

**MINUTES OF THE
PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING**
Room 445, State Capitol
January 30, 2012

Members Present: Sen. Howard A. Stephenson, Co-Chair
Rep. Merlynn T. Newbold, Co-Chair
Rep. Ken Sumsion, House Vice Chair
Sen. Stuart Adams
Sen. Lyle Hillyard
Sen. Karen Morgan
Sen. Aaron Osmond
Sen. Daniel Thatcher
Rep. LaVar Christensen
Rep. Tim Cosgrove
Rep. Steve Eliason
Rep. Francis Gibson
Rep. Steve Handy
Rep. Ken Ivory
Rep. Carol Spackman Moss
Rep. Jim Nielson
Rep. Marie Poulson

Members Excused: Rep. Greg Hughes

Members Absent: Sen. Mark Madsen

Staff Present: Mr. Ben Leishman, Legislative Fiscal Analyst
Mr. Thomas Young, Legislative Fiscal Analyst
Ms. Wendy Hill, Secretary

A copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov. A list of visitors and a copy of handouts are filed with the subcommittee minutes.

Co-Chair Newbold called the meeting to order at 8:07 am. She observed the base budget will be presented on the house floor tomorrow.

1. Budget Presentation

a. Minimum School Program (MSP) - Basic School Program & Annual Adjustment Variables

Mr. Ben Leishman, Legislative Fiscal Analyst, referred to the brief provided. A historical review was made for the years 2002 to 2011 and a projection in growth to 2021. Net in-

migration makes up about 30 to 33 percent of student enrollment growth. Enrollment growth is projected at 12,500 students for next year.

Sen. Osmond asked about clarification on the Voted and Board Leeway rates. Mr. Leishman replied the rate is tied to inflation, through the Weighted Pupil Unit (WPU) value. Sen. Osmond asked if the two impacts to the WPU are the state guarantee which increases every year and enrollment growth. Mr. Leishman agreed.

Rep. Moss asked about the aim of the Voted and Board Leeway programs, particularly the state guarantee. Mr. Leishman answered the program is a property tax guarantee program. School districts levy a tax and the state guarantees the school will generate a certain amount of money per WPU. The Voted Leeway is unrestricted funds to the school district. Board Leeway funds are restricted to class size reduction. Sen. Stephenson explained the history behind these programs and the need for equalization. He said the Legislature has failed to fully equalize the funds from property tax. Co-Chair Newbold added the Voted and Board Leeway programs help equalize funding through the state. Sen. Morgan commented this is separate from the basic levy which also equalizes funds across the state. Sen. Adams commented on the value of equalization.

Sen. Hillyard commented about funding growth in education, priorities and defining the areas of funding.

Rep. Christensen talked about the history of income tax and funding for education and the need for good public policy.

Mr. Leishman said each year the WPU value stays the same until the legislature changes it. A basic tax rate is estimated by the Legislature each year to generate a certain amount of Property tax funding. The State Tax Commission sets the final rate in the spring to generate the level of Revenue authorized by the Legislature.

Mr. Leishman said the Basic School Program is \$2.13 billion dollars. A brief reported the WPU's and how they are used.

2. Professional Staff Cost Formula

Mr. Leishman said this program was part of the original Basic School Program, it's goal is to recruit and retain educators. The formula is based on the years of experience of an educator and the college degree the educator earned. Co-Chair Newbold mentioned the pay for performance pilot program. Sen. Stephenson discussed the reconfiguring the Professional Staff Formula. Sen. Osmond noted an increase of over 14% in this area. Mr. Leishman said this was because of the increase of WPU values and hiring more teachers. Co-Chair Newbold shared that the highest percentage of teachers are at the highest years of service.

Mr. Leishman referred to two spreadsheets from the handouts, the MSP (Minimum School Program) Matrix of Programs and MSP Program Defact Sheet.

Sen. Osmond asked about the large increase in the special education program and if it has been this way in past years. Mr. Leishman answered student enrollment has increased, and the Utah State Office of Education (USOE) changed the application of the formula for charter schools based on a recommendation of the State Auditor.

3. Class Size Reduction Funding

Mr. Leishman said this funding is restricted to kindergarten through eighth grade. Median class sizes are listed on the brief. Sen. Morgan said the median class size numbers do not give an accurate picture. She has a bill that places a cap on class size. Co-Chair Newbold noted actual class size has been reported that shows the highs and lows. Mr. Leishman said a link to that report is included in the brief. Sen. Hillyard commented on the need for correct data. Sen. Morgan said the median doesn't reflect the true picture, putting a cap on class size is important. Rep. Neilson commented having a cap on class size is micro managing the school districts and may not be the best option for efficient funding because of varying demographics. Rep. Eliason said he thought the median number distorted data and an average number would give a better perspective. Rep. Sumsion observed the cap may cause unintended consequences in regards to bussing, class size for older grades and building capacity. Sen. Morgan informed the committee that there is flexibility in her bill.

Rep. Christensen spoke of the K-3 literacy program and it's funding.

Sen. Adams said he was in favor of a performance based system to determine what programs are most valuable to the student.

4. Unfunded Liabilities in Retirement

Rep. Eliason distributed a paper listing the funding shortages of post retirement benefits in school districts. Currently there are \$250 million dollars of unfunded benefits. Alpine School District has the largest unfunded liability of \$120 million. Mr. Todd Hauber, Associate Superintendent for Business Services, Utah State Office of Education said a change in revenue and fiscal strategies will address these issues. Rep. Eliason asked if districts should continue with open retirement plans. Superintendent Hauber said they want to retain teachers.

Sen. Stephenson asked what has been done by the state office to encourage the districts to correct the problem. Superintendent Hauber said we have told the districts to be aware of the problem and manage their balance sheet. Mr. Larry Shumway, State Superintendent of Public Instruction added there is a trend to eliminate open programs among the districts. Utah State Board of Education (USBE) has not mandated it. Rep. Sumsion was concerned with the time line of when educators were retiring and if there were enough funds to support their pension plans.

Co-Chair Newbold asked the difference between the state retirement system and other post retirement benefits.

Superintendent Hauber said these unfunded liabilities are unique to each district and not part of the state retirement system. Sen. Hillyard commented on the difference in contributions between the districts. Rep. Eliason mentioned that of the 41 districts, 26 have not contributed funding to their other post retirement (OPEB) plans. He asked if charter schools have benefit plans. Superintendent Hauber said he was not aware of any charter schools that have OPEB.

5. MSP - Related to the Basic School Program

Mr. Leishman said the Related to Basic School Program includes all below the line programs that complement the BSP. The program saw a large decrease in total funding due to the economic downturn and legislative. There were five programs that had one time funding that will not continue in FY2013. He suggested considering the approval of remaining federal funds from last year.

Rep. Ivory inquired about the federal government's cuts in funds. Mr. Leishman said most of the federal funds impact is to the USOE budget.

Mr. Leishman offered these recommendations to the committee. Funding for growth costs, transportation, computer testing, out of pocket expenditures for class supplies, and salary adjustments.

6. Charter School Funding

Mr. Leishman reported the enrollment in charter schools is expected to increase. There are 80 charter schools operating in the state.

a. Charter School Local Replacement

The state provides a local replacement to charter schools because they do not have the ability to generate property tax revenue. The funds are equalized. The replacement rate is tied to a statutory formula and increases each year. Sen. Hillyard asked where the growth in charter school is coming from, and if there are requests for start up money. Mr. Leishman responded it comes from more students enrolling and new schools opening. There is a request for start up money. Rep. Sumsion wanted to know which charter schools are at capacity and which ones have waiting lists. Mr. Leishman replied there is data on school capacity but not on waiting lists. Rep. Christensen commented on the funding problem in regards to charter schools.

6. Adjourn

MOTION: Sen. Hillyard moved to adjourn. The motion passed unanimously.

Co-Chair Newbold adjourned the meeting at 9:55 am.

Minutes were reported by Ms. Wendy Hill, Senate Secretary

Sen. Howard A. Stephenson, Co-Chair

Rep. Merlynn Newbold, Co-Chair