

MINUTES
Approved by the Committee
Public School Funding Formula Committee
Friday, September 22, 2017
8:30 A.M.
State Capitol
Boise, Idaho

MEMBERS: Co-chairs Senator Chuck Winder and Representative Wendy Horman; Senators Dean Mortimer, Cliff Bayer, and Lori Den Hartog; Representatives Scott Bedke, Julie VanOrden, Sage Dixon, and John McCrostie; and nonlegislative members Dr. Linda Clark, State Board of Education, and Pete Koehler on behalf of Sherri Ybarra, Superintendent of Public Instruction.

ABSENT/EXCUSED: Senator Janie Ward-Engelking

ATTENDEES: Representative Ryan Kerby, District 9; Representative Lance Clow, District 24; Tim Hill, State Department of Education; Tracie Bent and Blake Youde, Office of the State Board of Education; Marilyn Whitney, Office of the Governor; Gideon Tolman, Division of Financial Management; Kari Overall, Idaho Education Association; Rob Winslow, Idaho Association of School Administrators; Julie Oberle, State Department of Education; Sue Wigdorski, Idaho Education Association; Suzanne Budge, SBS Associates; Alejandra Cerna, Idaho Center for Fiscal Policy; Fred Birnbaum, Idaho Freedom Foundation; Marc Carignan and Terry Ryan, Bluum; and Dr. Marguerite Roza, Georgetown University. Legislative Services Office (LSO) staff: Paul Headlee, Robyn Lockett, Brooke Brouman, and Lara Margelofsky.

NOTE: Copies of presentations, handouts, and reference materials can be found at 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/2017/interim/psff-materials/>

CONVENED: Co-chair Winder called the meeting to order at 8:35 A.M.

WELCOME AND INTRODUCTIONS: Co-chair Winder welcomed attendees and previewed the day's presentation from Dr. Roza. The minutes from meetings on June 20 and August 14 were both approved by the committee.

STAFF

PRESENTATION: **STAFF UPDATE OF FUNDING FORMULA MATRIX**

PRESENTER: **Robyn Lockett, Legislative Services Office**

Ms. Lockett informed the committee that three more components were added to the funding formula matrix presented at the last meeting:

- Local funding – Idaho currently does not expect districts to contribute revenue to local schools, but instead can utilize levies. Other states in the matrix use varied forms of local revenues. Idaho's state share of funding is higher than the national average.
- Mastery-based education – Learning progressions based on content mastery rather than the passage of time. Allows states flexibility to award credit based on demonstrating competency rather than seat time, but policies vary widely. Twelve states have enacted legislation in regards to mastery-based education.
- Distribution payment schedule – There are currently five payments per year in Idaho, with the first payments based on the prior year's data and the final

payments based on current school year data. Other states distribute monthly payments.

She also addressed a previous question about California's teacher contracts and student mobility.

PRESENTATION: OPTIONS LOOKING FORWARD: ANALYSIS OF IDAHO SCHOOL DISTRICT FUNDING AND NATIONAL PERSPECTIVE OF FUNDING FORMULA OPTIONS

PRESENTER: Dr. Marguerite Roza, Georgetown University and Edunomics Lab

Dr. Roza introduced her presentation on Idaho's public school funding formula.

What should a state funding system do?

- Ensure equity for students – Equity means higher needs students receive higher dollar amounts.
- Be flexible to withstand the test of time – State formulas tend to last 20-30 years, often amid changes in schooling delivery models, new innovations, etc.
- Tap adequate, stable and sustainable revenues. Ideally revenues tap state and local sources, and include a component of property taxes (for stability).
- Be simple and transparent – The formula should yield a predictable, understandable revenue stream that can be summarized on a single page and help schools understand why they get the funding that they get.
- Emphasize continuous improvement and productivity. Money and outcomes should be thought about together to emphasize that the goal of these dollars is to get the greatest outcomes for kids.

Key Decisions

1. State mechanism to deploy funds to school – How to adjust for higher student needs?
2. Whether and how local revenue will be used.
3. How much flexibility to allow in the funding formula and what to do about accountability.
4. How to transition.

Dr. Roza emphasized that her presentation is designed to give her own opinions and research findings and that she is merely making recommendations, not final decisions for the committee.

State mechanisms to deploy funds – What formula options exist?

- Student-based allocation, aka foundation formula.
- Staffing or resource-based formulas.
- Categorical or program allocations.
- Other – hold harmless, reimbursements, etc.
- Hybrid – combination of the above.

Dr. Roza described that Idaho is a hybrid of the staffing and categorical models, making it an outdated outlier among most states that have adopted a student-based formula. She noted that when the state dictates funding, this often puts districts in compliance mode and makes the legislature responsible for outcomes rather than local districts or schools.

Staffing-based funding formulas:

- Fuel inequity. Uneven spending across schools (driven in part by school size,

teacher salary differences).

- Limit flexibility, resistant to innovation.
- Inhibit local accountability.
- Not transparent.

Dr. Roza explained that her staff tried to reproduce Idaho's numbers and could not, meaning the current model is not transparent. She also noted that, relative to other states, Idaho allocates a smaller share of its funds on the basis of students.

Dr. Roza walked the committee through the average per-pupil amounts in Idaho. She noted that in a student-based model, amounts would be allocated in a more purposeful way.

Senator Mortimer asked if local allocation per pupil takes the building portion per district into account. Dr. Roza said that they excluded building funds.

Speaker Bedke noted that he believes teacher pay disparity based on seniority will lead to disparity in per student funding and expressed skepticism of the model's fairness, especially looking historically in Idaho.

Dr. Roza stated that many states have salary schedules for teachers and still fund per student, with districts making the necessary trade-offs in staffing and salaries to pay senior teachers more. Districts take care of teachers in the student-based formula where each student receives a set amount of funding. Since Idaho uniquely hardwires salary schedules into the state formula, it is acceptable for some districts to draw down greater funds to pay senior teachers while others have trouble retaining senior teachers. Dr. Roza noted that those are beneficial trade-offs for communities to make so districts have autonomy in their allocations while still keeping teachers.

Dr. Roza presented the California and Texas funding formulas, with examples of how they choose the weights for different categories.

California: Dr. Roza stated that she believes it is a good idea to write an accountability plan, with public data, into the law so that in year 2 or 3 districts are held accountable for their outcomes in exchange for state money (instead of merely reporting compliance).

Texas: Dr. Roza described that often early versions of weights look like old spending patterns, then over time they adjust numbers, getting more generous with weights over time as they see students still struggling.

Dr. Roza noted that the Idaho state funding formula does not account for local tax revenue. She described methods to "tap" or "tame" local funds and options to do both.

Tap: Local moneys provide an important source of education funding: Taxpayers are more willing to grow local money than state money over the long haul. Local money also competes with fewer priorities than state money and local money is more stable.

Tame: Local money can be unreliable and a source of inequity because of uneven property values and uneven appetites for local taxes. It is important to both "tap" into and maximize local funds and "tame" to prevent disparities between districts and make all districts feel like they have a voice in funding.

Speaker Bedke brought up the example of a district with low property wealth. Dr. Roza clarified that her calculations also take into account the number of kids per district to calculate not just the property wealth per capita but property wealth per child. Property value and number of pupils is what matters.

Dr. Roza stated that local revenues help grow the base amount per pupil and increase revenue overall, and she provided examples of base adjustments through local mills.

Mr. Hill noted that total revenue being generated from supplemental levies across the state totals \$188 million.

Co-chair Horman asked about charter schools, which have no access to local funds and use general fund dollars. Dr. Roza stated that dollars are generated per pupil for the students who live in that area and then are delivered to the school that serves the child. If it is a charter school that serves the child, then the charter school would get the amount of local money and state money.

Flexibility and Accountability

- If you give schools/districts greater flexibility in their use of dollars, how are they held accountable? How much flexibility is good?
- States are often concerned that if they do not earmark money, it will not be spent that way, making student achievement go down. Dr. Roza said she believes that if districts can implement their own strategies, states should allow it and tolerate that small risk. If districts know something is a good idea, they will probably do it by buying into outcomes. District stakeholders are usually a bigger source of accountability than the legislature.

Dr. Roza described a weak relationship between spending and outcomes in low-income elementary schools in Washington state. She stated that there should be a strong relationship to show spending is occurring in the best way, getting the best outcomes for dollars spent. With more flexibility, there is more motivation at the local level to make it work.

Dr. Roza discussed her research about what principals believe stands in the way of leveraging their dollars to get greater outcomes for students. On average, principals list 16 barriers, including teacher quality, resource allocation, and instructional innovation. They generally state that they could do more with what they have, but they are conditioned to say the legislature gets in their way. The model removes the rules to renegotiate the relationship.

Rural districts vary on spending, outcomes, and ROI: Idaho is more low spending than most states, which typically spend in the \$13,000 range. Idaho did not have any ROI superstars – states that do not spend much but have beat the odds with the dollars and kids they have.

What do the ROI superstars do?

- No clear pattern in how they spend their money.

What did ROI superstars say?

1. Importance of relationships (students, staff, community as partner)
2. Flexibility, self-reliance, ingenuity
3. Conscious tradeoffs
4. Respects for costs (careful stewardship of public funds)

Dr. Roza noted that these are all locally generated solutions.

How do states traditionally transition from one funding method to another?

1. Hold harmless: Provide LEAs with the same level of funding they received under the old formula for a number of years, gradually reducing funding amounts based on the formula over a set time horizon.
2. Leave local money as a vehicle to adjust for transition: Some states allow LEAs to raise above the set uniform tax rate, and LEAs are able to keep whatever revenue those additional mills bring in to the district, even if the district receives state funding.
3. Flexibility in spending: A key driver in many formula changes is granting flexibility to LEAs over spending decisions. Even if LEAs receive fewer dollars per pupil, if they are able to spend it more flexibly (such as increasing class sizes above the state recommendation), they are able to adapt more easily to reduced funding scenarios.

The committee asked for further explanation of California's model. Dr. Roza explained that:

- For California's base foundation amount, they used a five-year phase-in plan to get every district to the full amount of funding, starting with districts with high poverty rates rather than districts on the higher end.
- They have factored local contribution in to their allocation, with some flexibility for districts to go above the minimum local amount. It is not possible for local money to provide the full amount. Everyone gets some state share, with small exceptions.
- The state uses ADA and Average Daily Membership to track mobile students.
- California uses an unduplicated count for their poverty measure, where students are not weighted in more than one category. They have not seen in their data that students who could be weighted in more than one category perform worse than students who are in one category alone, so they are not duplicated.
- Outcomes (as they enter their fifth year of phase in). California used to have exceptionally restrictive categorical spending until the state removed those restrictions and gave students per-pupil funding. They did not see radical behavior, but instead saw districts spending in much the same way they used to. The raises they gave teachers were commensurate with the money they received. They have seen outcome improvements in student growth, especially for vulnerable students. Not all studies are complete yet, but they are watching what has happened since California put so much more money into school funding.

Balancing accountability in student allocation with fostering relationships and positive culture in the new model: Senator Bayer asked how to achieve this balance in a new model. Dr. Roza stated that districts must be able to look

at data from a meaningful set of peers, so schools realize the only way to get their numbers up is to pay attention to students. ROI superstars did not talk about data for systems but data for individuals, like specific teachers. If schools are paid per child and are responsible for individual students, they see more accountability for students. Schools want students to be successful – that is what schools do best. It is less about compliance and more human.

Incentives: Senator Mortimer asked if there's a place for incentives as motivation in K-12 education, even if the incentive is not to be disciplined. Dr. Roza stated that this idea was popular 10 years ago, but ultimately fuels more inequities because teachers will move to districts where they are more likely to get the incentive money. The incentive should be maintaining eligibility for public funds based on outcomes. More accountability could be phased in after implementation in later years after they have data and have adjusted to the new system.

Bond levy equalization and mobility in student-based formulas: Co-chair Horman asked about equalization and mobility. Dr. Roza said that different states use different mechanisms, often based on property taxes, for equalization. Dr. Roza explained that the biggest issue around mobility in Idaho is movement in and out of virtual schools and other choice options. Some states allow movement only at certain times, whereas, if there is open movement every day, there needs to be a financial mechanism to account for this. Dr. Roza advises funding based on membership, counting a few times per year, and adding a few parameters on choice to create a predictable schedule since it is too expensive to fund constant movement with public funds.

Month-to-month distribution model: Mr. Hill stated that he doesn't anticipate any difficulty in changing to a month-to-month distribution model like California's, but noted that working with charter schools (unlike districts which cannot fail) might take more time. He believes average enrollment would be better than counting every student every day. Dr. Roza and Dr. Clark agreed.

Enrollment model: Dr. Clark noted that she believes the ADA model is not student-centered and instead supports the average daily membership/enrollment model. She believes fractionalized enrollment will be important if moving to a student-focused model rather than the current half-day segment structure. She believes if the legislature moves to an enrollment-based system with current funding, the amount per student will be less, but that it will be worth the change especially if over time the amounts would increase and make up that differential.

Mr. Koehler stated that with an enrollment base, students can be encouraged to do internships, CTE, or an apprenticeship, without the district being penalized for students not being in the classroom, especially in the last years of high school. Speaker Bedke concurred with this point.

Ms. Whitney noted the recommendation from the governor's 2013 task force was to switch to an enrollment model.

Mr. Hill recalled that in a report from last year, he found that they can adjust the formula so that a switch to an enrollment-based model would be

cost-neutral. He also noted that the formula recognizes the reality of hiring full-time teachers with less than full class sizes, which impacts about 25% of districts.

Mr. Koehler noted that to account for mastery-based standards, the enrollment model would be best.

Small districts: Dr. Roza noted that some states subsidize small districts, some do not. There is usually a cost per student at which it might be more efficient to look at alternative delivery models, but that should be based on data.

Career ladder funding mechanism in a student-based model: Responding to a question from Senator Den Hartog, Dr. Roza stated that many states have gotten rid of the career ladder, some freeze it and leave an old salary schedule on the books as a minimum, or they use a hold harmless agreement.

Pilot projects: Speaker Bedke asked if it would be possible to do pilot projects in some districts to evaluate the committee's recommendations, especially in regards to local money. Dr. Roza stated that pilots do not typically work because they do not adopt a clear formula, they burn a lot of political capital, and districts do not have an opportunity to learn from each other with only a few doing them. She has rarely seen pilot programs expand, based on what she has seen around the country. However, she said that one area where a pilot could work is in regards to mastery-based funding since there is currently little research on the topic.

Budget distributions and categoricals: Senator Mortimer asked if there is a best number of budget distributions, and if it is better to look for one number or to use a range. Dr. Roza stated that allocations made outside the formula are typically very small amounts. She likes the one number concept, but it must be practical when developing a new formula to prevent large disparities between schools and grades. A single number base helps.

Mr. Hill noted the support unit values: Kindergarten = \$2,500; Grades 1-6 = \$4,300-\$8,200; Secondary = \$5,300-\$8,200; Exceptional ADA = \$6,800; Alternative/At-risk = \$8,200. Their divisors relate to the size of the program, based on a statewide average of \$98,600.

Dr. Roza stated that decisions on the weights, possible categoricals, and local contribution will take the most time in developing the new formula. She noted that facilities tend to be funded through a separate mechanism in most places.

Mr. Koehler noted that there are 23 separate statutory requirements that impact funding, and eight non-statutory line items that impact funding, and it will take time to work through these.

Senator Mortimer stated that he believes legislation, drafted by the committee, is required to change existing systems. He believes the committee can draft it and come to an agreement before it comes before the education committees, where it could be modified. Representative VanOrden and Senator Bayer agreed.

Representative McCrostie stated that he supports a student-centered formula, though he wouldn't at this time rule out a hybrid for flexibility. He supports the ADM enrollment vs. attendance and supports fractionalized classes. He would be in support of a distribution timing model like California's. He does not believe they could prepare an entire rewrite of the funding formula by January, but does support attempting to draft language before the session.

Co-chair Winder asked about consensus on recommendations including:

- Moving toward a student-centered approach and fractionalized enrollment. Co-chair Winder suggested determining a base and then building weights. Co-chair Horman, Senator Mortimer, Senator Den Hartog, and Speaker Bedke all expressed support.
- Keeping the commitment to the fifth year of the teacher career ladder before reevaluating in the future. Senator Mortimer and Senator Den Hartog agreed. In the model change, the topic of number of allocations might need to be revisited. Dr. Clark noted that the issue should be revisited at a later time, especially in regards to the upper end of the ladder to attract and retain teachers.
- Moving toward districts having more flexibility and fewer line-item requirements. Representative VanOrden agreed but added that an evaluation mechanism should be included in the legislation so everyone knows up front what will happen down the road.
- Delaying discussion around the issue of a raise in property taxes for local funding. Senator Mortimer and Senator Bayer agreed this topic shouldn't hold up funding of other issues. Dr. Roza noted that the state formula could be built on the expectation of funding but that it does not necessarily need to be collected, and Co-chair Winder noted that it could be voluntary.
- Asking staff for more information about how to change the distribution payment schedule.

Co-chair Winder noted after discussion that mastery-based education is a different piece that does not necessarily need to be considered at this time, but it could be considered later with a pilot. Dr. Roza agreed that generally in other states it is seen as a different piece.

Co-chair Horman noted that a new accountability framework had recently been put into rule, which will allow time for the framework to evolve. She also stated that she would like to discuss budgeted distributions and local involvement with local stakeholders before the next meeting. Dr. Clark noted that they will use regional superintendent meetings to discuss these matters.

Co-chair Horman recognized Representative Clow and Representative Kerby and thanked them for attending.

- BREAK:** The committee took a brief break at 12:30 P.M. to prepare for its working lunch.
- PRESENTATION:** **UPDATED BLUUM FUNDING FORMULA SIMULATOR AND REVIEW OF BLUUM SIMULATOR AND OTHER STUDENT-BASED FUNDING CONSIDERATIONS (DR. ROZA)**
- PRESENTERS:** **Marc Carignan and Terry Ryan, Bluum**

Co-chair Winder noted that concerns had been expressed about the transparency of the simulator, and he invited Dr. Roza to give her thoughts about it. Dr. Roza described how the simulator works, and that she has built similar models. She stated that it produces the same numbers as her calculations. She noted that it might be helpful if it was preloaded with current spending, had an attachment with the weights used in other districts, and included equations.

Mr. Ryan noted that Bluum is happy to hand over the simulator to the state and staff.

Mr. Carignan showed Bluum's data sources and described the various tabs in the spreadsheet. The simulator allows the committee to ask questions and plug in different variables and the results tab customizes a statistical summary for each district. He noted that anything you change in the input will change the output. Bluum also made changes since the last presentation, showing the breakout of funding into federal, state, and local totals. Facilities costs are included in the simulator.

Mr. Carignan walked the committee through each step of the simulator:

1. Choose which funding streams to include in the formula.
2. Choose whether and how to equalize local funding.
3. Add or subtract local funding.
4. Choose base funding amount.
5. Choose student characteristics to weight in the formula.
6. Choose how to fund kindergarten.
7. Address small districts.
8. Adjust values if needed.
9. See results.

Senator Mortimer asked for California's model to be converted to Idaho's. Mr. Carignan demonstrated how to enter California's numbers, with input from Dr. Roza and Senator Mortimer.

Dr. Roza's notes on the simulator:

- Using her method, they would not preload the base but instead preload the weights. They make policy statements through the weights (poverty, ELL, etc.) working backward toward the base amount.
- Some states offer more funding for categoricals that are not funded heavily from the federal government.
- There can sometimes be disincentives in the student performance category, which can usually be weighted differently.
- The Edbuild national map is a good tool to use to see other data.

**COMMITTEE
DISCUSSION:**

Senator Mortimer requested further meetings to discuss a comprehensive list of concerns from the committee about how to fund budgeted distribution items, including special education, ELL, separate grade level funding, and rural and small schools.

Senator Den Hartog noted that she would like legislators to communicate priorities as outcomes rather than inputs, with districts figuring out the details in their communities. Dr. Roza stated that other states address their expectations through outcomes with extra allocations and categorical spending.

Discussion between Senator Mortimer, Senator Den Hartog, and Co-chair Winder clarified that items like school size do not need to be line-itemed in a student-based model because the focus is on students, not institutions. Mr. Hill clarified that the original formula, prior to charter schools being introduced, addressed small class sizes, not small total enrollment.

Co-chair Horman mentioned the recent lack of an accountability system makes it difficult to identify where the greatest need is. She suggested collecting data to identify struggling populations. Mr. Youde stated he believes he can take the rule system approved last session to help shape a funding formula.

Dr. Clark mentioned that she believes the committee needs to discuss special education and students who need much more additional support vs. those who need learning support. She also described the added costs to districts for hearing and sight impaired students who choose to stay in their districts rather than being in residential treatment at the deaf and blind school.

Mr. Koehler asked Dr. Roza if she accounts for support coming from agencies that are outside of the Department of Education, like Health and Welfare, in her calculations. Dr. Roza stated that she accounts for those costs, like those through Medicaid, separately in her calculations.

Co-chair Horman thanked the committee members, staff, and Dr. Roza for their time and expertise. Co-chair Winder thanked the committee for its willingness to engage and communicate.

**FUTURE
MEETINGS:**

The committee will meet on Monday, October 16, and Monday, November 13 at the State Capitol.

ADJOURNMENT:

The meeting adjourned at 2:00 P.M.