

**MINUTES OF THE
JOINT PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE INTERIM MEETING
THURSDAY, JANUARY 10, 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
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

Member Excused: Sen. John Valentine

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

Public Speakers Present: Mike Albritton, Citizen
Sarah Meier, Member, Granite District School Board
Cecie Sharan, Teacher, Curriculum Specialist, Salt Lake City School District
Rebecca Odoarde, Director, Gifted & Talented Programs, Davis School District
Kay Erwin, Teacher Coordinator, Gifted & Talented Program, Murray School Dist.
Stephen Ronnenkamp, Superintendent, Granite School District
Nathan Pierce, Assoc. Project Manager., Public Education Job Enhancement Com.
Phyllis Sorensen, President, Utah Education Association
Darrell White, Superintendent, Davis School District
Karen Derrick, Member, Salt Lake City School Board
Kim Burningham, Chair, Utah State Board of Education
Lynda Recio, Project Director, MGT of America

Visitor List on File

Committee Co-Chair Dillree called the meeting to order at 9:26 a.m.

1. Public Comments - Mike Albritton, private citizen, stated his background is in banking with a degree in economics. He has also been a teacher and an administrator in public and private schools. He is the parent of three sons. He encouraged the Committee to remember the least and the weakest in our school systems. When he looked at the recommendations that the staff made for cutting programs, he didn't see anyone suggesting cutting programs for the gifted and talented, or turning off the lights at the Friday night football games. Those are not the core missions of public education in Utah. We spend fewer dollars per child than anyplace in the country and we must allocate those wisely. As difficult as it is, we need to think first worry most about the weakest in our systems. Cutting spending on the FACT programs or school nursing

worries him because those are the kids without a safety net. Two of his children are gifted and talented and he likes those programs, but we have a moral obligation to cut those programs first and save those that are for the least in our community. I know it would be easy and in some cases logical for this group to tell the local school boards to reduce their spending by X percent and tell us where you want to take it. That seems logical but its not if you are worried about the weakest in our community. It will be tempting for the local school boards to not give the neediest kids what they need, because the local school board member has to answer to the public. Mr. Albritton is currently the principal at Guadalupe School, but is not authorized to speak on behalf of the school.

Sarah Meier, Member, Granite District School Board, stated her approval of Mr. Albritton's remarks. In talking to Rep. Philpot after the Committee Meeting on Wednesday, she has been thinking of what constitutes a rainy day. The real definition in the statute means if there is a shortfall, not if we didn't think you gave us enough money. In past years, if we didn't get a big enough percentage we at least knew what that percentage was. This year you said we were having X number percentage increase and we didn't get it. That by definition of the statute, is a rainy day.

Cecie Sharman, Teacher and Curriculum Specialist, Salt Lake City School District, brought attention to a few facts about character education. She said the goal is that in a few years funding for character education will not be needed because it will be ingrained in what we do as an education system. Right now that money is desperately needed because a great deal of staff development must be done. Character education is one of the twin goals of education, and has been since the beginning of the educational system. We want not only educated citizens, but good citizens. Utah has been one of the leaders and was one of the first to receive a million dollar grant under the Improving American Schools Act. The goal with character education is that every school is a safe and caring environment for all students. As we look at the violence in schools, vandalism and bullying, we see there is still a need, but it requires money. Another point, one elementary school that has done a lot with character education and their test scores show no difference between the kids who were economically deprived and the other children. So character education is more than just teaching people how to behave correctly, it will also help them perform academically.

Rebecca Odoarde, Director of Gifted and Talented Programs, Davis School District, wanted to assure the Committee that in talking about the weakest in our system, it can't be assumed that all high ability students in our districts are doing okay. Many of the children she deals with in Davis County who are gifted and talented are as at-risk as the other end of the population. The needs of all the children in a district should be addressed and we have got to provide resources for those children who already know curriculum. Last year the Legislature acknowledged gifted and talented by adopting a bill called Advanced Readers at Risk. The 21% of Utah children who read above grade level are finally being provided with some services. The little money you give to gifted and talented education goes far toward helping teachers understand what to do with this significant portion of students. They are the ones who are the future leaders.

Kay Erwin, Teacher Coordinator, Gifted and Talented Program, Murray School District, commented that all gifted and talented children are not all from higher socio-economic means. Many of her students do not have the support system that they need. They do know the curriculum and need to have programs that will help them get through the school system. Many need counseling and support systems.

Stephen Ronnenkamp, Superintendent, Granite School District, stated his appreciation to the Legislature for the efforts that have been made for public education over the last few years. Unfortunately, we are still dead last in the nation., not only in salaries but also the services that the kids have in the classroom. He had hoped that the cuts would be bypassed this year and dealt with next year, because it is so difficult in the middle of the year to try to make that up. As he looks at the cuts that are proposed, they are across all ability groups within a school districts. He doesn't feel any specific group has been targeted. He is not opposed to identifying certain areas as a guideline, but there needs to be flexibility.

Rep. Way asked Superintendent Ronnenkamp what specifically he would suggest for flexibility.

Superintendent Ronnenkamp answered that he is not opposed to the areas that have been identified by the analyst, that is helpful. It is important to give the school districts flexibility to either work from that list or to look at other programs in terms of areas in which they could cut. The 40 school districts are very different from each other in their needs.

Sen. Hickman stated that it is his understanding that most of the school districts apparently saw "this freight train coming," and anticipating that there might be a shortfall, held some of those revenues back. He asked how much has been held back in the Granite School District. Superintendent Ronnenkamp answered that in the areas that have been identified, it is approximately \$1.1 million, and he froze those funds after the audit was made. It appears that he will have to find an additional \$1.3 million beyond that. The total amount he will have to reduce is about \$2.4.

Rep. Hatch asked the Analyst if the Committee was to do block cuts and give flexibility, would that be done on an enrollment basis or by programs. He also wondered what safeguards there are.

Mr. Kjar answered that some proposed language was passed out on Wednesday that is currently in the statute, that defines how school districts shall allocate reductions. Under the circumstances, if flexibility is what is desired, that language adequately covers those bases for school districts and allows their percentage distribution of the total state funds that go out to be allocated to the districts on a proportionate basis. There are a couple of paragraphs in the language that allow them to adjust budgets where ever they choose.

Rep. Swallow noted that it is his understanding that with that policy, flexibility only comes if they are sent less than what they are normally sent, in other words, if there is a cut.

Co-Chair Dillree stated that it seems that is the direction the Committee wants to go, to give all the flexibility possible. The question now is, to determine how much of that needs to be ongoing, and how much is one time. Unfortunately, because of the anticipated revenue for next year, there will probably be a significant portion that we would like to see as ongoing funds. Co-Chair Dillree commented on S.B. 61, and whether we want to recommend cuts there. She also mentioned the suggestion put forth on Thursday by Karen Derrick regarding the possibility of using a portion of Rainy Day Funds, with the guarantee that it would go back into the budget next year.

Rep. Ferrin commented on the issue of borrowing from the Rainy Day Fund. He would consider that. In the 2003 budget, we are looking at something like a \$50 million shortfall. If we were to borrow from the Rainy Day Fund, then that increases the amount of shortfall that would have to be recovered in 2003. We might temporarily be able to solve the problem today, but it compounds the problem for the 2003 budget. It is a worthy discussion to have, but because of the input he received from the House Chair of Executive Appropriations, he is disposed to not go for that idea, but would like to hear others ideas.

Rep. King mentioned that by borrowing from the Rainy Day Fund, it minimizes the immediate effects. Because we are mid-year it has doubled the effect that it would have had if we were able to do the budget at the first of the year. Even if we haven't solved it this year, if you start over for 2003, the effects that it will have on the schools and on the agencies will be less because they will know from the onset where they will be starting. He feels it is a worthy discussion.

Rep. Swallow expressed his feelings that if he knew we were at the bottom and knew that in the next two years we were going to exceed our projections in revenue, he would be inclined to borrow from the Rainy Day Fund. He thinks it would be irresponsible to gamble on the fact that we are to recover. The first thing you don't do in a water shortage is drain the reservoir.

Rep. Ferrin commented on borrowing from Rainy Day Fund. He finds the notion of borrowing appealing, except he feels that in 2003, the fiscal analysts will tell us that we are going to have about an \$80-85 million revenue for 2003 over 2002, but even with that increase, we are still \$50 million short. If we don't make good on an appropriation, then that constitutes a breach of promise. He is not critical of the fiscal analysts, but no matter what they say we are going to have for education next year, he will be inclined to back that off by about \$100 million. He is still considering the idea but feels those are the issues.

Co-Chair Dillree stated that this issue can be brought forward in the caucus meetings, and feels the input from the Committee is important.

Co-Chair Stephenson commented on the use of the Rainy Day Fund and the Math and Science Initiative. He doesn't think that borrowing from the Rainy Day Fund with the promise that in two weeks that the money will be restored, that that will occur. It will actually be a decision to spend the Rainy Day Fund. Just last September when we had our site visits, a similar intention was voiced by everyone that the \$10 million the Governor had proposed to hold back from the Capital Outlay Equalization Fund, that it would be temporary. Now, not only are we talking about not restoring that to those districts, but we are not even talking in terms of giving them the \$10 million in the coming year's budget. We not going to restore it in a lean year. Regarding S.B. 61, we had testimony yesterday from Dr. Kendall about his passion for that program. I asked him about giving a pro-rated cut in that program, and he answered that they would reduce the number of awards. I think it is worth our discussion here whether we should hold that perfectly harmless or whether it should receive at least the marginal reduction that is being received in the other budgets.

Co-Chair Dillree asked for input what percentage has already been committed on S.G. 61.

2. **S.B. 61** - Nathan Pierce, Assoc. Project Manager, Public Education Job Enhancement Committee, Office of the Governor, stated that \$5.5-6 million will be spent on the advancement (scholarship) awards. There is approximately \$9.5 million in the total fund. 1.2% of that has been already committed to a matching grant with the Gates Foundation. The remaining amount is \$8.5 million. We are planning to spending \$5.5 to 6 million on the scholarship awards. That leaves \$2.4 to \$2.9 million, and approximately half of that would go to signing bonus awards. The remaining half would go to what is called Excellence Awards. Those are performance based merit cash awards.

Rep. King asked Mr. Pierce if the signing bonuses that have been allocated to the districts, are committed. Mr. Pierce responded that will be for next year's hires. He does not know to what degree those are committed, but he knows that some districts have entered into contracts on those.

Darrell White, Superintendent, Davis School District, commented that on the signing bonus, his district was given authorization to begin using those immediately for new hires, but feels that a minimal amount of money has been committed.

Co-Chair Dillree asked when the excellence awards are scheduled to be given out. Mr. Pierce answered that the excellence awards applications have already been received and will go to the Public Education Job Enhancement Committee for decisions. The awards are scheduled to be given out at the end of January.

Stephen Ronnenkamp mentioned that some of these funds are one time funds and some are ongoing. Mr. Pierce added that most of the funds are one-time. There is \$2.4 million in ongoing money.

Rep. Ferrin asked how much of the \$7.6 million in one-time money has actually been committed. Mr. Pierce answered no one has been notified they are receiving a check, but 1,200 teachers have applied for these awards. Many teachers are expecting to receive awards. Co-Chair Dillree added that \$1.2 million has been committed through a contract, but \$8.7 million is on the table. Rep. Ferrin commented that he is supportive

of this program, and doesn't think a program should be cut just because it is the newest one. Programs should be cut that are the lowest priority.

Rep. Buffmire noted that on Thursday, the Committee was told that some of the teachers had started school with the expectation that they would be receiving scholarship reimbursement. She asked for information on that. Mr. Pierce answered that 440 teachers have applied for the Advancement Award scholarship. Many of them have already started on their educational program with the understanding that they are in a good position to receive an award. In addition to that, many of the applicants are already part way through a program, and rather than asking us to back-pay them for work they have already completed, are just asking for help in finishing their degrees.

Rep. Buffmire asked what moral commitment has been made to these teachers. She also hopes to get everything on the table before we start making motions. She favors using part of the Rainy Day Fund if necessary. Mr. Pierce answered the question as to what degree the funding has been committed. There is a strong moral commitment.

Sen. Hickman noted that things change. He suggested to Mr. Pierce that if he had been making those commitments, knowing since early fall that there is a budget shortfall, it would be a learning experience for him. If we make budget adjustments, S.B. 61 is just as subject to those adjustments as anything else.

Sen. Hickman made a motion that under the provisions of bill B.S. 61, that adjustments be made on a pro rata basis with the adjustments we make to other budgets on the same percentage. Co-Chair Dillree added that the exact amount would be left up to the analyst as it pro rates with everything else.

Sen. Stephenson clarified the motion. As he understands it, it is a motion to direct the staff to prepare language to accomplish what you have mentioned, so we will take final action on that on Tuesday, or when we put everything together. He is in support of the motion because it has an important focus on the teachers. It is important to not pull back the entire program because it is a matter of trust. At the same time, this program should feel the same 2.8% trimming that the rest of the education budgets are experiencing. That ought to be accomplished in the flexible way that Sen. Hickman mentions, by giving the people administering the program the ability to administer that 2.8% in the way they see fit. They could say they are going to give the full amount less 2.8%, and I think everyone would understand that. They would have the same number of awardees, but they would all know they are getting a 2.8% cut just like their school is getting a 2.8% cut. Co-Chair Dillree inserted that the analyst said it would probably be around \$250,000.

Rep. King stated that what Sen. Hickman proposed is important to look at. He wonders what it would mean if we decided to take it out of either the scholarship awards or the excellence awards, how many of those it would cut in each case, so that we would have some options to look at.

Co-Chair Dillree asked Sen. Hickman if on his motion he is dealing with only the \$8.7 which was uncommitted, and not the \$1.2 million which was already committed. Sen. Hickman replied that the \$1.2 million has already been sent so only the \$8.7 would be available for the cut. Her understanding then is that the motion before us is to reduce the \$8.7 million by approximately 2.8%. Sen. Hickman wants to leave it up to the Job Enhancement Committee as to how the cuts are made.

Rep. Philpot stated that he is getting two impressions, one from administration and the superintendents that they desire to see this cut, preferably above other things, and second from Mr. Pierce that the teachers are excited about this. He asked to hear from the UEA, because he wants the teachers to know that their administration does not support this.

Phyllis Sorensen stated that at the time Senate Bill 61 was proposed, the teachers who qualify for this were excited about it and there is a good faith expectation on their part that it will be awarded. She supports the 2.8% cut but not elimination.

Co-Chair Dillree asked Superintendent White for his comments on this issue.

Darrell White, Superintendent, Davis School District, responded to Rep. Buffmire's question of commitment. No commitment has been made to individual teachers. Secondly, in regard to reducing the amount of the award, that would take legislation to authorize if we went below \$10,000 on the excellence awards, for example, because the law says the award will be between \$10,000 and \$20,000, and I think the decision was made to go at the lowest level. The number of awards could be reduced, the amount would have to be handled with legislation.

Rep. Ferrin commented to the motion. If the Committee decides to cut the education budget from the prior appropriation by 2.7% and apply that across the board, then this would be an appropriate way to go. That is not the intention of anyone on the Committee. So, what we are talking about doing is applying an across the board percentage to one specific program and producing a \$235,000 savings out of about a \$2.3 billion budget. He speaks against the motion. If we like this program, we should leave it intact.

Co-Chair Dillree commented that this program should be fulfilled but the motion sends the message of fairness.

Mr. Pierce spoke representing the Governor's Office, in response to Sen. Hickman's comments. There is a specific reason they did not slow down this program. The rationale is that it has a dual purpose. The second purpose is economic development. In a year that we are suffering from economic strains, the reason to go forward with this program 100% is to address the issue that is causing so many programs to be cut.

Sen. Hickman summed up his motion by noting that we started block granting last year, and he believes that is a move in the right direction. He strongly believes local school boards can manage their districts better than we can. If this program is reduced by a small percentage, it will have a small impact.

MOTION: Sen. Hickman moved to reduce \$8.7 Million by 2.7%. This is not a final position on this. This is to have that drafted and brought before the Committee when we take the final vote.

The motion passed unanimously with Sen. Valentine absent at the time of voting.

Rep. King said that the figure of \$80 million was mentioned as the projected new revenue. At the last meeting he attended someone said \$121 million. Co-chair Dillree said that the amount of \$80 million was mentioned that morning. Rep. King also commented that maybe everyone should listen to the taped record from the legislative action when the Rainy Day Fund was proposed and passed. It sheds some background light on the purposes for which it was established.

Karen Derrick, Board Member, Salt Lake City School Board, stated that she realizes that borrowing from the Rainy Day Fund is taking money from the future, but it allows the school districts to look at their entire budget and sift it to evaluate the programs and then plan the 2003 budget. She is suggesting a portion be borrowed for a short time. She asked that this be considered as the Committee members go into caucus meetings.

3. **Presentation of audit findings and recommendations by MGT of America** - Kim Burningham, Chair, Utah State Board of Education, discussed the background reasons for having an outside source do a careful audit of the USOE, so that functions could be improved. An audit committee was selected and by a bidding process selected MGT of America of Tallahassee, FL. The audit was started in June 2001 and went on for

six months. He introduced Lynda Recio, who gave a presentation of the audit recommendations. He distributed an executive summary of the final report, "Study of the Efficiency and Effectiveness of the Utah State Office of Education." The complete audit is on the web.

Lynda Recio, Project Director of the audit, stated that MGT of America has conducted several audits of state offices of education throughout the country, and of over 100 school districts throughout the country. They surveyed every school superintendent and every principal in the state. Several members of the legislature and school board superintendents also participants in the study.

She presented an overview of the study: The study addressed effectiveness, efficiency and focus of the USOE. She discussed the methodology in conducting the study: (1) Through the analysis of existing data, (2) interviews with representatives of various organizations, legislators, State Board of Education members and USOE staff. (3) Anonymous surveys. (4) On-site reviews. (5) Comparison with other state offices of education. Arizona, Colorado, Idaho, Washington and Nevada were selected as comparison states. Ms. Recio outlined the major commendations and the major recommendations. With all the proposed recommendations, the initial net savings would be about \$307,000, and up to a five year net savings of \$1.6 million. She emphasized that \$1.6 million is not a huge savings in a large state agency. The operation of the agency is effective overall. There are not a lot of areas that need to be improved, and not a lot of room for cost savings at the State Agency, in the opinion of the audit.

Co-Chair Dillree expressed appreciation for this information and for the auditor's presentation.

Mr. Burningham noted that some of the recommendations have already been implemented. Furthermore, in some instances the recommendations have helped identify cost savings. There will be a committee with the responsibility of overseeing the implementation of these items. The Board agrees with most of the recommendations. This afternoon, the Board of Education will receive a document which will list the 91 recommendations and will specifically get initial responses from the State Superintendent.

Sen. Hickman asked who requested the audit. Mr. Burningham answered that the request came out of the State Office. Sen. Hickman then noted that it was more a management consultant arrangement than an audit. It focused on process and procedures. He asked the amount of the contract. Mr. Burningham responded that it was \$206,000.

Rep. Aagard asked if there is a plan of implementation. Ms. Recio answered that as far as MGT is concerned, they provide a time line and a person responsible for each of the 91 recommendations. Superintendent. Laing has already looked at each of the 91 and estimated when each can be implemented. Rep. Aagard asked if there will be a follow-up report to this Committee on the implementation. Mr. Burningham answered that there would be.

Rep. Bourdeaux mentioned that in Ms. Recio's remarks, she mentioned the role of the State Agency needs to be more clearly defined. He asked her to expand on that. Ms. Recio answered that at times the State Agency has gotten mixed signals in terms of what its regulatory role should be, whether there should be greater home rule at the school district level vs regulatory functions at the State Agency, which is a common problem. Clear definition is that once a piece of legislation is passed and there is a responsibility at the State Board level for coming up with rules, those rules would include what the responsibilities of the Agency are for implementation, and clear operating procedures for working with the School District to implement. There should be a systemic procedure for holding each entity along the way accountable.

Rep. Bourdeaux asked how much power the State Office has vs what is perceived from the local school districts. Mrs. Recio answered that in several areas that has not been clearly defined, so that the Agency is not clear on how far it should go. The school system is not clear what its regularly responsibilities are as it

relates to its own local board and implementation of legislation, and there needs to be some definitions addressed there.

Rep. Bourdeaux asked if the report contains recommendations specifically on how to address that. She replied it did. He asked another question about the turnover rate. The report indicates that the turnover rate was about 12% about a decade ago, and now is about 21%. Were there any reasons other than salaries for this. Ms. Recio answered that they did not have access to any exit interviews so they did not have exact reasons. Technology is an issue where people have gone to the private sector for additional benefits. There has not been a thoroughly developed recruitment plan for recruiting professionals from other states or from other sectors within the state government. Some of that is retirement. The turnover rate certainly needs to be looked at.

Rep. Bourdeaux asked Ms. Recio to expand on the government relations plan that she recommends. She replied that there needs to be an office whose primary responsibility is communications with the Legislature, the Governor's Office and other state agencies. Currently, what we found within the Agency is that several of offices have a lot of that responsibility but it is not coordinated. The same is true with the Public Relations Office in terms of responding to phone calls or requests for information. The Agency has been criticized for not following through but there is not an accountability system internally to show evidence as to how the response did take place. Rep. Bourdeaux said that he would like to see more active involvement of all of the coordinators from the State Office and he thinks it would tie into that government relations piece.

He asked what MGT's charges were based on. Mrs. Recio answered that the charges were based on what the request for proposal requirements were.

Co-Chair Dillree said that there may be some question why, if this isn't dealing specifically with budget, are we even hearing this report. It is in response to the fact that there is always from lawmakers that ability to hear complaints or have people scrutinizing the State Board of Education. The State Board's willingness to improve is commendable.

Rep. Ferrin moved to adjourn.

Co-Chair Dillree adjourned the meeting at 11:41 a.m.

Minutes reported by Sandra Maeser, Secretary

Sen. Howard Stephenson, Co-Chair

Rep. Marda Dillree, Co-Chair