

MSP – BASIC SCHOOL PROGRAM ANNUAL ADJUSTMENT VARIABLES

PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Several variables within the Basic School Program require annual adjustment by the Legislature. Growth in student enrollment results in additional Weighted Pupil Units (WPU) as required by certain statutory formulas. Additional WPUs increase the cost of the Basic School Program. Each WPU receives funding based on a WPU Value established by the Legislature and the cost of each basic program increases (or decreases) with changes in the value. Finally, the Legislature annually adopts an estimate for the Basic Tax Rate school districts must assess with the proceeds supporting the cost of the Basic School Program.

STUDENT ENROLLMENT GROWTH

Each fall, public schools conduct a student enrollment census on the first school day of October. Utah public schools currently enroll 587,745 students, an increase of 11,410 students for a two percent increase over fall 2010. This count is 3,344 students less than projected last year.

Following each fall enrollment count, the Common Data Committee (CDC) consisting of representatives from the Legislative Fiscal Analyst, Governor’s Office of Planning and Budget, and the Utah State Office of Education (USOE) establish a projection for student enrollment for the next school year. The USOE also uses these projections to estimate the total number of WPUs for the next school year.

Projections indicate that student enrollment may increase another 2.1 percent in fall 2012 (FY 2013). This is an increase of 12,479 students, for a total enrollment of 600,224.

Since fall 2002, student enrollment has increased by 106,602 students, or approximately 22.2 percent. Figure 1 shows fall enrollment for each year since fall 2002. Looking forward to fall 2021, the Utah State Office of Education (USOE) projects student enrollment will increase by another 121,440 students, an additional 21 percent over fall 2011.

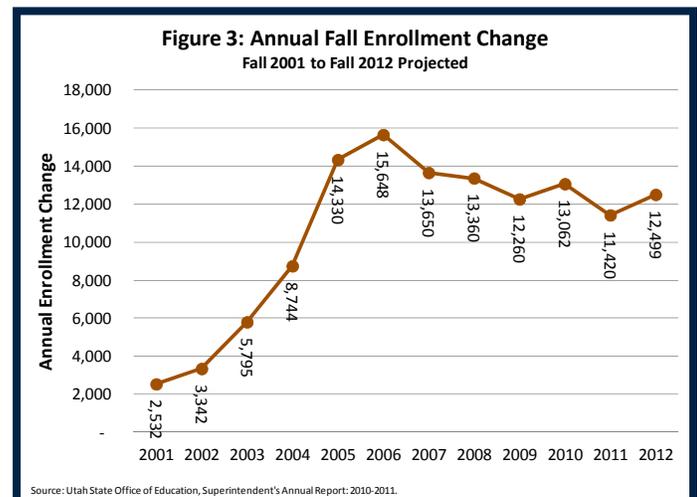
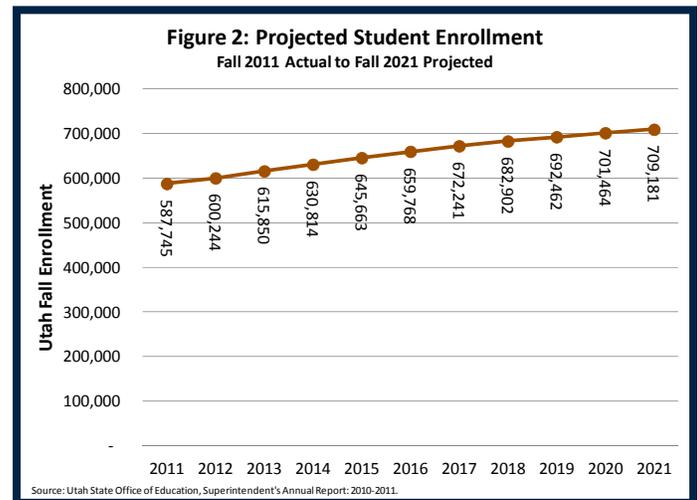
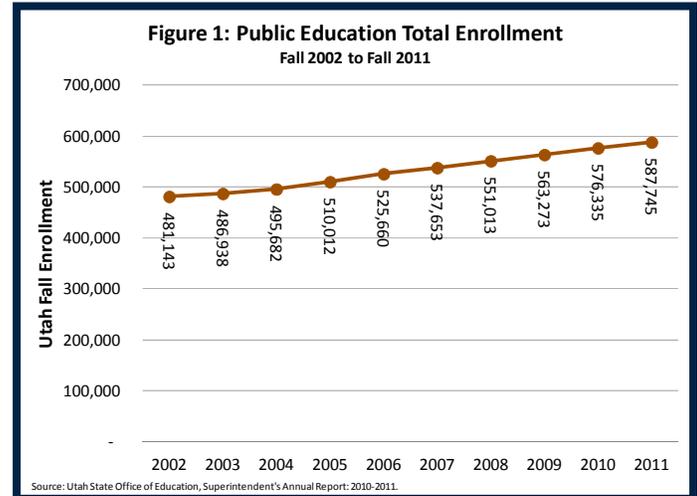
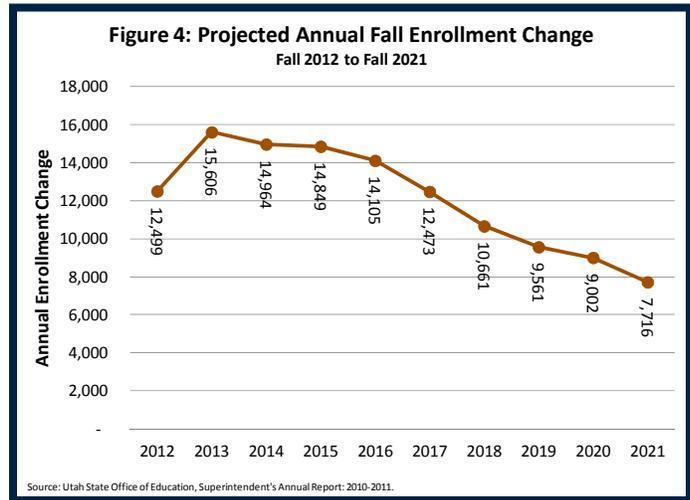


Figure 2 details fall enrollment projections through 2021.

Following three years of student enrollment decreases 1998 to 2000, Utah has been in a steady student growth pattern. Figure 3 details the annual year-over-year change in fall enrollment since 2001. The current growth pattern peaked in 2006 with a net increase of 15,648 new students. Annual percent change has ranged from 0.5 percent in 2001 to 3.1 percent in 2006.

Although fall enrollment in Utah is still growing, the annual rate of change is slowing. Projections indicate 2.2 percent to 2.6 percent increases in the next four years, then slowing to approximately 1.1 percent in 2021. Figure 4 shows the projected change in fall enrollment through fall 2021.



Enrollment Growth Cost Estimate

Figure 5 details the FY 2013 enrollment growth cost estimate. This estimate makes adjustments to certain programs in the Minimum School Program to account for the increased costs associated with having more students in the system.

Funding additional WPUs in the Basic School Program represents the most significant cost. In FY 2013, an estimated increase of \$22 million will provide the FY 2012 WPU Value for each of the 8,495 new WPUs projected in fall 2012. WPUs in most programs are valued at \$2,816. However, in the Special Education Add-on and Career & Technology Education Add-on programs, the WPU value is \$2,577. FY 2012 is the first year the Legislature has established two WPU values.

Figure 5 also details additional programs that have statutory formulas that require annual adjustment by the Legislature. This includes three programs in the Related to Basic School Program, the Voted Leeway, and Board Leeway. Together, a growth adjustment for these programs totals \$25.7 million.

Growth in revenue from the Basic Tax Levy (discussed below) is projected to generate an additional \$4.8 million. This increase reduces the state's cost for the Basic School Program. The total estimated cost for statutory related enrollment growth costs is \$43.3 million.

Prior to the economic downturn in FY 2010, the Legislature increased funding for several Related to

Figure 5: FY 2013 Enrollment Growth Cost Estimate
Based on Fall 2012 Enrollment Projections

Basic School Program	
Additional WPUs - Increase of 8,495	\$22,395,800
Related to Basic School Programs	
Educator Salary Adjustments	2,682,000
Charter School Local Replacement	10,610,000
Charter School Administrative Costs	514,300
Voted & Board Leeways	
State Guarantee - WPU Impact	11,903,200
Total All Programs	\$48,105,300
Growth in Basic Rate Revenue	(4,800,200)
Net Enrollment Growth Cost	\$43,305,100

Figure 6: Other Growth Adjustments - FY 2013
Based on Statute or Historic Precedence

Related to Basic School Program - Historic	
To & From Pupil Transportation	\$1,246,300
Enhancement for At-Risk Students	476,700
Youth-in-Custody	384,700
Adult Education	189,000
Enhancement for Accelerated Students	83,600
Concurrent Enrollment	2,380,300
Subtotal	\$4,760,600
Voted & Board Leeways - Statutory	
State Guarantee - Rate Change	43,875,100
Total Other Growth Adjustments	\$48,635,700

Basic School Programs by the projected percent increase in student enrollment growth. Figure 6 details the cost of providing a 2.1 percent funding increase to each of these programs. The estimated growth costs for these programs totals nearly \$4.8 million.

Figure 6 also shows the estimated cost implement a statutory increase in the state guarantee rate for the Voted & Board Leeway programs. UCA 53A-17a-133 increases the state guarantee rate each year by 0.0005 times the value of the prior year WPU. In FY 2012 the state guarantee rate is \$27.17 per qualifying WPU, costing approximately \$81.3 million. Statute increases this rate to \$31.10 in FY 2013 for an additional cost of nearly \$43.9 million.

WPU VALUE CHANGES

The Legislature establishes a WPU Value for each fiscal year. Total funding for each program is determined by multiplying the number of WPUs in the program by the WPU Value established in statute. Altering the WPU Value will increase (or decrease) the total funding for each program.

The WPU Value remains at the prior-year appropriated amount until adjusted by the Legislature. In FY 2012, the Legislature established two WPU Values. The WPU Value for most programs is \$2,816, however, the WPU Value for the Special Education – Add-on and Career & Technical Education – Add-on programs is \$2,577. FY 2012 was the first year since the creation of the WPU in 1974 that the Legislature set two WPU Values.

Figure 7 shows the WPU Value and total number of WPUs for each year since FY 1995. Since the WPU was first funded in 1974, the year-over-year WPU Value has never decreased. However, some years the WPU Value did not increase. For example, the WPU Value did not increase from FY 2009 to FY 2011. The FY 2012 increase is the result of funding reallocations within the Minimum School Program. Figure 8 charts the WPU Value changes since 1995.

Figure 7: WPU History
 FY 1995 to FY 2013 Base Budget
 WPU Value, Total WPUs and Percent Change

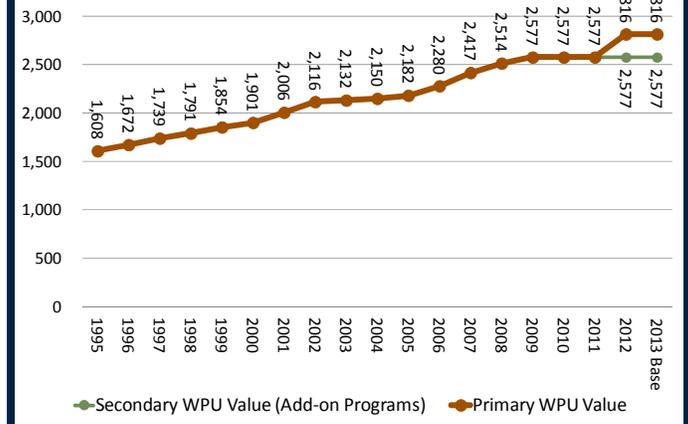
Fiscal Year	WPU Value	% Chg.	Total WPUs	Total Growth	% Chg.
1995	1,608	4.5%	635,379		2.1%
1996	1,672	4.0%	642,121	6,742	1.1%
1997	1,739	4.0%	648,532	6,411	1.0%
1998	1,791	3.0%	666,891	18,359	2.8%
1999	1,854	3.5%	668,465	1,574	0.2%
2000	1,901	2.5%	669,408	943	0.1%
2001	2,006	5.5%	671,513	2,105	0.3%
2002	2,116	5.5%	625,549	(45,964)	-6.8%
2003	2,132	0.8%	627,795	2,246	0.4%
2004	2,150	0.8%	631,771	3,976	0.6%
2005	2,182	1.5%	642,701	10,930	1.7%
2006	2,280	4.5%	652,990	10,289	1.6%
2007	2,417	6.0%	675,758	22,768	3.5%
2008	2,514	4.0%	697,207	21,449	3.2%
2009	2,577	2.5%	714,055	16,848	2.4%
2010	2,577	0.0%	731,519	17,464	2.4%
2011	2,577	0.0%	745,100	13,581	1.9%
2012	2,577	0.0%	93,097		
2012	2,816	9.3%	671,628		
2012 Total			764,725	19,625	2.6%
2013 Base	2,577	0.0%	93,097	0	0.0%
2013 Base	2,816	0.0%	671,628	0	0.0%
2013 Total			764,725	0	0.0%

Notes:

In FY 2012, the Legislature established two WPU Values. The WPU Value for most programs increased from \$2,577 to \$2,816. However, the WPU Value for the Special Education - Add-on and Career & Technology Education - Add-on programs remained at \$2,577.

Source: Appropriations Reports, Legislative Fiscal Analyst, 1995-2011

Figure 8: WPU Value History
 FY 1995 to FY 2013 Base Budget



One Percent WPU Value Increase

Estimates indicate that it will cost approximately \$22,775,200 for every 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 9 details the various components of a one percent WPU Value increase. The Basic School Program represents a one percent increase to the WPU Value. Programs valued at \$2,816 increase \$28.16 to \$2,844. Programs valued at \$2,577 increase \$25.77 to \$2,603.

The totals in Figure 2 are based on the FY 2012 ongoing appropriations in each program. Adjustments made throughout the 2012 General Session may increase or decrease this estimate.

Figure 9: One-Percent WPU Value Estimate
Minimum School Program FY 2013

Basic School Program	\$21,536,100
Related to Basic School Program	
To & From School Pupil Transportation	593,500
Enhancement for At-Risk Students	227,000
Youth-in-Custody	183,200
Adult Education	90,000
Enhancement for Accelerated Students	39,800
Concurrent Enrollment	85,600
Sutotal Related to Basic School Program	\$1,219,100
Total Estimate	\$22,755,200

Notes:
The Basic School Program estimate represents a one percent increase after growth WPUs have been funded. All remaining programs represent a one percent increase over the FY 2012 state fund appropriation.

LOCAL PROPERTY TAXES

Basic Levy

Figure 10 details the total property tax revenue generated by school districts through imposing the Basic Tax Rate on property located in within the district’s boundary. Revenue generated from this Basic Levy supports the cost of a district’s WPUs in the Basic School Program. School districts must levy the Basic Tax Rate set by the Legislature each year in order to participate in the state contribution to the Basic School Program.

Recapture

State funds make up the difference between the total cost of a district’s Basic School Program and the revenue it generates through the Basic Levy. If a district generates more revenue than the cost of its basic program, the remaining amount is remitted to the Uniform School Fund for use by the entire system. This process is called recapture.

The state has recaptured funds from Park City School District since FY 2009. In FY 2011, the state recaptured \$1,614,900. In FY 2012, estimates indicate a recapture amount of just over \$1 million, increasing to approximately \$3.2 million in FY 2013. The exact total will not be known until the end of the fiscal year. Actual recaptured revenue will be credited as a revenue source to the Uniform School Fund and can be appropriated by the Legislature.

Figure 10: Basic Levy -
Minimum School Program
Total Basic Levy Revenue & Basic Tax Rate
Tax Years 2000 to 2012 Estimated

Tax Year	Basic Levy Revenue (Actual)	Basic Tax Rate
2000	204,833,990	0.001881
2001	206,375,916	0.001785
2002	222,423,539	0.001807
2003	226,447,025	0.001825
2004	236,027,265	0.001800
2005	242,913,297	0.001720
2006	249,985,190	0.001515
2007	259,115,489	0.001311
2008	261,345,275	0.001250
2009	283,799,229	0.001433
2010	297,509,243	0.001495
2011 ⁽¹⁾	284,221,713	0.001591
2012 ⁽¹⁾	289,021,900	0.001665

Notes:
1. Revenue shown represents the estimate for budget appropriations not actual collections.
2. Tax Year 2012 = Fiscal Year 2013.
Source: Utah State Office of Education, Finance & Statistics Section
Prepared by: Office of the Legislative Fiscal Analyst (01/12BL)

Basic Levy Revenue – FY 2013

Basic Levy revenue is estimated at \$289,021,900 for FY 2013 (Tax Year 2012), an increase of \$4.8 million or 1.7 percent more than FY 2012. Statute, 53A-17a-103, allows the basic rate to generate the same level of funding collected in the prior year plus an increase for net new growth in property. In order to generate the amount of authorized revenue mentioned above, the Basic Tax Rate increases from 0.001591 to an estimated 0.001665 in FY 2013. Although some growth in new properties has occurred, the overall value of property in the state is declining.

Since 1990, the Basic Rate has decreased from 0.004656 to an estimated rate of 0.001665 in 2012. However, over the same time frame, revenues generated by this rate have increased from \$206.5 million to \$289.0 million. Figure 11 shows revenue collected since 1980 as well as the Basic Tax Rate.

In 1994-95 and 1995-96, the Legislature instituted a series of property tax reductions. These reductions reduced the Basic Rate from 0.004220 to 0.002046, a rate reduction of more than 50 percent. The second axis of the chart in Figure 11 shows this rate change.

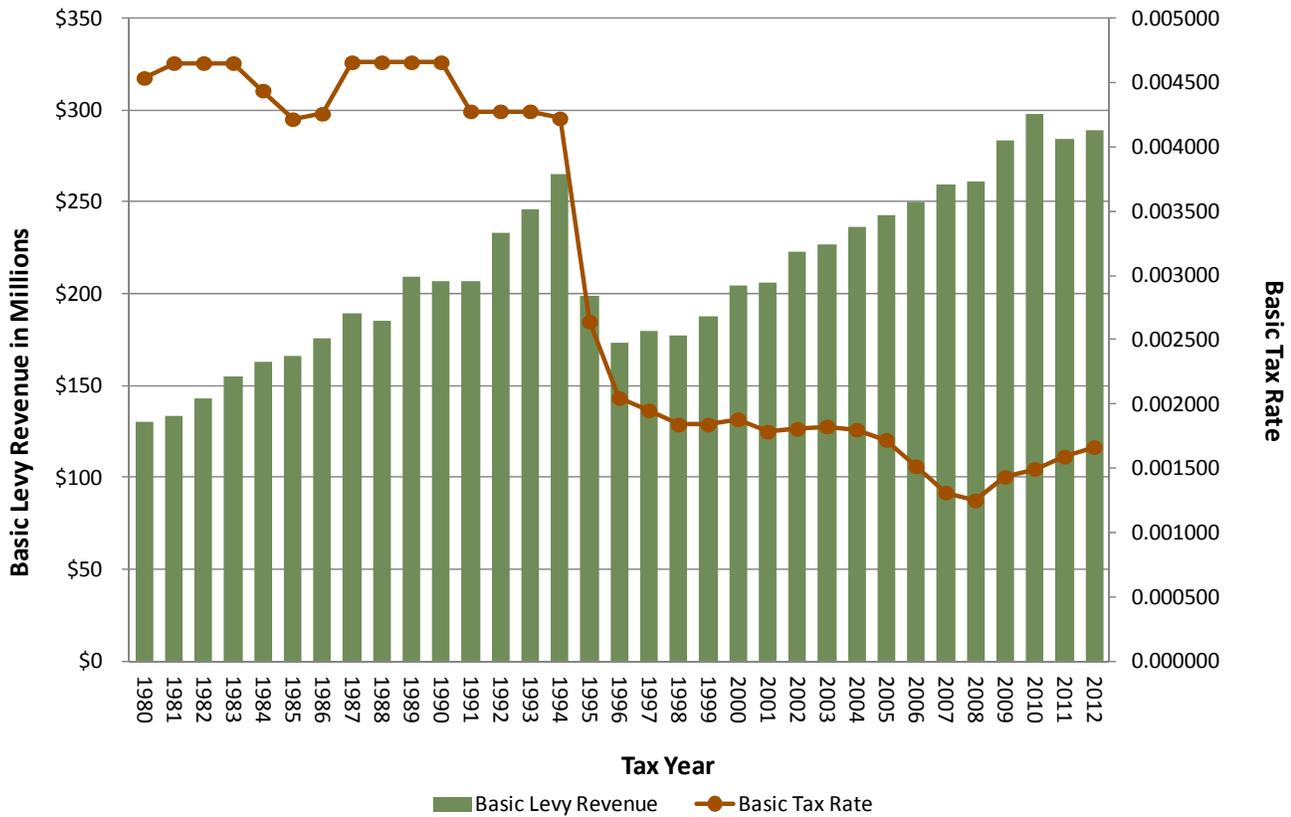
Equalization

Utah is nationally regarded as having one of the best programs for equitably distributing state education funds. The allocation of state funding through the WPU maintains this equity. Utah's system identifies a "basic" amount for educating each student, one WPU. However, the system also recognizes that the costs associated with educating each student varies depending on need. Allocating fewer, or additional WPU's, provides adjustments to accommodate the relative cost differentials among students. Finally, not restricting the use of the majority of state funds allocated to local education agencies allows local governing boards to target state funding to meet individual student needs.

Funding the WPU includes the use of state revenue from the Education Fund to equalize a portion of local school district property tax revenues. Each school district must impose a basic property tax levy in order to participate in the Basic School Program (part of the Minimum School Program). The Basic Tax Rate is the same for each school district. Since the value of property in each school district varies, the revenue generated by each school district is different. The state contribution to the Basic School Program for each school district equals the difference between the proceeds of the Basic Levy and the cost of the district's Basic School Program (based on its total number of WPU's). This process mitigates some of the relative inequities between property tax "rich" and "poor" school districts.

Since charter schools do not have the ability to levy property taxes, they do not contribute to the cost of the Basic School Program. However, students attending charter schools receive the same level of funding as a similarly situated student attending a district school, but the cost is entirely state-funded.

**Figure 11: Minimum School Program Basic Levy
Total Basic Levy Revenue & Basic Tax Rate - Tax Years 1980-2011 Est.**



Source: Utah State Office of Education, Finance & Statistics Section
Prepared by: Office of the Legislative Fiscal Analyst.