

**Attachment 1**  
**March 8, 2022 SEDU**

Testimony on SB1373



DRAFT

*a possible solution?*  
*Ward-Engelking*

DRTJA168

-----  
LEGISLATURE OF THE STATE OF IDAHO  
Sixty-sixth Legislature Second Regular Session - 2022  
-----

1 This bill draft contains confidential and privileged information exempt  
2 from disclosure under Section 74-109(1), Idaho Code. If you have received  
3 this message by mistake, please notify us immediately by replying to this  
4 message or telephoning the Legislative Services Office at (208) 334-2475.

Moved by \_\_\_\_\_

Seconded by \_\_\_\_\_

IN THE SENATE  
SENATE AMENDMENT TO S.B. NO. 1373

AMENDMENT TO SECTION

1 On page 3 of the printed bill, in line 46, after "year" insert:  
2 ". The remaining funds of this fifty percent (50%) will be retained by  
3 the LEA but must be used to provide services to students who tested below pro-  
4 ficient under this paragraph. These services must utilize best practices to  
5 help the students improve the weaknesses identified on the reading assess-  
6 ment;".  
7  
8



51273-3  
 \$1273-3 Funding Distribution to 10 model Schools

Sam. Nelson

School	K students	% K growth	K Grown	Grade 1-3 Students	% 1-3 Growth	Grade 1-3 Grown	% Disadvantaged	Total Grown with Disadvantaged	Funding To School (i) Funding	(ii) Funding	Total Funding Per Student
1	20	100%	20	60	100%	60	100%	148	\$ 80,000	207,719	\$ 3,596
2	20	100%	20	60	100%	60	0%	80	\$ 80,000	112,281	\$ 2,404
3	20	75%	15	60	75%	45	75%	98	\$ 80,000	137,895	\$ 2,724
4	20	75%	15	60	75%	45	25%	73	\$ 80,000	102,105	\$ 2,276
5	20	50%	10	60	50%	30	75%	66	\$ 80,000	91,930	\$ 2,149
6	20	50%	10	60	50%	30	25%	49	\$ 80,000	68,070	\$ 1,851
7	20	25%	5	60	25%	15	75%	33	\$ 80,000	45,965	\$ 1,575
8	20	25%	5	60	25%	15	25%	24	\$ 80,000	34,035	\$ 1,425
9	20	0%	-	60	0%	-	100%	-	\$ 80,000	-	\$ 1,000
10	20	0%	-	60	0%	-	0%	-	\$ 80,000	-	\$ 1,000
<b>TOTAL</b>	<b>200</b>			<b>600</b>				<b>570</b>	<b>\$ 800,000</b>	<b>\$ 800,000</b>	

Total Funding \$ 1,600,000  
 Per Student \$ 2,000





81373

November 10, 2021

Mr. Kurt Liebich  
President  
Idaho State Board of Education  
P.O. Box 83720  
Boise, ID 83720-0037

Dear President Liebich,

On behalf of the members of the Idaho Charter School Network, we are asking the Idaho State Board of Education to pass a temporary administrative rule to base the Fiscal Year 2022 school funding formula on enrollment rather than attendance.

#### **The Problem**

COVID-19 has caused direct and indirect effects on student attendance this school year. Pediatric COVID-19 cases have been on a steady rise throughout the first quarter of this school year, causing higher than average student absenteeism. Additionally, students and faculty were advised by government officials and the health care community to act responsibly and stay home if they exhibited any symptoms that could indicate COVID. An intersection of the Delta Variant and unusually high rates of RSV and strep throat (the symptoms of which mirror several COVID symptoms) caused many students to forgo school while they recovered or awaited COVID test results. At the same time, many areas of Idaho had insufficient access to rapid tests; students turned to more widely available PCR tests, but were made to wait an average of 2-3 days for results. Together, the spike in COVID, an uptick in unrelated illnesses, acting responsibly by following expert guidance, and a delay in test results caused unprecedented absences in many Idaho schools this year.

#### **Reasons for Action**

While there has been much discussion regarding a potential legislative solution that would make permanent a change from attendance to enrollment-based funding, we are asking the State Board to immediately make this change through a temporary administrative rule that could be vacated by the State Board if a permanent, retroactive legislative solution is passed and signed by Governor Little.

There are several reasons why public charter schools must have immediate action.

- **Unpredicted Support Unit Recalculation.** In an unusual move, on Monday, November 8, 2021, the State Department of Education notified charters with significant fall absences that their support units had been recalculated using the October school data reports instead of the previous spring's numbers. Notified schools were informed that their November 15, 2021 state payment would be recalculated based on the new support unit calculations. For many charter schools (nearly 30 this year) this calculation reduced support units for FY 2022, which reduces

the November payment to the schools. Traditionally, this adjustment occurs in advance of the February payment to LEAs. This change creates a cash flow problem for LEAs experiencing sporadic absences and a lower than usual ADA and is especially burdensome for schools with fast growing enrollments.

- **Unique Injury.** In contrast, traditional public school districts are shielded from the same financial ramifications of similar absence rates. Traditional public school districts with comparably significant drops in attendance are not subject to the November support unit recalculation because they are statutorily guaranteed to receive at least 97% of the funding they received in the prior school year. Public charter schools do not have the 97% funding protection so there is no “floor” to backstop the decrease in support units.
- **Impact on Current and Future Budgets.** Public charter school administrators are trained to be fiscally prudent because they cannot rely on local bond or levies or protections from the state to maintain operations. The recalculated support units will cause public charter school administrators to make program, operation and personnel cuts during this school year and will have lasting impacts into the future as these new support units will also be used to set FY 2023 budgets. It puts charters in the impossible position of either performing on outstanding financial obligations or disregarding expert guidance now and into the future.
- **Risk of Closure.** Public charter schools are subject to Section 33-5209C(3), Idaho Code, which requires schools to have 15-days cash on hand or else trigger a two-year process that can result in school closure. This legislation was passed prior to COVID and was intended to prevent poorly managed schools from unexpected closings. However, significantly reducing support units in the middle of a school year could cause schools to borrow from their reserves and trigger the provisions of Section 33-5209C(3).
- **Risk to Existing and Future Financing.** Charter schools cannot issue bonds. When seeking financing for facilities, they depend on private lenders. Public charter school lenders do not like to see this level of funding instability. Lenders translate funding instability into higher risk. This results in higher interest rates across the sector for refinancing and new school start-ups, which diverts taxpayer dollars away from the classroom. In contrast, demonstration of state support for charter schools has been proven to broaden the pool of interested lenders and available tools, and lower interest rates.
- **Certainty and Timing.** We know the State Board has a proposed legislative solution for changing the basis for the school funding formula from average daily attendance to average daily enrollment. We have also heard from several legislators that there is interest in finding a permanent solution to this problem. However, tempers are high and time is of the essence. A temporary rule that can be vacated after the legislature acts would prevent otherwise certain and immediate harm to nearly 30 schools.

Any combination of the reasons stated above can cause significant operational and financial stress, or even worse, closure of public charter schools. These stresses and risk of closure can follow a public charter school for a number of years. Each charter school’s annual review and five-year charter renewal conducted by the Public Charter School Commission includes a thorough review of the school’s operations and finances. Lenders carefully scrutinize a school’s finances and authorizer reviews when determining whether and at what rates to offer financing. At best case, a failure on the part of the state to act swiftly could significantly diminish financing opportunities; at worst, it could cause a school to breach the terms of its financing agreements.



**The Request**

As stated at the beginning of this letter, we are asking the Idaho State Board of Education to pass a temporary administrative rule to base the FY 2022 school funding formula on enrollment rather than attendance. This can be achieved if the State Board takes action identical to the action the State Board took at its December 7, 2021, meeting with the amendments to Administrative Rule 08.02.01. This action would benefit all LEAs, not just public charter schools.

There is a second option for the State Board, but it is not a change from attendance to enrollment-based funding. For your consideration we propose a temporary rule that would amend Administrative Rule 08.02.01 to cap a reduction in public charter school ADA at 3% of current enrollment for purposes of calculating support units. Essentially, this temporary rule would provide a comparable 97% protection to public charter schools that is already provided to traditional public school districts.

Idaho public charter schools play an important role in educating Idaho's school children. Some of the best performing schools in the state are public charter schools. We have public charter schools in rural and urban Idaho, schools that have specialized in high demand programs whether it is a CTE program for at-risk students or a program for pregnant and parenting teens, schools that provide a classical education and schools that provide cutting edge STEM education. Idaho has supported the growth of these schools and their entrepreneurial school leaders. Idaho's economy is rebounding from the COVID surge as evidenced by the more than \$1.5 billion surplus. However, Idaho public charter schools are facing unnecessary cuts with potentially far-reaching consequences, caused by absences due to Covid. For one state agency, with the support of the health care community and the Governor, to implore citizens to act responsibly by staying home when symptomatic or awaiting test results, while another penalizes those who do, is confusing and disingenuous and has put charter schools in an impossible and imminently dangerous position. We hope you will support our request for a temporary rule to help Idaho's public charter schools and the 25,000 plus students they educate.

Sincerely,



Terry Ryan  
Chairman

Idaho Charter School Network



Blake Youde  
Executive Director

Idaho Charter School Network

CC: Governor Brad Little  
Members of the Idaho State Board of Education  
Sen. Steven Thayn, Chairman, Senate Education Committee  
Rep. Lance Clow, Chairman, House Education Committee  
Greg Wilson, Office of Governor Brad Little

