



Memorandum

Public Education Appropriations Subcommittee Recommendations

To: Executive Appropriations Committee
Senator Jerry Stevenson, Chair
Senator Don Ipson, Senate Vice-Chair

Representative Bradley Last, Chair
Representative Robert Spendlove, House Vice-Chair

From: Public Education Appropriations Subcommittee
Senator Lincoln Fillmore, Chair
Representative Steve Eliason, Chair
Representative Steve Waldrip, House Vice-Chair

Date: December 7, 2021

Subject: Report of Subcommittee Recommendations Required in Statute [\[53E-1-202.2\]](#)

Summary

During the 2021 General Session, the Legislature passed [Senate Bill 142](#), “Public Education Funding Amendments” which requires the Public Education Appropriations Subcommittee (subcommittee) to evaluate certain public education funding proposals and make recommendations to the Executive Appropriations Committee (EAC). Building off the [Education Funding Study](#) commissioned by the State Board of Education and published in stages throughout 2020, the subcommittee was tasked with the following during the 2021 Interim:

- Evaluate and recommend the rate at which the weightings for the Students At-Risk – WPU Add-on program should grow to the weighting targets outlined in statute; and,
- Address distribution of revenues to school districts of differing sizes and property values to ensure adequate long-term equalization of public education funds through tested or new approaches (called Scale of Local Operations).

Legislative Action

Statute does not require the EAC to act. The subcommittee submits the following recommendations for consideration and potential action.

Recommendations

Students At-Risk – WPU Add-on Program

The program provides funding to local education agencies (LEAs) based on two student characteristics, economically disadvantaged and English language learners as defined in statute. Statute designates that the Weighted Pupil Unit (WPU) weightings for qualifying students increase annually based on the recommendation of the subcommittee and the approval of the EAC.

The change from a multi-variable program [Enhancement for At-Risk Students (EARS)] to a two-factor program [Students At-Risk – WPU Add-on] resulted in funding distribution changes among LEAs. When compared to FY 2021 EARS distributions, many “highly impacted” LEAs receive less funding initially through the distribution determined by the Add-on formula. Statute includes a hold-harmless provision for LEAs that receive less than their FY 2021 EARS allocation and directs the Legislature to appropriate one-time funding to fund the hold-harmless each year. The hold-harmless expires on January 1, 2024; most LEAs are expected to fall out of hold-harmless (i.e., receive more funding than they did in the FY 2021 EARS distribution) before this date.

The subcommittee’s review included two parts, namely, student WPU weightings and hold-harmless.

- **Recommendation 1a: WPU Weightings**

Build the statutory WPU for Economically Disadvantaged and English Language Learner students over ten years and accelerate the phase-in when state revenues allow. In a year when the Legislature used the Public Education Economic Stabilization Account, only adjust for student enrollment growth and inflation, and do not increase the weightings. The following table shows the initial and target weightings for FY 2023 and the estimated cost for a 1-year increment (on the 10-year phase-in plan).

At-Risk Student Weight Increase Estimate				
1 Increment on 10 Year Phase-In Plan				
Factor	Weightings		Annual Increase	1 Incr. Cost Est.
	Initial	Target		
Econ. Dis.	0.05	0.3	0.025	0.075
ELL	0.025	0.1	0.0075	0.0325
Weighting Increase Cost:				\$24.2 M
Voted & Board State Guarantee Cost:				\$4.5 M
Total Ongoing Estimate:				\$28.7 M
Hold Harmless (One-time):				\$1.1 M

- **Recommendation 1b: Include Weighting Increase in Enrollment Growth Adjustment**

Include future WPU weighting increases in the annual Enrollment Growth Adjustment approved by the EAC in December of each year and funded in the Public Education Base Budget.

Direct the Legislative Fiscal Analyst to include the cost for one annual increase increment in the Enrollment Growth cost estimate each year to allow EAC to determine the number of increments funded based on available revenue.

- **Recommendation 2: Hold Harmless**

Require the Public Education Appropriations Subcommittee to review the hold-harmless phase-out prior to the January 1, 2024, expiration date.

Note: The cost of the hold-harmless decreases as the student weightings increase. For example, for the current estimate the cost decreases to \$630,000 if two increments are funded.

The estimates provided above are for FY 2023 only. The cost in subsequent years will change based on student enrollment and WPU Value changes.

Scale of Local Operations

The subcommittee reviewed the recommendations provided in the Education Funding Study regarding economies of scale. The study found that as the size (enrollment) of a district declines, predicted spending per student increases (holding outcomes and cost factors constant). State education funding systems sometimes provide an adjustment within their formula to account for the additional costs per student. The study recommended the following:

- Replace the current Necessarily Existent Small Schools (NESS) program with a comprehensive district-based economies of scale program. This program would apply a weighting to each school district to compensate for the difference in the cost to educate each student.

Subcommittee members discussed whether replacing NESS with a single district-level program is feasible. Or, if a hybrid approach of district and school level adjustment would better fit Utah's context. There was interest in developing a single formula that addressed school district size and included factors for school size and remoteness to simplify and streamline state funding. In addition, there is a natural tie-in with property tax equalization efforts that require further investigation. Specifically, the relationship between providing an economy of scale adjustment and the state guarantee on certain discretionary property tax levies.

The subcommittee voted to continue study of these items during the 2022 Interim in hopes of developing a scale of operations adjustment formula. Also, the "freeze" of the statewide Basic Levy expires at the end of FY 2023, providing a good time to discuss both scale of operations and statewide equalization efforts together.

- **Recommendation 3:**

Direct the subcommittee to return to the EAC in December 2022 with recommendations after additional study.