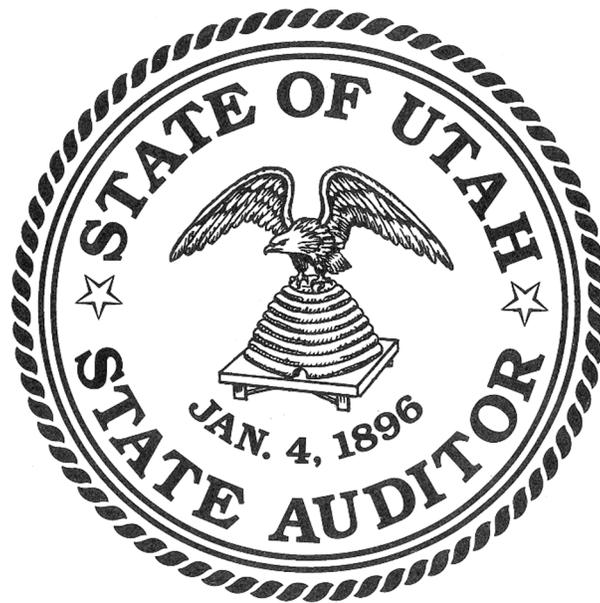


UTAH STATE BOARD OF EDUCATION

Minimum School Program

Report on Limited Review of
Statutory Distributions for Fiscal Year 2018 and
Projections for Fiscal Year 2020

Report No. 18-36



OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Will Maguire, Audit Senior

UTAH STATE BOARD OF EDUCATION

Minimum School Program

Statutory Distributions for Fiscal Year 2018 and
Projections for Fiscal Year 2020

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OFFICE OF THE
STATE AUDITOR

January 28, 2019

To the Members of the Utah State Board of Education and Audit Committee
and
Sydnee Dickson, State Superintendent of Public Instruction
Utah State Board of Education

We have performed a limited review of the application of Minimum School Program (MSP) statutory distribution formulas and allocations to school districts and charter schools. The procedures described below were applied to certain aspects of compliance for the MSP Fiscal Year 2018 (FY18) Final Report and the MSP Fiscal Year 2020 (FY20) Legislative Budget Projections. We performed the following procedures at the Utah State Board of Education for a sample of school districts and charter schools:

1. We reviewed the MSP FY18 Final Report for 11 programs to ensure that the allocations to school districts and charter schools for each selected program were made in compliance with the related statute and did not exceed amounts allowable by law. The programs selected were as follows:
 - Grades K-12
 - Voted Local Levy
 - Educator Salary Adjustments
 - Board Local Levy
 - Special Education - Self Contained WPU's
 - School LAND Trust
 - Special Education - Impact Aid
 - Digital Teaching & Learning
 - School Library Books & Electronic Resources
 - Early Intervention
 - Necessarily Existent Small Schools

We found USBE has not evaluated or updated the regression formula for Necessarily Existent Small Schools since 2011 and has not developed written procedures detailing the regression formula and the factors included in the formula (see Finding No. 1). Additionally, we found USBE had duplicated the allocation of School Library Books & Electronic Resources MSP funding to schools in 6 school districts (see Finding No. 2).

2. We reviewed the MSP FY20 Legislative Budget Projections for three programs to ensure that the projections of the allocations to school districts and charter schools for each selected program were made in compliance with the related statute and were reasonable. The programs selected were as follows:

- Grades K-12
- Special Education - Self Contained WPU's
- Special Education - Impact Aid

We found no exceptions in the MSP FY20 projections of allocations to school districts and charter schools resulting from the above procedures.

Our procedures were more limited than would be necessary to express an audit opinion on compliance. Accordingly, we do not express an opinion. Alternatively, we have identified the procedures we performed. Had we performed additional procedures, additional matters might have come to our attention that would have been reported to you.

This report is a matter of public record and its distribution is not limited. We appreciate the courtesy and assistance extended to us by the personnel of the Utah State Board of Education during the course of the review, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Hollie Andrus, CPA
Audit Director
801-801-0467
handrus@utah.gov

cc: Scott Jones, Deputy State Superintendent, Utah State Board of Education
Natalie Grange, Associate Superintendent of Public Instruction, Utah State Board of Education
Debbie Davis, Director of Internal Audit, Utah State Board of Education
Kristen Cox, Executive Director, Governor's Office of Management and Budget
Jonathan Ball, Director, Office of Legislative Fiscal Analyst

FINDINGS AND RECOMMENDATIONS

1. ANTIQUATED FACTORS USED IN REGRESSION ANALYSIS FOR “NECESSARILY EXISTENT SMALL SCHOOLS” MSP ALLOCATION

According to *Utah Code 53F-2-304*, Minimum School Program (MSP) funding is allocated to local school boards to apply “principles of efficiency and economy” by consolidating schools into “special school units” or Necessarily Existent Small Schools (NESS). The Utah State Board of Education (USBE) was required to adopt a regression formula to allocate additional weighted pupil units—and, therefore, MSP funding—to approved NESS schools, in accordance with *Utah Code 53F-2-304(6)*; however, USBE does not have written procedures detailing the regression formula and the factors included in the regression formula. Additionally, USBE has not evaluated nor updated the regression formula nor the factors considered (e.g., recent enrollment data from the eligible schools) in the formula since 2011. The current process may result in (1) misallocation of NESS funding to ineligible schools or (2) improper allocation (insufficient or excessive) to eligible schools.

Recommendation:

We recommend USBE:

- **document the process used and the factors considered in the regression formula; and,**
- **evaluate and update the process and factors as considered necessary, at least once every five years.**

USBE’s Response:

The USBE concurs with this finding.

The Necessarily Existent Small Schools (NESS) formula utilizes regression formulas to distribute funds for schools designated as NESS. The data utilized to adjust the regression formulas is based on school level expenditures and the increased costs to run a NESS school when compared to a non-NESS counterpart. Prior to fiscal year 2018, USBE did not collect school level expenditures. This made it impossible to update or recreate the regression tables utilized in the NESS formula.

The USBE convened a group of stakeholders to review the concerns with the Necessarily Existent Small Schools (NESS) formula. The work group concluded its review in December 2018 and the group made recommendations to the USBE which will be presented to the Public Education Appropriations Subcommittee during the 2019 legislative session. Included in the recommendations is a procedure to utilize school level reported expenditures from fiscal year 2018 for NESS schools to create a methodology that governs how to adjust the regression tables to capture the cost of NESS. This same procedure will be followed again after fiscal year 2019

school level reporting is completed. The USBE will convene the NESS work group after this data is collected to review the regression models and finalize the methodology.

2. DUPLICATED ALLOCATION OF “LIBRARY BOOKS & ELECTRONIC RESOURCES” MSP FUNDING

For 6 school districts and 12 charter schools reviewed for the Library Books & Electronic Resources Program (Program) funding allocation, USBE did not calculate the fiscal year 2018 final allocation of funds in compliance with Utah law. *Utah Code 53F-2-407* requires 25% of the money appropriated for Library Books & Electronic Resources to be allocated equally among all public schools. USBE allocated Program money to programs within schools already allocated Program funding, resulting in \$2,697.76 in double allocation of Program funds for all 6 school districts sampled as follows: Park City \$830.08, Alpine \$622.56, Davis \$622.56, Granite \$207.52, Jordan \$207.52, and Tintic \$207.52. The MSP Accountant did not recognize the duplicated programs included in the list of local education agencies when calculating the allocation.

Recommendation:

We recommend USBE allocate Library Books & Electronic Resources Program funding only once to public schools within the state.

USBE’s Response:

The USBE concurs with this finding.

Data reports provided through UTREx have filters that are intended to exclude non K-12 schools. The filter on the school level year-end report does not appear to be functioning as intended in FY2018. As part of the school level expenditure reporting project staff have noted that CACTUS school ids have been assigned to programs that are not schools. In the January 2019 board meeting, the USBE passed on first reading administrative rule R277-483. This rule creates an agency definition of schools and programs that will be applied to existing school identification codes. Clarification will be added to the data dictionary. LEA reports, used in MSP calculations and for statistical purposes, will be reviewed and adjusted to properly exclude non K-12 schools and programs. This work is ongoing and will be resolved for the year-end report generation for school year 2018-2019.