

MINUTES
(Subject to approval by the Committee)
Public School Funding Formula Committee
Tuesday, December 13, 2016
8:00 A.M.
Room EW42
Boise, Idaho

MEMBERS: Co-chairs Senator Chuck Winder and Representative Wendy Horman; Senators Dean Mortimer, Cliff Bayer, Steven Thayn, and Janie Ward-Engelking; Representatives Julie VanOrden, Sage Dixon, and John McCrostie; and nonlegislative members Dr. Linda Clark, State Board of Education, and Sherri Ybarra, Superintendent of Public Instruction.

ABSENT/EXCUSED: Representative Scott Bedke

ATTENDEES: Representative Caroline Troy; Representative Dorothy Moon; Tim Hill, State Department of Education; Blake Youde and Tracie Bent, Office of the State Board of Education; Marilyn Whitney, Office of the Governor; David Hahn, Division of Financial Management; Dave Roberts, Mary Ann Ranells, Steve Smylie, Philip Newhoff, and Debbie Arstein, West Ada School District; Gaylen Smyer and Sandra Miller, Cassia School District; Gwen Carol Holmes, Blaine County School District; Colleen Fillmore, Charlie Silva, Tony Pirc, Louie Konkol, Alexandra McCann, Scott Cook, Duncan Robb, Lisa Colon Durham, Marcia Beckman, and Christopher Campbell, State Department of Education; Helen Price, Idaho Association of School Administrators; Teresa Fabricius, Fruitland School District; Jodie Mills and Shalene French, Caldwell School District; Luke Kilcup, Lobby Idaho; Terry Ryan and Marc Carignan, Bluum; Steve Rayborn and Amy Lorenzo, Division of Career Technical Education; Kate Haas, Kestrel West; Byron Stutzman, Fremont County School District; Jeff Dillon, Wilder School District; Adam Bell, Kuna School District; Laura Baker, iSucceed VHS; Jane Wittmeyer, Coalition of Idaho Charter School Families; Suzanne Budge, SBS Associates; Robert Seaman, Twin Falls School District; Wayne Rush, Emmett School District; Jess Harrison, Idaho School Board Association; Andrew Grover, Melba School District; Miguel Legarreta, Associated Taxpayers of Idaho; Penni Cyr, Idaho Education Association; Lezah Shinkle, Genesee School District; Bob Ranells, Wallace School District; William Woodford, Kellogg School District; Jerry Evans, Debbie Hainke, and Tim Rosandick, Idaho School District Council; Heather Williams, Boise State University; Wil Overgaard, Weiser School District; Craig Woods and Alicia Krantz, Notus School District; Blas Telleria and Nick Smith, Boise School District; Ken Cox, Minidoka County School District; and Chris James, Cassia Joint School District. Legislative Services Office (LSO) staff: Paul Headlee, Kristin Ford, and Lara Margelofsky.

NOTE: Copies of presentations, handouts, and reference materials can be found at <https://www.legislature.idaho.gov> and are also on file in the Legislative Services Office. The reference documents for this meeting's presentations can be viewed at: <https://legislature.idaho.gov/sessioninfo/2016/interim/schoolfunding>

CONVENED: Co-chair Winder called the meeting to order at 8:05 A.M.

**WELCOME AND
INTRODUCTIONS:**

Co-chair Winder welcomed the attendees and previewed the day's agenda.

STAFF

PRESENTATION:

OPE PRESENTATION OF EVALUATION REPORT ON PUBLIC SCHOOL FUNDING

PRESENTERS:

Rakesh Mohan, Bryon Welch, Tony Grange, and Bob Thomas, Office of Performance Evaluations

Mr. Mohan opened the presentation and discussed the history and development of the study.

Mr. Welch introduced the committee to OPE's approach to the evaluation and walked through a high-level overview of the report and its associated documents.

Mr. Thomas presented an evaluation of special education issues. He broke down the amount of funding being spent on special education from different sources. He noted how some students are counted for regular funding, rather than special education funding. Mr. Thomas also discussed the role that federal funding plays in special education funding.

Senator Mortimer, Co-chair Horman, and Mr. Thomas discussed analyzing special education funding and counting students by state, district, and student numbers.

Mr. Grange described the 22 distributions evaluated for the OPE report. Statutory programs include: pupil transportation, literacy proficiency, advanced opportunities, high school redesign, college/career advisors and mentors, safe and drug-free schools, mastery-based system, district strategic planning, innovation schools, and national teacher certification. Nonstatutory programs include: classroom technology, professional development, remediation ISAT, content and curriculum, limited English proficiency, instructional management systems, district IT staffing, remediation IRI, wireless infrastructure, math initiative, assessments, and gifted and talented.

The committee asked LSO staff to get information on certain remaining items.

Mr. Grange discussed the six types of distribution formulas:

1. Base + student count
2. Program participant counts
3. Support units
4. Enrollment with a minimum amount
5. Tiered based on enrollment
6. Multiple methods within a program

Mr. Welch presented OPE's four recommendations to the committee:

- The department and Legislature should regularly review program funding and distribution methods and revise them to meet present needs.
- The department should report district and charter total expenditures by the same program distribution categories within the public schools' support budget.

- The Legislature should address some of the short- and long-term issues of special education funding.
- If the Legislature makes major funding changes to the K-12 program distributions, it should do so over several years to minimize negative consequences.

The committee discussed flexibility to move funds among categories, lessons from other states, superseding conflicts, and related administrative code.

Dr. Clark commented on the need for added funding in special education and the gap between the current need and current funding levels.

STAFF

PRESENTATION:

REVIEW OF SCHOOL DISTRICT SURVEY RESULTS

PRESENTER:

Blake Youde, Office of the State Board of Education

Mr. Youde presented on the survey distributed to Idaho school districts in October 2016. The survey sought to allow public comment regarding how Idaho distributes state funds to school districts and included questions regarding the current funding formula, as well as some basic policy proposals. The survey had 2,161 respondents representing all areas of the state.

Survey questions and the results and findings can be viewed at:
https://legislature.idaho.gov/sessioninfo/2016/interim/161213_psff_03_Survey.pdf

STAFF

PRESENTATION:

TAX ANTICIPATION NOTES (TANs) AND THE TIMING OF SCHOOL DISTRICT FUNDING DISTRIBUTIONS

PRESENTERS:

Ron Crane, State Treasurer and Edelene Ohman, State Treasurer's Office

Treasurer Crane opened the presentation with a review of the history of TANs in Idaho and the sideboards that can restrict their size.

Ms. Ohman gave an overview of what TANs are, how they are issued, and why they are issued:

What are the TANs? The TANs are short-term notes issued by the state of Idaho to fund the state's anticipated cash flow shortfalls during the state's fiscal year with a final maturity of June 30th of the current fiscal year.

Why are the TANs issued? The purpose of issuing the TANs is to smooth out the General Fund cash flow throughout the fiscal year and ensure the state has adequate cash available should there be an unanticipated reduction in tax revenue that exceeds internal borrowable cash.

How are the TANs issued? In conjunction with the DFM, bond counsel, financial advisors, and municipal bond underwriters – a preliminary official statement is prepared detailing the issue itself and in-depth information on the state's financials and many programs.

Ms. Ohman and the committee discussed whether changing the timing of school district payments reduces the need for and/or size of the

TANs issuance, as well as the potential risks and benefits of reducing or eliminating the TANs.

**STAFF
PRESENTATION:**

**OVERVIEW OF THE "USE IT OR LOSE IT" PROVISION FOR SCHOOL DISTRICT
PERSONNEL COSTS**

PRESENTER:

Tim Hill, State Department of Education

Mr. Hill presented on the "use it or lose it" provisions of education funding and flexibility around funding for staff salaries. He reviewed the ways the legislation has been amended over the years and how it functions today.

Co-chair Horman pointed out that funding is done in part based on staffing levels that have been defined, and should the funding structure change, aspects like TANs should be taken into account.

**STAFF
PRESENTATION:**

SCHOOL DISTRICT HEALTH INSURANCE

PRESENTERS:

Tim Rosandick, Idaho School District Council; and Debbie Hainke, Idaho School District Council Self-funded Benefit Trust

Mr. Rosandick provided background and history on the Idaho School District Council. He noted that it operates pursuant to the law on self-funded health care plans, and that it currently provides school district retirees with group health, life, dental, and vision insurance. It also provides other materials, services, and reporting.

Ms. Hainke presented on the Idaho School District Council's Self-funded Benefit Trust. She highlighted:

- Creation of the trust
- Self-funded vs. fully insured
- Statutory authority
- Health insurance services and different plans
- Board of trustees
- 2016 renewal (premium increase of 5.8%)
- ACA compliance
- The trust serves a majority of districts and charter schools

Ms. Hainke, Jerry Evans, and the committee discussed the trust's model, Blue Cross' role as a third-party provider, the variance in cost-per-employee, and the difficulties districts and individuals have in providing and receiving adequate coverage.

LUNCH BREAK

The committee stood at recess from 12 to 1 P.M.

MINUTES REVIEW

The committee unanimously approved by voice vote the minutes from the October 17 meeting.

**ROUNDTABLE
DISCUSSION**

Co-chair Winder welcomed school board members, superintendents, and other district representatives to the roundtable portion of the meeting. Co-chair Winder asked the participants to break into groups to discuss:

- What parts of funding distributions are working well?
- What parts aren't working well?
- Suggestions for improvements and categorical line items.

**ROUNDTABLE
REVIEW**

Each of the roundtable groups reported their key points to the full committee. Highlights include:

What parts of funding distributions are working well?

- Payment schedule – front loaded
- Overall funding is up in the last few years
- Increased funds for technology
- Leadership premiums
- Dual-credit system
- Improvements to the evaluation system is better

What parts aren't working?

- Classified positions – funding is too low, allocation is inadequate, retention is difficult
- Health insurance cost increases
- Transportation – inconsistent reimbursements
- Leadership premiums in small districts – can't give to everyone, but everyone is doing the extra work
- Special education funding
- Discretionary funding mostly going to health care insurance
- Not enough flexibility and local discretion

Suggestions for improvements and categorical line items:

- Add to top end of career ladder
- Give classified staff option to opt out of PERSI
- Develop tools to handle new growth
- Need incentive for districts that seek efficiencies
- Provide at least partial reimbursement on field trips
- More flexibility with technology
- Focus on why we evaluate
- Concern for smaller schools
- Balance flexibility and accountability
- Go back to old transportation reimbursement system – 85/15 formula
- Have state department fund the costs of local transportation audits

- Home school options
- Need accurate data collection
- Consider how to track off-site students
- Think about what the future of education looks like – individual learning plans
- Keep measurement systems consistent over time
- Don't change too quickly
- Use block grant-style funding, tied to continuous improvement

The committee thanked participants and remarked on the usefulness and benefits of the roundtable discussions.

**COMMITTEE
DISCUSSION**

Co-chair Winder previewed the committee's work going forward as it prepares to submit a report to the Legislature.

Co-chair Horman said that she expects the committee to be reauthorized through resolution to continue its work in 2017.

FUTURE MEETINGS

The committee will have a brief meeting in January to review and consider reports to the Legislature.

ADJOURNMENT

The meeting adjourned at 3 P.M.