

FINAL REPORT  
PUBLIC SCHOOL FUNDING FORMULA  
LEGISLATIVE INTERIM COMMITTEE  
HCR 33 (2016)

Committee Members:

Senator Chuck Winder, Co-Chair	Rep. Wendy Horman, Co-Chair
Senator Dean Mortimer	Scott Bedke, Speaker of the House
Senator Cliff Bayer	Representative Julie VanOrden
Senator Steve Thayn	Representative Sage Dixon
Senator Janie Ward-Engelking	Representative John McCrostie

Sherri Ybarra, Supt. of Public Instruction, non-legislative member  
Dr. Linda Clark, State Board of Education, non-legislative member

Legislative Staff:

Kristin Ford, Legislative Analyst, Research and Legislation  
Paul Headlee, Deputy Div. Manager, Budget & Policy Analysis  
Lara Margelofsky, Committee Secretary

Non-Legislative Staff:

Tim Hill, Associate Deputy Superintendent, State Department of Education  
Marilyn Whitney, Office of the Governor  
Blake Youde, Office of the State Board of Education  
Tracie Bent, Office of the State Board of Education  
David Hahn, Division of Financial Management, Office of the Governor  
Tamara Baysinger, Program Director, Idaho Charter School Commission

### *Committee Charge*

The Public School Funding Formula Interim Committee was authorized by HCR 33 (2016). The purpose of the committee was to undertake and complete a study of the state's public school (K-12) funding formula(s) and to report its findings and recommendations to the First Regular Session of the Sixty-fourth Idaho Legislature. In addition to ten legislator members, the committee was also composed of the Superintendent of Public Instruction and Dr. Linda Clark, member of the State Board of Education. The Committee has been staffed by not only the Legislative Services Office, but has also received assistance from the Office of the State Board of Education, the State Department of Education, the Office of the Governor, and the Division of Financial Management.

### *Meetings*

The committee met five times; three times at the State Capitol in Boise, once in Pocatello, and once in Post Falls:

July 12, 2016, Boise  
August 30, 2016, Boise  
September 27, 2016, Pocatello  
October 17, 2016, Post Falls  
December 13, 2016 Boise

All meeting presentation materials and audio are available on the Idaho Legislature's website at: <https://legislature.idaho.gov/sessioninfo/2016/interim/psff/>

On July 12, 2016, the Committee met in Boise and was updated on the actions and progress of earlier public school funding formula studies under the Board of Education and under the Governor's Task Force on Education. Paul Headlee, LSO, and Michael Griffith, Education Commission of the States, provided the Committee members with a recap on what had been discussed in two informal work group meetings that had taken place in April and May of 2016. Bryon Welch of the Office of Performance Evaluations (OPE) informed the committee of the Joint Legislative Oversight Committee's request to the Office of Performance Evaluations to conduct a review of the programs within the public school support budget, which they will attempt to have completed by December 2016. Tim Hill, State Department of Education, presented information on the timing of payments to school districts and on the information collected and published regarding dollars per student. Lastly, Blake Youde, Office of the State Board of Education, and Paul Headlee, LSO, provided information on a planned survey of school districts about what is working and what is not working with the K-12 funding formula.

On August 30, 2016, the Committee again met in Boise and received an update on the progress of the survey of school districts; learned about the status of school district health insurance; heard about federal funding in the public schools budget; received an update from OPE regarding their ongoing review; and heard public testimony. Marilyn Whitney, Office of the Governor, provided an update on the implementation of the recommendations from the Governor's Task Force on Education and the workgroup under the State Board of Education.

On September 27, 2016, the Committee met in Pocatello on the Idaho State University campus. The Committee received information regarding supplemental levies; heard an update on the survey of school districts; learned about the methods for counting students for funding purposes; heard a staff report on the needs of classified staff salaries; learned about how other states address school district health insurance costs; and heard about outside resources available to the Committee, such as the National Conference of State Legislatures. In the evening, the Committee received public testimony.

On October 17, 2016, the Committee met in Post Falls at the North Idaho College Workforce Training Center. The Committee received an update on the survey of school districts; heard a presentation on school facilities funding in Idaho, including input from the West Bonner County School District; received a presentation on education funding reform and student-based formulas from the Foundation for Excellence in Education; and held roundtable discussions with school board members and superintendents. In the evening, the Committee received public testimony.

On December 13, 2016, the Committee met in Boise. The Office of Performance Evaluations presented its findings on public education funding distributions. Blake Youde, Office of the Board of Education, presented the results of the survey of school administrators, teachers, employees and parents regarding public school funding. The State Treasurer's Office provided information about Tax Anticipation Notes and their relationship to school district payment schedules. Mr. Tim Hill explained the history of the "Use It or Lose It" provision for school district personnel, and the Idaho School District Council (ISDC) explained its role in providing health insurance to school district employees through its newly created ISDC Self-Funded Benefits Trust.

In the afternoon, the Committee broke into several groups and held roundtable discussions with school board members, school superintendents and other interested public members, then reported back to the full Committee. Common concerns reported were the limitation of leadership premiums from certificated staff; the lack of funding to hire and retain classified staff; the funding of special education students' needs; the desire for greater flexibility for local schools to determine the highest priority of needs for continuous school improvement each year; and the cumbersome formula for school transportation reimbursement.

The Committee intends to meet a final time in February to approve a list of top concerns to present to the standing germane committees for their consideration, and to resume its work in the interim of 2017, if reauthorized by the 2017 Legislature.

### **Findings from the Presentations and Public Input**

The primary results and themes identified by the Public School Funding Formula Interim Committee include the following:

1. According to the Education Commission of the States, Idaho is one of seven states

that use a resource allocation model and funds school districts and charter schools based on positions (teachers, administrators, and classified staff). Most other states use formulas that fund schools on a per-pupil basis.

2. Idaho's funding approach also includes distributions, both statutory and non-statutory, for specific programs or purposes. The number of distributions, including discretionary funds, has increased from 26 distributions in FY 2008 to 41 distributions in FY 2017. This approach allows the state to control more of the education policy expenditure decisions, but limits the ability for school districts and charter schools to move funds between programs based on district or student needs.
3. White papers presented by staff demonstrated to the committee:
  - How health insurance costs could be separated from discretionary funds and increased annually,
  - How other states address, or not address, school district health insurance costs,
  - The potential costs of transitioning from counting students based on average daily attendance to counts based on enrollment. Without adjusting statutory divisors, the cost could be \$57 million to \$71 million. By adjusting statutory divisors, the cost could be neutralized to zero, and
  - How the facilities funding formula works, sources of funds, and which variables affect local and state funding.
4. Public testimony and roundtable discussions with school board members, superintendents, principals, and teachers resulted in the following major themes:
  - Student mobility and how we count students,
  - Health insurance cost increases,
  - Special education costs exceed current funding,
  - Address classified staff salary disparity,
  - Combine distributions into block grants that provide more flexibility. Possibly tie the block grants to the annually required continuous improvement plans,
  - Supplemental levies are an unstable source of local dollars,
  - Leadership premiums are working, but they do not extend to classified staff,
  - Transportation funding is too complex; restore the \$7.5 million reduction,
  - Medicaid reimbursements are underutilized,
  - The increments for additional math and science funding are impractical,
  - Virtual school enrollments,
  - More flexibility needed,
  - Dollars should follow the student,
  - Consolidate or reduce reporting requirements, and
  - More technology devices are good, but they also require more broadband.
5. The sub-committee developed and pre-tested 33 survey questions with stakeholder groups. The Office of the State Board of Education (OSBE) then administered the survey from October 3-24, 2016, which was open to the public. OSBE received 2,161 responses, of which, 39% were teachers, 11% were administrators, 15% worked in

some capacity for a school district, and 2% were school trustees. Over 77% of respondents were parents of either a current, former, or future K-12 student. All responses were anonymous. Response highlights included:

- 63% responded that more funding is needed before we reform the way schools are funded,
- Nearly 70% of respondents said their local public school district or charter spends its funding effectively or very effectively,
- Over 50% of respondents said their school district or charter school does not have enough flexibility in their ability to spend school funding,
- 78% favor a base amount of funding per student plus additional funding for certain student needs compared to 19% that favored equal funding per student regardless of needs,
- Respondents favored, by a 3 to 1 margin, moving insurance costs out of discretionary funds and annualizing in some way,
- Over 60% of respondents favored a statewide health insurance plan for all public school staff, while less than 10% favored the current structure,
- When asked to prioritize funding distributions, respondents favored distributions related to salaries, teacher recruitment and retention, the career ladder, instructional materials, equal distribution of funds, classroom technology, Wi-Fi, content and curriculum, literacy proficiency, and professional development.

## **Recommendations**

There are certain components of the public school funding formula that were reviewed and analyzed by this committee that could be addressed by the 2017 Legislature by the Joint Finance Appropriations Committee, the Senate Education Committee, and House Education Committee. Other formula components will require more analysis, modeling, and testing before implementation is considered. Therefore, this committee recommends resuming this effort after the conclusion of the 2017 legislative session.

### ***Funding components that could be addressed during the 2017 session include:***

1. Seek ways to combine funding distributions within the FY 2018 Public School Support Program appropriation bills to provide school districts and charter schools more flexibility with certain funds. This effort would need to be balanced with accountability and could be included within each school district and charter school continuous improvement plan required by Section 33-320, Idaho Code.
2. Increase classified staff salaries with a plan that brings local salary contributions more in line with those for teachers and administrators. This could be achieved by increasing the classified staff base salary, increasing the

staffing allowance, or creating a separate categories of classified staff. The cost would be approximately \$43 million, which could be phased-in over several years.

3. Address annual rate increases in school district and charter school health insurance (health, dental, vision) by separating these costs out of the discretionary funds and then inflating based actual or projected rate increases. Annual increases could be in the range of \$10 million to \$15 million.
4. Address facilities funding by reviewing the definition of square feet used in the formula and by potentially adjusting formula variables and definitions to increase funding to districts and charter schools.
5. Address the pupil transportation formula by:
  - a. Simplifying the formula by addressing the block grant calculations, and
  - b. Removing the statutory provision that reduces the distribution to school districts and charter schools by \$7.5 million. This provision was placed in statute during the last recession. Removing this provision would likely require \$7.5 million from the General Fund or an offset in a different distribution.

***Funding components that could be addressed in a subsequent interim committee:***

1. Authorizing a subsequent interim committee would allow additional time to review survey responses and the Office of Performance Evaluations' report.
2. Continue to review, develop, and simulate new funding formulas. Simulating could include developing a student-centered formula that includes a base amount per student plus weights for certain categories of students, such as special education. Other variables could include economies of scale, rural considerations, methods of equalization, and accountability.
3. Continue to model and test alternatives to the current methods of counting students based on average daily attendance (ADA). This should include enrollment, student mobility, and whether ADA should exceed greater than 1.0 per student. This effort should also include a review of ancillary formulas that currently rely on average daily attendance reporting.

4. Test all funding models with input from stakeholder groups and professional associations, such as, the Education Commission of States, and the National Conference of State Legislatures.
5. Continue to communicate with other states, such as Colorado and Montana, that are reviewing, or have recently reviewed their public school funding formulas.