

<i>Basic School Program</i>	<i>FY 2020 WPU</i> s	<i>Growth WPU</i> s	<i>FY 2021 Total WPU</i> s
Kindergarten	27,277	31	27,308
Grades 1-12	599,952	6,064	606,016
Foreign Exchange Students	328	0	328
Necessarily Existent Small Schools	9,730	0	9,730
Professional Staff	55,919	653	56,572
Administrative Costs	1,490	25	1,515
Special Education - Add-on	84,217	2,233	86,450
Special Education - Self-Contained	13,787	(558)	13,229
Special Education - Pre-School	11,179	132	11,311
Special Education - Extended Year Program	452	5	457
Special Education - Impact Aid	2,036	24	2,060
Special Education - Intensive Services	786	9	795
Special Education - Extended Year for Special Educators	909	0	909
Career & Technical Education - Add-on	28,761	339	29,100
Class Size Reduction	41,873	502	42,375
<b>Total</b>	<b>878,696</b>	<b>9,459</b>	<b>888,155</b>

31

## Enrollment Growth: Adjustment to Base

### 2020 GS | Charter School Local Replacement


---

*Rate Correction*

- Rate Used in Funded Estimate Too High
  - Error in Calculation Formula
  - Funded \$2,742 | Actual \$2,562
  - Over-Estimate of \$14,426,100
  - Actual Rate Increases \$207/Student over the FY 2020 Rate of \$2,355
- Recommendation
  - Reduce \$14,426,100 from the Base Appropriation to the Charter School Local Replacement Program

*2019 GS Formula Adjustment*

- Legislature Appropriated \$4.0 M Ongoing
  - Adjusted Formula for Increased Property Tax Revenues from HB 293 (2018 GS)
  - Reduce Impacts of 2-Year Lag in Formula
  - State Guarantee Rate Now Reflects the HB 293 Local Revenue Changes in Base Budget Amount
- Recommendation
  - Reduce \$4.0 M ongoing from the Base Appropriation to the Charter School Local Replacement Program



32



Charter School Local Replacement   FY 2021 Estimates			
Charter School Local Replacement Rate:			\$2,562
Total Estimated Students:			80,145
<b>Total FY 2021 Estimated Cost</b>			<b>\$205,331,500</b>
Funding	State Funds	Restricted Funds	Total
FY 2021 Base Appropriation	\$193,329,100	\$30,428,500	\$223,757,600
FY 2021 Base Adjustment	(\$14,426,100)	\$0	(\$14,426,100)
<b>Total Adjusted Base</b>			<b>\$209,331,500</b>
<b><i>Difference from Estimated Cost</i></b>			<b><i>\$4,000,000</i></b>

33

## Voted & Board Local Levy Program

2020 GS | State Property Tax Guarantee Programs



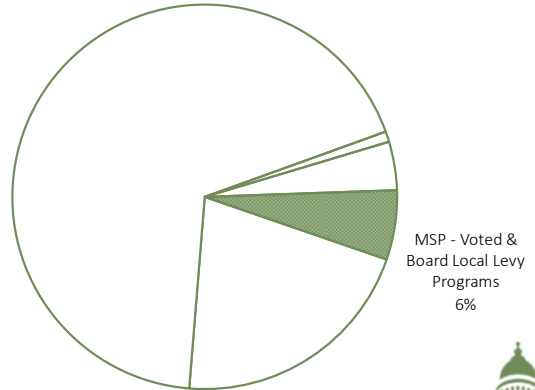
34

## Basic School Program FY 2021 Base | Total & State Fund Budget

Voted & Board Local Levy Programs   FY 2021 Base Budget			
Categorical Programs	State Funds	Local Funds	Total Funds
Voted Local Levy	\$158,195,300	\$380,353,200	\$538,548,500
Board Local Levy	\$63,240,400	\$241,253,800	\$304,494,200
Board Local Levy - Early Literacy Program	\$0	\$15,000,000	\$15,000,000
<b>Total</b>	<b>\$221,435,700</b>		<b>\$858,042,700</b>

State Funds include Education Fund Restricted Accounts: Local Levy Growth Account & Minimum Basic Growth Account.  
State Funds for the Early Literacy Program are budgeted in the MSP-Related To Basic School Program.  
State Funds for the Voted Local Levy Program include a one-time reduction of \$33,690,000 to reflect FY21 cost estimates.

State Funds by Program



State Fund Total = \$221,435,700

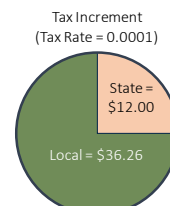


35

## MSP: Voted & Board Local Levy Programs 2020 GS | State Supported Property Tax Guarantee Programs

- State Guarantees Minimum Revenue per WPU
  - FY 2020 Rate is \$44.98 per WPU/Tax Increment
    - 1 Tax Incr. = Tax Rate of 0.0001
  - Up to 20 Tax Increments Guaranteed by State (0.002)
    - Voted Levy = 16 Incr. Maximum (Tax Rate = 0.0016)
    - Board Levy = Balance of Incr. (20 Minus Voted Incr.)
- Local Property Tax Must Generate Less than the Guarantee Rate to Receive State Funding
- Original Program to Expand Educational Opportunities Above the Minimum Program
- State Guarantee Increases Each Year by Statute
  - FY 2020 Estimated Guarantee Rate - \$48.26 per WPU
  - Increase of \$3.28/WPU/Tax Increment

Guarantee Formula

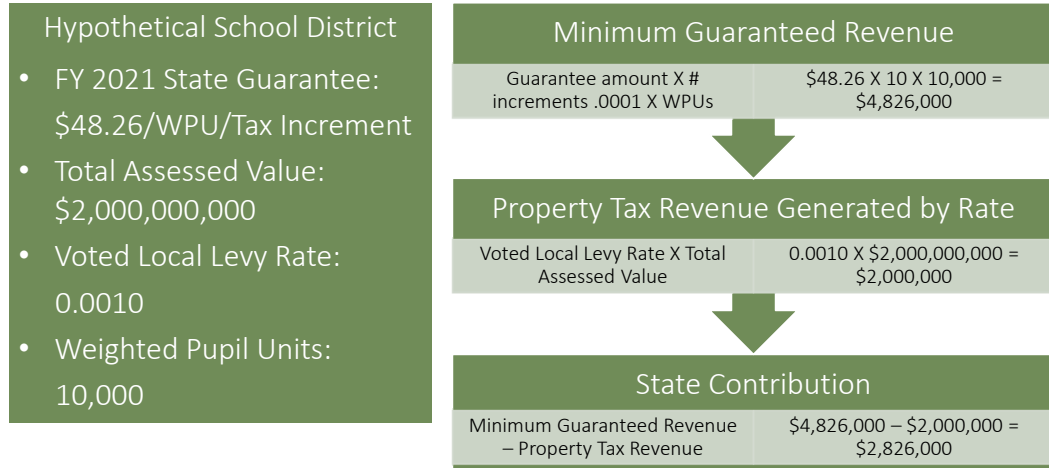


State Guarantees  
\$48.26/Increment



36

## MSP: Voted & Board Formula 2019 GS | How The Formula Works



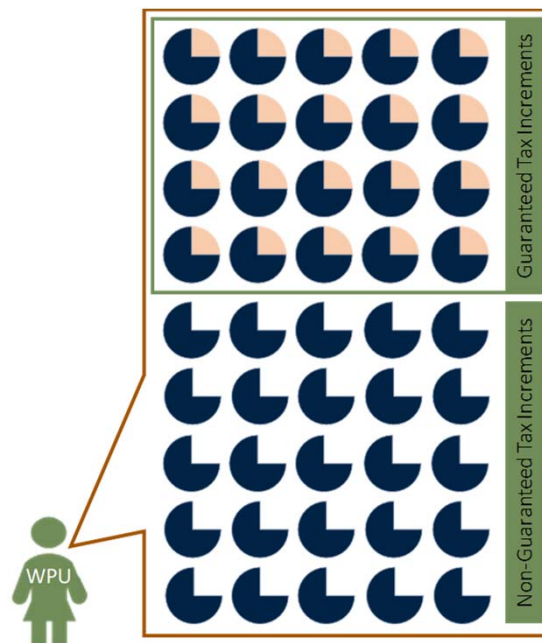
37

Voted & Board State Guarantee: Tax Increments Guaranteed Per for Each WPU

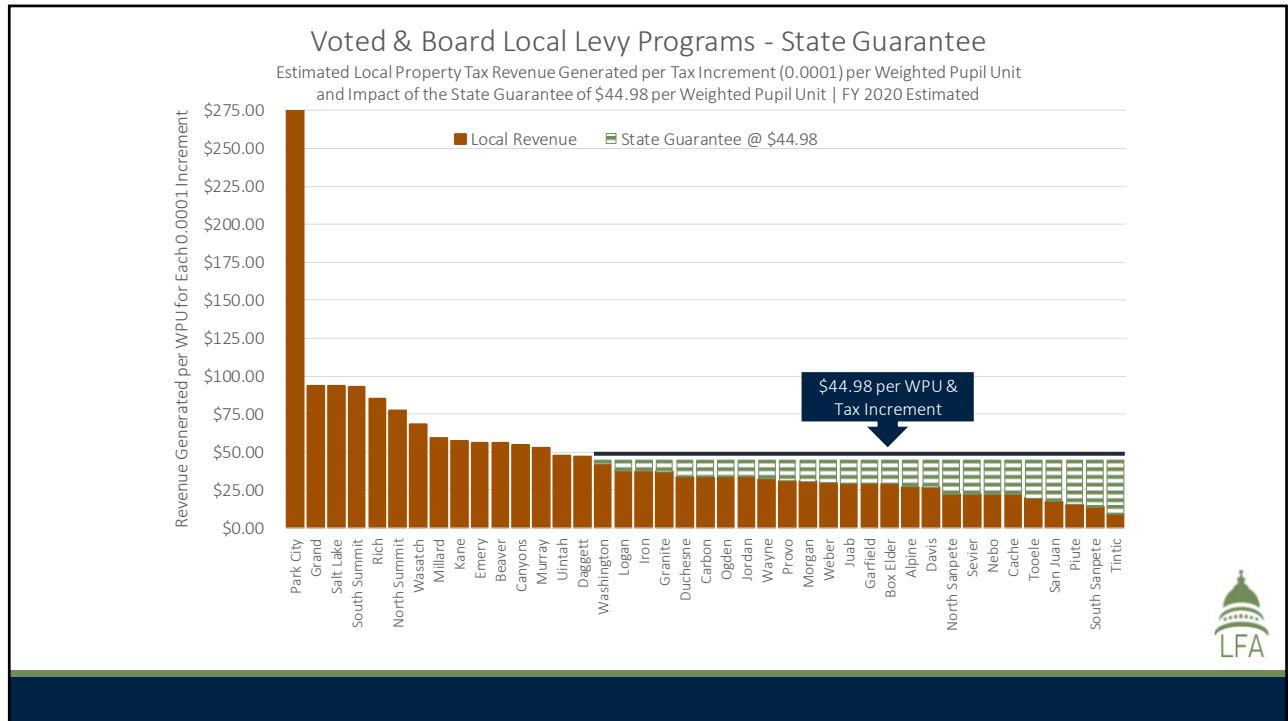
45 Tax Increments Possible

State Guarantees Up to 20 for Each WPU

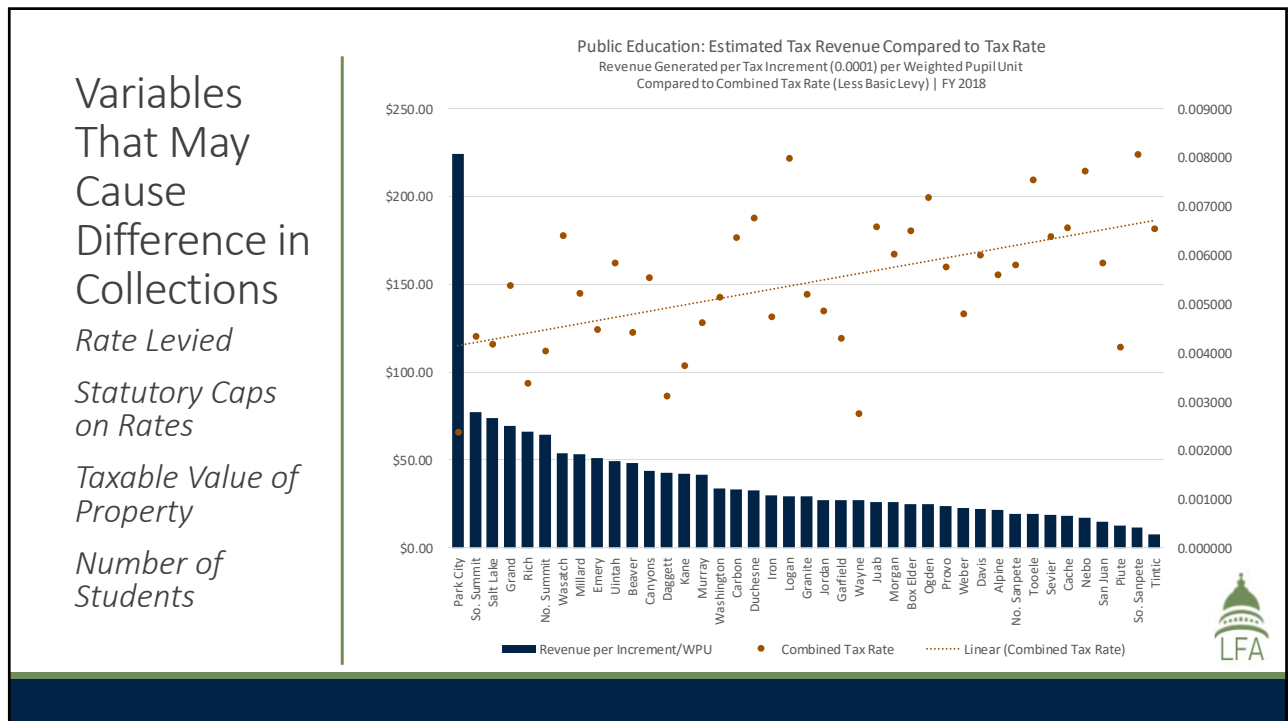
25 Increments NOT Guaranteed



38



39



40

## Budget Issues: Voted & Board Local Levy Programs

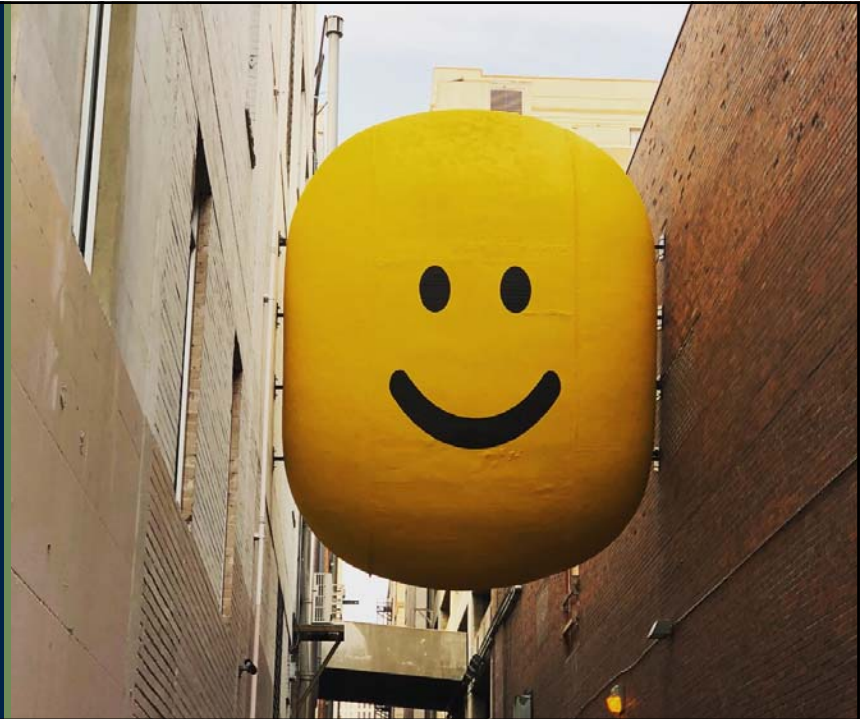
*FY 2020 & FY 2021 Issues  
for Consideration by the  
Legislature*

- Enrollment Growth
  - State Funds – (\$33,690,000) one-time
    - Ongoing Funding Returns in FY 2022 Base
  - EFR Local Levy Growth Account – \$21,137,300
  - Local Funds - \$62,490,900 ongoing
- State Guarantee Rate in FY 2021
  - Statute Ties Rate to Prior-Year WPU Value Increase (FY2020) + Accelerator
  - Revenue from “Basic Rate Freeze” Used to Increase Rate (Local Levy Growth Account Above)
  - Increases from \$44.98 to \$48.26 per WPU for each Tax Increment (0.0001) Guaranteed



41

QUESTIONS?



42