



MINIMUM SCHOOL PROGRAM ANNUAL ADJUSTMENT VARIABLES

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

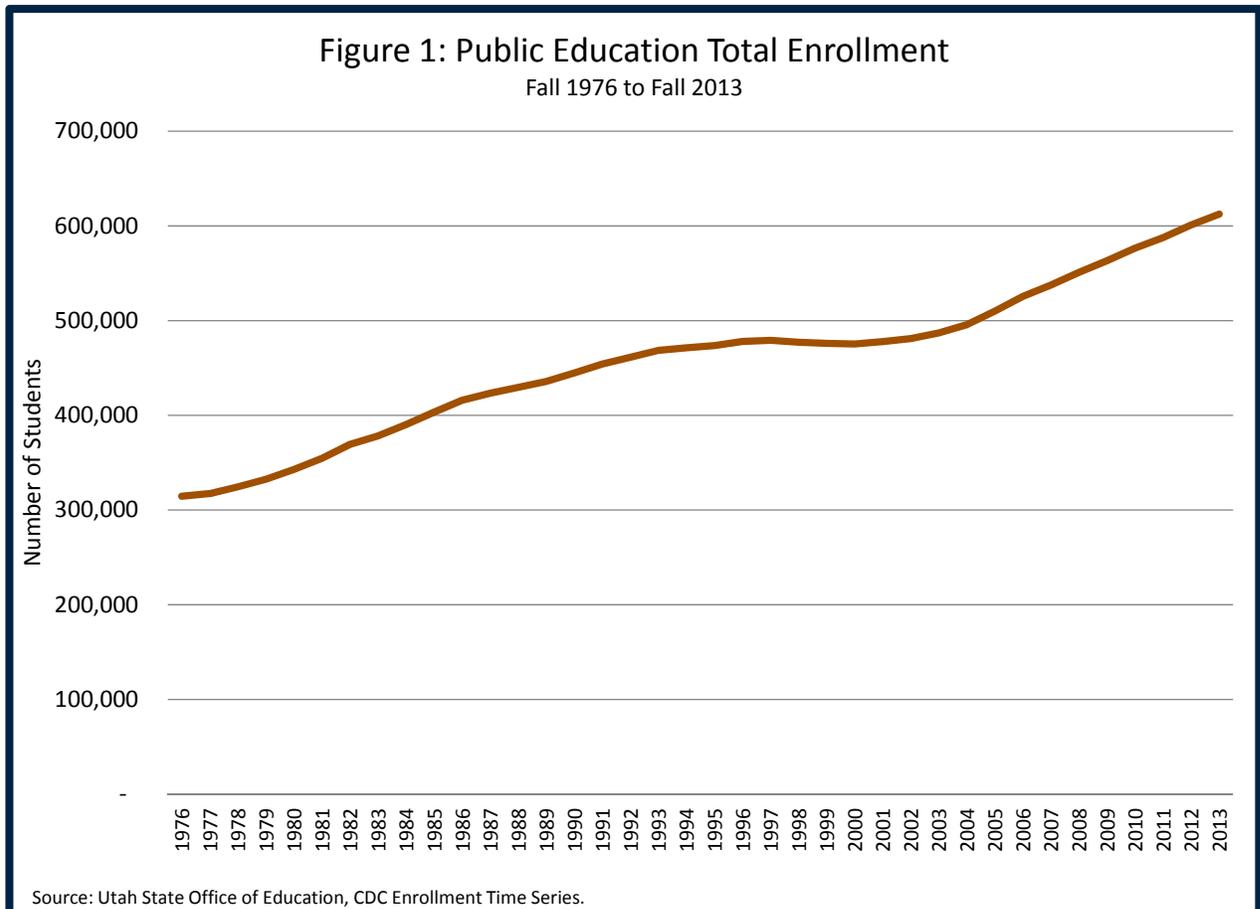
Several variables within the Minimum School Program (MSP) require annual adjustments by the Legislature. This brief contains cost estimates for projected student enrollment growth in fall 2014 (FY 2015) and a one-percent increase in the Weighted Pupil Unit (WPU) Value.

STUDENT ENROLLMENT GROWTH

Growth in student enrollment will result in additional Weighted Pupil Units (WPU) as provided in certain statutory formulas. These additional WPUs increase the cost of the Basic School Program and the Voted & Board Local Levy Programs. In addition to the WPU related costs, the Legislature has historically adjusted certain programs in the Related to Basic School Program (below-the-line) for estimated student enrollment growth impacts.

Each fall, public schools conduct a student enrollment count on the first school day of October. This past October, Utah’s public schools enrolled 612,551 students, an increase of 11,581 students. This growth represents a 1.9 percent increase over fall 2012. Figure 1 provides a historical look at student enrollment growth since 1976. Since 1976, Utah has only seen three years where student enrollment decreased (fall 1998, 1999, and 2000).

Total Student Enrollment – Fall 1976 to Fall 2013



Demographic Details

Figure 2 divides the fall 2013 enrollment by grade distribution and major demographic category.

Enrollment Growth Projections

Following each fall enrollment count, the Common Data Committee (CDC) establishes a consensus projection for student enrollment for the next school year. The CDC includes representatives from the Legislative Fiscal Analyst (LFA), Governor’s Office of Management and Budget, and the Utah State Office of Education (USOE).

The new-year enrollment projection is also used to estimate growth WPU for the Basic School Program. Two CDC participants, the USOE and the LFA, develop independent WPU conversion estimates. Then, the CDC uses these estimates to develop a consensus estimate of the total number of WPUs by program for the next school year.

Figure 2: Public Education: Fall 2013 Student Enrollment
Students by Grade and Major Demographic Category

Grade Distribution		Demographic Category	
Kindergarten	50,394	Male	314,932
Grade 1	51,461	Female	297,619
Grade 2	50,237	Total	612,551
Grade 3	49,084	American Indian	6,879
Grade 4	49,070	Asian	10,285
Grade 5	48,520	African American	7,917
Grade 6	47,201	Hispanic/Latino	97,449
Grade 7	46,876	Pacific Islander	9,138
Grade 8	46,448	Two or More Races	12,187
Grade 9	45,765	White	468,696
Grade 10	44,378	Total	612,551
Grade 11	42,237	District	557,651
Grade 12	40,840	Charter	54,900
Total	612,511	Total	612,551

Projections indicate that student enrollment may increase another 1.7 percent in fall 2014 (FY 2015). This is an increase of 10,262 students, for a total enrollment of 622,813. Figure 3 shows total statewide fall enrollment since 2003 through projected fall 2014. Looking past fall 2014, projections show that student enrollment will continue to increase, but the year-over-year percent change should decrease.

Figure 3: Public Education Total Enrollment

Fall 2003 to Fall 2014 (Projected)

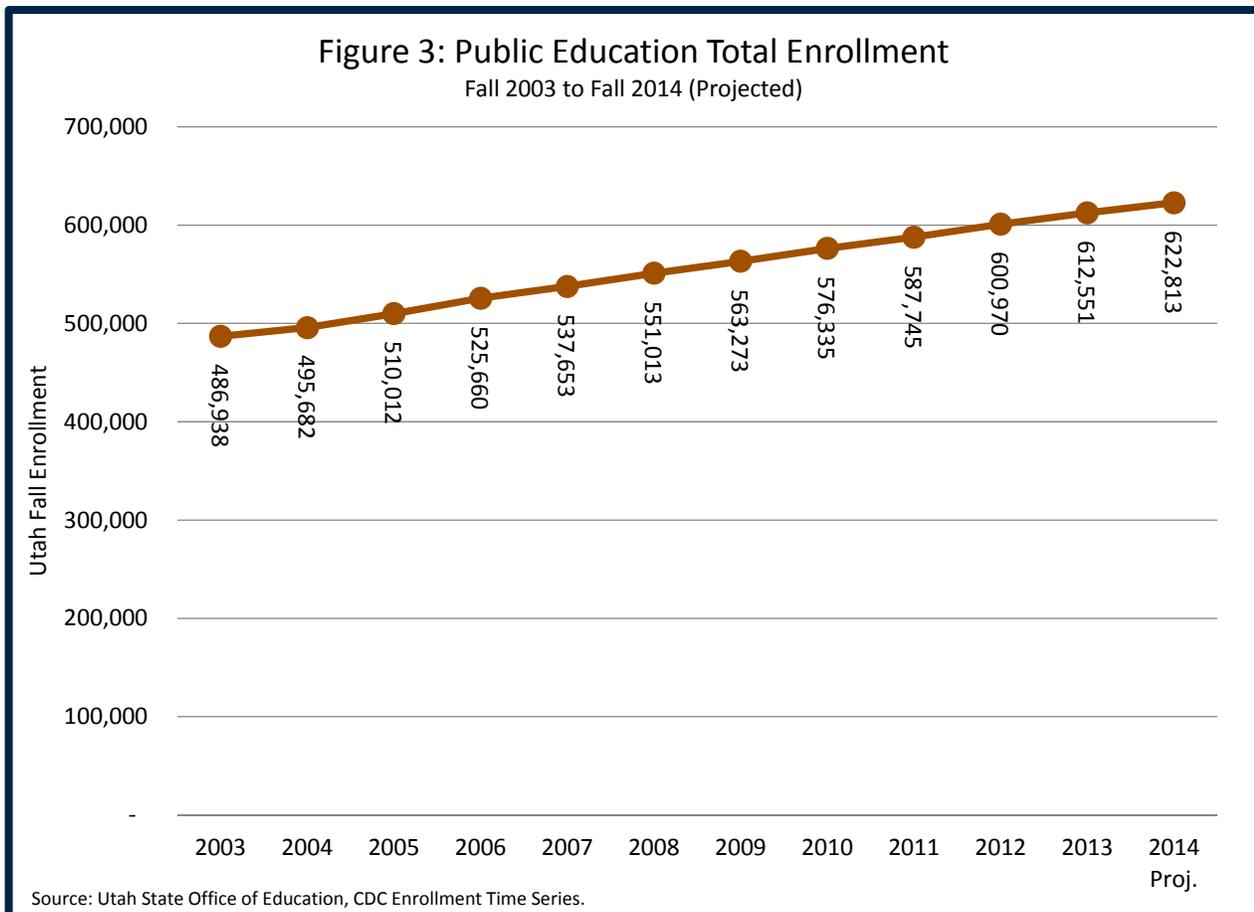
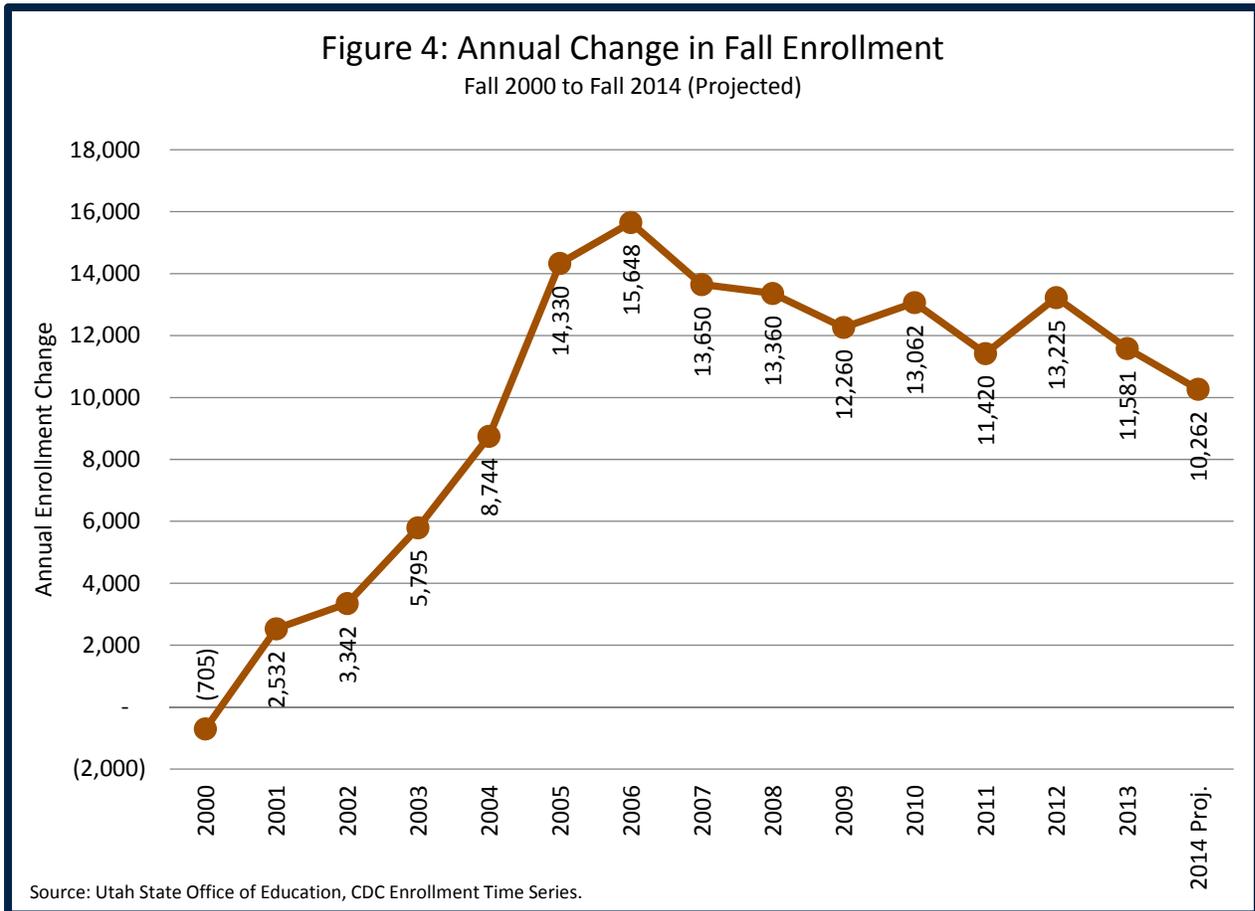


Figure 4 details the annual year-over-year change in fall enrollment since 2000. The current growth pattern peaked in 2006 with a net increase of 15,648 new students. Although fall enrollment in Utah is still growing, the chart shows how the annual rate of change is slowing.



Enrollment Growth Cost Estimate

Figure 5 details the FY 2015 enrollment growth cost estimate. This estimate makes adjustments to certain programs in the Minimum School Program to account for increased costs associated with having more students in the public education system.

Funding additional WPUs in the Basic School Program represents the most significant cost. In FY 2015, an estimated increase of \$41.5 million will provide the FY 2014 WPU Value for each of the 14,547 new WPUs projected in fall 2014. WPUs in most programs are valued at \$2,899. WPUs in the Special Education Add-on and Career & Technology Education Add-on programs are valued at \$2,659. FY 2012 was the first year the Legislature has established two WPU values.

Growth in property tax revenue from the Basic Levy is projected to generate an additional \$2.6 million to support program WPUs. This increase reduces the state's cost for the Basic School Program. The total net estimated cost for statutory related enrollment growth costs is \$38.9 million.

Figure 5 also provides growth amounts for certain programs that have statutory formulas that require annual adjustment by the Legislature. This includes five programs in the Related to Basic School Program (below-the-line) and the Voted & Board Local Levy Programs. The total estimated cost to adjust these programs is \$18.7 million ongoing and \$2.9 million one-time.

Prior to the economic downturn in FY 2010, the Legislature also made discretionary enrollment growth adjustments in several other Related to Basic School Programs. As with the "statutory" programs listed

above, the Legislature has traditionally increased funding for these programs by the projected percent increase in student enrollment growth. The total estimated cost to adjust these programs is \$952,200 ongoing.

Figure 5: FY 2015 Enrollment Growth Cost Estimate
Based on Fall 2014 Enrollment Projections

Program	FY 2014	FY 2015
Basic School Program		
Additional WPU's - Total of 14,547		\$41,523,000
Local Revenue Increase - Basic Rate		(2,617,700)
Subtotal - Basic School Program		\$38,905,300
Related to Basic School Program		
<i>Statutory</i>		
Pupil Transportation		\$1,173,800
Concurrent Enrollment		151,200
Charter School Local Replacement		13,531,600
Charter School Administrative Costs		965,100
Educator Salary Adjustment ⁽¹⁾	\$2,868,000	2,868,000
<i>Discretionary</i>		
Enhancement for At-Risk Students		\$397,500
Youth-in-Custody		324,700
Adult Education		159,500
Enhancement for Accelerated Students		70,500
Subtotal - Related to Basic School Progr	\$2,868,000	\$19,641,900
Voted & Board Local Levy Programs		
State Fund Impacts from Local Revenue Estimates		(\$23,094,900)
Subtotal - Voted & Board Local Levy Programs		(\$23,094,900)
Total Enrollment Growth Cost Estimate	\$2,868,000	\$35,452,300
Notes:		
(1) ESA program growth contains two parts:		
a. A one-time appropriation in FY 2014 to cover costs associated with new qualifying teachers hired in fall 2013 for the current school year.		
b. A similar ongoing amount for FY 2015 to continue to provide adjustments for these new teachers in FY 2015.		

Voted & Board Local Levy Impacts

The FY 2015 enrollment growth cost estimates includes the implementation of a statutorily mandated increase in the state guarantee rate for the Voted & Board Local Levy Programs. The guarantee rate increases from \$27.36 to \$27.92 for each qualifying WPU per qualifying tax increment. Statute, 53A-17a-133, provides for this increase. Starting in FY 2016, the rate will continue to increase in each succeeding year by 0.0005 times the value of the prior year WPU.

Over the past several years, the year-end balances in the program have totaled approximately \$20.0 million each year. The total amount required from state appropriations depends on the number of qualifying WPU's and local revenue collected by participating school districts. If the number of WPU's is over-estimated or the total local revenue is under-estimated, fewer state funds are required and a balance occurs in the program.

In an effort to try and reduce the amount of state funding left over at the end of the fiscal year, the Common Data Committee (CDC) changed the way it estimates local revenue collections. This re-estimate has reduced the total estimated state funding required to support the state guarantee rate by approximately \$23.1 million. The savings from this re-estimate reduce the estimated cost of enrollment growth in FY 2015.

The CDC will continue to monitor local revenue collections. Changes in the estimating methodology increases the concern that the estimate may result in a shortfall in the first year.

WPU VALUE CHANGES

In the Basic School Program, each WPU receives funding based on a WPU Value established by the Legislature. The cost of each program increases (or decreases) with changes in the value. An increase in the WPU Value will provide additional operating revenues to LEAs to cover increased costs. Increased costs will vary in each of the 41 school districts and 95 charter schools. The Legislature does not mandate that increases in the WPU Value be used to fund specific cost increases such as increases in employee compensation, student services, or educational programs, but allows local governing board to make these decisions.

The Legislature establishes a WPU Value for each fiscal year. Total funding for each Basic School Program is determined by multiplying the number of WPUs in the program by the appropriate WPU Value. The WPU Value remains at the prior-year appropriated amount until adjusted by the Legislature.

The WPU Value for most programs was set at \$2,899 in FY 2014. The WPU Value for the Special Education – Add-on and Career & Technical Education – Add-on programs is \$2,659. FY 2012 was the first year since the creation of the WPU in 1974 that the Legislature set two WPU Values.

Additional information on the history of the WPU can be found in the issue brief titled “Minimum School Program – The WPU and The Basic Levy.”

One Percent WPU Value Increase

Estimates indicate that it will cost approximately \$24,857,600 for every one percent increase in the WPU Value. This amount includes both WPU programs in the Basic School Program and certain programs in the Related to Basic School Program historically adjusted with the WPU Value.

Figure 6 details the various programs included in the cost estimate. The Basic School Program estimate includes a one percent increase to both WPU Values. Programs valued at \$2,899 increase \$29 to \$2,928. Programs valued at \$2,659 increase \$27 to \$2,686.

The totals in Figure 6 are based on the estimated FY 2015 ongoing appropriations in each program with adjustments for student enrollment growth. Other adjustments made during the 2014 General Session may increase or decrease this estimate.

Figure 6: One-Percent WPU Value Increase Estimate
Minimum School Program - FY 2015

Program	FY 2015
Basic School Program	
One-Percent WPU Value - All Programs	\$23,495,400
Subtotal - Basic School Program	\$23,495,400
Related to Basic School Program	
Pupil Transportation	\$702,200
Concurrent Enrollment	90,400
Enhancement for At-Risk Students	237,800
Youth-in-Custody	194,200
Adult Education	95,400
Enhancement for Accelerated Students	42,200
Subtotal - Related to Basic School Program	\$1,362,200
Total Enrollment Growth Cost Estimate	\$24,857,600