

**MINUTES OF THE
PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE**

Room 445 State Capitol Building

January 27, 2015

Members Present: Sen. Howard A. Stephenson, Senate Co-Chair
Rep. Steve Eliason, House Co-Chair
Rep. Michael S. Kennedy, House Vice Chair
Sen. Lyle W. Hillyard
Sen. Jani Iwamoto
Sen. Aaron Osmond
Sen. Daniel W. Thatcher
Sen. Stephen H. Urquhart
Rep. Joel K. Briscoe
Rep. LaVar Christensen
Rep. Bruce Cutler
Rep. Rebecca P. Edwards
Rep. Justin L. Fawson
Rep. Francis D. Gibson
Rep. Bradley G. Last
Rep. Marie H. Poulson
Rep. Kraig Powell
Rep. Norm Thurston

Members Absent: Sen. J. Stuart Adams

Staff Present: Mr. Ben Leishman, Fiscal Analyst
Ms. Angela Oh, Senior Statistician
Ms. Brooke Parrish, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order

Co-Chair Stephenson called the meeting to order at 8:12 a.m.

2. Introductions

Co-Chair Stephenson called for committee member introductions. Co-Chair Stephenson recognized members of the audience from the Utah State Board of Education (USBE) and Utah State Office of Education (USOE).

Mr. David Crandall, Chair, Utah State Board of Education, and Mr. Brad Smith, State Superintendent of Public Instruction, introduced themselves to the committee.

3. Budget Materials & Information

Co-Chair Eliason informed the committee that they were instructed to reduce the base budget by 2% for fiscal year (FY) 2016.

Mr. Ben Leishman, Fiscal Analyst, referred members to the [subcommittee website](#). Meeting materials and related links can be accessed from this page. The subcommittee's [general calendar](#) and the [Compendium of Budget Information \(COBI\)](#) for the 2015 General Session are located under related links.

4. Public Education Budget Overview

Mr. Leishman referred the committee the Public Education section of the [COBI](#). The Minimum School Program and line items can be accessed through this page.

5. FY 2016 Base Budget Bill

Mr. Leishman referred members to the [Public Education Base Budget](#). The base budget bill is drafted at 100% of the FY 2015 ongoing state revenues.

6. Subcommittee Allocation

Mr. Leishman explained that the allocation for the 2016 Base Budget Bill is 2% (roughly \$55 million) less than it was in 2015. Funding for the base budget comes from the General Fund (GF), Education Fund (EF), and Uniform School Fund (USF). The GF is primarily from sales tax revenue, the EF is primarily from income tax revenue, and the USF is a restricted fund only available for K-12 education.

7. Budget Review: Minimum School Program—Basic School Program

Mr. Leishman explained Article X of the Utah State Constitution. This article makes the Legislature responsible for establishing and maintaining a school system. The USBE is then required to supervise and provide general control of this system. It also requires that elementary and secondary schools are free.

Co-Chair Eliason asked about the amount of sales tax that had been used to fund higher education in FY 2014. Mr. Leishman referred to a document from FY 2014 showing that \$2.7 billion went to public education, \$465.6 million went to higher education operations, and \$183 million went to higher education capital construction. Mr. Leishman explained that increased funding for higher education allows the Legislature to reallocate funds to balance the budget and prevent cuts from public education.

Co-Chair Eliason remarked that based on the document FY 2013 ranked third in amount of money moved from public education to higher education. Mr. Leishman affirmed this statement, noting that this was caused by both the weak economy and the rapid rate of growth in the

education fund. Vice Chair Kennedy summarized these statements, concluding that \$400-500 million in additional funding could be given to public education if it was not allocated to higher education. Mr. Leishman agreed with Vice Chair Kennedy, reminding the committee that public education and higher education are the only two entities that are somewhat entitled to income tax revenue.

Vice Chair Kennedy asked if there had been any court cases that had determined what was meant by the constitutional language “establish and maintain” and “control and supervise.” Mr. Leishman responded that the S.B. 2, 2008 General Session, finalized last year after a ruling from the Supreme Court, had addressed some of these questions. Co-Chair Stephenson added that SB 2 was the infamous bill that had included legislation on multiple subjects. The court determined, however, that the bill was constitutional.

Rep. Poulson asked when the practice of shifting funds from public education to higher education had begun, and what determined the percentage of funds that were shifted. Mr. Leishman replied that reallocation is based on legislative appropriation. Funding comes primarily from the EF and GF.

Rep. Christensen stated that although income tax had been adopted to fund public education, the 1996 amendment created the need for entities to compete for discretionary dollars. Rep. Thurston asked if either public or higher education had a priority on receiving income tax revenue.

Co-Chair Eliason responded that the 1996 amendment gave the Legislature the power to allocate funds, but it was passed during a record budget surplus. Rep. Thurston asked if the amendment was still severing its intended purpose. Co-Chair Eliason answered that the amendment still stands.

Rep. Edwards requested a graph reflecting the total amount of money in the GF including the percentage spent for both public education and higher education.

Co-Chair Stephenson explained that earmarking general taxes for a specific purpose restricts the legislators. Funding for education changed in 1984 with the passage of the Homeowner Exemption which destroyed the tax base in bedroom communities. Today, bedroom communities are the poor school districts.

Rep. Briscoe noted that funding for higher education is on the rise. Varying property tax rates create extreme inequalities. Rep. Cutler asked about the source of funding for higher education. Co-Chair Eliason responded that higher education is seeing a decline in budget from tax revenue. Their budget is primarily from student fees and private donors with a small portion from the GF and the EF. Mr. Leishman added that last year the University of Utah received \$431.5 million from the GF (27.2% of entire appropriated budget for higher education) and \$439.6 million comes from the EF. Co-Chair Eliason reminded the committee that their only ability is to reallocate funds.

8. Budget Review: Minimum School Program—Related to Basic School Program

Mr. Leishman explained the state school fund. This fund earns interests and dividends which are put into the uniformed school fund. This fund gets sent to local school community councils.

Co-Chair Stephenson asked how parents of primary and secondary school students can required to pay school fees given the constitutional provision requiring schools to be free. Mr. Leishman replied that there is a clause in the constitution that allows for fees to be charged in secondary schools.

Mr. Leishman discussed "[State Budget: Allocation of State Revenues](#)" and "[State Budget: Public Education Appropriated Budget Revenue](#)" (page 2). Mr. Leishman discussed "[State Budget: Public Education Appropriated Budget Allocations](#)" (page 3).

Rep. Christensen, asked for a breakdown of federal funding ("[State Budget: Public Education Appropriated Budget Revenue](#)," page 2). Mr. Leishman responded that federal funds would be discussed on Monday, however, federal funds don't change much from year to year. There are four primary sources for federal funds: Special Education, Title 1, Child Nutrition, Vocation Education.

Rep. Briscoe noted that the majority of the USBE funds ("[State Budget: Public Education Appropriated Budget Revenue](#)," page 2) are federal pass through dollars. Mr. Leishman explained that the majority of USBE funds are passed to local education agencies and a small fraction is retained to fund their programs and services.

Rep. Briscoe mentioned that the chart is not reflective of the sales tax earmarked for transportation ("[State Budget: Allocation of State Revenues](#)," page 2). Mr. Leishman responded that restricted revenue is not included in the general free revenue of the EF and GF.

Ms. Jennifer Johnson, Utah State Board of Education, remarked that the USOE oversight for public education is about \$60 million. Mr. Bruce Williams, Utah State Office of Education, added that contracts and grants are also included in oversight.

Rep. Poulson asked if the chart ("[State Budget: Allocation of State Revenues](#)," page 2) reflected federal transportation funds. Mr. Leishman said that it does not.

Rep. Thurston stated that the committee needed to come up with a way to insure that the USOE could not withhold unnecessary funds for administrative purposes. Mr. Leishman replied that the best way to address this would be from the USOE budget.

Mr. Leishman discussed "[State Budget: Public Education Appropriated Budget Expenditures](#)" (page 3).

Mr. Leishman discussed "[State Budget: Public Education Appropriations Expenditure](#)

[Flexibility](#)” and [“Total Public Education Budget”](#) (page 4). Mr. Leishman discussed [“Total Public Education Budget: Revenues by Source”](#) (page 5). Mr. Leishman discussed [“Total Public Education Budget: Expenditures by Object”](#) and [“Minimum School Program: Statutory Objectives”](#) (page 6).

Rep. Cutler asked if it was possible to balance equity with local control and determination. Mr. Leishman responded that equity in education cannot be viewed strictly as funding per student and it has to be determined on the local level. Sen. Osmond added that varying property tax rates make it difficult to achieve equity in funding. Many districts are already at or near their taxing cap and they still aren’t able to generate the average level of funding for the state.

Rep. Poulson asked if Utah was good at equalization within the education system. Mr. Leishman replied that Utah is fairly equalized on the operations side, however, they are not equalized with capital expenditures. Co-Chair Stephenson added that the minimum school program is equalized because it is based on the WPU.

Co-Chair Eliason stated that none of the districts have maxed their local levy and still have the ability to raise funds.

Rep. Fawson asked what steps were being taken towards capital equalization across the state. Mr. Leishman responded that the school building program gives funding to schools if they meet statutory requirements based on effort and revenue generated per student.

Rep. Briscoe added that there is not a strong enough incentive for school boards to raise taxes. The State needs to offer proper support to fix this issue. Co-Chair Stephenson agreed, adding that districts that raise property taxes should be guaranteed the same amount of funding per student as other districts in the state.

Co-Chair Eliason stated that one of the privileges of the committee was its ability to write code in an appropriations bill using intent language. Mr. Leishman added that this function comes from having a formula based budget.

Mr. Leishman discussed [“Minimum School Program: Origins”](#) (page 7). Mr. Leishman discussed [“Basic School Program - “Above-the-Line””](#) and [“The Weighted Pupil Unit \(WPU\)”](#) (page 8). Mr. Leishman discussed [“WPU Value History”](#) and [“Funding Equalization”](#) (page 9).

Rep. Lifferth asked for clarification of the WPU values. Mr. Leishman replied that one WPU is one full time equivalent student, or average daily membership (ADM). Any student in regular education, grades 1-12, are one WPU. There are add-on WPUs given for certain programs such as special education.

Rep. Lifferth asked if there was any difference in the WPU between grades K-8 and 9-12. Mr. Leishman stated that these decisions are made at a school district level. Rep. Lifferth asked if the number of WPU was equivalent to the number of students. Mr. Leishman replied that the number

of WPU includes add-ons.

Rep. Poulson, referring to “[WPU Value History](#)” (page 9), asked if moving items above the line had decreased the actual amount of money per student. Mr. Leishman replied that while moving WPU items below the line may have an effect on the total amount of funding in the program, moving items above the line does not change the amount of funding in the program, only the way the funds are allocated.

Mr. Leishman discussed “[Public Education: Minimum School Program - Basic School Program](#)” and “[Public Education: Minimum School Program – Basic School Program](#)” (page 10).

Rep. Gibson asked which districts had reached their taxing. Mr. Leishman said he would compile the information.

Rep. Cutler asked if a board voted leeway was equalized in the same way as the basic tax revenue. Mr. Leishman replied that school districts aren’t allowed to raise the basic rate but they can raise the leeway and levies to their statutory caps. While the state does provide some equalization on these items, they are not fully equalized like the basic rate. Co-Chair Stephenson added that if the citizens and the board are willing to increase their tax effort then they should be guaranteed the same amount of funding per student as other districts.

Mr. Leishman discussed “[WPU Formula Stabilizers](#)” (page 11).

Co-Chair Eliason noted that a key issue is funding growth. If growth isn’t funded, the result will be a reduction in the value of the WPU. Mr. Leishman agreed, adding that because WPU funding is guaranteed in statute, not funding for growth would force the USBE to reduce the WPU value.

MOTION: Rep. Thurston moved to adjourn. The motion passed unanimously.

Co-Chair Eliason adjourned the meeting at 10:52 a.m.

Sen. Howard A. Stephenson, Co-Chair

Rep. Steve Eliason, Co-Chair