

**MINUTES OF THE
CHARTER SCHOOL FUNDING TASK FORCE**
Tuesday, July 14, 2015 – 8:00 a.m. – Room 445 State Capitol

Members Present:

Sen. Howard A. Stephenson, Senate Chair
Rep. Steve Eliason, House Chair
Rep. Joel K. Briscoe
Rep. Bradley G. Last
Mr. Dave Crandall
Ms. Jennifer A. Johnson
Mr. Jefferson Moss
Mr. Brad Taylor
Mr. Leon Wilcox

Members Absent:

Sen. Jani Iwamoto
Sen. Ann Millner
Sen. Jerry W. Stevenson
Rep. John Knotwell
Mr. Howard Headlee

Staff Present:

Ms. Tiffany A. Stanley, Policy Analyst
Ms. Allyson R. Goldstein, Policy Analyst
Mr. Ben Leishman, Fiscal Analyst
Ms. Victoria Ashby, Associate General Counsel
Ms. Debra Hale, Legislative Assistant

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Task Force Business

Chair Eliason called the meeting to order at 8:09 a.m. Sen. Iwamoto, Sen. Millner, and Mr. Headlee were excused from the meeting.

MOTION: Rep. Last moved to approve the minutes of the June 24, 2015, meeting. The motion passed unanimously.

Chair Eliason reviewed issues raised during the task force's June 24, 2015, meeting.

2. State School Spending Report

Ms. Kelsey White, Research Analyst, Utah Taxpayers Association, referred to a final version of a report titled "Utah School Spending Report: Fiscal Year 2013 – 2014" and discussed the variation in per student spending across school districts and charter schools. She referred to a handout "Charter School Local Replacement Estimated School District Payments as a Percent of District Per Public Local Revenues – FY 2016" and said that five school districts are raising taxes to pay for a change in the methodology used to determine the district's contribution toward local replacement. She also distributed an Op-Ed she wrote for the Salt Lake Tribune titled "Letter: Bad Data Inhibits Utah Schools' Accountability."

3. Methods for Determining Enrollment in Charter Schools and School Districts

The task force discussed three main topics related to the methods for determining enrollment:

1. The Weighted Pupil Unit (WPU) weights by grade level applied to charter school funding.
2. The effects of using different methodologies to determine enrollment in school districts and charter schools.
3. The hold-harmless provision that allows charter schools and school districts with declining enrollment to maintain the prior year's funding.

WPU weighting by grade level for charter schools

Dr. Marlies Burns, Charter School Director, Utah State Office of Education (USOE), referred to a visual presentation and described the history of the WPU weighting by grade level for charter schools.

Mr. Leishman explained that the WPU weighting by grade level for charter schools was developed based on how school districts allocated their funding among elementary, middle, and high schools at that time. He said that since then, more charter high schools and charter schools serving grades K-12 have opened.

Ms. Natalie Grange, Director of Finance, Utah State Office of Education, reviewed how the weights affect charter school funding.

Effects of using different methodologies to determine enrollment in school districts and charter schools

Dr. Burns said that the State Charter School Board has not taken an official position on the method for determining enrollment, but expressed several of its concerns with changing the current methodology.

Mr. Leishman said that using different methods to determine enrollment for charter schools and school districts presents an equity issue, because a student receives a different level of funding depending on whether that student attends a charter school or a district school.

Ms. Grange distributed and reviewed a flow chart "Common Data Committee October 1 Projection Process – Legislative Budget Request" that describes how the USOE determines enrollment for funding purposes, and a handout "District Legislative Estimates 2016" that outlines enrollment head count and Average Daily Membership (ADM) calculations for school districts and charter schools.

Ms. Grange continued her presentation, referring to handouts "FY16 Projected WPUs by LEA Using Current Funding Models" and sunset "FY16 Projected WPUs by LEA Using ADM Plus Growth," which show the difference in revenues using the two different methodologies for determining enrollment.

Dr. Patti Harrington, Associate Executive Director and Utah School Superintendents Association Executive Director, Utah School Boards Association, said that both charter schools and school districts should receive funding based on ADM plus growth, but charter schools should be held harmless over two or three years as the WPU is raised until they regain the \$6 million loss caused by the change in the methodology for determining enrollment. Dr. Harrington said that funding for charter schools and district schools should be equitable.

Ms. Kim Frank, Executive Director, Utah Charter Network, distributed a handout "UCN supports charters remaining with the October 1st Head-Count" and expressed concerns with determining charter school enrollment based on ADM plus growth.

Mr. Royce Van Tassell, Executive Director, Utah Association of Public Charter Schools, said that the association evaluated total local, state, and taxpayer support per student and found that district schools annually receive about \$735 more per student.

Mr. Brad Nelson, Director of Finance and Development, Spectrum Academy, said that using ADM plus growth to determine enrollment would significantly reduce funding for the academy, because many of the students miss school for an extended period of time for medical reasons. He also said that the population the academy serves, students who have autism, tend to struggle with change, so mid-year enrollment is not feasible.

The hold-harmless provision that allows charter schools and school districts with declining enrollment to maintain the prior year's funding

Ms. Jaime Barrett, Coordinator, Minimum School Program, Utah State Office of Education, explained that the hold-harmless funding formula provides for a school district with declining enrollment (negative growth) to receive the same amount of funding as the previous year.

Mr. Leishman explained the importance of the hold-harmless provision for districts and charter schools with declining enrollment. He said districts often do not know their enrollment count until two months into the school year when they take the October 1 student count. By then, he said, districts have already contracted with employees.

Other related concerns

Mr. Scott Jones, Associate Superintendent for Business and Operations, Utah State Office of Education, said that school districts are mandated by the Legislature to use the same chart of accounts, and while there are systems issues related to financial data, the financial data districts report is generally reliable. He also said that the USOE is taking steps to ensure data reliability.

Dr. Harrington described several ideas to help charter schools succeed financially, including:

- Teaching students on a year-round basis.
- Keeping enrollment open throughout the school year.
- Adjusting class sizes and staffing patterns to meet expected changes in revenue that would result from a change to the funding formula.
- Implementing a state-wide levy to fund charter schools, as recommended by a 2014 State Board of Education funding task force.

In addition, Dr. Harrington said that taxpayers should know that charter schools receive property tax revenue but do not have elected boards.

Mr. Craig Frank, representative, Early College Alliance, asked the task force to consider early college high schools and concurrent enrollment when making recommendations.

Mr. Kay Douglas, Superintendent, Sevier School District, said that charter schools in rural school settings heavily recruit students, which greatly reduces funding for the school district. He said that new charter schools in rural areas mitigate the assistance from the Necessarily Existent Small Schools Program.

Mr. Richard Reese, Business Administrator, Murray School District, said that districts do not benefit from a 'windfall' of property tax revenue for students who reside in the district but attend charter schools, because districts budget based on total needs rather than on a per-student basis. He said that even with the funding increase in the last session, the district still receives less funding, in real dollars, than it did eight years ago.

Mr. Brent Bills, Business Administrator, Washington County School District, clarified several points. He said that an earlier presentation in the task force described the teacher/pupil ratio as class size, but it actually refers to the number of teacher endorsements divided by the number of students. He also raised issues related to the inclusion of the recreation levy (now included in the board local levy) in the local replacement calculation. He recommended that the task force examine the way funding is allocated to charter schools for administrative costs. He further explained that charter schools receive administrative

cost funding on a per-student basis, regardless of size, whereas a larger school district does not receive any administrative cost funding once it reaches a certain enrollment size.

4. Options for School District Contributions to Local Replacement

This agenda item was not addressed.

5. Other Items/Adjourn

Chair Eliason conducted a non-binding straw poll and asked the task force members present to indicate their preferences for addressing the sunset of the provision allowing charter schools to determine enrollment using the greater of ADM plus growth or October 1 enrollment. Chair Eliason provided three options:

- 1) Continue to determine enrollment using the higher of ADM plus growth.
- 2) Determine enrollment for charter schools using only ADM plus growth but mitigate the loss in revenue for charter schools.
- 3) Determine enrollment for charter schools using only ADM plus growth without mitigating the loss in revenue for charter schools.

The majority of the task force members present voted for option two.

MOTION: Ms. Johnson moved to adjourn the meeting. The motion passed unanimously.

Chair Eliason adjourned the meeting at 11:44 a.m.