



**STATE BOARD OF EDUCATION
TRUSTEES OF BOISE STATE UNIVERSITY
TRUSTEES OF IDAHO STATE UNIVERSITY
TRUSTEES OF LEWIS-CLARK STATE COLLEGE
BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO
STATE BOARD FOR PROFESSIONAL-TECHNICAL EDUCATION
TRUSTEES FOR THE IDAHO SCHOOL FOR THE DEAF AND THE BLIND**

**APPROVED MINUTES
STATE BOARD OF EDUCATION
January 21, 2011
Special Teleconference Meeting
Boise, ID**

A special teleconference meeting of the State Board of Education was held January 21, 2011. It originated from the Board office in Boise Idaho. Board President Richard Westerberg presided and called the meeting to order at 3:00 p.m. MST.

A roll call of members was taken.

Present:

Richard Westerberg, President
Don Soltman, Secretary
Rod Lewis
Mike Rush
Janie Potter
Jason Hancock
Mark Browning

Ken Edmunds, Vice President
Emma Atchley
Paul Agidius
Tracie Bent
Luci Willits
Marty Peterson

Absent:

Milford Terrell
State Superintendent Tom Luna

PLANNING, POLICY AND GOVERNMENTAL AFFAIRS

1. Review and Discuss Existing and Potential Legislation Affecting Public Education

Discussion:

President Westerberg initiated the meeting and turned it over to Secretary Don Soltman who identified the purpose of the meeting was to review and discuss existing and potential legislation affecting public education. Secretary Soltman proceeded by turning the discussion to OSBE Chief Communications & Legislative Officer Mark Browning for comment.

Mr. Browning updated the Board briefly on two Board approved initiatives that were printed in committee this week: 1) changes the code to allow the University of Idaho to charge tuition

which was previously prohibited by code, and 2) a clean-up piece of legislation that was uncovered through the zero based budgeting exercises that, if passed, removes the requirement that the Board keep copies of negotiated agreements between school districts and local teachers associations on file at the Board office. The records would be kept on file at each individual district instead. The initiatives were printed this week at the House Education Committee.

Mr. Browning stated that what is ahead from a Legislative standpoint is primarily budgetary driven. He stated there was discussion regarding the potential impact a nullification bill might have on Board policy requiring full time students to carry health insurance on campus. Discussion resulted in that any nullification bill would not have an impact on the policy. Mr. Browning reiterated that discussion on the floor has been centered on Superintendent Luna's presentation and he suggested the discussion today should focus on the explanation of the items from Luna's presentation which would require Board action.

Mr. Westerberg asked if there were any questions from the Board members for Mr. Browning. Hearing none, Mr. Westerberg moved on to the next agenda item.

2. Superintendent Luna's Education Reform Plan

Discussion:

Mr. Westerberg requested a report from Superintendent Luna's office on the Education Reform Plan. Ms. Luci Willits was present to represent Mr. Luna's office and provide information on the Education Reform Plan. Ms. Willits started by reviewing some of the activities of the past week where Superintendent Luna unveiled a plan to the House and Senate Education Committees. She indicated the proposed plan would currently change how the Department does business in Idaho in some areas. Foremost, they are looking at spending differently given the budget situation. There are three pillars involved in the Education Reform Plan: 1) great teachers and leaders, 2) transparent accountability and 3) 21st Century learning.

Mr. Luna's office is currently working on a draft of the Legislation and outlining the best ways to proceed. The legislation will most likely have multiple bills and they are currently working out which parts will go together. The Department's goal and intent is to print the bill as early as next week. Ms. Willits emphasized that Mr. Luna's office would answer any questions and make themselves available to Board members for their questions and provide guidance on inquiries they may get.

Mr. Westerberg asked if anyone had questions for Ms. Willits. Board member Emma Atchley asked what the Board's role would be in this process. Ms. Willits stated that there is a significant role for the Board to play. Ms. Willits indicated the Education Reform Plan is a joint effort between the Superintendent and the Governor, and that the Board is an important piece of the equation. Ms. Willits formally asked for Board support and feedback of the Education Reform Plan as well as support through Board contacts at the Legislature in order to help get the proposed plan passed. Ms. Willits emphasized keeping the Board informed and indicated Board members would be copied on any correspondence to legislators. Ms. Willits reiterated that whatever level of conversation and dialogue the Board members would like to have, Superintendent Luna's office would provide it. Ms. Atchley responded by stating she believed it was a good first step.

Board member Rod Lewis stated in terms of the proposal that he is not clear on what the bottom line is regarding financial impact compared to last year. He inquired what the budget looks like pursuant to this proposal and this year's request, as compared to last year's public school budget.

Ms. Willits indicated that this budget request does hit the Governor's number which does have a slight increase for public schools. The funding of high school redesign efforts is included in the Governor's budget and includes the cost to offer additional math and science courses as well as the college entrance exam. Summarily according to Ms. Willits, the Governor's office has a slight increase in the public schools budget and what Superintendent Luna's office is doing is reallocating funds within that budget to do more with the money they have.

Ms. Willits deferred to Deputy Chief of Staff Jason Hancock to walk through the process and answer the question posed by Mr. Lewis in more detail. Mr. Hancock summarized that the Department of Education is reallocating some of the elements of the current funding within the public schools budget to hit the Governor's number. He mentioned the one thing that is not covered in the Governor's recommendation is the approximate \$35 million in one-time money that is in the public schools budget this year which covers ongoing operational costs.

Mr. Lewis asked where the \$35 million was coming from and what the exact number of this budget over last year's budget in public schools is.

Mr. Hancock stated that the Governor's recommendation is for an increase of \$21,613,200 year over year (which includes the School for the Deaf and Blind which are under the public schools budget now), which is an increase of 1.8%. There are some one-time sources of money amounting to nearly \$35 million which are outside the general fund and are not replaced in this budget. There is \$22 million in one-time endowment fund money received for this year; \$5.5 million in fund balances from the Department that were identified and transferred to the public schools; and \$7.4 million in one-time Federal ARRA stimulus funds that were leftover and put into public schools. So, the \$35 million is going away and is money that simply will have to be cut from the public schools budget.

Mr. Hancock further stated the Department has already taken the \$35 million into account as they have put the current budget together and have essentially covered the shortfall as they have identified the areas where they can save money for next year and the areas to reallocate those dollars into. The Department has about \$62.8 million in savings in FY12 by raising the average daily attendance divisor by 1.25 students in grades 4 through 8. Additionally they save \$5.4 million by eliminating the 99% average daily attendance (ADA) protection for districts. What that does currently is it provides a protection for districts that lose more than 1% of their enrollment. The Department guarantees that they will fund those districts based on 99% of what they received last year as far as student counts go. This results in double funding of students. When students move away from one district, a mechanism is triggered where the Department continues to fund those students in their former district as if they were still there. The students are also funded when they show up in the new district they move to. Consequently, the Department has double funded students for a long time this way and the reason is because districts have to sign contracts in April and May with their teachers not knowing how many students will actually show up in September. One of the Department's recommendations with this legislation is to provide districts with a provision to allow reduction in force if necessary in December and the state would fund a 10% severance fee on the balance of any contract that was owed to the teacher at that point.

By doing this, it saves the Department \$5.4 million. This results a little over \$68M in total savings which then covers the \$34.9 million in one-time moneys that are being lost; it covers \$24 million worth of technology upgrades for the classroom. Additionally, \$6.1 million was put back into the teacher's salary grid which has been frozen for the last couple of years enabling the Department to catch up on "accumulated deficits". The Department has put \$1.6 million into moving teachers' minimum salaries back up to \$30,000.

Mr. Hancock stated an additional \$700,000 is needed on the math/science requirement. The Governor has put \$4,150,000 into his recommendation for the math/science graduation requirement and the implementation of that by the school districts. The Department's task force recommended \$4,850,000 as the fiscal impact of that and so the \$700,000 gap is covered between the recommendation and what the task force came up with. There is \$842,000 for students who meet their graduation requirements before the beginning of their senior year for the state to pay for them to take dual credit courses. That is the extent of the FY12, and further elements roll out in FY13 where additional savings are generated by moving the average daily attendance devisors further and the Department starts putting money into the laptop program and training for teachers, followed by the Department putting money back into some of the things that have been cut over the last few years. Zero dollars have been used to fund building maintenance which needs money put back into that program. The Department suggests \$15 million will go back to the building maintenance program in FY13.

Mr. Hancock noted that the summary above encompasses most of the financial nuts and bolts of the Education Reform Plan. He reiterated that the recommendation balances with the Governor's recommendation for FY12 and ultimately balances over the six-year period that it rolls out.

Mr. Lewis asked what the anticipated savings are from requiring two internet courses per year. Mr. Hancock replied that the fractional average daily attendance is how districts are funded based on a half day or a full day. When students take classes from more than one provider, the funding flows to the students' home school district. From there it is up to the district whether they share that money with other districts where the student is taking classes.

Mr. Hancock stated that often, there is a reluctance to share those dollars therefore there is reluctance among providers to count students outside of their home school district. The Department is trying to resolve this by saying they can use the fractional average daily method to distribute the funds according to where the student took the class. So, if the student were to have a 6 period day and then take an on-line course, the Department can "peel out" the 1/6 of the ADA for the on-line course and calculate the funds separately. They allow the home school district to keep 1/3 of that money to reflect some of the fixed costs; and 2/3 would go to the actual provider of the course. This enables the Department to stop the double funding of students when they take IDLA classes. Right now when a student takes an IDLA class the Department is fully funding the average daily attendance of that student that the home school district the student is in and there is also a funding formula that funds all the enrollments through IDLA so the student is essentially funded twice. The savings is in the hard numbers that can be documented by eliminating that third component of the IDLA funding formula and having them being funded through their share of these fractions. That saves \$8.6 million starting in FY13. And given IDLA's growth rate, it raises the savings to \$17.9 million by FY17.

Mr. Westerberg asked if there were any additional questions from Board members. Mr. Lewis asked if there were components not approved by the legislature, i.e., the laptop program, what happens to the overall balancing. Mr. Hancock stated that the way the Department has put everything together, the laptop program is essentially self funding. As more students take the on-line classes, the ADA divisor is pushed up slightly in the secondary grades and that essentially generates the money that pays for the laptop program. If the laptop program doesn't pass, then the shift in the secondary ADA divisor is taken out as well because the two are paired together.

Mr. Hancock added that if the laptop program is taken away from the plan, then they would need to eliminate the requirement to take on-line courses because the laptops provide the technological infrastructure that allows that requirement to happen.

Ms. Willits stated that this is a package and it is very difficult to peel off portions of this package because it is designed as a package. You can't peel off something without adversely affecting something else. Every piece has a purpose and financial issue when it comes to the plan's requirements.

Mr. Edmunds asked if it is an all or nothing approach. Lucy stated it's a comprehensive package and if you take parts away you lost the cohesiveness of the plan. Edmunds reiterated his question of all or nothing? Ms. Willits said yes, it is essentially all or nothing.

Mr. Soltman asked for clarification that there is 21.4 million of new money. Mr. Hancock said that in the general fund there is an increase of about \$21 million that is to cover high school redesign with the math/science requirement, the act/sat test to be taken by juniors and covers cost of growth in the system stating there are formulas how the Department drives public schools and the essential root of those formulas is average daily attendance. With more kids showing up in the school systems, it drives the dollars for the districts. Those are really the only three things we see being funded, but that is what the \$21.4 million is for.

Mr. Westerberg asked for any other questions. Executive Director Mike Rush asked about fractional ADA. He pointed out that on line courses have different costs and asked if there was there any reason why you couldn't build in a flexible market driven price rather than guaranteeing the provider 2/3 of the cost of the course. Mr. Hancock stated the fractional ADA is used as the default and the provider will pay whatever they are contracted to pay. The student can go to any qualified provider but they have to use a default and the fractional ADA was the best.

Mr. Westerberg asked if there were any more questions.

Mr. Rush interjected that the Department has been responding to questions and that if the Board wanted to submit questions to the Department, the Board office would be happy to forward those questions to the Department for response. He mentioned that the Department has already responded to over 100 questions and that they were available on the School Board's Association web site so there is a fairly extensive question and answer document available.

Ms. Willits assured the Board they would be kept informed and assisted on answering any questions.

Mr. Westerberg asked for any additional questions from Board members or attendees. None followed.

OTHER BUSINESS

M/S (Mr. Edmunds/Mr. Soltman): There being no further business, a motion to adjourn the special meeting of the Board at 3:36 p.m. MST was entertained. Mr. Soltman seconded the motion and it was further carried unanimously.