

**MINUTES OF THE INTERIM JOINT PUBLIC EDUCATION APPROPRIATIONS
SUBCOMMITTEE
WEDNESDAY, JANUARY 9, 2002, 9:00 A.M.
ROOM 129, STATE CAPITOL BUILDING**

Members Present: Sen. Howard Stephenson, Committee Co-Chair
Rep. Marda Dillree, Committee Co-Chair
Sen. Karen Hale
Sen. Bill Hickman
Sen. John Valentine
Rep. Doug Aagard
Rep. Duane Bourdeaux
Rep. Judy Ann Buffmire
Rep. Glenn Donnelson
Rep. James Ferrin
Rep. Tom Hatch
Rep. Brad King
Rep. Karen Morgan
Rep. J. Morgan Philpot
Rep. John Swallow
Rep. Glenn Way

Staff Present: R. Michael Kjar, Legislative Fiscal Analyst
Jonathan Ball, Legislative Fiscal Analyst
Ben Leishman, Legislative Fiscal Analyst
Saundra Maeser, Secretary

Public Speakers Present: Steven Petersen, Assoc. Exec Director, Utah School Superintendent's Assoc.
Chad Harris, Analyst, Governor's Office of Planning and Budget
Richard Kendall, Governor's Deputy for Education
Kim Burningham, Chair, Utah State Board of Education
Patrick Ogden, Assoc. Superintendent, Utah State Office of Education
Steve Laing, State Superintendent, Utah State Office of Education
Leslie Getch, Consumer, LCPD
Phyllis Sorensen, President, Utah Education Association
Jim Eldredge, Director Government Relations, Utah Education Association
Bruce Williams, Assistant Superintendent, Davis School District
Karen Derrick, Salt Lake City School Board
Kenna Arcury, BEP Coordinator, SDBVI/USOR

Visitor List on File

Committee Co-Chair Stephenson called the meeting to order at 9:29 a.m.

1. **Handouts** - Co-Chair Stephenson referred to handouts being distributed. One of them is a corrected update for the Public Education FY 2002 Supplemental Recommendations binder under Tab 5, after page 12. It originally had not listed the amount impacted on Ogden School District. Co-Chair Stephenson asked the Committee members to replace that page in their binders. He then discussed a handout from the fiscal analysts giving the percent of M and O funds compared to the ending balances for FY 2000 and FY 2001. Today's handout gives the proportional impact percentage-wise for each district of their ending balances compared to their total M and O funds. As can be seen, there are some that are sizeable amounts and others that have only small amounts. Place this under Tab 6 in the front. The third handout is a sheet with the language discussed yesterday providing flexibility for local school districts to implement the cuts that we sent to them in the manner that is least painful for their particular districts. This will be discussed further

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at a later time. Put it under Tab 1.

Michael Kjar noted that the top part of that handout is the copy of a statute that is currently in existence, so there are provisions currently in statute that describe how districts would function under a legislative funding reduction and which provides flexibility. That was done initially in the Code in 1987 and was updated in 1997. It is still a little outdated, but that doesn't really affect the nature of the statute.

Co-Chair Stephenson stated that the Committee would hear recommendations from the Governor's Office today, from the agencies and from the public about the issues discussed on January 8. He noted that no cuts were proposed by either the Governor's Office or by the analyst on S.B. 61. He asked Steven Petersen to provide clarification on his position on S.B. 61.

Steven Petersen, Associate Exec. Director, Utah School Superintendent's Association, Director, Utah School Board Association, stated that it is a great program and a worth cause, but when you are in crisis financially, the idea is to take funds that are in programs that don't already exist. The recommendation from his Legislative Committee is to take that amount to help solve a serious problem now, and then maybe next year there would be the funds to cover that program. He recommended that what couldn't be taken from there should be taken from the Rainy Day Fund.

- 2. Presentation from Governor's Office of Planning and Budget** - Chad Harris outlined the FY 2002 recommendations from the Governor's Office and distributed handouts. He drew attention to the section on public education. (1) Governor Leavitt requested that the Utah State Board of Education hold back \$10 million in the Capital Outlay Program. The projected impact of this reduction is that right before a time of serious enrollment growth, we are slowing down our facilities, that physical plants that are built will be slowed. This represents a hold-harmless that began with the sunset of the Emergency Building Aid program, and 18 districts out of the 40 will be the only ones affected by this, as was shown yesterday in the presentation made by the analyst. Among these 18 districts, all districts will not be affected equally. (2) This is just a brief recap of the first series of hold backs the Governor requested. The State Office of Education had \$1.5 million withheld. The Office of Rehabilitation with \$215,000, and the Schools for the Deaf and Blind with the reduction of only \$25,000 were virtually held harmless. Combined, the total for public education was \$1.7 million, or 2.3% of their Uniform School Fund budget. The overriding philosophy driving the direction of these reductions is that education is the key to a vibrant economy.

Mr. Harris passed out a table listing first series hold backs which was prepared previously by the State Office. He felt it will serve as a key reference. He commented on items which were brought up at the January 8 meeting. First, regarding the one day furlough. The Governor's office has evaluated the option of using a one day furlough and is in opposition to this for the following reasons: (1) Within public education you will have positions funded by various sources. Within one FTE, you may have part funded by federal funds and part by state money. Also within departments individuals may be funded differently. While one position may be fully funded by federal funds, a similar position may be funded by state money. (2) Based on 990 hours of calculated time that is required by statute, students will lose out nearly 2,750,000 hours of education for just a one day furlough. If the students are kept in school, there will be the need to find substitutes. (3) Equity. If you take a career ladder day, then the effect of this furlough will be covered solely by teachers. Administrators and classified personnel do not have a career ladder day. If you compare state employees with teachers, state employees work approximately 260 days for their annual amount of salary. Teachers work approximately 185 days for their annual amount, so they would bear a higher cost for the furlough. (4) It would be an administrative nightmare to follow the funding sources and make the computations at all levels.

Mr. Harris commented that it was his understanding that subcommittees are to make motions and find a sponsor to change any statute that is needed to balance the budget. With that understanding, there needs to be a change in Utah Code, Title 63, Chapter 38, 2.5. In paragraph 3(b) it says the budgetary reserve account is available for appropriation to fund operating deficits in public education appropriations. In 1996, the people and the Legislature decided to change the constitution to allow higher education access to

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income taxes. The intent of the Legislature was that in a situation in which revenues were insufficient to cover the cost of public education, rather than face a reduction in funds, public education would have first access to the Rainy Day Fund. To follow what has taken place since the change in the constitution, money that would have otherwise gone to public education has since gone to higher education, including capital budgets. Even with the governor's recommendation of reduction in funds, in the budget book just released, higher education will be receiving \$176.1 million. Had the constitution not been changed, this is money that would have gone to public education, and at this time would be able to offset the revenue loss that we are facing. He asked the Committee to reconsider that if the Rainy Day Fund will not be tapped for public education, but rather these additional cuts will be made, please find a sponsor for the legislation that would be necessary to change the Rainy Day Fund legislation, such that the clause would no longer reflect public education's access to these funds, rather than face reductions. Otherwise, please use the Rainy Day Funds to offset the loss in revenue that public education is facing.

Mr. Harris referred to an article in The Salt Lake Tribune of November 20, 2001, that linked Utah's education levels to the economic success that it had in the 1990's. He also distributed an updated budget bulletin which compared Governor Leavitt's recommendations with the Executive Appropriation's target. This handout contains the information that was provided from the analyst the day before, and is easier to make the comparison.

Co-Chair Stephenson wondered how other states and Washington DC are planning to implement furloughs with regard to their budget crisis in relation to the problems Mr. Harris mentioned. Mr. Harris responded that he has not researched that on a national level.

Rep. Way strongly expressed his feelings against dipping into the Rainy Day Fund. He felt that we do not necessarily have a budget shortfall, but that the Governor's Office of Planning and Budget aimed too high in their projections. The reality is that we still have a \$500 million increase from 2002 to 2001. We should use sound economic principles and address the problem. The Governor's Office knows that the Legislature isn't interested in tapping into the Rainy Day Fund and he had hoped that Mr. Harris would have come to this committee with some other alternatives.

Sen Hickman asked Mr. Harris to read again the statute that he had quoted. Mr. Harris read Utah Code, Title 63, Chapter 38, 2.5, paragraph 3 (b) "The Budgetary Reserve Account is available for appropriation to fund operating deficits in public education appropriations."

Sen. Hickman noted it doesn't mean that we have to use it, it just means that it is available. He wondered why the legislation would have to be changed. Mr Harris replied that it was the understanding of the Governor's office that there was legislative intent that when there was reduction in funds, and with the change that was made in the Constitution, that as higher education was able to tap into the income tax, public education would have access to the fund.

Sen. Hickman responded that it doesn't mean that we are bound to that alternative, does it? Mr Harris felt it was unclear.

Sen Hickman felt it is fairly clear, that it is available, not mandatory that we are required to use the Rainy Day Fund as our first option. He wondered why Mr. Harris is suggesting that we would have to change that section of the code to take that language out. Mr Harris apologized for proposing it in such a way, but it was the understanding of the Governor's Office that that was the legislative intent when this was enacted. He is not aware of specific intent language that clarifies it but will look that up.

Rep. Dillree expressed concern about previous remarks. She stressed the importance of treating invited speakers and other legislators with respect.

Rep. Ferrin agreed with the spirit of Co-Chair Dillree's comments, but didn't feel there was any personal

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attack. He saw an attack on ideas that were being presented and passionate debate of issues. He expressed gratitude to the representative and the senator for raising these vital issues. He appreciated that Sen. Hickman brought up the question of the need to change the statute.

Co-Chair Dillree responded that the question Sen. Hickman had was one she had personally intended to ask Mr. Harris. She believes that intent is not always how we have to perceive things. There may have been intent, but our decision to make an alternative decision is there. She doesn't think there is anything in that language that mandates that we have to use the Rainy Day Fund. If the Governor's Office is interpreting it as such, the Committee has the right to interpret that differently.

Rep. Way stated that he did not feel that his comments warranted an apology, except that if he had offended Co-Chair Dillree, he would apologize to her. He reiterated his feeling that this is not a rainy day.

Co-Chair Stephenson stated that he has asked the staff to get additional statutory citation on what Mr. Harris referred to regarding the Rainy Day Fund.

Rep. Buffmire stated, "we all do our job from our values and our perspectives, but it doesn't mean that we are always just the only ones right". She mentioned that the only way to get complete intent on the Rainy Day Fund is to go back and look at the records or hear the tapes of that particular time when it was established. She believes we should use a little of the Rainy Day Fund at this time if it is necessary. It is too early to know if any of it needs to be used, but asked the Committee members to keep their minds open.

Co-Chair Stephenson referred to Statute 53A-17a-144, This is a different section than the one Mr. Harris presented. A photocopy of this was distributed to the Committee members as a handout. Co-Chair Stephenson read the statute beginning with 53A-17a-144(6).

Michael Kjar, Legislative Fiscal Analyst, commented on the statute. It says that if there are insufficient funds to meet the budget as appropriated by the Legislature, you shall rectify that in the next session. We are talking about the 2002 year which you have appropriated. You are in a situation where you can change those appropriations. So there is a little technicality in the sense that this would not necessarily apply if you are adjusting the appropriations, because there would not be a shortfall to meet the appropriations that you make for public education.

Co-Chair Stephenson felt that the language is very flexible. He felt that there was some sort of legislative intent there to give some comfort level that public education is not to be left hurting because of SJR6 being approved by the voters. But as we all know, especially with intent language, one legislature can't bind a future legislature, and so we have to deal with the statute itself, and it seems that "other legal means" is a pretty big tool. A deficit is something that occurs at the end of the year. We are not in deficit here because we are in mid year. Regardless of whether we change at mid year or after the year ends, we have many legal means at our disposal to handle the shortfall.

Rep. Philpot expressed concern with the request to tap the Rainy Day Fund and with the general atmosphere that has been set for these budget reductions. Yesterday he requested a report from the Fiscal Analyst's Office that gives some relevant information. The report states that education in Utah fueled the 90's boom. He wonders if we have taken into consideration that those people went to school primarily prior to the 90's. In 1990 our school age population was 444,732. We had a 10.5% increase in the General Fund and Uniform School Fund and have had increases ever since then. In 1990, our budget was \$774,735,500. Currently in 2001, the General Fund Uniform School Fund is \$2,208,688,300. We have outpaced inflation and population, which had a 49.6% growth rate, while we have had an 88% growth rate in the General Fund and Uniform School Fund and a 77.4% increase in the total fund. He wondered why are we in a crisis when we are still increasing our budget. He expressed concern that some would set an atmosphere of fear merely to motivate spending. Why, with information like this, should we tap the Rainy Day Fund when we are not in a crisis. Mr. Harris responded that it would come down to definition of what a rainy day is.

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Rep. Dillree stated that she doesn't think legally we have to use the Rainy Day Fund, and at this point she doesn't support doing so, but if we feel there needs to be more clarification of what qualifies for a rainy day, I think that is the prerogative of any legislature to do that.

Rep. Ferrin asked Mr. Harris about the Public Education Budget Bulletin handout. It indicates that the proposal by Executive Appropriations is about \$24 million different from the Governor's proposal. We were told by the Fiscal Analyst's Office on Tuesday that with Executive Appropriation's targets, public ed would still enjoy a \$131 million increase in funding for 02 over 01. He assumes that what the Governor is proposing is about a \$151 million increase. In a year in which total revenues are expected to be slightly under in 02, if we are giving that kind of an increase to public education, it would suggest that there has to be a fairly large decrease to other budgets. He asked what budget cuts the Governor is proposing in other agencies, in order to fund a \$151 million increase to public education. Mr. Harris responded that he is not too familiar with other budgets, beyond the fact that public education was 2.3% and the average was approximately 3%.

Rep. Ferrin thought it relevant to know to what degree this \$24 million difference is being born by other state agencies, and if federal matching funds were being lost there. Mr. Harris said that he would get that information.

- 2. Report on Senate Bill 61**, Richard Kendall, Governor's Office, Responded to the School Board Association's recommendation that H.B. 61 be cut or delayed. Senate Bill 61 was proposed as an economic development and education bill a year ago under the assumption that Utah's economy will improve if we invest in science and math teachers, and increase the number of engineers and scientists in the state. The allocations were made to both public and higher education, \$4 million went to higher education. Those allocations were made last fall and they have fulfilled the purposes of the bill. The public education portion was called the Job Enhancements Provision, and \$9.9 million was allocated. It was intended to attract, retain and prepare math, science and information technology teachers in the state. According to the provisions of the bill, \$1 million was used as a matching grant with the Gates Foundation to train principals and superintendents in the uses of technology. That money has now been matched, so there is a \$2 million grant underway for training. Later, \$1.2 million was allocated to school districts for signing bonuses of \$5,000 each. That leaves a balance of about \$7.7 million and it has been divided into two portions, excellence awards and advancement awards (scholarships). He referred the Committee to a handout chart listing the applications that have been received to date. It was the intent of the Job Enhancement Committee that they would announce these awards on January 21. The school districts have gone to a great deal of effort to do performance evaluation on their teachers and rank those teachers in terms of district priorities.

Mr. Kendall highlighted the need for this program. There are 224 chemistry teachers in the state of Utah and 39 of them have a degree in chemistry. There are 103 physics teachers and 18 of them have a degree in physics. In Information Technology, out of 55 only 5 have a degree in computer science. It is important to invest in the infrastructure of the state in the terms of science and technology. There was significant endorsement of this bill a year ago both in the House and in the Senate.

Co-Chair Stephenson mentioned that this was a huge departure last year for the Legislature to pass this legislation from the one-size fits all compensation package that we had for all educators. He was pleased that the teacher's unions also supported this.

Rep. Way asked if all of the award applicants know they are receiving awards. Mr. Kendall answered that they will be awarded on a competitive basis. He thinks that approximately 540 of the 742 applications for excellence awards will be awarded. Of the scholarships, there will be about 250 of the 440 applications. Co-Chair Dillree asked that when the Governor made his cuts, why didn't he proportionally take a share of this, realizing that he would have had plenty of time when he made some initial cuts. The need is as high or

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higher in some other areas, such as Special Ed.

Mr. Kendall will refer this question back to the Governor. He feels the Governor didn't make a cut in this because he is banking on a future investment to attract more business into the state. The real issue is not the Rainy Day Fund. The budget can be balanced in a number of ways. The Governor is willing to listen to any legitimate proposal. He just wanted to protect public and higher education, which is our highest investment.

Co-Chair Stephenson asked how they would accommodate this if this area received the prorated cuts that other areas are receiving in education. Mr. Kendall answered that it would probably cut back on the number of people who get awards. He feels the money on the training is committed.

- 3. Agencies Comments** - Kim Burningham, Chairman of the Utah State Board of Education, said that the State Board worries about the budget all year long. Their final recommendational request was made in August of 2001. That was somewhat higher than it currently is, because as the economy turned down, they responded to that situation. He realizes that cuts must be made, and it is the unanimous opinion of all 15 elected members of the State Board of Education that that would include the Rainy Day Fund as a means of protecting education as much as they can. He was speaking of the Rainy Day Fund for this year, not the future. As a former legislator who was here when the Rainy Day Fund was created, Mr. Burningham feels that it was created for a year such as this one.

Steven Laing, State Superintendent, Utah State Office of Education, reviewed the portions of the cuts that were proposed by the analysts the previous day that deal with the minimum school program and district cuts. The USOE is willing to participate in the necessary reductions to enable the budget to remain balanced. He reminded the Committee that the appropriations that were made in last year's legislative session that formed the basis for district operating budgets this year, began in July, so we are in the 7th of 12 months of their operations. For schools, with contracts with teachers, we are in the 5th of 9th month, so a large percentage of the budget is already obligated.

He referred the Committee to the Public Education FY 2002 Supplemental Recommendation binder, Tab 5, Page 6, and commented as follows: On 2.1, the Education Protection Fund should be used as a reduction and spare some operating costs that are already needed. Regarding 2.3, Character Education, realize that there really is no character education program any more because that was put into a local discretionary block last year. He feels that flexibility is critical. His recommendations of 2.4, 2.5 and 2.8 refer to monies that were appropriated for specific purposes, primarily the purchase of equipment or materials. Again, those may or may not have been purchased at this time by any particular district, and again, that evidences the critical need to provide flexibility. Regarding 2.6, FACT Restructuring, a reminder that this is a collaborate and cooperative program across five different agencies. The reduction here of \$176,500 could create the situation where there is not the capacity to provide the services that the other monies are intended to meet. A one day furlough, 2.7, would be very problematic to school districts. On 2.9, regarding the newly formed Utah College of Applied Technology. This will affect districts disproportionately and will be difficult for the school districts to deal with coming in the middle of the year.

In summary, Superintendent Laing did not mean to indicate that any or all of the cuts shouldn't be taken, but to be aware of some of the unintended consequences. He asked that as much flexibility as possible be given to the individual school districts. He drew attention to the last paragraphs of Section 53A-17a-146 (2 and 3), and asked that we make sure they are in harmony with the proposed recommendation where it talks about specifying by line item the amounts that are reduced.

Mr. Kjar responded that General Counsel has reviewed this language and feels that it does what it is intended to do.

Mr. Laing then paraphrased his understanding of the intent of the reductions, that the amount that is

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designated as a reduction in the budget for FY 2002 be allocated proportionately to the districts and then they get to choose where they can meet that requirement. He also commented on the \$10 million under line 2 that comes from the Capital Outlay Equalization Program. If that is included in the total and we calculate the percentage on that, it would affect districts differently. He assumes that will be separated out. Mr. Kjar answered, yes, and the agencies.

Co-Chair Stephenson cautioned Committee members to be mindful that just as there was some reluctance on the parts of some people to do block grants because it gives control to the local school boards, there may

be some reluctance to do the block cuts, because the strings would be untied on those categorical programs, such as the text book money. However, the more we restrict it, the less flexibility local school boards have.

Sen. Hickman asked Superintendent Laing what he would use as a common denominator in passing cuts down to the local districts. Mr. Laing responded that he would following the language under 53A-17a-146, where it says you pass the cuts along based on the proportional share of the State Education budget that each district has, and then the districts can make those cuts as they feel they are able to do so. The point he tried to make was that before they are all lumped together, we should be sure that we recognize those that have a differential impact.

Sen Hickman said that he understands then that Mr. Laing's common denominator would be simply a formula based on a particular district's share of total state funding.

Patrick Ogden, Associate Superintendent, Utah State Office of Education, presented a list of humorous alternate ideas to cutting the budget. He asked that the Committee be amenable to giving the State Board of Education the same flexibility as you are thinking of giving the local districts in determining how and where the cuts will be taken. Tomorrow the Committee will hear the recommendations of MGT, an independent contractor, on how to improve the operations of the State Office of Education. Some of the recommendations will generate cost savings to the state. The State Office of Education has incorporated most of those savings already in budget hold backs and in the cuts.

Mr. Ogden commented on the recommendations in the Public Education FY 2002 Supplemental Recommendations binder: (1) Tab 5, Page 16, 2.2 - One Day Furlough. He is against it. (2) 2.3, Across-the-Board Administrative Cuts. They have already taken some cuts in previous hold backs and some will have to be taken from those categories that the fiscal analyst has identified for additional cuts. (2.4) Internal Service Fund Rate Reduction. No problem with this. (2.4) Contingency Fund. When you take all of the money from this fund, then they will no longer be able to pay for out of state tuition or the career ladder money for the laboratory school, etc. He asked that the law be amended to allow them to make use of the minimum school program carry forward. You can eliminate the funding, but give the State Board authority to spend the money for these purposes out of the minimum school program carry forward, to the extent that the carry forward is available to do that. (2.5) Charter Schools. This cut should leave enough to cover the existing students in the current fiscal year. Just a reminder that in FY 2003, as more charter schools come on line, there will be the need for additional funding. (2.6) Superfluous Functions. The USOE has already taken into account the movement of the ATC's to higher education in their budget, and so part of the holdbacks was a reduction in one associate superintendent position and other expenditures associated with the governance of ATC's. There really aren't any superfluous positions at the USOE. (2.7) Schools for the Deaf and Blind-Non-lapsing Balances. That is probably a fair amount to take.

Rep. Dillree felt it would be the intent of the Committee to allow the same flexibility to the USOE as they are intending to allow to the districts. She expressed her appreciation for the cooperation of the USOE in solving these problems.

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Rep. Philpot asked if the USOE was invited to make proposals for cuts, or was that included with the Governor's recommendations.

Superintendent Laing responded that they were not asked to propose additional cuts, other than the response to the hold backs. An amount was set for them and they responded to that. They will do all they can to provide the services to the districts from the state office level, and the districts will do everything they can to provide services for students with the budget.

Rep. Philpot stated that he does not feel an urgency that there is a sense of danger to protect education.

Mr. Burningham replied that USOE is trying to protect education from further erosion. As certain areas are cut, certain areas will be affected, such as libraries.

Rep. Philpot expressed his feelings that with a 5.6% increase, this whole thing is being politicized.

Superintendent Laing answered that it isn't so much that there isn't additional money going in, it is that the budget established last year created a possibility toward making advancement toward meeting the needs of students beyond which we have been able before. It is a reduction from that which had been appropriated.

Rep. Buffmire remarked that in the Constitution, public education is a separate entity from the executive branch of government. The governor does not have the control over public education that he does over other departments.

Co-Chair Stephenson stated that the auditors will present a report to us Thursday at 11:00 a.m.. Mr. Burningham said that the USOE asked for this audit. They think many of the suggestions are very good.

Rep. Aagard asked Superintendent Laing when he first learned of the budget problems, what actions did he take, and how have line items been committed to by the districts in the purchasing of equipment. Superintendent Laing responded that the USOE first became aware of it when the Governor issued requests for agencies within the state to start holding back their funds. The school districts are their own entities. Their reporting to the USOE is on an annual basis with regard to their budgets. Individually in conversation with some superintendents, he has learned that they have been trying to position themselves to see what might be available to them.

Mr. Burningham said that he has tried to give a measured response. The USOE feel that some of the cuts will be harmful to students, and because they do, they urge the Committee to use both cutting and the Rainy Day Fund as a reasonable answer to a serious problem.

Superintendent Bennett, Iron County School District responded to the issues. He knows all of the teachers and administrators in Iron County. The last legislative increases have done a lot for teacher morale and have performed miracles. For example, some alternative programs were funded within schools, and the percentage of seniors with diplomas increased by 7%. To pull support away will take away the progress.

4. **Public response** - Leslie Getch, Legislative Coalition for People With Disabilities, expressed thanks for efforts on behalf of the disabled to protect their services as much as possible with the cuts. She wants to emphasize flexibility so that the agencies, speaking for the schools for the deaf and the blind, as well as for vocational rehabilitation, will be able to make the necessary cuts where it will affect the disabled the least.

Phyllis Sorensen, President, Utah Education Association, expressed appreciation for the progress that has been made by the Legislature in the past ten years in increasing funding for public education. Talking about furloughing state employees, reducing the amount for supplies, library books, technology and community support through FACT, sends the message that Utah's school children can do without.

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Jim Eldredge, Director of Government Relations, Utah Education Association, remarked that historically public education has been placed a notch above other state services. Priority was given to public education in the fact that all income tax was dedicated to public education. As income tax revenue changed, there was a concern about that, and some of us specifically were asked to meet with leadership so that there could be a clarification of this earmarking of the income tax. It was part of the understanding that in exchange for the change in earmarking of the income tax, public education would have first draw on the Rainy Day Funds.

Phyllis Sorensen suggested the following options: (1) Bonding, rather than paying cash for capital needs. (2) The funds in the Centennial Highway fund and the money left over from the I-15 construction could be looked at across the whole system. (3) Allow for the property tax levy to adjust for inflation as it does in other states. (4) Set back the deadline on the testing program for one year. (5) She suggested another funding plan. The current cost for a birth certificate filing fee is \$12.00. If we were to increase that to \$25.00 fee, that would generate almost \$600,000 a year and will benefit those who will ultimately use the school system.

Co-Chair Stephenson asked if Ms. Sorensen agreed with flexibility. She answered that she supported maximum flexibility.

Rep. Ferrin noted that in this tight budget year, our revenues are forecast to decrease from 2001 by 0.36%. So we are not talking about a lot of erosion in our revenues but that our revenues have not materialized as forecast. The uniform school fund is expected for 02 over 01 to increase by 0.63%, but general fund revenues are expected to fall by 1.46%. In that environment, this Committee is contemplating reductions to the previous appropriation, which would still leave public education with a \$131 million increase for 02 over 01, that is a 5.9% increase. The fact is that in a budget year where revenues didn't increase as much as projected, and actually decreased slightly, we are still purposing to leave a 5.9% increase., which means that somebody else in the state is going to take a significant cut. We are in a recession in this country. Recessions typically last 11 months. On November 26, we were told that the recession started in March, which means that we are almost out. The message we send to Utah school children is that they do deserve more and they are getting it.

Rep. Philpot asked if Ms. Sorensen has a proposed a ten year plan and an ideal level of funding for education. Mrs. Sorensen answered that they have a strategic plan which is revisited every year.

Rep. Philpot asked for a copy of that plan. He feels that the whole debate is basically a power struggle.

Co-Chair Stephenson stated that he is purposing legislation for a task force. He has felt strongly about the fact that 70% of our land in this state is owned by the federal government and not taxed. He is also looking at a trend that exists with local government taking more and more enterprises that compete with the private sector off the tax rolls, not embedding the same school taxes in their enterprise costs as their private sector competitors, and he feels that they should be paying the same school taxes as their private sector competitors. He has a bill to address that.

Bruce Williams, Business Administrator, Assistant Superintendent, Davis School District, responded to questions that have come up regarding how cuts would affect local school districts. His estimate is that 90% of the allocated monies have been expended in his district. He urged full flexibility because there is very little opportunity to go back and do discretionary spending cuts.

Kenna Arcury, Business Enterprise Coordinator, Division of Services for the Blind, stated that her job is to implement state and federal law in helping place and monitor blind individuals in food service related businesses that are in all government buildings. In furloughing state employees, you would also furlough approximately 90 citizens that work in these buildings.

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Karen Derrick, Utah School Board Association, Salt Lake City School District, urged flexibility. Urban problems are very different than rural problems. She asked the Committee to consider borrowing from the Rainy Day Fund, so the budgets can be kept intact this year, and return the money to it next year.

Rep. Donnelson made a motion to adjourn the meeting.

Co-Chair Stephenson adjourned the meeting at 12:11 p.

Minutes reported by Sandra Maeser, Secretary

Sen. Howard Stephenson, Co-Chair

Rep. Marda Dillree, Co-Chair

