



Memorandum

To: Executive Appropriations Committee

From: Ben Leishman, Finance Manager
Office of the Legislative Fiscal Analyst

Date: December 5, 2023

Re: Public Education – Annual Base Budget Adjustments Related to Economic Stabilization, Subcommittee Interim Study, and Staff Recommendations

I. Public Education Economic Stabilization Adjustments

Statute, [53F-2-208](#) and [53F-9-204](#), requires the Executive Appropriations Committee to make certain budget determinations each December based on recommendations developed by the Legislative Fiscal Analyst (Analyst) in consultation with the State Board of Education (Board) and the Governor’s Office of Planning and Budget (GOPB). The statute also provides that the budget determinations made by the committee be included in the annual base budget bill for Public Education. The Analyst has prepared the following recommendations for the committee to review. The funding source for each adjustment is the Income Tax Fund or the Uniform School Fund depending on the ongoing appropriation in each program.

Enrollment Growth Adjustment

In Fall 2023, Utah’s public schools enrolled 673,773 students, (1,977) fewer than projected last fall. We project a total statewide enrollment of 669,881 in Fall 2024, this is a decrease of (3,892) students of (0.58) percent.

When applying enrollment, demographic, and other policy changes to the calculation of weighted pupil units (WPU) the total number of WPU increase from 934,415 to 938,162, an increase of 3,747. Primary count WPU (kindergarten, Grades 1-12, and Special Education – Self Contained) decrease while WPU for certain “Add-on” programs (Professional Staff, Special Education, and Students At-Risk) increase. Figure 1 details WPU changes by program.

Finally, other statutory formulas for the Charter School Local Replacement, Educator Salary Adjustment, Teacher Salary Supplement, and Voted & Board Local Levy Programs complete the annual Enrollment Growth Adjustment. Figure 1 also provides a detail of cost changes.

2024 General Session Enrollment Growth Cost Estimate
 FY 2024 Supplemental & FY 2025 Base Budget Estimates
 Weighted Pupil Unit [WPU] & Funding Amount Changes

Programs	WPU's			Amount		
	FY 2024 Approp.	Growth Change	FY 2025 Base	FY 2024 Approp.	FY 2025 Base	Difference
Basic School Program - WPU Statutory Adjustments			WPU Value:	\$4,280	\$4,280	
<i>Primary WPU Programs</i>						
Kindergarten	40,052	(835)	39,217	\$171,422,600	\$167,848,800	(\$3,573,800)
Grades 1-12	611,450	(3,472)	607,978	\$2,617,006,000	\$2,602,145,800	(\$14,860,200)
Special Education - Self Contained	11,334	254	11,588	\$48,509,500	\$49,596,600	\$1,087,100
Subtotal Primary WPU Programs	662,836	(4,053)	658,783	\$2,836,938,100	\$2,819,591,200	(\$17,346,900)
<i>Secondary "Add-on" WPU Programs [Adjusted for Demographic Change or Statutory Formula]</i>						
Foreign Exchange Students	398	7	405	\$1,703,400	\$1,733,400	\$30,000
Necessarily Existent Small Schools	10,708	(47)	10,661	\$45,830,200	\$45,629,100	(\$201,100)
Professional Staff	57,118	339	57,457	\$244,465,000	\$245,916,000	\$1,451,000
Special Education - Add-on	93,579	7,771	101,350	\$400,518,100	\$433,778,000	\$33,259,900
Special Education - Pre-School	11,372	(66)	11,306	\$48,672,200	\$48,389,700	(\$282,500)
Special Education - Extended Year Program	460	(3)	457	\$1,968,800	\$1,956,000	(\$12,800)
Special Education - Impact Aid	2,072	(12)	2,060	\$8,868,200	\$8,816,800	(\$51,400)
Special Education - Extended Year for Special Educators	909	0	909	\$3,890,500	\$3,890,500	\$0
Students At-Risk WPU Add-on	23,102	228	23,330	\$98,876,600	\$99,852,400	\$975,800
Career & Technical Education - Add-on	29,257	(170)	29,087	\$125,220,000	\$124,492,400	(\$727,600)
Class Size Reduction	42,604	(247)	42,357	\$182,345,100	\$181,288,000	(\$1,057,100)
Subtotal Secondary "Add-on" WPU Programs	271,579	7,800	279,379	\$1,162,358,100	\$1,195,742,300	\$33,384,200
Total Basic School Program	934,415	3,747	938,162	\$3,999,296,200	\$4,015,333,500	\$16,037,300
Breakdown: Enrollment Decline Adjustments		(4,598)		\$3,253,733,100	\$3,234,053,700	(\$19,679,400)
Breakdown: WPU Enhancements		8,345		\$745,563,100	\$781,279,800	\$35,716,700
Non-WPU Statutory Adjustments						
<i>Related to Basic School Program</i>						
To & From School Pupil Transportation				\$124,493,700	\$124,493,700	\$0
At-Risk Students - Gang Prevention				\$2,381,200	\$2,381,200	\$0
Youth-in-Custody				\$31,456,500	\$31,456,500	\$0
Adult Education				\$17,678,900	\$17,678,900	\$0
Enhancement for Accelerated Students				\$6,838,600	\$6,838,600	\$0
Dual Immersion				\$7,367,000	\$7,367,000	\$0
Concurrent Enrollment				\$17,708,000	\$19,677,100	\$1,969,100
Educator Salary Adjustments				\$406,740,000	\$423,959,600	\$17,219,600
Teacher Salary Supplement				\$23,092,100	\$23,092,100	\$0
Charter School Local Replacement				\$247,138,000	\$263,073,100	\$15,935,100
<i>Statewide Property Tax Guarantee</i>						
Voted & Board Local Levy Programs [State Funds Only]				\$286,530,600	\$286,530,600	\$0
<i>Initiative Programs - In State Board Line Items</i>						
Carson Smith Scholarships				\$8,209,800	\$8,609,800	\$400,000
Statewide Online Education Program				\$8,447,500	\$9,478,100	\$1,030,600
Total Non-WPU Statutory Adjustments				\$1,188,081,900	\$1,224,636,300	\$36,554,400
Total Estimated Funding Change						\$52,591,700
<i>Revenue Changes</i>						
Basic Levy Offset [Net New Property Tax Growth]						(\$23,454,600)
Charter School Local Levy Account						(\$4,341,900)
<i>FY 2024 Supplemental Adjustment [One-time]</i>						
Educator Salary Adjustments				\$9,122,900		
Estimated FY 2025 Enrollment Growth Cost [Net]:				\$9,122,900		\$24,795,200

Figure 1

Recommendation 1: Enrollment Growth Adjustment

- Approve the allocation of approximately \$24.8 million ongoing in FY 2025 and \$9.1 million one-time in FY 2024 to implement estimated enrollment growth adjustments in the Public Education Base Budget bill.

Inflationary Adjustment – WPU Value

Statute, [53F-2-208](#), also directs the Legislature to provide an annual inflationary adjustment to WPUs and certain categorical programs within the public education budget. The statute requires that this inflationary adjustment be based on a rolling five-year average as recommended by the Analyst and approved by the committee. In December 2020, the committee determined to base the adjustment on the Consumer Price Index for All Urban Consumers: All Items Less Food & Energy, as published by the Bureau of Labor Statistics. The inflation factor is based on the rate as of September of the current year (2023) and the previous four years. Figure 2 provides the five-year rolling average.

Public Education Funding Stabilization - Annual Inflationary Adjustment

5-Year Rolling Average (September) | FY 2025

	2019	2020	2021	2022	2023	Average
CPI-U Less Food & Energy	2.3%	1.7%	4.0%	6.6%	4.1%	3.8%

Note: CPI for Urban Consumers: All Items Less Food & Energy, Seasonally Adjusted, as Reported by the Bureau of Labor Statistic

Figure 2

After the enrollment growth adjustments, the estimated cost to increase the WPU Value in FY 2025 is approximately \$43.5 million. This amount includes an adjustment for all programs as identified in statute. It also includes an amount to adjust the additional 2 percent WPU Value increase provided during the 2023 General Session that will be implemented upon passage of a constitutional amendment as provided in intent language (Item 453 of Senate Bill 3, Appropriation Adjustments.)

Recommendation 2: Inflationary Adjustment

- Approve the allocation of approximately \$165.3 million ongoing to implement the inflationary factor for FY 2025 in the Public Education Base Budget bill. This will result in an increase to the WPU Value of approximately 3.8 percent.

As a result of this WPU Value increase, the Basic Levy – WPU Value Rate will increase as provided in statute ([53F-2-301](#)). The property tax adjustment for each 1 percent increase in the WPU Value is estimated at \$7.4 million and \$27.9 million for the 3.8 percent inflationary adjustment.

Public Education Economic Stabilization Restricted Account

The final component of the statutory Public Education Economic Stabilization adjustments is a deposit of ongoing revenue growth into the Public Education Economic Stabilization Restricted Account. This account is funded with 15 percent of ongoing new revenue growth in the Income Tax and Uniform School Funds and any other appropriations the Legislature may designate.

Ongoing funding to the account is limited by revenue growth and a deposit threshold of 11 percent of Uniform School Fund appropriations. The current ongoing balance in the account is \$440.6 million. Based on revenue estimates, we do not anticipate hitting the deposit threshold in FY 2025.

Based on current revenue estimates for FY 2025, we estimate the deposit into the stabilization account at \$40,867,500.

Recommendation 3: Economic Stabilization Deposit

- Approve the allocation of \$40.9 million ongoing to the Public Education Economic Stabilization Restricted Account in the Public Education Base Budget bill.

II. Public Education Appropriations Subcommittee – Interim Study Recommendations

During the 2023 interim, the Public Education Appropriations Subcommittee continued their study of the Minimum School Program as required by statute ([53E-1-202.2](#)). This final phase of study included a review of the Related to Basic School Programs of the Minimum School Program with the goal to optimize coherence, stability, continuous improvement, and balance with the Basic School Program.

Over the past three interims, the subcommittee has studied various aspects of the Minimum School Program as outlined in statute instead of the more traditional accountable budget review. In each year, the subcommittee has reported recommendations to the Executive Appropriations Committee for implementation in the Public Education Base Budget bill.

In its October 2023 meeting, the subcommittee passed motions on the following:

Beverley Taylor Sorenson Elementary Arts Learning Program

Directed staff, in consultation with the subcommittee chairs, to draft statutory language for the Public Education Base Budget bill to implement the following statutory changes within the FY 2024 ongoing appropriation:

- Develop a uniform grant amount for each full-time equivalent (FTE) educator participating in the program;
- Ensure that the uniform grant amount excludes amounts an educator would receive through the Educator Salary Adjustment program;

- Clarify that participating local education agencies (LEAs) are responsible for employee costs that exceed the uniform grant amount and program educators should be considered with other LEA educators when making compensation decisions; and
- Modify the non-supplant language consistent with these changes.

Exclude Certain Ongoing Funding Programs from the Base Budget Bill

The subcommittee voted to not include ongoing funding for nine categorical programs in the base budget appropriation for the Related to Basic School Program. The subcommittee wishes to keep these funds for further study and determination on how these programs will be implemented in FY 2025. The subcommittee chairs will develop recommendations to the subcommittee on changes, including, restoring funds as appropriated in FY 2024, consolidate with a similar program, or reallocate funding.

The programs and FY 2024 funding amounts are detailed in Figure 3:

Minimum School Program - Related to Basic School Program	
Categorical Programs Under Subcommittee Review	
Categorical Program	FY 2024 Ongoing Appropriation
At-Risk Students - Gang Prevention and Intervention	\$2,381,200
Dual Immersion	\$7,367,000
Effective Teachers in High Poverty Schools	\$801,000
Elementary School Counselor Program	\$2,100,000
Pupil Transportation Rural School Reimbursement	\$500,000
Rural School District Transportation Grants	\$1,000,000
Title I Schools Paraeducators Program	\$300,000
Early Literacy Program	\$14,550,000
Digital Teaching and Learning	\$19,852,400

Figure 3

Recommendation 4: Public Education Appropriations Subcommittee Interim Study Items

- Review and approve the motions taken by the Public Education Appropriations Subcommittee during their 2023 interim study as outlined for inclusion in the Public Education Base Budget bill.

III. Staff Recommendations for the Public Education Base Budget

Statute, [53F-2-208](#), provides for the Executive Appropriations Committee to make determinations on inflation and enrollment growth adjustments based on recommendations developed by the Office of the Legislative Fiscal Analyst, in consultation with the Board and GOPB. In developing the enrollment growth estimates for the 2024 General Session, the Analyst has developed two recommendations for the Legislature to consider.

Timeliness of Reporting Demographic Data

Demographic data, namely student enrollment changes and teacher counts, factor significantly into the annual enrollment growth cost estimate. Local education agencies report demographic changes to the Board each fall based on timelines in statute and Board rule. Current reporting dates come late in the budget estimating process, particularly for the Governor's office in developing recommendations to the Legislature.

Enrollment Change

Statute, [53F-2-302](#), governs the calculation of WPU and the number of "growth" students factors into this calculation. Enrollment growth is based on the percentage change in students on the first school day of October, often referred to as the October 1 count. While the count occurs on this date, it can take an additional 2-3 weeks for LEAs to fully report and the Board to complete necessary data auditing functions.

Teacher Counts

Board rule, [R277-110](#), provides that LEAs will receive funding for the Educator Salary Adjustment (ESA) based on educator data submitted by November 15 of each year. While data used in the estimate is usually available 1-2 days after November 15th, limiting the time for Board, LFA, and GOPB staff have for data quality checks. The cost of this adjustment each year has increased based on programmatic changes made by the Legislature during the 2023 General Session.

Recommendation 5: Implement Statutory Data Reporting Deadlines

- Amend statute in the Public Education Base Budget bill to implement a data reporting deadline for demographic information used to develop the annual enrollment growth cost estimate. Direct staff to work with the Board and GOPB to determine an appropriate date, provide direction to the Board to implement rules to meet the designated date, and determine appropriate penalties for LEAs that fail to meet specified timelines in statute and Board rule.

Application of Statutory Declining Enrollment Hold Harmless Provisions

Weighted pupil units are calculated using a concept called "Prior Year Plus Growth". As outlined in statute, [53F-2-302](#), Prior Year Plus Growth WPUs are based on the actual number of students enrolled (in average daily membership) in the prior school year plus an estimated percentage growth factor. This provision provides a one-year "hold harmless" for

LEAs experiencing natural demographic enrollment declines, allowing the LEA to adjust to a changing population and reduces the need to make mid-year staffing changes.

The Legislature further provided in [53F-2-207](#) the ability for the Board to make additional funding adjustments to an LEA for an “excessive loss in student enrollment due to factors beyond its control.”

What happens when excessive enrollment decline is within the control of an LEA?

LEAs may opt to contract with certain providers to deliver educational services (mostly online) to resident and non-resident students. As a result, the number of students enrolled in the LEA increases and are funded as a function of enrollment growth. When an LEA decides to end a contractual relationship, does Prior Year Plus Growth apply? Often there is not a decrease in students statewide, just a shift in students among LEAs.

For example, School District A opted to end a contractual relationship with an online provider beginning in Fall 2023. The enrollment in this district’s online school dropped by approximately 8,200 students. School District B entered a contract with the same online provider and the enrollment in their online school increased by approximately 7,400 students. The increase for District B is a mix of students previously enrolled in School District A and resident students.

Under the Prior Year Plus Growth provisions, School District B receives “growth” funding for an increase in their enrollment. If Prior Year Plus Growth was applied to contracted enrollment changes in the same manner as natural population changes, District A would receive funding as if it still enrolled those 8,200 students. The estimated hold harmless cost for District A is estimated at \$35-\$50 million.

Recommendation 6: Clarify Statutory Prior Year Plus Growth Provision

- Amend statute in the Public Education Base Budget bill to clarify that the Prior Year Plus Growth hold harmless applies to enrollment changes due to factors beyond the control of an LEA (i.e. natural demographic shifts, population decline, etc.) and do not apply to LEA determined enrollment reductions (i.e. ending a contractual relationship). Make the statutory change effective for current-year (FY 2024) funding distributions.