

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, March 04, 2024
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators Co-Chairman Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Herndon, Ward-Engelking, Just
Representatives Co-Chair Horman, Miller, Bundy, Raybould, Furniss, Handy, Lambert, Petzke, Tanner, Green
ABSENT/ EXCUSED: Senator Adams

Co-Chair Horman called the meeting to order at 8:01 a.m.

Ms. Erin Phipps, Revenue Analyst, LSO Central Administration, gave the General Fund Daily Update. She highlighted actions taken by the Legislature since February 23, 2024. She stated JFAC has finalized the FY 2024 transfers.

Ms. Phipps highlighted transfers to the Idaho Department of Transportation totaling over \$500M; she further noted \$330M in pending legislation and two of the largest enhancements budgets have yet to be set. She pointed out JFAC has not determined the FY 2024 and FY 2025 projected revenue numbers; these numbers could affect the bottom line.

Ms. Phipps observed 16 state agencies are awaiting JFAC budget action. She highlighted additional bills with changing fiscal notes; these pieces of pending legislation could also affect the bottom line.

Mr. Jared Tatro, Deputy Division Manager, LSO Budget & Policy Analysis, gave an overview of the Public School Support Program. The Public School Support budget provides state and federal funding for public education in grades K-12 “to maintain a general, uniform and thorough system of public, free common schools.” (Idaho Constitution, Article IX, Section 1.) Public Schools Support is organized into seven appropriation bills: Administrators, Teachers, Operations, Facilities, Children’s Programs, Central Services, and Idaho Educational Services for the Deaf and Blind (IESDB).

Mr. Tatro gave a high-level review of the various distributions in the Public Schools Support budget, including statutorily required distributions, other distributions, state discretionary funds, and health insurance funds. He compared the FY 2024 original appropriation, the FY 2025 Superintendent's budget requests, and the Governor's FY 2025 recommendations.

Mr. Tatro reviewed five years of original appropriations by Division. He then reviewed FY 2024 appropriations by fund source. He discussed reasons for growth in the budget over the last five years. Mr. Tatro reviewed the FY 2023 and FY 2024 budget enhancements. He pointed out the onetime federal funds related to the Covid-19 relief funding.

Mr. Tatro explained the FY 2024 supplemental requests to reduce support units and associated funding, to reduce charter school facilities funding, and to add reduced funding for discretionary purposes.

Mr. Tatro reviewed FY 2025 nondiscretionary adjustments, highlighting those due to health insurance, the Idaho Digital Learning Academy, bond levy equalization, and maintenance matches. He demonstrated how the numbers will change if **H 521** becomes law.

Mr. Tatro explained various FY 2025 enhancements. He pointed out the Superintendent's request for more discretionary funding; the Governor supports this request, but at a lesser level. The Superintendent requests ongoing monies for outcomes-based funding from the General Fund; the Governor requests the ongoing monies to be distributed from the Bond Levy Equalization Fund. He discussed other requests related to **H 521**, the request for professional development funding, and the request to transfer the Advanced Opportunities Program and other programs to the Department of Education. He pointed out \$129M in ESSER funding has not yet been expended. He reviewed other enhancements division by division.

In response to a committee question, **Mr. Tatro** cited statistics from the Idaho Department of Education. Enrollment data states the Department has 95 fewer students than last year; Average Daily Attendance (ADA) data concludes the Department has over 19K fewer students than last year. This change has resulted in over 1K fewer support units in Public Schools.

In response to additional committee questions, **Mr. Tatro** stated the Legislature does not appropriate health insurance to school employees on a full-time equivalent basis as it does for state employees. He explained the formula used to calculate the amount for health insurance is based on support units and the school staff allowance. He further explained school districts use discretionary funding, a levy, or some other funding source to make up the difference for the insurance premiums for employees who do not qualify for the full amount of the state allocation.

Co-Chair Horman explained some school districts fund full benefits for teachers working only 20 hours a week. She noted the FY 2024 budget was built expecting 16,850 support units; February's payment went out on 15,775 support units. She recognized there are many moving numbers in these calculations.

In response to a committee question about a FY 2024 supplemental request, **Mr. Tatro** stated \$23,498,900 of the reduction in the Operations Division is related to fewer support units for health insurance under the ADA model. He noted the impact of student mobility on these student measurement numbers; there have been increases in charter school accounts and decreases in traditional school district accounts.

In response to further committee questions, **Mr. Tatro** explained 75% of the requested FY 2024 supplemental for a reduction of \$92M is related to the enrollment vs. ADA issue. The monies were appropriated and have been allocated, but there is not a vehicle to distribute the amount. He further explained the enrollment-based funding was connected to a 2023 trailer appropriation bill JFAC approved for a policy bill; that bill was vetoed by the Governor. The policy was vetoed, but the funding was approved.

In response to an additional committee question, **Mr. Tatro** stated the original legislation establishing the Health Insurance Fund directed overage monies to be returned to the General Fund. Pending legislation **H 521** would send overage monies to the Charter School Fund.

In response to a committee question, **Mr. Tatro** explained the budget request related to the Safe & Drug-Free funds in the Children's Programs enhancements. The budget request would make those dollars available to be used as discretionary funds. **Co-Chair Horman** further clarified schools would then be able to spend these dollars, at the discretion of the school board, for any purpose.

Ms. Debbie Critchfield, Superintendent of Public Instruction, answered committee questions. She explained 5-7% of an average school district's budget can be considered as operational, or discretionary, funding. School districts have not been able to access these dollars due to the change from the enrollment funding model to the ADA funding model. These budget requests will allow school districts to access and distribute those monies.

In response to committee questions, **Supt. Critchfield** agreed the staff allowance formula should be reviewed and revised to reflect the modern classroom.

In response to a committee question, **Mr. Alex Adams**, Administrator, Division of Financial Management, explained a difference between the Superintendent's requested budget and the Governor's recommendations. Instead of moving career counselors to discretionary spending, the Governor recommends doubling the amount of career counselors to navigate more students to pursue careers with Idaho Launch and to address the mental health aspect of counseling.

In response to a committee question, **Supt. Critchfield** stated FY 2025 budget requests were due to LSO on September 1st, 2023; the school year had barely begun. The agency used statewide projections and estimated a total of 16,184 support units for FY 2025. She reminded the committee the appropriations are not distributed based on estimates; dollars are distributed based on the number of support units with verified students.

In response to additional committee questions, **Supt. Critchfield** gave further explanation about the budget request to collapse funding for safe and drug-free schools, content and curriculum, and English Language Learner (ELL) program support into discretionary funds. This request is an effort to better utilize existing dollars in the budget; in no way does this mean the State Board wants to reduce spending on, for example, safe schools. This decision simply gives more control to local school districts.

In response to a committee question about special education, **Supt. Critchfield** stated the Board estimates a \$40-\$50M gap between federal funding and actual costs. The Board is gathering information before giving more specific numbers.

In response to a committee question about enrollment vs. ADA, **Supt. Critchfield** confirmed the actual headcount difference from the 2022-2023 school year to the 2023-2024 school year was 95 students; those 95 fewer students resulted in a 1K reduction in support units. She explained this difference was due to student mobility as well as reduced attendance.

Mr. Gideon Tolman, Chief Financial Officer, State Board of Education, further explained students at small schools generate more support units; if they leave small schools, it creates a similar reduction. He confirmed the movement of one child in a classroom could reduce the support unit count. He advocated funding per student instead of per support unit because these swings can go either direction. One more student can cause a school to receive less money; one less student can allow a school to gain money.

In response to a committee question about funding for charter schools, **Mr. Adams** explained **H 521** would allow charter schools to benefit if the number of bonds for public schools increases; it would also establish a minimum base, so charter schools would be held harmless at current levels.

In response to a committee question, **Supt. Critchfield** stated ESSER funds related to Covid-19 must be expended or obligated by Sept. 30, 2024. She has stressed to school districts these monies were intended to address learning loss due to the pandemic and will not be extended.

Supt. Critchfield made closing remarks. She stated the only significant increase in the Public Schools Support budget is for outcomes-based funding and discretionary funding. She emphasized these budget requests are focused on ensuring local school districts have more control of their own dollars. The funds are already appropriated; these requests are asking for flexibility for local school districts.

Mr. Tatro gave an overview of the Department of Education. The Department has the responsibility for carrying out policies, procedures, and duties authorized by law or established by the Board of Education for all elementary and secondary school matters.

Mr. Tatro reviewed the organizational structure of the Department, which has two divisions: Administration and Student Services. He reviewed the various dedicated funds associated with the Department. He highlighted the dedicated funds for Drivers' Training; Cigarette, Tobacco, and Lottery Income; and Broadband Infrastructure Improvement.

Mr. Tatro reviewed the estimated and actual expenditures for FY 2020-FY 2024. He pointed out the influx of Covid-19 relief federal funds. He also gave a high-level review of the growth in the base budget over the last five years.

Mr. Tatro reviewed the FY 2023 and FY 2024 budget enhancements. He explained the FY 2025 budget enhancement requests, both ongoing and onetime.

In response to a committee question, **Ms. April Renfro**, Division Manager, LSO Audits, explained the open audit findings for the Department of Education. She stated the Department's budget request for an auditor is related to correcting the audit findings. **Co-Chair Horman** said the committee appreciated the Department's corrective action plan.

In response to committee questions, **Supt. Critchfield** explained the cash transfers and the request to move the Advanced Opportunities Program to the Department of Education budget. This budget realignment ensures the Public Schools Support budget reflects the dollars available for public schools.

In response to another committee question, **Supt. Critchfield** briefly explained the summer Electronic Benefits Transfer (EBT) partnership with the Department of Health and Welfare (DHW). The two departments have different responsibilities for this federally funded program.

In response to a committee question, **Supt. Critchfield** agreed rural areas need more access to drivers' education; access also depends on staff willing to serve as driving supervisors. She stated reimbursement for drivers education should be reviewed and revised. **Mr. Tolman** stated a portion of the drivers' license fees goes to the Driver Education dedicated fund; the State Board is not able to distribute the money as fast as it is accruing in the fund.

In response to committee questions, **Supt. Critchfield** explained the language in **H 521** directs the State Board of Education to establish a minimum number of student days and teacher contract days. Local school boards will decide whether to move to a four-day school week and how to meet those minimum requirements. Schools must meet the minimum requirements to qualify for state facilities dollars; four-day school weeks can meet those minimum requirements.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:48 a.m.

Representative Horman
Chair

Alyson Jackson
Secretary