

Minutes of the Joint Legislative Oversight Committee

December 12, 2016

Lincoln Auditorium, Capitol, Boise, Idaho



Cochair Senator Cliff Bayer called the meeting to order at 1:06 p.m. Attending the meeting were Senators Mark Harris, Michelle Stennett (by phone), Cherie Buckner-Webb, and Representatives Maxine Bell and Elaine Smith (by phone). Representatives Mat Erpelding (cochair) and Caroline Nilsson Troy joined the meeting in progress. Also present were Rakesh Mohan, director, Margaret Campbell, administrative coordinator, and other OPE staff. Audience members included the following:

Senator Chuck Winder
Sherri Ybarri, Superintendent of Public Instruction
Paul Headlee, Deputy Manager, Budget and Policy Analysis Division

At the discretion of the cochairs, Cochair Bayer said two committee members would be allowed to participate in the meeting by phone because of logistics and weather. The cochairs made the decision for this particular meeting because the committee would not be dealing with selection of studies and such. He welcomed new committee members Senator Mark Harris, Representative Mat Erpelding, who will serve as cochair, and Representative Caroline Nilsson Troy.

Approval of committee rules

Rakesh reviewed the rules. Cochair Bayer said the committee would not be looking for any changes to the rules at this meeting.

Representative Bell moved to approve the committee rules. Senator Buckner-Webb seconded the motion, and it passed by voice vote.

Report release: *Distribution of State Funds for K-12 Public Education*

Senator Harris moved to receive the report *Distribution of State Funds for K-12 Public Education*. Senator Buckner-Webb seconded the motion, and it passed by voice vote.

Cochair Bayer called on Rakesh to introduce the report. Rakesh said he had worked with the requester, Representative Wendy Horman, to shape the study so it complemented the work of the Public School Funding Formula Interim Committee. The office had done three previous studies that related to the funding formula. The 2009 study recommended the Legislature review the funding approach, which the interim committee was now doing. He thanked the Department of Education, indicating the Superintendent and her staff were amazing as were many other stakeholders.

Bryon Welch, principal evaluator, Tony Grange, senior evaluator, and Bob Thomas, consultant, summarized the findings and recommendations of the report. They concluded that funds for many programs in the support budget were not distributed based on need or actual costs, and the state did not collect information for the total amount of money spent on the programs.

Evaluators identified \$294 million in funding sources related to special education programs and its students in fiscal year 2015. Of that amount, approximately \$85 million was not captured in statewide reports. They estimated that 86 percent of the \$294 million was not based on actual costs of providing services or an assessment of need. They cited an instance in which documented directions on funding was contradictory to state statute.

Evaluators looked at 22 of the 39 program distributions in the support budget. For fiscal year 2017, the 22 programs were appropriated \$165 million from the state general fund. However, funding for these programs was complex and based on unique formulas. When investigating the original rationale for the funding approaches, evaluators found institutional knowledge was diminishing, or in some cases, may have already been lost.

Cochair Bayer recognized new committee members Representatives Erpelding and Troy, who joined the meeting in progress. He thanked Senator Chuck Winder for taking time to attend.

Referring to conflicting laws for funding a formula, Senator Stennett asked whether the funding formulas were implemented according to their newest law or were several laws combined. She asked how the formulas came to be. Tony said the high school redesign—math and science program was an example of how the department and the Legislature could lose institutional knowledge. The team was able to locate a person who had been involved with the development of the formula. This person said the formula was established after looking at each school's staffing and enrollment and how each school could find a solution to additional credit requirements. Tony said the formula was based on a snapshot in time, but over time the formula had no flexibility in law to change as school demographics changed.

Senator Buckner-Webb referred to the finding that some program funding was based on 20-year-old formulas. She said the way special education is defined and the extent that special education is provided has changed considerably in the past 20 years. Even if a funding mechanism was equitable by facility, it may not be equitable by student. She said the Legislature had been charged to not only think of what special education should be, but also of what students coming out of special education could do as contributing members of society.

Bob referred to the 2009 OPE report *Public Education Funding in Idaho*, which talked about a cyclical approach for the Legislature to follow. Steps of the approach were (1) set performance goals for different student groups, (2) determine which programs the state needed to modify to help students reach performance goals, (3) determine needed state investment, (4) measure success, (5) identify what worked, and (6) periodically reexamine goals and begin the cycle again. Bob said the recommendation for a cyclical approach, not an adequacy study, still made sense today.

Representative Bell said the findings gave new meaning to the word discretionary and indicated the Superintendent's **budget** and the legislative budget did not show that complexity. She wondered if the formulas had specific items left that would be useful in a revised formula or would the formulas need to start from the bottom to begin anew.

Bryon said Representative Bell made good points. Further complicating the issue, oftentimes people only thought of the traditional funding formula when referring to public education funding. He said funding for some program distributions came and went or were merged together. Programs such as district IT staff were around to stay and might be better served in the funding base. Generally, individual funding formulas for program distributions fell short of having a timely review for effectiveness.

Representative Erpelding referred to the finding of the safe and drug-free program, which received funds through taxes on tobacco and lottery winnings. In fiscal year 2016, revenue for the funding was not available to distribute until June. He asked if revenues were made available in the fiscal year they came in or in the next academic year. Tony said he did not know whether the example provided by department staff had been a one-time situation or if it happened every year. He said a way around that problem could be to shift funds for revenue received late in the year to the next fiscal year.

Cochair Bayer **invited the Governor's office** to address the report. No one responded. Cochair Bayer invited the Superintendent of Public Instruction to address the committee. Superintendent Ybarra thanked the office for the report. She said she did not have any comments but would stand for questions.

Cochair Bayer said the office would present the report to the Public School Funding Formula Interim Committee in a meeting tomorrow. He suggested that JLOC wait to decide on formal action until a later date. Rakesh said he would offer to present the findings and recommendations to JFAC and the Senate and House education committees.

Other business

Cochair Bayer announced that the American Evaluation Association had recognized the office with an award for an outstanding evaluation of SchoolNet and ISEE. Rakesh said he was lucky to have the staff he had. The award was an honor, especially considering the size of the office and the small team. Team members had been Lance McCleve, Hannah Crumrine, and consultant Bob Thomas.

Rakesh said the next meeting was tentatively planned for January 16 to release a report on foster care.

The meeting adjourned at 2:20 p.m.