



Parents for
Choice in Education
Foundation

Simplifying Utah's Minimum School Program

Adding Flexibility and Transparency to Equity

Prepared by Parents for Choice in Education Foundation
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A core problem in the education debate lies in the complexity of Utah's public education funding mechanism. As Representative John Dougall, Utah House District 27, explained, "The particulars of education funding have been lost in a labyrinth of figures, tables, and formulas that few people understand—including the experts." Even Kim Burningham, the chair of the State Board of Education, recently admitted as much to the board's Finance Committee.

"After 15 years of working with the Minimum School Program (MSP), I suspect I do not even now understand the impact of all its parts."¹

A variety of publications have noted that Utah's public education funding mechanism, the MSP, is among the best in the country in maintaining equity.² However, the MSP lacks the transparency for appropriate accountability and oversight and the flexibility it needs to allow local officials to address the varying and changing circumstances of individual schools.

School districts and charter schools rely on 33 separate state funding streams that make up the MSP. Some of these have funding formulas that grow regardless of economic or political circumstances; others are entirely dependent on such circumstances. Some funding streams require local governments to impose an additional tax; others have no such requirement. The net result is a quagmire of complexity understood and controlled by a handful of people, most of whom are not publicly accountable. This complexity makes meaningful debate on education funding difficult, if not impossible.

To remedy the problem, we propose that the MSP be simplified in a manner that increases transparency and flexibility while maintaining equity.

Utah's Minimum School Program

The Utah Legislature relies on the MSP to distribute billions of state education dollars to the K-12 system. The MSP does this with a series of line items driven largely by enrollment, and a series of block grants, the size of which are generally set by the Legislature (See Appendix 1 for the FY2006 MSP).

Some line items are tied to particular programs, while others are designed to reimburse school districts that face unique local circumstances. The value of each is determined by a series of complex formulas. Because there are so many line items, and because each line item has so many variables in its formula, only a handful of people understand how the state allocates the billions of dollars that go into public education each year.

Furthermore, the politics of education funding exacerbate the complexity and inflexibility of the funding system in at least three ways. First, interest groups and bureaucrats affected by the funding try to manipulate the formulas to maximize their portion of the pie. Second, legislative and gubernatorial candidates hit the campaign trail promising to solve a problem, or respond to a scandal, by implementing a statewide program. To show that they have fulfilled their campaign promise, policy makers carve out a line item in the minimum school program. This and other specific allocations result in accusations that the legislature is trying to micro manage education. Third, adding a line item to the funding mechanism creates a constituency. Some jobs depend on the funding stream created by that line item, and the people holding those jobs guard it jealously. As a result, their first priority is not the well-being of the system, but the protection of their funding stream.

This is not to say that education funding decisions are driven exclusively by political factors. Obviously, many legislators and administrators are motivated by a desire to have the best policy possible, but the complexity of the current system makes it difficult to truly understand the direct impact of funding decisions.

Transparency

Public education funding mechanisms that are transparent—that is, straightforward and easy to understand—are necessary for democratic accountability. Transparency makes it possible for legislators, the media, and the public to understand amounts and dollar distribution.

This need was apparent after the 2006 Legislative Session. In an education budget article, the *Salt Lake Tribune* reported that legislators had only increased education spending by 6%, an amount that Pat Rusk, then President of the Utah Education Association, declared to be "status-quo. . . when you consider rising costs"³. Other groups, including the Utah State Office of Education, reported a much higher increase⁴. According to the Utah Taxpayers Association, the legislature actually approved a 12.8% increase to total k-12 education spending⁵, an amount that more than doubles the *Tribune's* estimate and is well above inflation.

Adding to the confusion are the dozens of calculations used to determine how much money each school district receives. The length and complexity of these calculations obscure the relationship between

the variables measured and the formula's result. Only a few state legislators, mostly those who have served several terms on the Public Education Appropriations Subcommittee, understand these formulas. District business administrators understand how changes in the formulas will affect their districts. Yet, most policy makers do not understand these formulas and rely on the financial staff of the State Office of Education and the Legislature to predict how changes in the funding mechanism will affect public education. The result is funding policy driven as much by staff as by elected officials. This heavy reliance on staff expertise is detrimental to good policy and accountability. In short, policy makers are accountable to the electorate; staff is not.

Flexibility

An education funding system should provide school districts with the flexibility to use resources in whatever way best meets local needs.

The differences between districts can be stark, and indicate the variety of educational problems faced by each. For example, the needs of Daggett School District with only 136 students, two of whom are English Language Learners, vary greatly in comparison to the Salt Lake District, with its 23,595 students, 29 percent of whom are English Language Learners. While policy makers have tried to tailor their statewide formulas to meet these district needs, the political process prevents these formulas from keeping pace with the rapid changes of the market for goods and services.

The recent spike in gas prices offers a clear example. The increase during the 2004-2005 school year was much more than districts or state policy makers had anticipated, and many districts had to spend more on transportation than they budgeted.⁶ Where a funding system is flexible, districts may shift funds from one category to another when spending needs and priorities change. However, the inflexibility of Utah's MSP funding system makes it more difficult for districts to reallocate state dollars as needs shift. Again, MSP funding tied to particular line-item programs cannot be moved. As a result, school districts have less flexibility to respond to rapidly changing spending needs, like exploding gas prices.

Proposed Alternative MSP

It is possible to dramatically simplify the MSP preserving the equity for which it has long been praised while providing transparency and flexibility. Table 1 outlines a possible alternative that meets this requirement.

Table 1: Proposed Alternative MSP

	Per Student	2005-06 Student Count ⁷	FY2006 Expenditures
I. Regular Basic School Program			
A. Kindergarten	\$2,185	42,143	\$92,088,776
B. Grades 1-8	\$3,973	308,826	\$1,226,965,698
C. Grades 9-12	\$4,768	146,132	\$696,698,923
Regular Basic School Programs (A, B & C) Subtotal			\$2,015,753,398
II. Restricted Basic School Programs			
A. Rural Schools			\$42,647,159
B. Special Education			\$174,595,560
C. Electronic High School			\$1,000,000
D. School Land Trust Program			\$9,920,000
Restricted Basic School Programs (A, B, C, D & E) Subtotal			\$228,162,719
MINIMUM SCHOOL PROGRAM EXPENDITURE (I & II) TOTAL			\$2,243,916,117

Under this proposed MSP, overall spending remains unchanged; monies are simply reallocated to increase flexibility and transparency. Districts and charter schools would receive a base amount of \$3,973

for each student in grades 1 through 8. Kindergarten students would generate 55 percent of this base amount, or \$2,185 because they are half-time. High school students, being more expensive to educate, generate 120 percent of the base amount, or \$4,768. These ratios are similar to the ones currently used to fund children attending Utah charter schools. In essence, these numbers represent how much the ordinary Utah student (without any special circumstances) would generate for each school district.

Other Utah children cost significantly more to educate, and thus generate additional revenue. The most obvious examples are children attending rural schools and children receiving special-education services. For rural students, the proposal converts the current line items for necessarily existent small schools, administrative costs and professional staff to “rural schools” distribution, producing a total budget for that line item of \$42,647,159.⁸ Special education spending is maintained and should be allocated based on the number of students with special needs and the number of hours each student receives in special education services.

The proposed alternative also preserves the State Trust Lands and Electronic High School line items from the current MSP. Funds from State Trust Lands are controlled by school community councils, and so already are controlled at the school site, providing flexibility. These funds represent a fundamental judgment that the community, through these councils, should have direct control over a portion of public school spending.

Under the current MSP, school districts receive state funds for those students who are eligible for state transportation aid because they live at least a certain distance from their schools.⁹ Given the recent spikes in the price of oil, and the struggles many school districts have faced in their transportation budgets, some will be surprised that the proposed alternative MSP does not preserve the two transportation line items in the current MSP. However, the principle behind this proposed alternative is that the state should not redirect money into particular line items, but instead provide districts with the flexibility to redirect money themselves. By eliminating most MSP line items and putting more money into the base revenue generated by each student, the proposed alternative provides funds to districts in such a way that they can redirect money into their transportation budgets as they see fit. The proposed alternative MSP empowers the local decision makers, who can best determine the appropriate way to reallocate dollars among various budget priorities, such as transportation.

Transparency and Flexibility of the Proposed Alternative MSP

The proposed alternative MSP is obviously much more clear and fluid than the current MSP. It eliminates the Weighted Pupil Unit (WPU) and folds all but a few line items into a single per-student allocation for all districts. Only the line items necessary to meet federal laws and preserve equity among districts have been retained. This increases transparency because it eliminates confusion between the WPU and student counts, radically reducing the number of categories and formulas necessary to calculate district funding. It increases flexibility because more money is going to districts under the basic per-student allocation, allowing districts to spend the money at their discretion.

Equity of the Proposed Alternative MSP

Utah has been known for the equity of its school funding system, and any proposed change ought to strive to preserve that reputation.

Equity does not mean that every student gets the same amount of funding. Equity, at least for state funding systems, means that the state distributes funds to school districts without favoring one district over another. Again, student needs, not political influence, ought to determine the distribution for school funding.

In a similar proposal based on FY2005 spending, we employed six measurements of equity to compare the equity of the simplified MSP to that of the actual MSP. The U.S. Department of Education used these same six in its recent study on variation in funding among school districts in all 50 states for the period 1979-80 through 1993-94¹⁰. On all six measurements, the proposed alternative MSP was at least as equitable as the actual MSP (See Appendix II for the calculations of the two simplest and most commonly used of the six measurements).

Implementing and Preserving a Simplified MSP

Despite maintaining overall spending, any reform to the MSP will come under serious attack, especially by those who have an interest in preserving the MSP’s complexity.

Unfortunately, complexity gives power to those whose job it is to understand it, and in a desire to hold on to their power and to some extent their job security, they will resist simplification. In addition,

reforming the MSP will create “winners and losers”—districts that receive marginally more or less than before the reform. As such, those districts that will receive less will resist any changes to the MSP, even if those changes provide an overall benefit to the system. To implement meaningful reform to the MSP, the legislature will need to see beyond these objections to the benefits that flexibility and transparency bring.

If an alternative MSP is implemented, the structure of legislative and bureaucratic politics will push the MSP back towards complexity. Without some means of preserving its improvement, in ten years the new MSP probably would be just as complex and inflexible as the current one. Specific line items and their amounts might be different, but elections, and special interest realities would ensure that complexity and opacity return.

Transparency and flexibility cannot be maintained in the absence of legislative barriers to protect them from erosion. Consequently, if the rules of the game do not change, the outcome will not change.

One way of protecting the system is to raise the threshold necessary to add line items to the MSP to a supermajority, such as 60 percent or two-thirds. Even though Republicans enjoy supermajorities in both the House (56-19) and Senate (21-8), the differences of opinion among Republican legislators would make it very difficult to obtain a supermajority even within the party. This requirement could be a legislative rule rather than an amendment to the Utah constitution.

This requirement would not mean the MSP would remain forever static. Despite the difficulty, legislative bodies can and do achieve supermajority votes. If the supermajority requirement proves unworkable, future legislatures could remove it by a simple majority vote.

Conclusion

In the current debate on education spending, Parents for Choice in Education supports greater commitment to public education but it needs to come with greater transparency and accountability to the public. This will require an education funding mechanism that the public can understand and that politicians and bureaucrats can be held accountable to. Furthermore, the funding mechanism needs to allow for flexibility so that school districts and communities can tailor their education services to the unique needs of their teachers, administrators, and students.

Without these key elements, having an informed and meaningful debate on education funding will be extremely difficult, if not impossible. We propose that the MSP be simplified in a manner that increases transparency and flexibility while maintaining equity.

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Appendix I

FY 2006 State Supported Minimum School Program

FY 2006 State Supported Minimum School Program

	WPU Value	
	WPU Value	\$2,280
I. BASIC SCHOOL PROGRAMS:		
A. REGULAR BASIC SCHOOL PROGRAMS		
1. Kindergarten	22,365	\$ 50,992,200
2. Grades 1-12	445,146	1,014,932,880
3. Necessarily Existent Small Schools	7,798	17,779,440
4. Professional Staff	43,541	99,273,480
5. Administrative Costs	1,662	3,789,360
Total Regular Basic School Programs:	520,512	\$ 1,186,767,360
B. RESTRICTED BASIC SCHOOL PROGRAMS		
1. Special Education--Regular Program		
a. Special Education Add-On WPUs	54,858	\$ 125,076,240
b. Self-Contained WPUs	12,719	28,999,320
2. Special Education--Preschool	7,241	16,509,480
3. Extended Year for Severely Disabled	357	813,960
4. Special Education--State Programs	1,402	3,196,560
Total Special Education:	76,577	\$ 174,595,560
5. Career and Technical Education--Add-On	24,098	54,943,440
6. Career and Technical Education--Set Aside	1,030	2,348,400
Total Career and Technical Education:	25,128	\$ 57,291,840
7. Class Size Reduction (K-8)	30,773	70,162,440
Total Restricted Basic Programs :	132,478	\$ 302,049,840
TOTAL BASIC SCHOOL PROGRAM WPUs (I):	652,990	\$ 1,488,817,200
II. RELATED TO BASIC SCHOOL PROGRAMS:		
A. RELATED TO BASIC		
1. Social Security & Retirement		272,224,533
2. Pupil Transportation To & From School		59,058,267
3. Transportation Levy		500,000
B. BLOCK GRANTS		
6. Quality Teaching Block Grant		59,428,023
7. Local Discretionary Block Grant		21,820,748
8. Interventions for Student Success Block		15,842,347
Total Block Grants:		\$ 97,091,118
Total Related to Basic (II):		\$ 428,873,918
C. SPECIAL POPULATIONS		
9. Highly Impacted Schools		\$ 5,123,207
10. Youth-at-Risk Programs		
a. At-Risk Regular		5,784,194
b. Homeless and Minority		1,473,358
c. MESA		458,259
d. Gang Prevention		1,278,865
e. Youth in Custody		17,562,924
Total Youth At Risk Programs:		\$ 26,557,600

11. Adult Education Programs		\$	7,630,805
12. Accelerated Learning Programs			
a. Gifted and Talented			1,938,432
b. Advanced Placement			1,518,902
c. Concurrent Enrollment			5,541,959
Total Accelerated Learning Programs:		\$	8,999,293
Total Special Populations (C):		\$	48,310,905
D. CHARTER SCHOOLS			
13. Charter School In Lieu of Local Funding			12,559,950
14. Charter School Admin (from CS Board)			-
Total Charter (D):		\$	12,559,950
E. OTHER MSP			
15. Electronic High School		\$	1,000,000
16. School Land Trust Program			9,920,000
17. Performance Plus--State Reading Achievement			12,500,000
18. Job Enhancement Program (Math Science)			2,500,000
Total Other (E):		\$	25,920,000
Total Related to Basic Programs (II):		\$	515,664,773
TOTAL ALL PROGRAMS BEFORE LEEWAYS (I and II):		\$	2,004,481,973
III. BOARD AND VOTED LEEWAY PROGRAMS:			
A. Voted Leeway Program	18.64	\$	175,975,385
B. Board Leeway Program--Class Size			48,387,919
C. Board Leeway/Other--Perf. Plus Up to 0.000121			15,000,000
Total Board & Voted Leeway Programs:		\$	239,363,304
TOTAL MINIMUM SCHOOL PROGRAM (I to III):		\$	2,243,845,277
IV. ONE-TIME			
1. Classroom Supplies and Materials		\$	6,079,000
2. Adult Education			1,000,000
3. U-PASS On-Line Testing			2,500,000
4. Job Enhancement Program (Math Science)			2,000,000
5. Transportation			0
6. Charter School Parity			0
7. Charter School Administrative Costs			0
8. Library Books and Supplies			0
Total One-Time Bills (IV):		\$	11,579,000
V. LOCAL REVENUE:			
A. Basic Levy	0.001792		\$225,872,138
B. Voted Leeway			162,172,538
C. Board Leeway--Class Size			43,757,326
D. Board Leeway/Other--Reading			15,000,000
Total Local (A, B, C, and D):			\$446,802,002
VI. STATE REVENUE			
A. Uniform School Funds		\$	1,781,533,375
B. School Land Trust			14,509,900
C. One-Time Appropriations			11,579,000
D. Carry-Forward			1,000,000
Total State (A, B, C, D):		\$	1,808,622,275
TOTAL STATE AND LOCAL REVENUE (V and VI):		\$	2,255,424,277

VII. OTHER STATE FUNDS			
A. CAPITAL OUTLAY PROGRAMS			
1. Capital Outlay Foundation Program		\$	24,358,000
2. Enrollment Growth Program		On-Going	2,930,900
		One-Time	5,000,000
Total Capital Outlay Programs (A):		\$	32,288,900
B. U-PASS ADMINISTRATION		\$	1,800,000
C. CHARTER SCHOOL BOARD PROGRAMS			
1. Charter Administration (move to MSP)		\$	100,000
2. New Charter Startup			2,800,000
3. High-Tech Charter Schools			-
Total Charter Board Programs (C):		\$	2,900,000
TOTAL OTHER STATE FUNDS (VII):		\$	36,988,900
TOTAL ALL PROGRAMS (I to VII):		\$	2,292,413,177

Data provided by Cathy Dudley, MSP Budget and Tax Property Specialist, Utah State Office of Education

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Appendix II
Equity of the Proposed Alternative MSP

Many different methods are available to evaluate equity in funding among school districts. The U.S. Department of Education recently conducted a study to examine variation in funding among school districts in all 50 states for the period 1979-80 through 1993-94.¹¹ Using instructional expenses per pupil, this study calculated six measures of equity for each state: the coefficient of variation, the Gini coefficient, the Thiel coefficient, the federal range ratio, the Atkinson index and the McLoone index.¹² The proposed alternative MSP was at least as equitable as the current MSP on all six measurements.

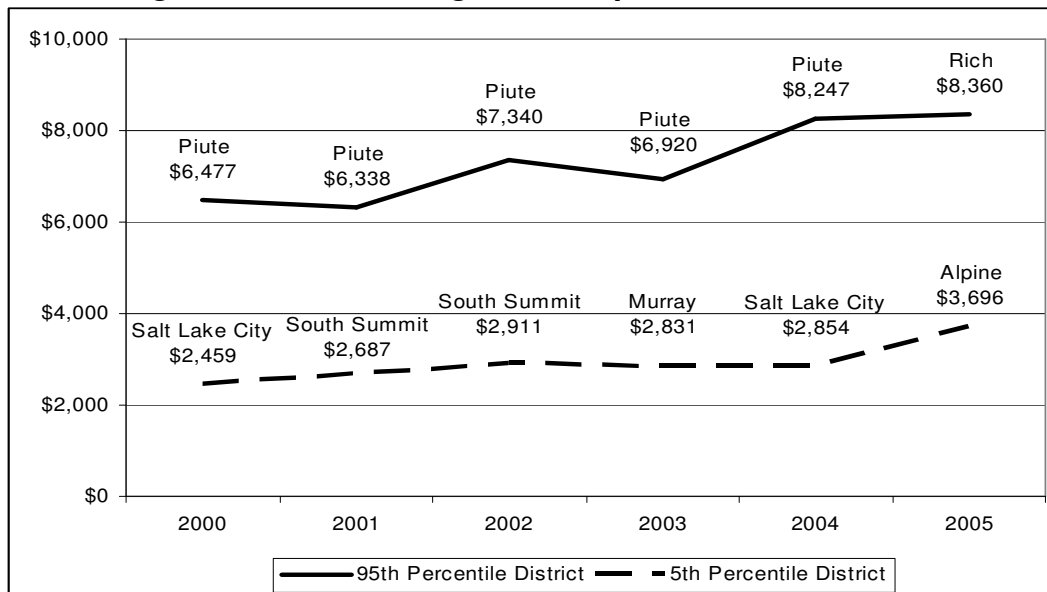
This study adopts the common practice of measuring variation in funding to measure equity. To evaluate the proposed changes to Utah's MSP for their equity, this study presents calculations of the coefficient of variation and the federal range ratio for the current MSP formula for each year in the period FY2000 through FY2005, and then the values for the proposed alternative MSP formula for FY2005. We also performed the same calculations for the other four measurements of equity (the Gini coefficient, the Thiel coefficient, the Atkinson index and the McLoone index). Our results were the same for these four measurements as are the two we are presenting. We chose to present the calculations for the coefficient of variation and the federal range ratio for two reasons: (1) they are more straightforward in calculation and in interpretation, and (2) they are commonly used by the federal government to measure equity. In fact, the federal No Child Left Behind Act requires use of the coefficient of variation to evaluate equity for Title I funding.¹³

Federal Range Ratio

Range measures usually compute the difference between a number on the high end of a set of numbers and a number on the low end. The federal range ratio uses the school district at the 95th percentile of funding and the district at the 5th percentile. The difference between the funding provided to these two districts is divided into the funding provided to the district at the 5th percentile to produce the ratio of the two numbers to the smaller number.

Because Utah has 40 districts, each district represents 2.5 percent of the total. Consequently, calculation of the federal range ratio involves ordering the districts from the highest amount of state revenue per student to the lowest amount of state revenue per student and subtracting the amount associated with the district that is third from the bottom of the list (the 5th percentile) from that which is third from the top (the 95th percentile). This difference is divided into the amount of state revenue per student for the 5th percentile district.

Figure 1: Federal Range Ratio Inputs for Utah Districts



As illustrated in Figure 1, the amount of state revenue per student has been increasing over the past five years. In addition, the difference between the 95th and 5th percentile districts generally has been on a narrowing trend (see Figure 1). More important, the proposed alternative MSP results in a higher

amount of funding for the 5th percentile district (Murray, as calculated by the proposed alternative MSP) than the funding that goes to the 5th percentile district under the current MSP (Alpine), meaning that the federal range ratio actually is lower under the proposed alternative than it is under the current MSP (see Figure 2).

Figure 2: Federal Range Ratio for Current Utah MSP

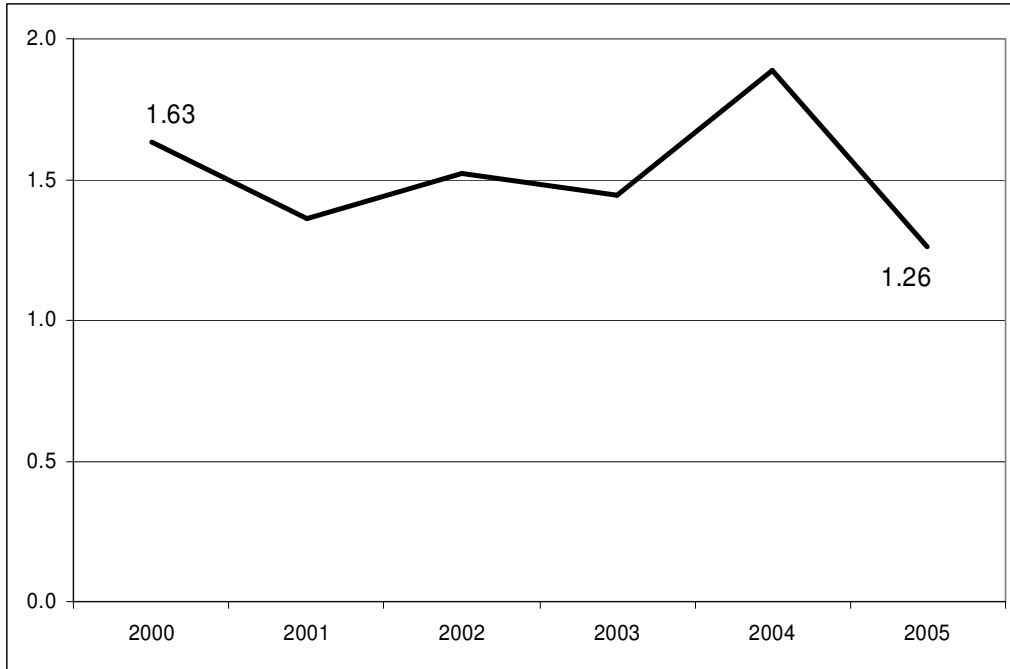
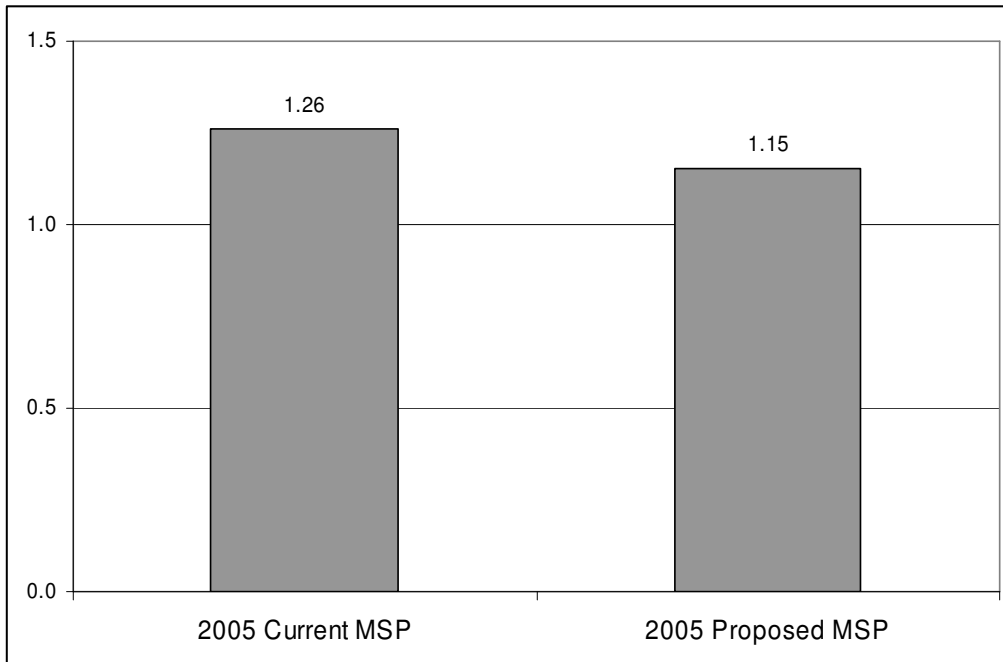


Figure 3: Federal Range Ratio for Current and Proposed Alternative MSP



Federal Range Ratio Inputs

Current MSP

95th Percentile District: Rich (\$8,360)

5th Percentile District: Alpine (\$3,696)

Proposed MSP

95th Percentile District: Rich (\$8,360)

5th Percentile District: Murray (\$3,882)

The Coefficient of Variation

The second measurement, the coefficient of variation, calculates the standard deviation of a set of numbers and then expresses it as a percentage of the set's mean. This standardization allows us to compare the coefficient of variation across sets of numbers with different underlying units of measure, which is one reason the coefficient of variation is widely used. It also has the advantage of requiring only two common statistical calculations – the standard deviation and the mean.

Unlike the federal range ratio, the coefficient of variation increased slightly from FY2000 to FY2004. However, the situation seems to have improved significantly in FY2005 (see Figure 4). As measured by the coefficient of variation, the proposed alternative MSP is just as equitable as the current MSP (see Figure 5).

Figure 4: Coefficient of Variation for Utah MSP

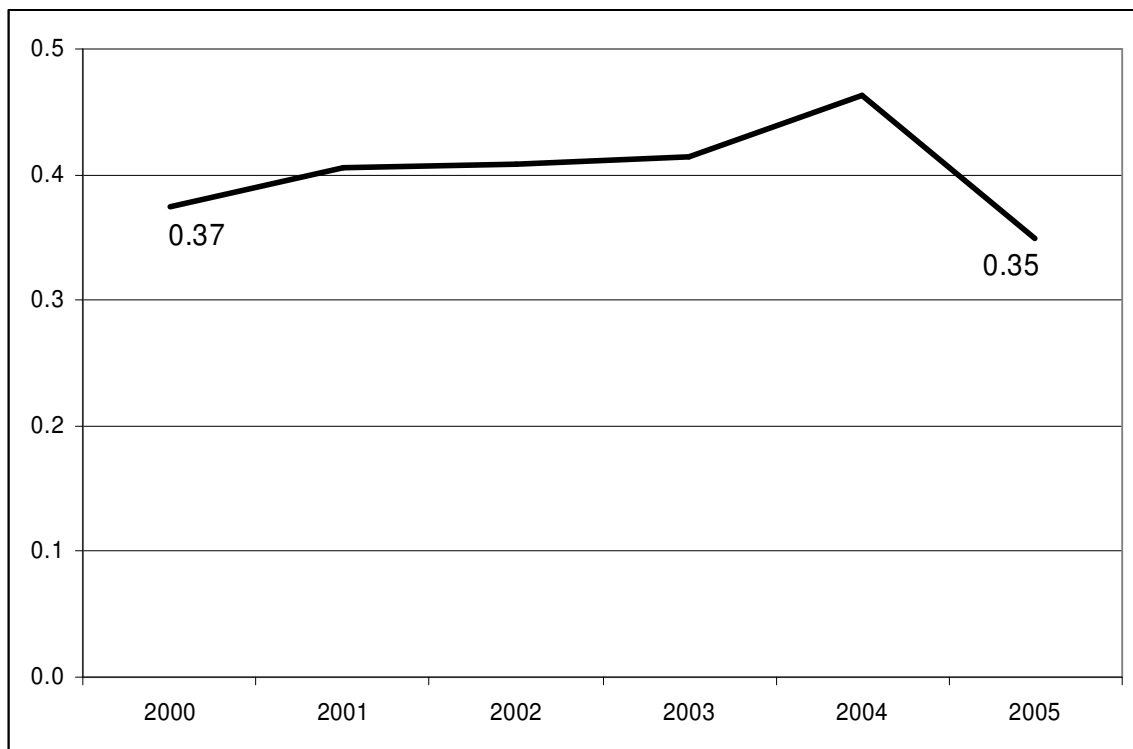
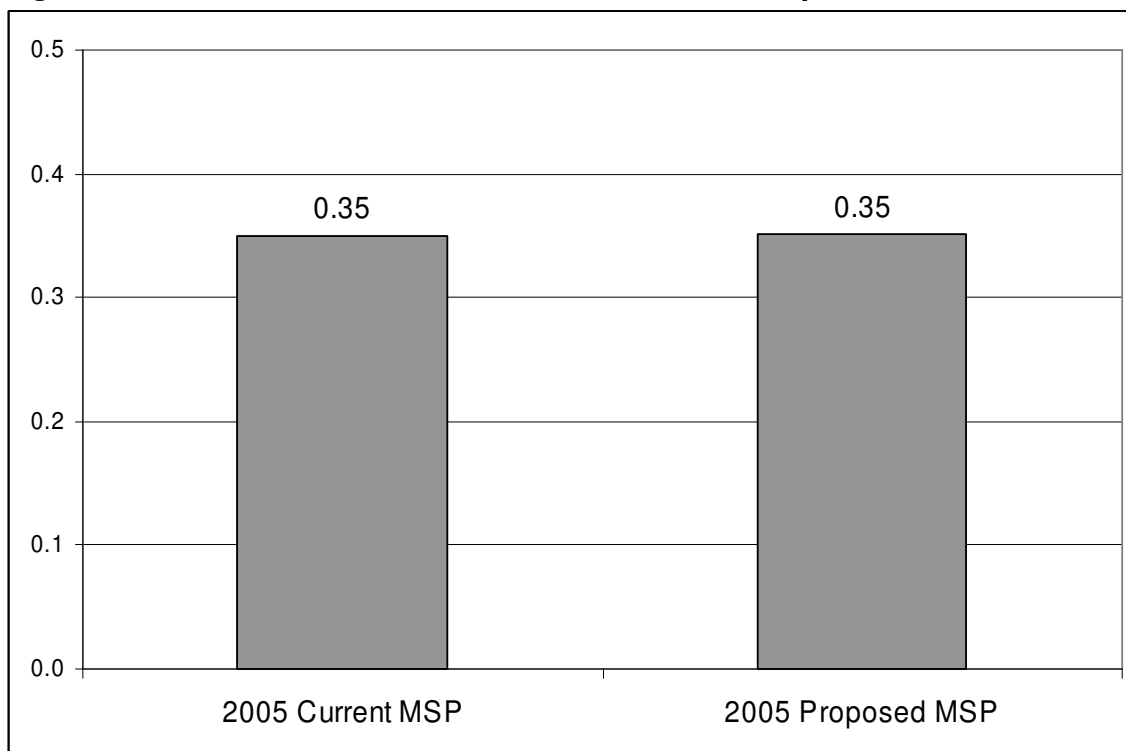


Figure 5: Coefficient of Variation for Current and Proposed Alternative MSP



The proposed alternative MSP does not have an adverse effect on interdistrict equity in Utah. All six measurements of equity show the proposed alternative is at least as equitable as the current MSP, and some show it is more equitable.

¹ Chair’s presentation to the Finance Committee, Sept. 2, 2005. Exact quote subsequently confirmed by the chair via e-mail.
² “Trends in Disparities in School District Level Expenditures per Pupil,” U.S. Department of Education, Office of Educational Research and Improvement, January 2000, Table A3.4.9; *Education Week*, “Quality Counts 2005,” p. 100.
³ Celia Baker, “Utah’s Ed Funding: As Low as it Seems?” *Salt Lake Tribune*, Apr. 4, 2006.
⁴ A spreadsheet put together by Cathy Dudley, MSP Budget and Tax Property Specialist, Utah State Office of Education shows that the MSP increased by 10.6% between FY2006 and FY2007.
⁵ Utah Taxpayers Association, “Back with a Vengeance: State Government Spending Increase 17.6%,” *The Utah Taxpayer*, Volume 31, Mar. 2006.
⁶ Tiffany Erickson, “Rising Fuel Costs Crimp Utah Schools,” *Deseret Morning News*, Aug. 24, 2005; Mike Cronin, “Record Gas Prices Squeezing Schools,” *Salt Lake Tribune*, Aug. 24, 2005; Tanna Barry, “Districts Also Take Hit with Their Not-So-Fuel-Efficient Buses,” *Ogden Standard Examiner*, Aug. 28, 2005; Anna Chang-Yen, “Gas Prices Hurting Utah Schools,” *Provo Daily Herald*, Sept. 1, 2005.
⁷ Superintendent’s Annual Report: Section II: Data Files, 2004-05, Enrollment by Grade, October 1, 2005, <http://www.schools.utah.gov/finance/other/AnnualReport/ar2005.htm>.
⁸ A 2004 study by the Utah Taxpayers Association noted the unique fiscal challenges faced by rural school districts. See Mike Jerman, “Urban School Districts Benefit from Declining Enrollment,” Utah Taxpayers Association, Feb. 11, 2004.
⁹ Students in grades K-6 are eligible for state-supported transportation if they live at least 1½ miles from school. Students in grades 7-12 are eligible if they live at least two miles from school. (U.C.A. 53A-17a-127).
¹⁰ William Hussar and William Sonnenburg, “Trends in Disparities in School District Level Per Pupil Expenditures,” *Education Statistics Quarterly*, vol. 2, issue 1 (May 26, 2000).

Appendix II

¹¹ William Hussar and William Sonnenburg, “Trends in Disparities in School District Level Per Pupil Expenditures,” *Education Statistics Quarterly*, vol. 2, issue 1 (May 26, 2000).
¹² *Ibid*, p. iii.
¹³ Hussar and Sonnenburg, “Trends in Disparities,” p. 13.