

MINUTES
HOUSE EDUCATION COMMITTEE

DATE: Thursday, March 15, 2012

TIME: 8:30 A.M.

PLACE: Room EW41

MEMBERS: Chairman Nonini, Vice Chairman Shirley, Representative(s) Trail, Block (Block), Nielsen, Chadderdon, Shepherd, Wills, Marriott, Thayn, Hartgen, Bateman, Boyle, DeMordaunt, Nessel, Pence, Chew, Cronin

**ABSENT/
EXCUSED:** Representatives Block (Block) and Wills

GUESTS: Max Greenlee, Risch Pisca; Rob Winslow, Idaho Association of School Administrators (IASA); Jessica Harrison, Idaho School Boards Association (ISBA); Marilyn Whitney, State Board of Education (SBE); Ken Burgess and Diane Demarest, Idaho Charter School Network (ICSN); Jason Hancock, State Department of Education (SDE); John Gannon, citizen; Suzanne Budge, SBS Associates

Chairman Nonini called the meeting to order at 8:35 a.m.

MOTION: **Rep. Thayn** made a motion to approve the minutes of March 13, 2012. **Motion carried by voice vote.**

MOTION: **Rep. Thayn** made a motion to approve the minutes of March 14, 2012. **Motion carried by voice vote.**

H 663: **Rep. DeMordaunt** presented **H 663**, which would allow Idaho's charter schools to participate in the State's Bond Levy Equalization Support Program. He said that this past Tuesday, a number of levies were passed across the State of Idaho. No charter school will benefit from those levies, however, 100% of charter school parents will be paying increased property tax to fund those levies. The State of Idaho provides school districts with a sliding scale of State support to assist in the repayment of any bonds approved by the school district's voters through the Bond Levy Equalization Support Program. Charter schools do not have a mechanism to raise money for school facility costs, and when they do issue bonds or take out loans to pay for school facilities, the State provides no support to assist in the repayment of these bonds and loans. Rep. DeMordaunt outlined the details of **H 663**, including the fact that it specifically addresses only school facility costs and would not provide any funding assistance for other expenses. It is estimated that this legislation would increase the cost of the Bond Levy Equalization Support Program within the Public Schools Budget by approximately \$370,000 in FY13. This represents approximately a 2% increase. Charter schools are held to an extremely high level of transparency and accountability.

In response to questions, **Rep. DeMordaunt** stated that charter schools' participation in the Bond Levy Equalization Support Program would match schools within their local districts. A charter school has a board of directors that is made up of individuals who are elected by the parents of students in that charter school. Each school's board of directors answers to the Public Charter School Commission, which is part of the State Department of Education. It is possible that charter schools could use buildings that are currently empty and owned by their local school districts for a reduced rental price. It would be helpful if charter schools could use the State's credit rating to secure better interest rates on their loans to decrease the cost of loan repayment.

Responding to additional questions, **Rep. DeMordaunt** stated that the Bond Levy Equalization Support Program only assists schools that have their own facilities; it provides no assistance to renters. The Bond Levy Equalization Support Program contains general fund dollars, not property tax dollars. Public charter school students are Idaho students, the same as children who attend traditional public schools. Their parents pay the same taxes as parents whose children attend traditional public schools. It is fair to treat all Idaho students and parents equitably. Charter schools do not receive any property tax dollars and cannot begin to afford the types of buildings and facilities that are owned by traditional public schools.

Rep. Cronin stated that legislation that passed out of this committee earlier in the session should bring a "flood" of funding from private foundations to Idaho's charter schools, which should allow them to build facilities that equal those of traditional public schools.

Rep. DeMordaunt responded to additional questions. He said that original projections on charter school growth were made seven years ago and have been incorrect. Charter schools are growing at a much faster rate than projected. Bonds that exist will be fairly consistent. Bonds have increased faster than anticipated over the last several years, but the corpus of the bonds will reach a plateau as old bonds fall off and new ones are added.

Jason Hancock, State Department of Education (SDE), stated that he worked with two senators during an interim committee approximately ten years ago to write legislation for the Bond Levy Equalization Support Program. The fiscal impact has grown faster than anticipated, although in recent years, distribution of money from the Fund has been "fairly flat". Idaho has experienced rapid growth, which has increased property taxes and provided more support for bond levies. As property values have declined in recent years, it has been more difficult to pass bonds, however, as student population growth has slowed, there has been less need for bonds. Distribution to schools last September was \$16.4 million, and more than \$17 million is planned for next year's distribution. The Stabilization Fund for Public Schools provides a cushion if estimates are incorrect and more funding is necessary.

In response to additional questions, **Rep. DeMordaunt** stated that this legislation has nothing to do with bond defaults by charter schools. Hidden Springs Charter School was absorbed by the Boise School District, as was their building. It is the only known Idaho charter school to have defaulted on a bond. He is not aware of what factors led to the default. Refinancing could be helpful but is not pertinent to this legislation.

Jason Hancock, State Department of Education (SDE), said that the Bond Levy Equalization Support Program does allow for refinancing. If a bond is already being subsidized, the Program will continue to support the bond. The Bond Levy Equalization Support Program is only for new bonds. Refinancing an existing bond that is not supported by the Program does not make it a new bond. Nothing precludes school districts from leasing existing empty buildings to charter schools.

MOTION:

Rep. Shepherd made a motion to send **H 663** to the floor with a **DO PASS** recommendation. He spoke to his motion, stating that this is a move toward fairness for charter school families, who already pay taxes to support public schools.

Rob Winslow, Idaho Association of School Administrators (IASA), stated that his organization has not had time to fully investigate this legislation and cannot stand for or against it.

In response to a question, **Mr. Winslow** stated that he should have an opinion on the bill by next week.

Jessica Harrison, Idaho School Boards Association (ISBA), stated that her organization has also not come to a decision on whether to support this legislation. She has a meeting tomorrow that should lead to a decision.

Ken Burgess, Veritas Advisors, stated that during meetings with charter schools at the beginning of the 2012 Legislative Session, the top three priorities were facilities, facilities, and facilities. Charter schools typically spend almost all of their Average Daily Attendance (ADA) funding on facilities and have very little left for other necessary expenses. Budget cuts have a proportionally greater impact on charter schools, who have fixed facility costs and very little funding to cover those costs. Traditional schools are able to ask voters for supplemental levies and bonds, but charter schools are not able to seek this additional funding. Traditional schools are also able to use the State's credit rating to borrow money, thus securing a lower interest rate, but charter schools are not able to participate in this way and have to borrow from private banking institutions at higher interest rates. Those rates can be as much as five percentage points higher. Charter schools are using space in churches and strip malls.

In response to questions, **Mr. Burgess** said that based on the way the language in current Code is written, "voters" must be identified in the new language. Charter school board voters are identified in the new language.

Jason Hancock, State Department of Education (SDE), said that he **supports H 663**. Originally the Bond Levy Equalization Support Program only helped with the interest costs of bonds. **H 743** (2006) made changes. This is a program for bonds that are approved by voters. Since loans taken out by charter schools need to be approved by their individual boards of directors, the new language reflects that those board members are voters. He does not expect this legislation to cause a bank to look at a charter school differently, although when a charter school demonstrates its ability to repay a loan there could be some impact.

John Gannon, citizen, stated that on Tuesday, March 13, 2012, 71% of voters in Boise with a 30% turnout voted to raise property taxes in the Boise School District. He said that he does not believe the State of Idaho should pay for a new school system when it cannot pay for the one it already has. He would like to see property taxes kept low. If there is going to be a State subsidy, there should be some security such as a lien or other way for the State to know that there will be a return if the Program is not successful. He said that Idaho will not have the best possible schools if it is divided.

Representative Cronin stated that all voters currently have the ability to ratify or deny bond levies. He said that **H 663** puts decisions into the hands of charter school boards and leaves out citizen voters.

Representative Nielsen said it is important to remember that charter school parents pay taxes just like everyone else in their districts. If charter schools were allowed to share in bond values to some degree, certain bonds that would otherwise fail might actually pass. Charter school and homeschool parents currently don't receive any benefit from voting "yes" on bond levies. Allowing them to share in the benefit could increase their "yes" votes, and thereby increase the number of bonds that pass, allowing additional revenue across the board.

**VOTE ON
MOTION:**

Chairman Nonini called for a vote on the motion to send **H 663** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Representatives Pence, Chew, and Cronin** requested to be recorded as voting **NAY**. **Rep. DeMordaunt** will sponsor the bill on the floor.

H 656: **Chairman Nonini** stated that **H 656**, which would revise provisions relating to adjustments to a district's salary-based apportionment, will be held in committee at the call of the Chair.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:22 a.m.

Representative Nonini
Chair

Mary Tipps
Secretary