

MINUTES
Approved by the Committee
Public School Funding Formula Committee
Tuesday, July 12, 2016
10:00 A.M.
WW17
Boise, Idaho

- MEMBERS:** Co-chairs Senator Chuck Winder and Representative Wendy Horman; Senators Dean Mortimer (via telephone), Cliff Bayer, Steven Thayn, and Janie Ward-Engelking; Representatives Scott Bedke, Julie VanOrden, Sage Dixon, and John McCrostie; and nonlegislative members Dr. Linda Clark, State Board of Education, and Pete Koehler (for Sherri Ybarra, Superintendent of Public Instruction)
- ABSENT/
EXCUSED:** None
- ATTENDEES:** Bob Thomas, Tony Grange, Bryon Welch, and Rakesh Mohan, Office of Performance Evaluations; Donna Looze and Gayle Wilde, American Association of University Women; Blake Youde and Tracie Bent, Office of the State Board of Education; Tim Hill, State Department of Education; Jane Wittmeyer, Coalition of Idaho Charter School Families; John Foster, Kestrel West; and Suzanne Budge. Legislative Services Office (LSO) staff: Paul Headlee, Kristin Ford, and Lara Margelofsky
- NOTE:** Copies of presentations, handouts, and reference materials can be found at [https://legislature.idaho.gov/sessioninfo/2016/interim/public school funding](https://legislature.idaho.gov/sessioninfo/2016/interim/public%20school%20funding) and are also on file in the Legislative Services Office. The entire reference document for this meeting's presentations can be viewed at: https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2016/interim/160712_psff_ComprehensiveMeetingPacketSingleFile.pdf
- CONVENED:** Co-chair Winder called the meeting to order at 8:05 A.M. Co-chair Winder opened the session by noting past workgroups that preceded the interim committee and previewing the agenda.
- WELCOME AND
INTRODUCTIONS:** Co-chair Horman thanked the committee members for stepping up to do the work needed, and she welcomed the stakeholders and acknowledged Representative Ryan Kerby and Representative Sue Chew in the audience. She noted that the committee will try to be inclusive in its efforts and will keep House and Senate Education Committees involved.
- STAFF
PRESENTATION:** **RECAP OF FIRST TWO WORKGROUP MEETINGS IN SPRING 2016**
- PRESENTERS:** **Paul Headlee, Deputy Division Manager for the Budget and Policy Analysis Division of LSO**
Tim Hill, State Department of Education

Mr. Headlee presented a recap of the of the first two workgroup meetings that recently examined Idaho's education funding model. Highlights included:

- An overview of where funding formulas and school finance were at the turn of the century. In general, states funded public schools based on equal amounts per student, which was a simple approach, but also included a lot of inequities. Over the years, states began to build more equity into their formulas, began using foundation formulas, added weights, and eventually started using performance measures in formulas. These methods all required counting students, which can be challenging. (Page 7)
- An overview of Idaho's funding methods in the late 1900s through today. (Page 8)
- Information on Senate Bill 1560, including an analysis of the efforts a decade later and case study of how that funding formula structure came about, which was driven primarily by litigation and was based on Washington State's formula at the time. (Page 9)
- An overview of state funding for public education in Idaho, as assembled by the Rural Opportunities Consortium of Idaho. The document goes up through 2015, so does not incorporate career ladder initiative. (Page 13)
- A publication on understanding state school funding from the Education Commission of the States, which includes a breakdown of the two basic ways to fund schools: setting an amount per pupil or funding based on the number of positions. Idaho falls into the second category, and is joined by a minority of states in this method. (Page 19)
- An overview of how the system works right now, previously presented by Tim Hill. (Page 25)
- A 10-year history of the general fund appropriations. (Page 29)
- An overview of the divisors in Idaho Code that help compute average support units. It takes fewer students to make one support unit as the size of the district goes down or when you move from elementary to secondary. (Page 32)
- An example of applying the formula numbers to the Snake River School District. (Page 33)
- A statewide overview of the FY16 appropriation.

Mr. Hill added that there are three main reasons why any district or chart school receives the revenues it receives: how large or small you are, who you hire, and who you're teaching.

**COMMITTEE
DISCUSSION:**

**APPROACH, METHODS, AND RESOURCES TO ACCOMPLISH THE
CHARGE OF HCR 33**

Mr. Headlee walked the committee through handouts on Idaho's ten-year appropriation history of public school support and the FY17 public schools support program. (Pages 45 and 46). He noted that the history handout demonstrates the trends for the years of recession, reduction, and consolidation, as well as more recent recovery, restoration, and new programs. Mr. Headlee noted that the committee can choose a specific approach for moving forward:

- Systematic Approach. The committee could review distribution by distribution the entire FY 2017 appropriation and recommend changes or fixes as they are identified.
- Big Picture Approach. Over time, committee decides what the formula and distributions need be.
- A third option would be to do both approaches simultaneously.

Committee members discussed what issues they would like to focus on and what they would like to accomplish within the committee's time and funding constraints.

The co-chairs presented that they had received a resource offer from the Albertson Foundation. The committee discussed positives and negatives of the offer, possible resources available, perception issues, and third-party oversight. The co-chairs encouraged the committee to spend time thinking about the offer.

Mr. Headlee reviewed guiding principles and categories for the committee to focus on that had been brought up so far. (See finalized list later in the meeting.)

Mr. Hill overviewed the history and issues regarding the one-penny sales tax increase and supplemental levies. In response to a question from Representative McCrostie, Mr. Hill confirmed that the Tax Commission no longer does the "adjusted market value", and because it no longer collects that information, it would be impossible to say how much the state would have collected without the policy decision made in 2006.

**STAFF
PRESENTATION:**

**OFFICE OF PERFORMANCE EVALUATIONS' REQUEST TO
REVIEW PUBLIC SCHOOL FUNDING**

PRESENTERS:

Bryon Welch, OPE, and Bob Thomas, OPE Consultant

Mr. Welch and Mr. Thomas presented on the distribution of state funds for K-12 Public Education. (Page 47-48) The scope of OPE's evaluation seeks to identify all funding sources appropriated by the Legislature for K-12 education. It will also answer the following questions:

- What funds and services do state agencies provide to school districts?
- What state-funded programs do districts deliver to students?
- What financial distribution methods are used and what rationale was used to choose those methods?
- What central services are provided to support school districts at the state level?
- What funding and expenditure information for public school programs are made available to legislators and the public?
- What improvements could be made to public education data reporting that would be useful to policymakers?

The evaluation intends to gather information for each program within the public school support budget:

- Program description: Brief narrative of program objectives, services delivered, and any data to provide context.
- Funding sources: List of state, federal, grant, and other sources used to support the program. Also nonmonetary aid used to support the program, e.g. in-kind services.
- Identified program expenditures: Total expenditures attributed to the program. To what degree are discretionary funds used to support the program? What other state, federal, or local funds are used to support the program?
- Total program costs: In addition to the program expenditures, those costs that are not included in the funding distribution but (1) are captured in another budget distribution line, or (2) covered by discretionary funds.
- Distribution methods: Formulas and methodologies used by the Department of Education or other entities to distribute money among the districts.
- Performance measures/strategic plan, goals, or objectives: Performance goals related to funding distributions.
- Reporting requirements related to program expenditures: Reporting requirements that currently exist for either the Department of Education or districts.

Mr. Welch added that the timeframe for the study is to have it released in December 2016, and that OPE welcomes feedback from committee members.

PRESENTATION: RECAP OF MAY 2 PRESENTATION

PRESENTER: Michael Griffith, Education Commission of the States (via telephone)

Mr. Griffith presented a recap of the May 2 presentation to the school funding work group. (Pages 49-72). The presentation addressed the components of a high-quality funding system, how Idaho currently funds schools, how other states fund schools, and what it would take to modernize the state's school funding formula.

Mr. Griffith advised the committee to take the time to get the transition right, adding that making even a small change in percentages can dramatically affect districts.

In response to a question from Senator Ward-Engelking about the state vs. local split and the mandate to provide an adequate public education, Mr. Griffith replied that it adds difficulty to a funding formula transition, and the state might have to supply 100 percent of the foundation amount.

Mr. Griffith discussed examples of Maryland's and Massachusetts' funding formula transitions.

In response to a question from Mr. Hill regarding the career ladder, Mr. Griffith replied that the career ladder can stay intact and can be weaved in using mandates. A new foundation program can be put into place while still following through on the career ladder and ensuring teacher compensation, but he cautioned that too many mandates can negate the new formula.

STAFF

PRESENTATION: TIMING OF PAYMENTS TO SCHOOL DISTRICTS

PRESENTERS: Tim Hill, State Department of Education

Mr. Hill presented on Idaho Code 33-1009 (Page 73) and the timing of payment distribution. He walked through [an example using FY2016](#) and explained the recent change of the elimination of the October payment and the switch to the 50-20-20-10 distribution formula. Mr. Hill explained that the five 20s have been in practice since the inception of the funding formula as a result of Senate Bill 1560. In 2006 during the special session the legislature eliminated the local property tax of three-tenths of a percent and replaced it with the one-cent sales tax increase. In fiscal year 2008, the legislature chose to frontload those monies to potentially allow additional cash flow and short-term earnings and the timing was unfortunate because interest rates fell to the bottom at that point and the expected outcome couldn't be delivered. The reason it went from the 30-30-20-10-10 to the current 50-20-20-10, which would have eliminated the October 1 payment was because the August, October, and November payments were all considered advanced payments.

In response to a question about money output, Mr. Hill explained that in the short term it is heavily cash flow, but it catches up throughout the calendar year. By February or May it is more on an equal pace of expenditures and current revenues. The objective is to provide sufficient cash flow, as well as some short-term earnings.

Co-chair Winder noted that it's an important question to ask and revisit if this would be considered an arbitrage of funds.

Mr. Hill presented how to use and find several reports that are published on the department webpage, including metrics and information collected and published regarding dollars per student.

STAFF

PRESENTATION: SURVEY OF SCHOOL DISTRICTS

**PRESENTERS: Paul Headlee, Deputy Division Manager for the Budget and Policy Analysis Division of LSO
Blake Youde, Office of the State Board of Education**

Mr. Headlee addressed the topic of surveying school districts to obtain information that will help the committee. He provided some basic questions and parameters for the committee to consider.

Mr. Youde described the resources that the Office of the State Board of Education can lend to this project. Specifically, the Board Office can administer the survey, compile responses, and analyze the results. He also used Montana's recent survey as an example.

The committee discussed survey logistics with Mr. Headlee, including elements such as making sure the data can be analyzed based on geography and school district size, and also getting stakeholders involved.

A small working group was formed to help staff develop questions. Senator Mortimer, Representative VanOrden, Dr. Clark, Senator Ward-Engelking, and the State Department (Pete Koehler/Sherri Ybarra) volunteered

**COMMITTEE
DISCUSSION:**

RECAP AND NEXT STEPS

The committee reviewed the day's discussion and staff's next steps. Mr. Headlee walked through guiding principles and categories for the committee to adopt and focus on as it proceeds.

Guiding principles include:

- Simplicity
- Flexibility
- Better outcomes for students
- Remove impediments and barriers to implementing programs and instructing students
- Look at established long-term education goals in Idaho
- Focus on funding the student
- Focus on funding student outcomes and the new accountability system

Categories include:

- How students are counted, including fractional ADA and mobility
- Discretionary funding
- Health insurance
- Mastery-based learning
- Virtual schools
- Counting students
- Facilities
- Charter schools
- Recruitment and retention of teachers
- Supplemental levies
- School construction and bonding
- Local funding
- Focusing on excellence in specific grades, K-3

Co-chair Winder appointed Senator Mortimer to chair the survey working group, and the committee approved the motion without objection.

**FUTURE
MEETINGS:**

The committee set Tuesday, August 30; Tuesday, September 27; and Monday, October 17, as target dates for future meetings. The committee expects to take testimony and stakeholder input and will consider meeting in eastern and northern Idaho for the September and October dates.

ADJOURNED:

Co-chair Winder gave closing comments and adjourned the meeting at 2:50 p.m.