Utah Education Funding Study

Summary 4: Policy Recommendations

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Our recommendations are organized into four broad domains that speak to distinct aspects of the state funding system, and thus to distinct but interconnected opportunities for improvement.

Funding Generation

Funding Distribution ☑

Targeted Programs

Effective Practices

Recommendation 2. Establish an add-on Weighted Pupil Unit for economically disadvantaged students in the Basic School Program, replacing existing programs targeted to these students.

KEY FINDINGS

- Phase 1 findings with respect to Equitable Access
- Phase 2
  - **Finding 11.** Higher spending is predicted as school average academic growth increases, though this association is lower in magnitude among high schools, compared to non–high schools.
  - **Finding 12.** Higher spending is also predicted as school graduation rate increases.
  - **Finding 15.** Predicted spending increases as the level of student need increases, as measured by the percentages of economically disadvantaged students and students with disabilities.
  - **Finding 20.** Programs explicitly targeting "at-risk" students or economically disadvantaged students provide significantly less additional funding than would be provided under the weight derived from the cost function analysis.

Intended Effect

The proposed add-on WPU for economically disadvantaged (ED) students is a comprehensive approach to accomplishing a few goals:

- **Better address the additional resource needs of this population.** Currently, additional funding is provided through a patchwork of programs with different specific allocation formulas and purposes, and all of these programs are relatively limited in scope, even in combination. The recommended weight would expand the scope of these current efforts to better account for additional needs and ensure a cohesive direction of funding for this student group.
- **Establish the weight within the Basic School Program (BSP), rather than implementing it through a consolidated Related to Basic (RTB) program.** As the foundation of the Minimum School Program (MSP), programs included in the BSP represent the core purposes recognized by the system. The recommendation to establish this weight in the BSP reflects its importance and ensures stability and appropriate adjustment of funding year-over-year.
- **Improve how well total Weighted Pupil Units (WPUs) reflect a district's needs; thus, state policy to equalize local revenue would adjust in a complementary way.** Specifically, to provide voted and board levy equalization aid, the state guarantees a dollar amount per WPU in local revenue for a set increment of local levies, and funding in districts with more ED students would thus receive more incremental funds as a result of the additional WPUs assigned to these districts under this recommendation.

Alternative Policy Options

The main alternative approach to addressing the additional needs of ED students is to build on existing programs. Policymakers could adjust the funding for these programs to, in effect, provide the same weight for ED students. However, this would require a separate, annual adjustment to program funds to maintain the effective weight. Failure to make this adjustment could undercut the stability of this weight over time. If the goal is to ensure additional funding per ED student in recognition of additional needs, an add-on WPU within the BSP is the most direct way to accomplish this.

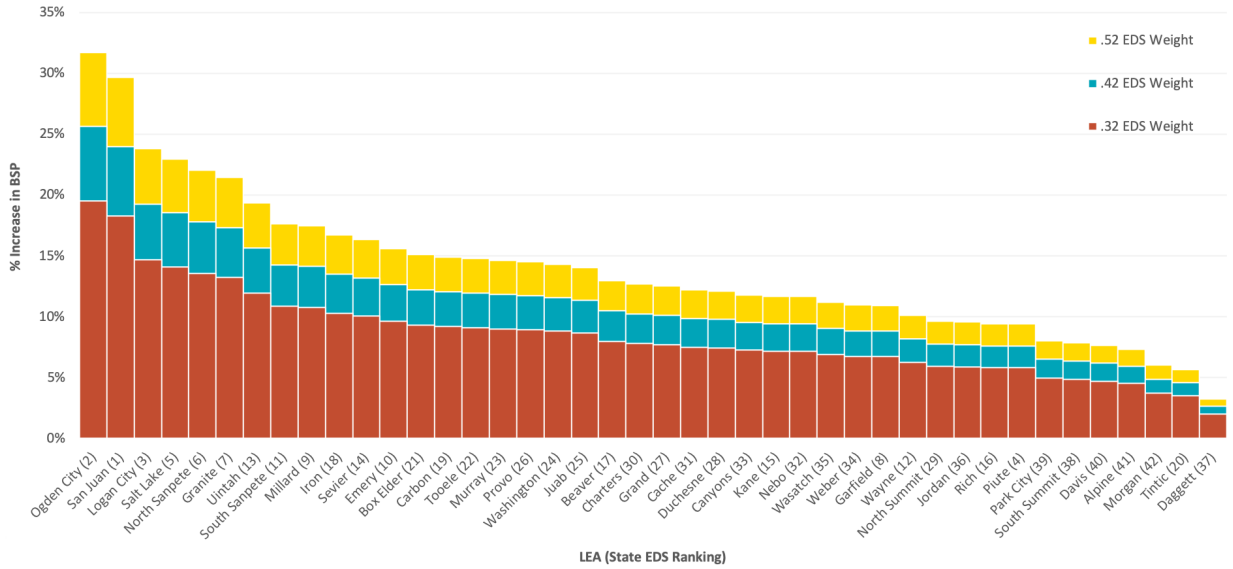
Detailed Modeling of Possible Implementation

As with any analysis, there is some uncertainty in the results, and thus, a range of possible weights would still be in line with the cost function analysis findings; specifically, based on the 95 percent confidence interval of the model estimate, a range of possible weights between 0.32 and 0.52. These two values and the primary estimated weight of 0.42 have been modeled assuming no other changes to the current system, and based on FY 2018–19 data.

As would be expected, those districts with the highest proportion of ED students receive the largest increases. On average, based on the primary weight of 0.42, districts would receive an additional 11 percent; the percentages range from 3 percent to 26 percent (Exhibit 42).

In total, based on FY 2018–19 data, a weight of 0.42 would result in approximately $313 million in additional funding. Such funding may come from the consolidation of existing programs currently used in the RTB programs and/or state revenue freed up as a result of implementation Recommendation 1. That is, of course, assuming no change to the rest of the system. Changes to the WPU value, the Basic Property Tax Levy (see Summary 2 — Recommendation 1), or other programs within the MSP could impact the amount of new funding required to implement this weight.

Exhibit 42. Percentage Increase in Basic School Program Under Different Economically Disadvantaged Student Weights by LEA, Including the Charter Sector



Source: Authors' calculations based upon FY 2018–19 data from the Utah State Tax Commission, Property Tax Division and the USBE.

Recommendation 3. Reform the Necessarily Existent Small Schools adjustment in the Basic School Program, drawing on study findings, to expand the scope and size of the funding, primarily to address issues of scale.

KEY FINDINGS

- Phase 2
  - **Finding 13**. Predicted spending generally decreases as district enrollment increases, providing evidence that economies of scale are present in Utah at the district level.

Intended Effect

The primary focus of this recommendation is improving the extent to which the state currently adjusts for the impact of economies of scale. This type of adjustment is currently primarily provided through the Necessarily Existent Small Schools (NESS) program, and is the focus of comparisons between current policy and the recommended adjustment.[1] Intended improvements would be in two areas:

- **Expand and improve the scope of this adjustment to better address the needs reflected in this study's findings.** Only about 25 districts currently receive NESS funds, and total funding for the program was about $32.5 million in FY 2018–19. The study team also recommends targeting the adjustment to the smallest districts and gradually reducing additional funds as district size increases.
- **Improve the predictability of the funding allocation process by simplifying to a single formula.** Qualification for funding under NESS is based on a complex application process and the funding provided is based on a complex analysis, both of which limit understanding and the ability for practitioners to predict funding year-over-year. The recommended adjustment would be based on a single formula and would focus on a single factor—district size. This allows practitioners to directly calculate their funding, creating a more predictable process.

Alternative Policy Options

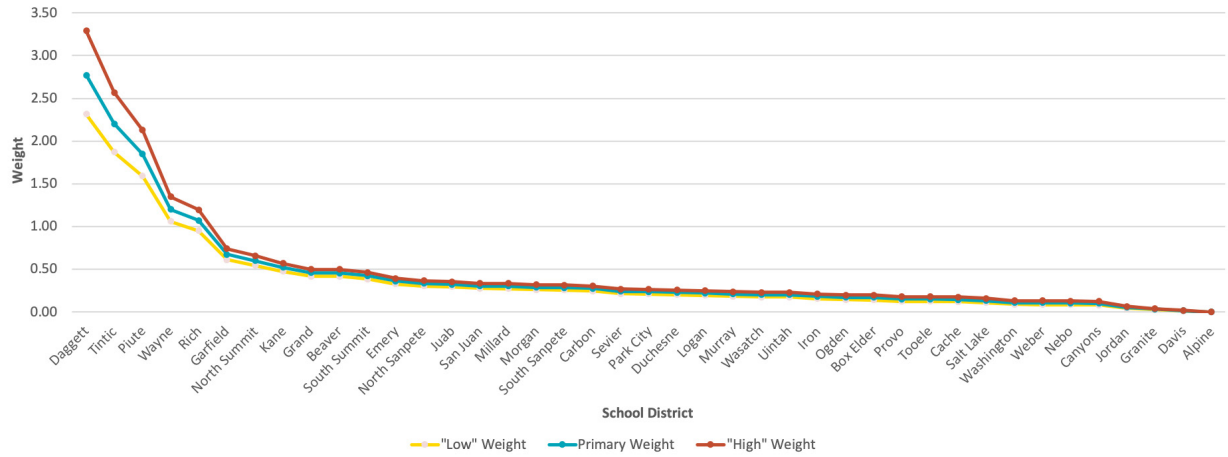
The primary alternative is to keep the NESS formula, perhaps with some changes to broaden its impact. One downside of implementing a simpler formula that focuses just on scale is that it fails to account for other potentially important factors. Maintaining the NESS program would allow the state to continue to account for all of these complex factors. Although the study team believes that scale is the most important factor incorporated into NESS, it may be possible for policymakers to amend NESS to maintain some of these additional factors and complement the recommended adjustment for scale while avoiding duplicative policies.

1 Several other programs seek to mitigate (at least in part) the impact of scale, and/or are tied to the NESS program. Some of these, such as the Regional Service Agencies, are outside of the MSP. The study team does not offer specific recommendations with respect to whether or how these programs should be affected by implementation of the proposed adjustment.

Detailed Modeling of Possible Implementation

The study team has modeled the impact of a few possible approaches to implementing this recommendation, embedding in this modeling some uncertainty in the exact specification. As with the EDS add-on WPU, the 95 percent confidence interval of the model estimate is used to specify the range of adjustments. As illustrated in Exhibit 45, the most uncertainty is present among the smallest districts with the largest weights.

Exhibit 45. All Modeled Weights With Respect to Scale of Operations, by District

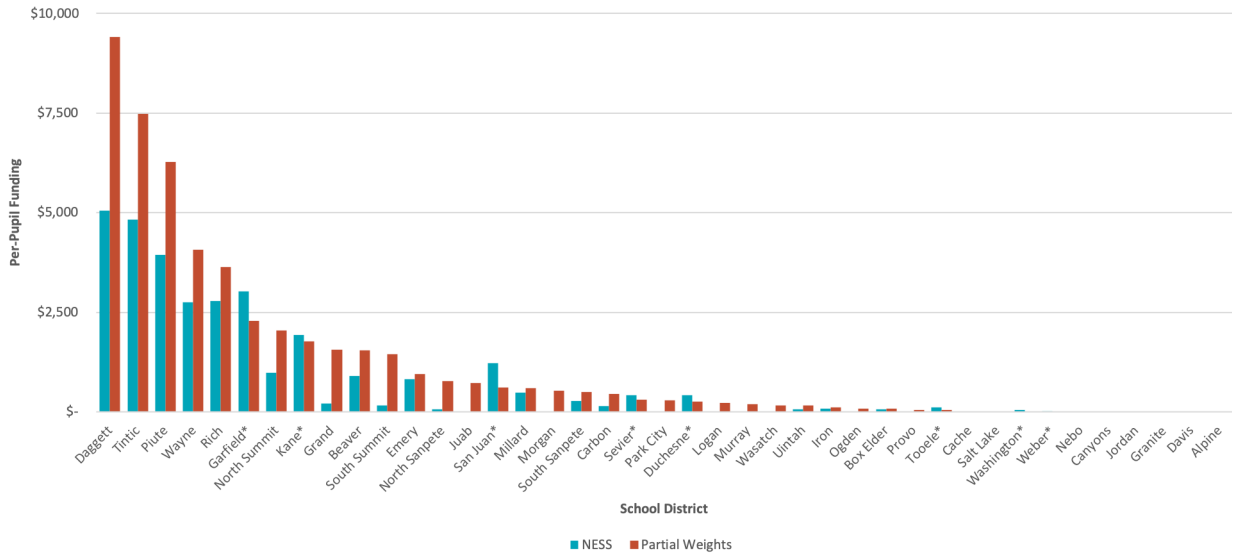


Source: Authors' calculations based on the data used for the cost function analysis, described in detail in the full report, and additional FY 2018–19 data from the USBE.

Whichever modeled adjustment is used, the study team recommends it be gradually reduced as district size goes up for districts above the 25th percentile in enrollment (~1,700 students in FY 2018–19). In effect, these larger districts would receive a partial weight.

The final weight for each district would be multiplied by the WPU value to calculate the additional per-pupil amount provided through the adjustment. If the proposed partial weights are applied assuming the WPU value in FY 2018–19, 31 districts would receive some amount of additional funding, and almost all districts would receive more funding or equivalent funding compared to NESS funding (eight districts would see a reduction). Exhibit 47 displays per-pupil amounts with under NESS and based on the proposed weights. Districts that would see a reduction in funding are marked with an asterisk (*).

Exhibit 47. Estimated Per-Pupil Amounts for Necessarily Existent Small Schools and Proposed Weights, by District



Source: Authors' calculations based on the data used for the cost function analysis, described in detail in the full report, and additional FY 2018–19 data from the USBE.

Recommendation 4. Establish within the Basic School Program an adjustment for regional variation in the price of teacher labor, based on study findings.

KEY FINDINGS

- Phase 2
  - **Finding 10**. Local prices for teacher labor vary geographically, with prices up to 31 percent higher in some regions, compared to others.
  - **Finding 14**. Predicted spending increases as the regional price of labor increases, as measured by the Teacher Salary Index.

Intended Effect

The recommended adjustment **would:**

- **Use the Teacher Salary Index (TSI) to account for differences in what districts in Utah must pay to hire teachers with the same qualifications that are driven by location.** There are many reasons that salaries vary systemically, and this recommendation focuses on those resulting solely from aspects of a district location that a district has no control over. In general, the reasons a location would have higher prices for teachers are a higher cost of living, a less desirable location for workers to reside in, or a

combination of the two.[2] For example, teachers would be willing to accept a lower salary than the cost of living might otherwise require if the district is in a desirable place to live.

The recommended adjustment **would not:**

- **Support attracting and retaining higher quality staff in specific positions or districts.** The recommended adjustment is not, for example, meant to single out positions and award bonuses as the Educator Salary Adjustment program does. However, to the extent that the recommended adjustment does support districts to attract and retain teachers by allowing them to better meet local salary expectations, it can be viewed as a complement to the Educator Salary Adjustment program or other similar programs.

Alternative Policy Options

Alternative approaches exist that Utah could choose to draw on:

- **The most prominent alternative measure is the Comparable Wage Index for Teachers (CWIFT), a national comparable wage index prepared by the National Center for Education Statistics.** This measure is widely accepted as valid and its use is common in a variety of educational policy contexts. Its primary disadvantage is its limited ability to capture differences across very large and, arguably, diverse regions of Utah. Specifically, CWIFT only offers 12 district-level values for the 41 districts in Utah.

Detailed Modeling of Possible Implementation

There are some considerations for the implementation of this type of adjustment:

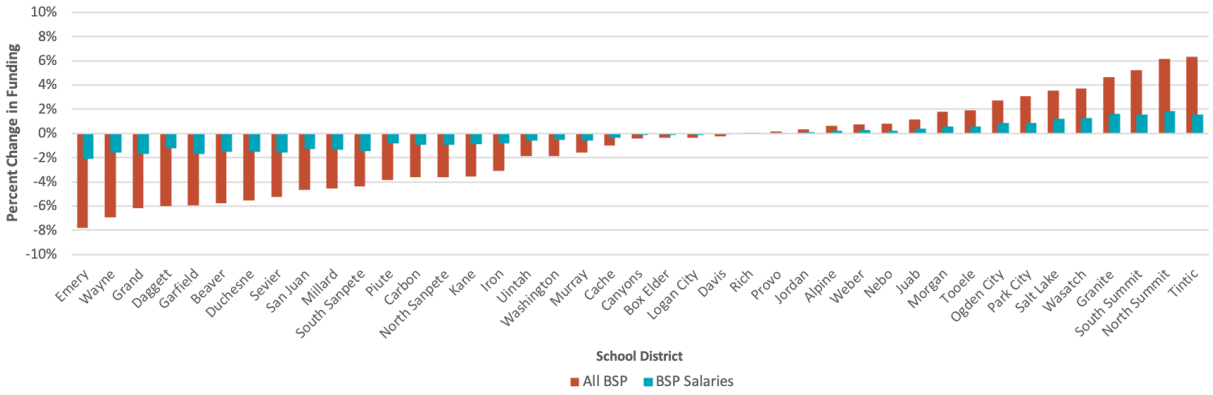
- **It is most often applied to the final foundation amount, after the application of all weights and other adjustments.** The study team recommends this approach for Utah. Specifically, in this approach, the district average TSI would be applied to a district's final BSP amount, using an index based on the state average.
- **The study team recommends the adjustment be applied only to the portion of BSP funds spent on instructional staff.** This is because the TSI is based on only teacher salary data. Local prices for other categories of expenditures may or may not vary regionally in the same way, including prices for other types of staff. Thus, applying the recommended adjustment to instructional staff spending only is most appropriate. This approach is used in Florida, with the same considerations about differences in prices for different categories of spending in mind.[3]

2 Taylor, L. L. (2011). *Updating the Wyoming Hedonic Wage Index*. Paper submitted to the Wyoming Joint Appropriations Committee and Joint Education Committee. Texas A&M University.

3 Florida Department of Education. (2019). Review of current price level index methodology. http://gafla.dadeschools.net/pdf/Florida%20State%20Legislative%20Resources/2019/FPLI_DOE_Final%20Report_2019.pdf.

Exhibit 48 illustrates, for each district, the percentage changes in BSP funding that result from applying the TSI to the FY 2018–19 BSP amount, in two ways: first, to all BSP funding, and second, to the portion of district funding spent on certificated instructional staff in FY 2018–19.

Exhibit 48. Percent Change Applied to All Basic School Program Funds and to the Portion of Funds Spent on Instructional Salaries, Based on FY 2018–19 Funding



Source: Authors' calculations based on the data used for the cost function analysis, described in detail in the full report, and additional FY 2018–19 data from the USBE.

Applying Funding Distribution Recommendations to Charter Local Educational Agencies (LEAs)

Charter schools were not included in the cost function analysis, which most directly informs Recommendations 2–4, due to data limitations. However, the study team recognizes the importance of the charter sector in the state's public education system. With this in mind, whether recommendations drawing on evidence not directly applicable to charter schools can reasonably be extended to the charter sector has been carefully considered:

- **Recommendation 2:** The study team concluded that the additional resource needs of ED students served in the charter sector are likely to be, on average, very comparable to those served in traditional school settings. Thus, this recommendation can reasonably be extended to charter schools.
- **Recommendation 3:** The study team would not recommend applying the recommended scale adjustment to charter schools. The ways in which charters are able to manage administrative functions and staffing can impact how well they are able to provide a basic instructional program for a small group of students and mitigate the impact of scale. This is not to say that the effects of economies of scale are not present in charters, just that these effects are likely different enough to warrant a different approach to accounting for them.
- **Recommendation 4:** The study team has concluded that the regional variation in local prices estimated in the TSI is likely to, on average, impact charter schools to the same extent that it impacts their traditional school peers. Thus, this recommendation can reasonably be applied to the charter sector.