

Small School District Scale of Operations Formula

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Karen M. Peterson

Senate Sponsor:

LONG TITLE**General Description:**

This bill amends the formula for necessarily existent small schools funding.

Highlighted Provisions:

This bill:

- amends the formula for necessarily existent small schools funding.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:**REPEALS AND REENACTS:**

53F-2-304, as last amended by Laws of Utah 2021, Chapter 439

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **53F-2-304** is repealed and reenacted to read:

53F-2-304 . Weighted pupil units for students in rural school districts and necessarily existent small schools.

(1) As used in this section:

(a) "Necessarily existent small school" means a school that:

(i) is located in an area with a National Center for Education Statistics locale code of 33 or higher;

(ii) is located more than 10 miles from an area with a National Center for Education Statistics locale code of 21 or less;

(iii) is not an online school, specialty school, technical school, alternative school, or charter school; and

(iv) has an average daily membership less than or equal to:

(A) 27 in any individual grade band kindergarten through 6; or

- 31 (B) 125 in any individual grade band 7 through 12.
- 32 (b) "Scale of operations" means a cost function analysis conducted by the state board to
33 determine the relative higher cost of providing educational services for students
34 enrolled in smaller school districts when compared to larger school districts.
- 35 (2)(a) The state board shall adopt a formula to calculate additional weighted pupil units
36 using a two-factor distribution described in Subsection (2)(b).
- 37 (b) The two-factor distribution shall be the sum of a scale of operations weighting and a
38 rural-school weighting as follows:
- 39 (i) a scale of operations weighting that provides up to 1.5 weighted pupil units based
40 on the cost function analysis the state board conducts and for each student
41 enrolled in:
- 42 (A) a school district in a county of the fourth, fifth, or sixth class as described in
43 Section 17-50-501; or
- 44 (B) a school district in a county of the third class as described in Section 17-50-501
45 with fewer than 2,000 students; and
- 46 (ii) a rural-school weighting for each necessarily existent small school that provides
47 weighted pupil units for each grade band from kindergarten to grade 6 offered:
- 48 (A) with five or fewer students, a base of nine weighted pupil units;
49 (B) for each student above five students but fewer than 12 students, one additional
50 weighted pupil unit for each additional student above five; and
- 51 (C) for each student above 12 students, one less weighted pupil unit for each
52 additional student; and
- 53 (iii) a rural-school weighting for each necessarily existent small school that provides
54 weighted pupil units for each grade band from grade 7 to grade 12 offered:
- 55 (A) with five or fewer students, a base of nine weighted pupil units;
56 (B) for each student above five students but fewer than 61 students, one additional
57 weighted pupil unit for each additional student above five;
- 58 (C) for each student above 61 students, one less weighted pupil unit for each
59 additional student; and
- 60 (D) for each necessarily existent small school with 15 or fewer students, the state
61 board may provide the base level of nine weighted pupil units for each grade
62 band offered.
- 63 (c) If any grade band under Subsection (2)(b) generates negative weighted pupil units,
64 the weighted pupil units for that grade band shall be zero.

- (d) The funding for a student who falls within the weighting factors described in Subsections (2)(b)(i) and (2)(b)(ii) shall be computed under both weighting factors.
- (3) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the state board shall make rules to:
- (a) establish the formula described in Subsection (2) including the scale of weighted pupil units described in Subsection (2)(b)(i) by:
 - (i) conducting a cost function analysis measuring the scale of operations weighting including factors identified by the state board for each small and rural school district compared to all school districts;
 - (ii) determining a weighting relative to the cost function prediction for each school district that is above the minimum prediction for all school districts;
 - (iii) establishing a percentile cutoff for a full weighted pupil unit that:
 - (A) provides a full weighting for districts enrolling fewer than 1,100 students; and
 - (B) provides no scale of operations weighting described in Subsection (2)(b)(i) for school districts enrolling greater than seven times the full-weight cutoff; and
 - (iv) based on the cost function analysis, establishing a gradually reduced weighted pupil unit for each school district above the percentile cutoff established;
 - (b) establish a timeline for the distribution of funds to school districts provided under this section; and
 - (c) for fiscal year 2030 and subsequently each fifth fiscal year:
 - (i) revise the:
 - (A) scale of operations weightings;
 - (B) county classifications; and
 - (C) relevant National Center for Education Statistics locale codes; and
 - (ii) report the results to the Public Education Appropriations Subcommittee by October 1 of the relevant fiscal years including recommendations for any change to the scale of operations or rural-school weightings for each school district.
- (4) A local school board shall use money distributed under this section to effectively operate schools in remote areas of the state and with low student populations.
- (5) If an allocation under this section to a school district would be less than the allocation the school district received for necessarily existent small schools in the 2025 fiscal year, the Executive Appropriations Committee shall:
- (a) include a one-time appropriation in the public education budget to provide the 2025 fiscal year amount to the school district in the 2026 fiscal year; and

(b) decrease the amount described in Subsection (5)(a) to zero in the 2027 fiscal year.

(6) During each five year review described in Subsection (3)(c):

(a) if a school or school district no longer qualifies under the criteria described in Subsection (2), the state board shall:

(i) review the conditions causing the school or school district to no longer qualify;

(ii) if the school or school district has an average daily membership increase of no more than 10% over the preceding five years, allow the school or school district to remain eligible for funding in an amount that is at least equivalent to the amount the school or school district received in the current fiscal year under this section; and

(iii) if the school or school district has an average daily membership increase of more than 10% but less than 30% over the preceding five years, make recommendations to the Public Education Appropriations Subcommittee regarding an extension of the funding received under this section; and

(b) if a school district is receiving an extension of funds as described in this Subsection (6), the state board shall:

(i) review the necessity and impacts of continued eligibility; and

(ii) make recommendations to the Public Education Appropriations Subcommittee regarding the renewal of eligibility.

(7) If, after the review described in Subsection (6), a school or school district no longer qualifies for funding under this section, the Executive Appropriations Committee shall:

(a) include a one-time appropriation in the public education budget to provide the same amount of funding the school district received in the preceding fiscal year; and

(b) decrease the amount to zero in the next fiscal year.

(8)(a) A school district that intends to split a school that qualifies as a necessarily existent small school or has qualified as a necessarily existent small school within the past five years shall submit a proposal to the state board for review and approval.

(b) The school district proposal shall include:

(i) the current enrollment and projected enrollment for the next five years for the existing school and the proposed new school;

(ii) a detailed explanation of the educational and operational reasons for the proposed split;

(iii) an analysis of the financial impact on the district and the state, including any changes in necessarily existent small school funding that would result from the

- 133 split;
- 134 (iv) a plan for ensuring that educational quality will be maintained or improved in
- 135 both the existing and new school; and
- 136 (v) any other information requested by the state board.
- 137 (c) The state board shall review the proposal and may:
- 138 (i) approve the proposal if the state board determines that the split is educationally
- 139 and operationally necessary and not primarily motivated by financial
- 140 considerations related to necessarily existent small school funding;
- 141 (ii) deny the proposal if the state board determines that the split is unnecessary or
- 142 primarily motivated by financial considerations related to necessarily existent
- 143 small school funding; or
- 144 (iii) request additional information or modifications to the proposal before making a
- 145 final decision.
- 146 (d) If the state board approves the proposal, the state board shall submit a report to the
- 147 Public Education Appropriations Subcommittee, which shall include:
- 148 (i) summary of the approved proposal;
- 149 (ii) the state board's rationale for approving the proposal; and
- 150 (iii) any recommended changes to necessarily existent small school funding
- 151 allocations resulting from the approved split.
- 152 (e) The Public Education Appropriations Subcommittee shall review the state board's
- 153 report and may:
- 154 (i) approve the funding changes recommended by the state board;
- 155 (ii) modify the funding changes; or
- 156 (iii) deny the funding changes and require the school district to maintain the current
- 157 funding allocation.
- 158 (f)(i) Subject to Subsection (8)(f)(ii), a school district may split a school that qualifies
- 159 as a necessarily existent small school or has qualified as a necessarily existent
- 160 small school within the past five years without submitting a proposal as described
- 161 in this Subsection (8).
- 162 (ii) If a school district proceeds with splitting a necessarily existent small school
- 163 without applying for or receiving approval from both the state board and the
- 164 Public Education Appropriations Subcommittee, the schools created from the split
- 165 may not qualify as necessarily existent small schools.
- 166 (g) The state board shall make rules in accordance with Title 63G, Chapter 3, Utah

167 Administrative Rulemaking Act, to establish:
168 (i) the timeline and procedures for submitting and reviewing proposals;
169 (ii) criteria for evaluating the necessity and appropriateness of proposed school splits;
170 (iii) requirements for post-approval monitoring and reporting by a school district that
171 has split a necessarily existent small school; and
172 (iv) any other provisions necessary to implement this subsection.
173 Section 2. **Effective Date.**
174 This bill takes effect on July 1, 2025.