

MINUTES
SENATE EDUCATION COMMITTEE

DATE: Thursday, March 19, 2015

TIME: 3:00 P.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman Mortimer, Vice Chairman Thayn, Senators Keough, Nonini, Patrick, Souza, Den Hartog, Buckner-Webb and Ward-Engelking

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Mortimer** called the meeting to order at 3:01 p.m.

H 170 **Senator Nonini**, District 3, presented **H 170**, contractual pay for success; a new section of code. He explained the reasoning and the process of this legislation. He stated that children who don't read at grade level by the third grade, typically never get caught up. As they move through the grades they have a tendency to drop out of school and often become part of the correctional system, costing the State money. He emphasized that anything that the State can do to alleviate that cycle interested him.

Senator Nonini said that in constructing this legislation he met with many stakeholders and Legislators. He gave examples of other states that use pay for success models in reading and in addressing recidivism. He believed this is something that Idaho should examine to improve reading proficiency. He explained the duties of the State Department of Education as outlined in the bill. He emphasized that the important part of the bill is how the metrics would be set and who would be the evaluators. **Senator Nonini** said that this bill was very well accepted by the House Education Committee and received a good vote on the House floor. He stated there is a bit more work to be done on the bill so he urged the Committee to send it to the 14th Order.

Senator Souza said she supports this idea. She asked if he was comfortable with the contracting procedures as written in this bill. **Senator Nonini** answered in the affirmative. He explained there are some specifics in this legislation that cover the contracting issues. One specific is a neutral oversight committee that would keep the controls stringent.

Kate Haas, Kestral West, representing Lee Pesky Learning Center (Pesky), explained their involvement in this legislation. She introduced the Committee to the work of Pesky and explained the "Train the Trainer" program. She said that Pesky is a data driven organization and has 12 years of evidence that shows children taught to read by a Pesky trained adult have better reading scores than similarly situated children.

Ms. Haas said that Pesky is in support of **H 170**, so that they could utilize pay for success contracting. She continued by stating that this could be an outstanding way of spurring innovation in the public education system by supporting the schools and finding improved ways of achieving intended outcomes. She explained that they are not here for the money, instead they would bring a structure to allow for innovation without the State or local districts having to bear the costs and the risks. She explained how the Pesky program works and detailed the pay for success model and the requirements of the legislation.

Ms. Haas explained that in meeting with Chairman Mortimer and others, some amendments need to be written into the legislation that will enhance the pay for success component and reduce risk to the State. She outlined and explained the recommended amendments (see attachment 1).

Senator Ward-Engelking said she is very supportive of this legislation. She wants to make sure that this legislation is not restricted to Pesky. **Ms. Haas** answered in the affirmative. She said this legislation is specific to education only, not certain contractors or vendors.

Chairman Mortimer asked if there were other examples where this type of contracting might apply. **Ms. Haas** explained the benchmarks that the legislation specifies must have an academic outcome and show that the contractor is using the money resourcefully. At any point that the data shows those two factors can be accomplished, pay for success could be used in the education realm.

Vice Chairman Thayn asked if there is enough educational improvement made in this program to have a financial effect on remediation in order for businesses to have enough cash flow to then want to be involved. **Ms. Haas** answered in the affirmative. She stated there have been financial experts looking at this, and they believe that it would be sufficient to make that return. It does end up being a net neutral; the investors cannot make more money than what the State would spend.

Chairman Mortimer asked if there are high school students who fail the 10th grade college career ready tests, would they be eligible for help under this legislation. **Ms. Haas** answered in the affirmative. She stated that would fall under the academic component. **Chairman Mortimer** asked if this program would work for those 3rd grade students who are below reading level. **Ms. Haas** answered in the affirmative.

TESTIMONY:

Rod Gramer, President, Idaho Business for Education (IBE), said this is an innovative program that could address many of the education issues that concern IBE, such as reading and college remediation. He said this bill has a market driven approach where private investors risk their own money to help strengthen the education system in Idaho. At the same time they can earn a fair return on their investment. **Mr. Gramer** explained that this approach can help solve some of the educational issues in the State. This model has been used successfully by other states. He concluded by saying this is a great bill; please support **H 170**.

Vice Chairman Thayn asked if he or Ms. Haas knew how Utah has been using this program. **Ms. Haas** said that the Utah model is slightly different with funding coming from a social impact bond, and the application has been limited to Salt Lake City. Their program is for bricks and mortar as well as an at home pre-kindergarten learning model.

Senator Nonini addressed the Committee members' concerns about using only specific program providers. He explained that the legislation has been written so that many contractors would have the opportunity to participate. He stated that his frustration has been that third graders are not achieving at the proper academic level. He asked for the Committee to send **H 170** to the 14th Order to help remedy this predicament.

MOTION: **Senator Souza** moved to send **H 170** to the 14th Order for possible amendment. **Senator Ward-Engelking** seconded the motion.

Vice Chairman Thayn stated there is risk in everything the Committee does. The benefits of this bill are good. He said he will be in support of **H 170**.

The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Souza** moved to approve the Minutes of February 26, 2015. **Senator Den Hartog** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Patrick** moved to approve the Minutes of March 2, 2015. **Vice Chairman Thayn** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Buckner-Webb** moved to approve the Minutes of March 3, 2015. **Senator Ward-Engelking** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Vice Chairman Thayn** moved to approve the Minutes of March 5, 2015. **Senator Nonini** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Nonini** moved to approve the Minutes of March 9, 2015. **Vice Chairman Thayn** seconded the motion. The motion passed by **voice vote**.

Chairman Mortimer announced to the Committee that there will be more bills coming so be prepared to meet for the next couple of weeks.

ADJOURNED: There being no more business, **Chairman Mortimer** adjourned the meeting at 3:41 p.m.

Senator Mortimer
Chair

LeAnn South
Secretary