

**MINUTES OF THE  
JOINT PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING  
TUESDAY, JANUARY 12, 2010, 9:00 A.M.  
Room 445, State Capitol**

	<b>Morning</b>	<b>Afternoon</b>
Members Present:	Sen. Howard A. Stephenson, Co-Chair Rep. Merlynn T. Newbold, Co-Chair Sen. Lyle W. Hillyard Sen. D. Chris Buttars Sen. Karen W. Morgan Rep. Tim M. Cosgrove Rep. Lorie D. Fowlke Rep. Kevin S. Garn Rep. Francis D. Gibson Rep. Gregory H. Hughes Rep. Bradley G. Last Rep. Rebecca D. Lockhart Rep. Marie H. Poulson Rep. Phil Riesen	Sen. Howard A. Stephenson, Co-Chair Rep. Merlynn T. Newbold, Co-Chair Sen. Lyle W. Hillyard Sen. Karen W. Morgan Rep. Tim M. Cosgrove Rep. Lorie D. Fowlke Rep. Francis D. Gibson Rep. Gregory H. Hughes Rep. Bradley G. Last Rep. Marie H. Poulson Rep. Phil Riesen
Members Absent:		Sen. D. Chris Buttars Rep. Kevin S. Garn Rep. Rebecca D. Lockhart
Staff Present:	Ben Leishman, Legislative Fiscal Analyst Patrick Lee, Legislative Fiscal Analyst Karen C. Allred, Secretary	
Public Speakers Present:	Larry Shumway, Superintendent, Utah State Office of Education Dr. Stephen Ronnenkamp, Superintendent, Granite School District David W. Taylor, Superintendent, Millard School District Keith Griffiths, Business Administrator, Millard School District Terry Linares, Superintendent, Tooele School District Richard Reese, Business Administrator, Tooele School District Lynne Herring, Director, Freedom Academy Chris Helvy, Finance Director, Freedom Academy Ken Parkinson, Chairman of the Governing Board, Freedom Academy Jamie Christensen, Director, Spectrum Academy Lincoln Fillmore, Budget Director, Spectrum Academy and Gateway Academy Sonia Woodbury, Director, City Academy Margaret Hopkin, Superintendent, Grand School District Mark Openshaw, Member, Provo School Board Todd Hauber, Associate Superintendent for Finance, Utah State Office of Education Barry Newbold, Superintendent, Jordan School District Steven Noyce, Superintendent, Utah Schools for the Deaf and the Blind Michael Sears, Business Administrator, Utah Schools for the Deaf and the Blind Tamara Low, Past President, Utah School Board Association, representing The Superintendents Association Kim Frank, Utah Association of Charter Schools Martell Menlove, Deputy Superintendent, Utah State Office of Education	

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Newbold called the meeting to order at 9:20 A.M.

**1. Call to Order and Introduction**

Co-Chair Newbold announced that Rep. Menlove was asked to sit on the Health and Human Services Appropriations Subcommittee, and will no longer be part of this subcommittee. Today the subcommittee will be preparing for a recommendation as to how the FY2010 budget will be balanced; next week, January 20, 2010, we need to have the reductions prioritized; and starting January 25, 2010, during the General Session, the subcommittee will be working on the FY2011 budget.

**2. Subcommittee Overview and Instructions**

Analyst Ben Leishman distributed binders containing handouts for the day's meetings and discussed the budget update. The Legislature has 3 challenges, the one-time backfill that will go away at the end of FY2010, a downward pressure on revenue, and increasing demands that include about 11,000 new public education students. Mr. Leishman explained the handout on available revenue. In FY2009 the state ended the year with less revenue than expected, and revenue is predicted to be lower for FY2010, leaving the budget with a deficit. Projections are that real growth and consensus revenue numbers will make up for \$90 million of the \$178 million deficit. These shortfalls result in a one-time reduction target of \$84.4 million in FY2010 and an ongoing reduction target of \$105.5 million for this subcommittee.

Rep. Cosgrove asked what the \$200 million is attributed to besides enrollment growth. Mr. Leishman replied that \$75 million is enrollment growth, \$83 million is Medicaid growth, and \$43 million is state employee benefit costs, not including adjustments in those same benefit costs for public education.

Co-Chair Stephenson asked how much of the 4% reduction is real cuts and how much is not. He would also like to know how funding student growth out of the WPU compares to other state agencies who are not funding growth. Sen. Hillyard responded that they are all real cuts. We are half way through FY10 and are approximately \$200 million short and have to make that up by a reduction in spending or back fill with one time money. If one-time reductions are made the base budget won't be affected, but if a 4% reduction is ongoing, then in 2011, there would only be an additional 1% reduction. Superintendent Shumway responded that to hold public education at the dollar amount of the current year requires finding \$293 million, to fund growth would require an additional \$75.

Sen. Morgan asked what the dollar amount would be for the 4% reduction and if they are one-time reductions in 2010, would they be part of the 5% in 2011, would we have a lower base? She also asked what was the amount of back fill for public education? Mr. Leishman responded that the ongoing base is where we calculate the target reductions. One-time reductions are in FY2010 only, but the subcommittee can identify programs to eliminate with an on going impact. The calculation base will be the same for both years. The Minimum School Program was back-filled with \$282,773,800, another \$10 million in teacher supplies and materials, and \$750,000 in one-time for critical languages

Co-Chair Newbold wanted the subcommittee to know that the numbers referred to in the binder are not a recommendation, but just an idea of impact, if the 4% were distributed across the board. There are districts across the state that have already set budgets, and what we do in 2010 may not be appropriate for 2011.

Rep. Cosgrove asked what was the overall percentage in reduction for Public Education, including increased growth in 2009, 2010 and an estimate for 2011. Mr. Leishman responded that the total state-fund reduction from the original 2009 appropriation was 11.3%, but it varies widely in the distribution. Larry Shumway, Superintendent, Utah State Office of Education, responded that when you include growth the total impact is about 2.5% on top of the 5%.

### 3. **School District Reports on FY 2009 and FY 2010 Budget Implementation**

**Granite School District** -- Dr. Stephen Ronnenkamp, Superintendent, Granite School District, introduced David Garrett, Business Administrator and distributed a handout to the committee. He gave an explanation of the impact of the FY2009 and FY2010 budget reductions. Appreciation was expressed for the flexibility in FY2009 and carry over accounts were primarily used to cover the reductions for that year. The largest reduction for FY2010 was in the Quality Teaching Block Grant.

Sen. Buttars asked the total amount of dollars that came to Granite School District, what is included in staff, business and student support, and aren't they considered administrators. Superintendent Ronnenkamp responded that the operating budget is around \$400 million. Staff support is clerical and secretarial, business is payroll, auditing and accounting and student is counselors, social workers and psychologists, and they are considered part of administrative costs.

Co-Chair Newbold asked if the FY2009 budget carry over funds, are reserves, if any reserves were used, and were there any district paid quality teaching days. She also wondered why it was necessary to cut an additional \$13.8 million. Superintendent Ronnenkamp replied that no reserve funds were used. Carry over funds are line items in categorical funds, for example equipment, carried over from previous years. Senate Bill 4 in the 2009 General Session contained language that allowed restricted funds to be used to cover shortfalls for that year. He recommends that same flexibility if there is a short fall in FY2010. There were no district paid professional days. The additional \$13.8 million was cut because there were still expenses that needed funds and costs go up ever year. The teachers steps paid were for beginning teachers, to encourage them in the profession.

Rep. Gibson wanted clarification on the steps for teachers. The response was that step increases were for teachers only and about \$600,000 was reduced.

Sen. Hillyard discussed some of the options that could be used to make cuts such as rainy day funds, capital surplus, and if there are solutions to change how the system is operating. He asked if the district is still decreasing in numbers and if the district has explored with the public the option of raising property taxes. Superintendent Ronnenkamp responded that one of the strategies used in the budget was that one time money was not used, the cuts were ongoing. The flexibility to use Capital funds would be helpful. He said year round schools had been implemented in the past but the public doesn't care for it, and that they are aggressively looking at on-line opportunities for students. The public has been given a say in increasing property tax, but they are at the maximum of the voted

leeway. He would like to have the boards of education have more authority for tax increases and enrollment has stayed fairly steady.

Rep. Cosgrove asked for clarification on the 5.5 days of unpaid professional training, the 2 days of furlough for both teachers and administration, and expressed concern at the sacrifice the teachers have had and how hard it would be to have that much cut in pay. Superintendent Ronnenkamp clarified that two days of student education was cut and used those for professional development days. The 5.5 days of professional development resulted in a 2.9% reduction of salary. He commented that we are behind the world in how many days our students go to school, and he worries about using that as a reduction and hopes people won't become complacent about that being the best thing to do.

Sen. Buttars commented that if the different administration areas on the handout were added together it would total \$50 million for administration costs. He wondered if the school district has considered eliminating busing to the high schools in the non rural areas. Superintendent Ronnenkamp explained that most of the administrative costs are in the schools as principals, and the rest of administration is less than 1% of the budget. He responded that the law requires busing. If busing were eliminated it would save money but would have to be legislated.

Co-Chair Stephenson told the subcommittee that he has a bill file open which would give districts permission to suspend requirements to spend Maintenance and Operating money and give local school boards the utmost flexibility and wondered if this would be helpful. Superintendent Ronnenkamp said the more flexibility the better decisions can be made.

Rep. Poulson expressed concern about class size and asked how the district would change class size if these reductions were made. Superintendent Ronnenkamp responded that he is also concerned with increasing class size and that is just one option. The district did everything possible to not increase, but increased .25 students. Next year it may be the only thing left that can be done.

Sen. Morgan asked how much does the district spend on high school busing and feels that it is vital that we protect the quality of education, increasing class size jeopardizes quality. She asked if the bill file could include flexibility in busing and possibly eliminate some busing. Superintendent Ronnenkamp will get that information to her and Sen. Stephenson responded that busing could be accommodated in the bill, and he would like to see the bus situation on a permanent basis, not the two year window.

**Millard School District--** David W. Taylor, Superintendent, Millard School District explained some unusual challenges for this district. Millard County is the 3<sup>rd</sup> largest geographic county in the state, is mostly federal land that can't be taxed, and has a small population on mostly agricultural land that can't be taxed very high. The Intermountain Power Project is a challenge to the district because it is taxed on property assessment and not on the product of the power they send out of state. IPP produces more power today than when they started, yet the assessed valuation is half of what it use to be. Student enrollment is declining so the percentage per student to pay expenses has gone up and they are the largest employer in the county so when a person loses a job its very personal.

Keith Griffiths, Business Administrator, Millard School District, explained what reductions were made to meet the budget in FY2009 and for FY2010. The school district was able to shut down a

high school and reconfigured some schools. Flexibility in using categorical funds and capital funds would really be helpful to this district.

Superintendent Taylor commented that the county has raised taxes and would be very difficult for the school district to do so, the most flexible thing they can do is postpone some capital outlay. The district is so rural it wouldn't be holding school without bus transportation.

Rep. Gibson asked what is their annual budget, did they have to tap into reserves and commended them for being creative. Mr. Griffiths replied that the Maintenance and Operations budget is \$21 million and the total is \$30 million, and they didn't have to tap into reserves. Superintendent Taylor commented that last year 1.5 administrators were cut and sometimes one teacher is a whole program, for example a wood shop teacher. Gibson expressed appreciation for wearing multiple hats.

**Tooele School District** – Terry Linares, Superintendent Tooele School District expressed appreciation and explained to the subcommittee that Tooele School District has 26 schools in the district, which includes a school on an Indian reservation and one on a military base. In anticipation for FY2009 reductions, the district met with every department head, supervisor and director to look at ways to find cost savings. Superintendent Linares explained the reductions to the committee. A cost avoidance for energy was implemented saving over \$450,000 in one year. In FY2010, the Quality Teaching Block Grant was used in making a large portion of the reductions, which had a great impact on instruction in the district. Superintendent Linares would look to the subcommittee to restore some of that funding, and appreciated the flexibility and would encourage that flexibility in the future.

Richard Reese, Business Administrator, Tooele School District, explained to the subcommittee some of the dollar amounts of the reductions. Tooele District has the distinction of being the lowest assessed value per student in the state, and any changes to state guarantees, such as Capital Outlay and Voted Leeway, affect Tooele District disproportionately making the reduction challenge greater than other school districts.

Co-Chair Newbold commented on the creativity of the Tooele district's reductions and asked if reserves were used and how many of the changes would the district continue to implement if cuts were not necessary. She also wanted clarification on the Sunday closure. Mr. Reese replied that reserves would have to be used before the year is up. Superintendent Linares responded that the transportation changes that were implemented would continue, as well as including all directors and supervisors involved in the process. Superintendent Linares expressed concerned again, on the reductions in the Quality Teaching Block Grant, even though some ways were found to help the teachers continue in professional development and again encouraged restoration in that area. Closing the building on Sunday has helped in energy reduction.

Co-Chair Stephenson asked for further clarification on how much the Sunday closure saved. Superintendent Linares replied she didn't know the dollar amount.

Rep. Gibson asked the amount of the annual operating budget and the reserve balance, and encouraged the continuation of some of these changes in the district. Superintendent Linares replied the budget is \$75 million. Mr. Reese responded that the undistributed reserve balance is \$3.5 million and the undesignated fund balance is almost \$3 million.

Rep. Poulson reiterated the feelings of the loss of Quality Teaching Block Grant, and asked if the teachers have salaries affected more than administrators and by how much. Superintendent Linares replied she assumed the administrators had less of a loss because of other opportunities to earn money, but all teachers and administrators took a three day cut.

#### 4. **Charter School Reports on FY2009 and FY2010 Budget Implementation**

**Freedom Academy**-- Lynne Herring, Director, Provo Freedom Academy introduced Chris Helvy, Finance Director, Ken Parkinson, Chairman of the Governing Board, Kerry McConnell, Finance Officer on the Board. Ms. Herring explained that Freedom Academy was chartered in 2003, serves grades K-8, has 672 students, is a Title I school, has 43% free and reduced lunch and are at the top of academic achievement of charter schools in the state. The special education population is 12% and there are 34% minority children in school. Ms. Herring explained the great impact the cuts had to the school. Ms. Herring asked the subcommittee to consider what was shared, and understand that these students need and deserve equal funding and continue to provide a choice in Utah.

Chris Helvy, Finance Director, Freedom Academy explained the reductions made in the budget of the Freedom Academy. The budget is \$4.3 million, and lifting the restrictions on the way funds are used would help in making budget cuts.

Ken Parkinson, Chairman of the Governing Board, Freedom Academy commented that charter schools run on extra thin margins, if a teacher is cut, a program is cut. Charter schools have the same administrative burdens, but have an extra burden of the charter itself. The board is working on fund raising and grant writing to increase funds, but flexibility in spending would be helpful.

**Spectrum Academy** – Jamie Christensen, Director, Spectrum Academy, explained to the subcommittee that most of the students have academic, social, language, or behavioral needs commonly associated with Asperger's Syndrome or high-functioning autism and students with other varieties of disabilities, however, there are some typical students. The school is currently K-8, but will be expanding through high school for 2010-2011 school year to meet demand. FY09 budget cuts have been mostly offset by the ARRA funding received, but future budget cuts will result in deep cuts in personnel.

Lincoln Fillmore, Budget Director, Spectrum Academy, said that Spectrum Academy is exactly the kind of school that was envisioned by the charter school law. It targets students with special needs, and 90% of the student population are high cost students. Spectrum has been able to function in large part due to generous private donors, and is running a tight ship which would make it hard to make further cuts.

Co-Chair Newbold said that Ms. Christensen indicated that schools are seeing an increasing number of disabled students entering and asked if this is in charter schools only, or all schools. Ms. Christensen responded that it was in charter schools, but there has been an increase in students being identified for special education statewide.

**Gateway Academy** – Lincoln Fillmore, Budget Director, Gateway Academy opened in fall of 2008, as a K-8 Montessori type school, and a model for how a Montessori-type school operates. He explained the unique affects of budget cuts following the opening of a new school and how they have used some creative methods to make these cuts. The school made additional budget cuts for

FY2010, and some of the programs that have been cut will have to be eliminated if further cuts are made in FY2011, which will result in some schools likely having to close, Gateway being one of those schools.

Co-Chair Stephenson asked Mr. Fillmore for clarification on the possibility of Gateway closing, and what kinds of cuts would drive students away. Mr. Fillmore responded that it is the elimination of elective programs that will cause students to go elsewhere.

**City Academy** – Sonja Woodbury, Director, City Academy, said that City Academy was one of the original charter schools in Utah and has always had to make hard budget decisions. She explained the reductions made by the Legislature enhance budget issues, and that taxpaying parents are frustrated that charter schools are continually funded at a lower rate than district peers.

Co-Chair Newbold asked what is the operating budget and how many students there are? Ms. Woodbury replied that there are 200 students, the budget is \$1,200,000, and they have no reserves.

The meeting recessed at 12:03 P.M. by Co-Chair Newbold.

The meeting reconvened at 2:20 P.M. by Co-Chair Stephenson.

## 5. **Continue School District Reports on FY2009 and FY2010 Budget Implementation**

**Grand School District** -- Margaret Hopkin, Superintendent, Grand School District, distributed a handout to the subcommittee and explained the short fall strategies that the school district prioritized. After the passing of the business administrator, the district was informed that there was approximately a \$1 million short fall in the maintenance and operations budget. The district applied for, and received a Financially Distressed District status and were allowed to transfer funds from restricted accounts into maintenance and operations for just this year. Looking to next year will be difficult because of the deficit and because the maintenance and operations budget has historically been over spent. Funds totaling \$1.9 million need to be cut from the budget. The district is looking at declaring surplus property for sale, including the district office, which could move into the old vocational building, and putting that money toward the deficit. However, last Thursday, notice was received from the State Board of Education of a possible strategy to transfer one-time money into the deficit, so the district may not move the district office.

The Legislature and governing bodies can help the district with its challenges by looking at the following: (1) providing maximum flexibility at the local level to allocate funds; (2) looking at the use of rainy day funds and trust lands in a different way; and (3) using a task force to look extensively at the ramifications for the rural areas before any funding formulas are changed; (4) allocate portions of PILT and mineral lease money directly to school districts; and (5) supporting strategies that support public education.

Larry Shumway, State Superintendent, spoke concerning the "financially distressed district status" of the Grand School District. The USOE responded to the district's request, granted extra flexibility and are helping find other solutions. Superintendent Hopkin expressed appreciation for the excellent service received from the USOE.

Co-Chair Newbold asked how many of the budget strategies were a result of the district short fall and how much was a result of the state reduction, as well as the total number of students and the total budget. She also asked if they have any reserves, and what the district's strategy is for reducing the additional \$230,000 of the \$1.9 million deficit. Superintendent Hopkin responded that for the district shortfall the premium share and three more furlough days were implemented and the State reduction was two furlough days, hiring freezes, and no salary increases. The total budget is approximately \$13 million which includes capital, there are 1500 students, and the district has no reserves. The strategy for reducing will be to transfer money from the residual fund balance in the capital outlay restricted account for FY2009, through permission granted because of the financially distressed school district status. Currently tax dollars are coming in and Associate Superintendent Todd Hauber said the year was closed out on June 30, and having correctly revised the accounting system, the district will have residual again in the capital outlay restricted funds, such as recreation and transportation. That money could not be used this year, because it had to be closed out. Tuesday the district received permission to use the money and the first payment of a four-year payment plan was made to the deficit.

**Jordan School District** – Barry Newbold, Superintendent, Jordan School District distributed a handout to the committee, which had two parts, one is information addressing the current fiscal year, and the second is a budget presentation for FY11. He explained the budget cuts that were made in the Jordan School District. As a result of the district split, which occurred July 1, 2009, the board of education funded only projects that could be completed by July 1, 2009. FY2010 and FY2011 maintenance will be completed in accordance to board established priorities. Fund reserves had a deficit in FY2009 and the district used money from the fund balance to shore up the short fall. The reason the fund balance was used was because the determination, relative to taxes, was made after school had started and employee agreements were in place. Legal counsel advised the district not to make any changes in personnel costs and the board funded personnel for one year out of general fund reserves. That must be and will be corrected.

In FY2010 the board used money from undistributed reserves and a little from insurance reserve to balance the budget. The FY2010 general fund deficit is \$33 million and will be balanced by cutting employees, funds yielded from the truth and taxation hearing, and rainy day funds. The challenge for the Jordan School District is the significant shift in the assessed valuation per student. Over the next five years it is estimated that four schools will open, and an additional need for two middle schools, and an elementary school. Approval from the USOE was given to use Federal Stimulus Funds for Special Education to build a new Jordan Resource Center this year, which houses the most severe behaviorally disordered students. As the Jordan School District continues to grow, it will be difficult to meet the maintenance and operation costs of these buildings because the board and voted leeway are at their maximum. Revenue received through county wide capital equalization netted an increase of \$2 million, which will go a long way to meet anticipated capital needs. Because of the down turn in the economy and the split of the school district, there is a significant loss of tax generating ability. The big challenges for Jordan School District is balancing the deficit based on declining state or federal resources and adjusting the scale and scope of services to patrons in the district, based on new assessed valuation.

The anticipated budget for FY11 was discussed. Jordan School District has provided for a number of options to balance the budget, on page 11 of the handout, each option being desirable to less desirable.

Co-Chair Stephenson asked for clarification on the school board not being able to change employee contracts, why the legal counsel advised this action, and did legal counsel consult other districts to make comparisons. He would also like to know why the school board agreed to have teachers exchange health insurance premiums paid with pre-tax dollars for lane and cost of living increases and paying insurance premiums with after tax dollars, and who benefits. He feels that the rank and file teachers are hurt most, while teachers at the top of the pay scale and retiring teachers would benefit most. Superintendent Newbold responded that the contract agreements were signed relative to levels of compensation, and legal counsel advised that the contracts not be broken. He didn't consult with other districts and doesn't know if legal counsel did. He noted that in the negotiations the board felt that the offer to pay the increase in health insurance premiums was more equitable among different employee groups, but the negotiators for the teachers asked for a different distribution. The result of the negotiations came to an impasse. The result of the impasse was increased lanes for teachers who had earned degrees or additional hours of course work and a 1% cost of living allowance for all teachers.

Rep. Gibson encouraged using innovative ways to find revenue, or condense programs, without the tax increase options considered on page 11 of the handout. Raising taxes should not be the first response. He noted that administrators do not seem to be affected in the list of options.

Superintendent Newbold responded that a wide range of options were provided for the board of education, and one is the option to raise taxes. Also administrative pay "to be determined" is another options. These options are just starting points.

Sen. Morgan asked about the new schools, what areas will they help and when are they to be built. She also asked if capital funds received through equalization can be used for maintenance and operation for the high school, or to build some of the new schools instead of bonding.

Superintendent Newbold responded that the new high school is Herriman High school and plans to open Aug. 2010. It will relieve Bingham and Riverton High Schools. The two middle schools are planned to open in 2014 to relieve the Herriman, Riverton, South Hills and Fort Herriman areas and the Copper Hills area. The elementary school is in the Copper Hills area to relieve Hayden Peak and Mountain Shadows Elementary and construction will begin the summer 2012. Capital funds received through county equalization cannot be used for maintenance and operation for Herriman High School and may be enough to build an elementary school if combined with a local outlay levy, but not the other schools. Bonding would have to be utilized.

Co-Chair Stephenson commented that of all the school districts, Jordan is probably facing the largest financial stress for the coming year, because of the change in assessed valuation per student, resulting from the school district split and asked what kind of class size increase this would cause. He also asked if Jordan district was considering a third semester as an option. Superintendent Newbold said if class size were the only option, it would take at least a 10 student increase per class. It will take a creative combination of reductions to keep class size from increasing this drastically, but will most likely result in deep personnel cuts. A third semester needs to be a consideration as it relates to housing but the district will not focus on that option until the general fund deficit is solved.

## **6. Review of F2010 Appropriated Budgets**

Analyst Ben Leishman referred the subcommittee to the binders and explained the budget results and how each subprogram within the Minimum School Program were reduced in the last general

session and what considerations can be made for FY2010 and FY2011. The value of the WPU was maintained and the cost of the state guarantee went up due to property taxes in the district declining.

Analyst Patrick Lee referred to the handout of the reductions in the education agencies and the reduction made within each line item. A new line item was created during last session, Legislative Initiative Programs for this fiscal year.

**7. Agency Reports on FY2010 Budget Implementation, Governor's Executive Order and Potential Supplemental F2010 Reductions**

**Utah State Office of Education** -- Superintendent Shumway distributed a handout to the subcommittee and dispelled some misinformation that has been circulating. Historically, the percentage of state funding for public education has stayed relatively the same, but was up slightly during the state reduction where public education was held harmless.

Rep. Hughes asked if education funding has grown more than just student growth. Superintendent Shumway responded that funding has grown due to inflation and implementation of new programs. He feels that it is important to acknowledge the efforts of legislators to put funds into public education.

Sen. Hillyard commented that comparisons of actual money spent to student enrollment is more accurate than comparing percentages. Superintendent Shumway responded that this information was prepared to reflect percentage information in response to the misinformation distributed in percentages

Sen. Morgan commented that she agrees with Sen. Hillyard that percentage totals do not appear to reflect that public education was held harmless.

Superintendent Shumway explained the role of the State Office of Education. The Board of Education is charged with general control and supervision of public education and the state office acts as its entity to fulfill that function. He noted that the State Office of Education did not receive any back fill on the reductions made in FY2009.

Todd Hauber, Associate Superintendent for Finance, Utah State Office of Education explained the reductions made to the USOE. Some of the more painful areas that were reduced were electronic high schools, curriculum program specialists, adult education FTE's, and funds for development and alignment studies review.

Superintendent Shumway commented that when you are cutting one dollar out of every five, there is no way to leave any programs untouched. The current year cuts will bring the reductions to one out of every four dollars cut. The USOE has attempted to create a budget that continues to have staff able to perform the work they need to do.

Co-Chair Newbold asked if there are reduction suggestions for next year. Superintendent Shumway replied that the notion was made last year the cuts took them to the bottom, especially with no back fill. As they find reductions, they will make those, but want to avoid the impact on morale that occurred last year. If the legislature will give them the numbers, they will find a way to make the cuts and the plan for next year is to cut \$200,000 for every 1% that needs to be cut.

Rep. Cosgrove asked for clarification on the American Recovery and Reinvestment Act funds and what was the total amount of back fill. Superintendent Shumway responded that the back fill to the Minimum School Fund in FY2009 was \$183 million, and in FY2010, it was \$112 million. There has never been back fill for their office. Mr. Leishman commented that the detail sheet spoke about earlier shows the back fill to the Minimum School Program and it was the only area in the public education budget to be back filled. The other reductions were fully implemented in FY2010.

**Utah Schools for the Deaf and the Blind** – Steve Noise, Superintendent, Utah Schools for the Deaf and Blind, explained the goals and reductions proposed for this fiscal year. The emphasis for both the school for the blind and for the deaf is early intervention. The USDB is establishing partnerships with other agencies. Technology access is a key to both the school for the deaf and the school for the blind and needs to be increased. Funding is being sought from private sources for some of the technology needed. The School for the Blind is moving the USIMAC from Salt Lake City to Ogden to provide more quality services at a lower cost and plan to become a vendor for other states. The goal is to stop the cycle of remediation and help children with sensory loss to realize their individual potential. The budget reduction plan, is to eliminate residential services and provide for their IEP's in the residential school district, and put curriculum specialists back in the classroom replacing those current teachers.

Michael Sears, Business Administrator, Utah Schools for the Deaf and the Blind, explained the reductions made for the current fiscal year. Superintendent Noise explained reduction plans for the next fiscal year.

Co-Chair Newbold asked if the IEP goals will be met with all of these planned changes. Superintendent Noise responded that they believe they can, but the learning environment will be different.

#### 8. **Charter School Local Replacement Formula**

Charter school representatives, the Utah School Boards Association, and the Superintendents Association have come to an agreement for a funding replacement, the Charter School Local Replacement, for students that leave districts for charter schools. Under the current formula the school districts pay 25% of charter school funds and the state pays 75 % of the funds.

Tamara Low, Past President of the Utah Schools Boards Association, explained that this solution funds charter schools as a state wide program, eliminates the 25% contribution that district schools are currently required to give, equally adjusts the WPU value for all students, allows the most autonomy for district and charter schools, funds charter schools students equitably without harming district schools, and is supported by district and charter schools.

Kim Frank, Utah Association of Charter Schools, commented that the charter schools, school districts and schools boards are in agreement to this solution. The district schools get to keep the property taxes and charter schools will be recognized and funded as a statewide program.

Co-Chair Newbold asked for clarification on the budget numbers appropriated for FY2010 and how much the state deficit will be increased having to pay the extra 25% of the charter schools funds.

Rep. Fowlke asked if the extra 25% paid by the state would be new money or redistributed from somewhere else. Ms. Low replied that the funds would come from income tax rather than property

tax. Ms. Frank mentioned that the solution would cause the WPU to float and the calculation would come from the formula. Charter schools are funded off the top of the budget and the WPU is then recalculated. Sen. Stephenson responded that currently 75% of local replacement money going to charters comes from income taxes, 25% comes from the school district where charter students reside. This proposal doesn't require the districts to give money to charter schools. Instead, the legislature will take it from income tax 100%, and will diminish what might have been funded in the WPU or other education programs. Districts that don't have charter school students may feel that they won't get as much as they would normally, but it will help districts that have a lot of students go to charter schools. Sen. Stephenson has been opposed because it funds phantom students not in the district schools, but in the charter schools. This view has changed over time because the districts won't inch up property tax rates because there is not the enrollment pressure that was once there. He has come to a compromise position, it is not a perfect solution, but a solution. Ms. Low mentioned that Martell Menlove, from the district has been involved from the beginning and appreciates his efforts.

Rep. Hughes asked if the education community would embrace this solution or is one problem being traded for another. Ms. Low reiterated that there was a great deal of support from the school districts. The districts are unified, but not necessarily thrilled. Martell Menlove, Deputy Superintendent, Utah State Office of Education, commented that there are some districts that have never participated in charter schools and will be impacted, and some will benefit greatly, but the majority have come together in voting this as the best solution.

Sen. Morgan responded that she is thrilled that a solution has been found but is concerned where the dollars will be found in the current economic situation, and hopes that this does not inhibit the growth of charter schools and that districts won't feel that the WPU is threatened. She expressed appreciation for those involved in the solution

**MOTION:** Sen. Morgan moved to Adjourn

Co-Chair Stephenson adjourned the meeting at 5:06 P.M.

Minutes were reported by Karen C. Allred, Senate Secretary

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Sen. Howard A. Stephenson, Co-Chair

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Rep. Merlynn T. Newbold, Co-Chair