

**MINUTES OF THE JOINT PUBLIC EDUCATION APPROPRIATIONS
SUBCOMMITTEE
MONDAY, JANUARY 27, 2003
ROOM 129, STATE CAPITOL BUILDING**

Members Present: Sen. Howard Stephenson, Co-Chair
Rep. Gordon E. Snow, Co-Chair
Sen. James Evans
Sen. Karen Hale
Sen. Lyle Hillyard
Sen. Bill Wright
Rep. Doug Aagard
Rep. Duane Bourdeaux
Rep. Judy Ann Buffmire
Rep. LaVar Christensen
Rep. David N. Cox
Rep. Marda Dillree
Rep. Glenn Donnelson
Rep. John Dougall
Rep. James Ferrin
Rep. Karen Morgan

Staff Present: R. Michael Kjar, Legislative Fiscal Analyst
Ben Leishman, Legislative Fiscal Analyst
Nedra Duzett, Secretary

Public Speakers Present: Patrick Ogden, Assistant Supt., State Office of Education
Janet Cannon, Vice-Chair, State Board of Education
Leslie Gertsch, Legislative Coalition for People with Disabilities
Linda Smith, Legislative Coalition for People with Disabilities
Mindy Bradley, Vocational Rehabilitation
Adrian Vincent, Services for the Blind and Visually Impaired
Carol Beckstead, Independent Living
Sam Garcia, Services for the Deaf and Hard of Hearing
Corey Rowley, Incentives for Working with a Disability
John Bennion, Governor's Business Coalition Education Report
Sen. Chris Buttars

Visitor List on File

Committee Co-Chair Snow called the meeting to order at 2:07 p.m.

1. Approval of Minutes - Minutes were not presented for approval.
2. Committee Procedure - This item was not discussed.

3. Budget Presentation - Ben Leishman, Fiscal Analyst, presented the recommended budget for the State Office of Education. Budget books were distributed to committee members. The budget includes programs that relate to services and functions provided by the State Office. The Analyst recommends \$173,616,600 including \$21,815,600 from the Uniform School Fund.

Retirement rate adjustments in FY 2003 resulted in a retirement savings to the State Office of Education. This adjustment resulted in a reduction of \$8,900 for FY 2003 and FY 2004.

During the sixth special session, the Legislature rescinded \$290,600 in ongoing Uniform School Funds from the State Office of Education. The Legislature offset this reduction through a one-time restoration. The Analyst's FY 2004 base reflects the ongoing reduction to the State Office of Education. The State Office identified possible reductions to Applied Technology, instructional television, and library/media items.

Following the independent evaluation of the State Office of Education reported to the subcommittee last year, the State Office restructured its operating divisions. The reorganization combined eight office divisions into three divisions. Through reorganization, the State Office brought all operating divisions under the direct supervision of the deputy superintendent or one of two associate superintendents.

Charter School growth estimates indicate that enrollment is expected to increase by 200, along with six new charter schools with an estimated enrollment of 200 students each. This increase in charter school enrollments is estimated to cost \$564,200.

Details on the budget for agency divisions were covered in the presentation. This information may be found in the budget write-up.

Mr. Leishman presented the recommended budget for the Utah State Office of Rehabilitation which operates under the direction of the Utah State Board of Education. USOR operates programs designed to assist individuals with disabilities to prepare for and obtain gainful employment and increase their independence. For FY 2004, the Analyst recommends \$48,699,300 of which \$18,022,500 is from state tax revenue.

The retirement rate adjustments in FY 2003 resulted in a reduction of \$8,800 to the USOR for FY 2003 and FY 2004.

During the sixth special session, the Legislature rescinded \$219,200 in ongoing Uniform School Funds from the State Office of Education. This reduction was offset by the Legislature through a one-time restoration.

The Analyst's FY 2004 base reflects the ongoing reduction to the State Office of Education as approved by the Legislature. The USOR estimates that services in vocational rehabilitation, independent living, and deaf/blind services may need to be reduced to accommodate this reduction.

Details on the budget for agency divisions were covered in the presentation. This information may be found in the budget write-up.

Patrick Ogden Assoc. Supt., State Office of Education, said that of the \$173 million of the State Office of Education budget, \$147 million is passed on to the districts. In consideration of that, the operating expenditures of the USOE are relatively small. Supt. Ogden reported that the General Fund Restricted Substance Abuse Prevention funding comes from fines, levies, and judgements made through the judicial system on drug abusers, etc., and it is statutorily earmarked for Substance Abuse programs.

Supt. Ogden pointed out that Charter Schools must have \$414,000 for the state match of local funding. Currently there is \$210,000 in their budget. If Charter Schools do not receive additional funding, there will be a short-fall of \$204,000 that will be prorated among the various Charter Schools. The Analyst recommends \$564,200. USOE recommends \$768,200.

Supt. Ogden said the State Board of Education is recommending Charter Schools be granted \$300.00 for each student to cover capital facilities needs. Currently they are not receiving any funding for capital facilities, and they are requesting that the Legislature appropriate \$425,700 on-going money to cover these needs. Mr. Ogden recommended that the Public Education Appropriation Committee take Charter School financing from the State Office of Education budget and create a separate line item in the appropriations act so money for Charter Schools may be tracked. Mr. Ogden pointed out that this budget recommendation does include an additional budget cut to the State Office of Education of \$290,000. He asked the committee to recognize that if there is an additional cut it will be very painful and, if at all possible, he requested the money be restored.

Janet Cannon, Vice-Chair, State Board of Education, spoke in support of the State Office of Education and the children of Utah. She said education has taken a lot of cuts, and any help the committee can provide in providing more money will be greatly appreciated. Ms. Cannon commented on an independent audit of the USOE which indicated that if they rearranged everything and used all personnel to their maximum efficiency, they would still be short by two people. Since that time they have had to cut another fifteen people from office staff, yet the work they are required to do remains the same.

Sen. Hillyard said if the money can't be restored, the committee needs to be told what responsibilities could be cut to help the USOE meet their mission.

4. Response from the Governor's Office - Chad Harris said that education is a major factor on the governor's agenda, and it is his position that the cuts that were made during the sixth special session should be restored. In addition, the governor recommends additional compensation for growth and retirement benefits and for a slight increase in the WPU.
5. Agency Response - State Office of Rehabilitation - Blaine Peterson, Executive Director, Utah State Office of Rehabilitation, distributed a booklet on the Office of Rehabilitation. Rehabilitation was cut \$976, 200 last year, and an additional cut of \$219,200 taken in the sixth special legislative session. The loss of these funds in FY 2004 will eliminate or reduce Vocational Rehabilitation Services to 92 individuals. Mr. Peterson reported the biggest problem they face is in growth with an average yearly increase of 807 individuals. They have tightened requirements for service to the extent they could under federal law. Utah State Office of Rehabilitation FY 2004 building request priorities are: \$219,200 one-time funding be made on-going money, \$600,000 for Vocational Rehabilitation, a request for a DSBVI Orientation & mobility Instructor, and \$100,000 for Independent Living.
6. Public Comment - Leslie Gertsch, Legislative Coalition for People with Disabilities spoke of the need for continued support for people with disabilities.

The following individuals spoke and testified of the value of rehabilitation programs and the way they have been helped.: Mindy Bradley, Adrian Vincent, Carol Beckstead, and Sam Garcia.

Corey Rowley, Co-chair of the Legislative Coalition for People with Disabilities said these programs are experiencing a huge amount of growth and it is affecting the way people with disabilities are receiving services. She distributed a fact sheet showing what it would take to fund growth. She asked for the committee's consideration.

7. Governor's Business Coalition Education Report - Mr. John Bennion reported on the Employer's Education Coalition. A coalition of business and education leaders met every six weeks for a period of six months to look at public education in Utah. They looked to see if the conventional processes used in managing businesses could be applied to education. Mr. Bennion said the crisis in Utah schools is driven by funding shortages and high tax rates. He spoke of an enrollment boom that is coming over the next decade with between 70,000 and 100,000 new students, in comparison with the 11,000 that came into the system over the '90s. He noted that there is general employer dissatisfaction with the quality of Utah's high school graduates.

The coalition recommendations were: refocus on core academics of reading, writing, spelling, math, and science; eliminate non-essential electives; increase number of teachers, support school choice, attract investment capital, require more accountability by students and teachers.

Mr. Bennion said there continues to be some discussion for business involvement in helping improve education in the state of Utah.

8. Tuition Tax Credit S.B. 34 - Sen. Chris Buttars said they had an independent non-partisan fiscal note. The note says that in the first year there will just under \$90,900 net savings to the public education system. The perception has been that if tuition tax credits happen, it would financially gut public education. Each student leaving the public schools would take \$2,132.00 to the private schools. When the net savings to the state in all avenues is considered there will be a net savings the first year.

Mr. Kjar reported on the process used in determining the fiscal note for S.B. 34. A number of assumptions were used based on a fair representation of what may occur under the propositions proposed in the bill. The analyst did not look at any kind of impact on a specific school or school district. Mr. Kjar said they figured 4,509, or one percent of the 450,900 students now enrolled would go to a private school. The amount leaving with the student would be \$2793.00. The tax credit side of the equation consists of an average credit of \$1,015 taken by individuals for students who qualify under the Free and Reduced Lunch category and \$2,132.00 for scholarship granting organizations. The average for all other individuals is \$1,766. No kindergarten children are eligible in the first year. Of the current private school enrollment of 13,000, twenty percent are eligible under the Free and Reduced Lunch criteria. Thus, 2,600 students were included for tax credits. An assumption was made that one-half of those taking credits would be sponsored by a scholarship granting organization, and the remaining would be individual tax credit applicants. Of the 4,509 public school students taking a credit, 31.7 percent were considered to come under the Free and Reduced Lunch criteria (based on USOE reports, and the remainder represents 68.3 percent. The categories were also divided 50/50 between credits granted by a scholarship granting organization and individual applicants. With 4,509 public education students and 2,600 private school students, the total applicants for the first year is 7,109.

The cost "savings" is computed at \$2,793 per student which utilizes the basic WPU cost of \$2,132 plus an additional \$661.00 for appropriate other costs. Second year costs include kindergarten students. The fiscal implications are that state revenue estimates would be reduced by \$12,594,900 to offset the revenue loss. This nets to \$251,700. The bill would necessitate an appropriation of \$148,400 to the Consumer Protection Division

and \$12,400 to the State Tax Commission. Reducing these appropriations from the \$251,700 balance leaves a net positive balance of \$90,900 the first year.

Tracy Olsen, Business Administrator of Nebo School District and president of UASBO, distributed a spreadsheet designed to show the projected net loss by district when a student leaves. Mr. Olsen spoke against S.B. 34.

9. Adjourn - MOTION: Rep. Ferrin moved to adjourn at 5:15 p.m.

Minutes reported by Nedra Duzett, Secretary.

Sen. Howard Stephenson, Committee Co-Chair

Rep. Gordon Snow, Committee Co-Chair