

**MINUTES OF THE
PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE**

Room 445 Capital Building State Capitol

February 1, 2016

Members Present: Sen. Howard A. Stephenson, Senate Co-Chair
Rep. Steve Eliason, House Co-Chair
Rep. Michael S. Kennedy, House Vice Chair
Sen. J. Stuart Adams
Sen. Lyle W. Hillyard
Sen. Jani Iwamoto
Rep. Joel K. Briscoe
Rep. LaVar Christensen
Rep. Bruce Cutler
Rep. Rebecca P. Edwards
Rep. Justin L. Fawson
Rep. Bradley G. Last
Rep. David E. Lifferth
Rep. Marie H. Poulson
Rep. Kraig Powell
Rep. Norm Thurston
Rep. Francis Gibson

Members Excused: Pres. Wayne Neiderhauser
Rep. Francis D. Gibson

Members Absent: Sen. Daniel W. Thatcher
Sen. Stephen H. Urquhart

Staff Present: Mr. Ben Leishman, Fiscal Analyst
Ms. Jill Curry, Fiscal Analyst
Ms. Lori Brinkerhoff, Secretary

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

1. Call to Order

Co-Chair Eliason called the meeting to order at 8:15.

2. Budget Review: School Building Program

Mr. Leishman gave a review of the School Building Program, which can be found in [COBI](#). He discussed the Capital Outlay Foundation Program and the Capital Outlay Enrollment Growth Program. He explained the School Building Program was one of the areas that was impacted by the S.B. 97 tax increase from last year. He said this bill funded two programs: 75 percent of the funding went to the Voted and Board Local Levy Programs and 25 percent went to the Capital Outlay Foundation and Enrollment Growth Programs. Mr. Leishman discussed the [Public Education: School Building Program Distributions](#) chart.

Rep. Briscoe asked whether the funding was formula driven or a flat \$75 million amount. Mr. Leishman answered that it was a transfer of \$75 million ongoing which remains the same until the Legislature changes that amount.

3. Budget Review: Schools for the Deaf and the Blind

a. Fiscal Analyst Report. Ms. Curry mentioned that she would be specifically discussing [State Board of Education - Education Agencies](#). She mentioned that the Charter School Board and Fine Arts and Science Outreach will be discussed at the next meeting.

Ms. Curry stated that USDB funding is one line item under the State Board of Education; with two appropriation units: educational services and support services. She explained the funding information for each of these can be found by going to page 9 of the [Public Education Base Budget Bill](#) and clicking on the corresponding links. She stated that the analysts will be recommending some technical changes.

b. 2107 USDB Funding Requirements. Mr. Joel Coleman, USDB Superintendent introduced Letty Debenham, Finance Director. He presented the [Schools for the Deaf and the Blind Fiscal Year 2017 Funding Requirements](#). Mr. Coleman discussed the three USDB ongoing increased funding requests. He specifically mentioned that a task force was formed last summer with some of the members of the committee who developed a sustainability plan regarding the Utah State Instructional Materials Access Center (USIMAC).

Co-Chair Stephenson asked about the cost of Braille textbooks and if the information could be conveyed through audio books that would be much cheaper. Mr. Coleman answered that a Braille textbook could cost \$25,000 - \$30,000. He said they do have many audio books and Braille is only used when it is absolutely necessary to meet a student's specific needs.

Rep. Lifferth asked about the useful life expectancy of a Braille textbook compared to a regular textbook. Mr. Coleman explained that this depends on if the school district continues to use that specific textbook. Ms. Carolyn Lasater, Associate Superintendent for the Blind, said the life expectancy varies greatly depending on how the student uses the textbook. Rep. Fawson emphasized the life expectancy is decreased if there is not adequate storage space.

Mr. Coleman discussed the two one-time funding requests. The first request is for the preliminary phase of a facility in the Utah County area. He mentioned that the Building Board and DFCM is in support of this request and will partner to obtain additional funding.

Rep. Cutler asked about the anticipated cost of the new building. Mr. Coleman answered that a very rough estimate would be \$7 or \$8 million.

Rep. Kennedy asked where they anticipate the new Utah-County building would be located. Mr. Coleman answered the ideal location would be north of Springville, in the southern part of Provo.

Mr. Coleman explained that the other one-time funding request is for some maintenance upgrades for the six student housing units.

Co-Chair Stephenson mentioned that district schools have other funding sources where the USDB has only one funding source. When a district school is compared to a USDB facility, there is a striking difference. He encouraged the committee to move forward with the funding requests. Mr. Coleman responded that in the past they didn't have a good sustainability plan, but have found increased efficiencies through some internal reorganization which allowed them to bring only critical needs to the committee. Co-Chair Eliason complimented Superintendent Coleman on his great work and leadership. He agreed that some of the facilities are an embarrassment to the state and was in support of the funding requests.

Rep. Christensen thanked Superintendent Coleman for his service. He mentioned that these young people have a well-deserved prominent placement in the educational system. He was also in support of these funding requests. Mr. Coleman indicated that much of the credit should go to his two Associate Superintendents, Ms. Carolyn Lasater and Ms. Michelle Tanner, Associate Superintendent for the Deaf for their critical roles. He stated they were able to fund additional needed positions because of some significant internal decisions made.

Co-Chair Stephenson asked about the problem in the Cache County area. Mr. Coleman explained that the issue has been resolved. They determined that it was better for the funding for higher education and public education to remain separate. They have maintained a very positive working relationship.

Co-Chair Stephenson asked the committee to become more familiar with the levels of academic achievement by the groups served by the USDB during the interim. Mr. Coleman said he would love to come and talk to the committee about the success of these students.

Rep. Lifferth asked for clarification regarding the outreach program and whether it serves charter, private, and home schools. Mr. Coleman discussed how the program works in outlying areas. He said that two-thirds of their expenses deal with these outreach programs. He said that the larger school districts are responsible for their own services, but they will often contract with USDB. He stated that they also provide services for charter schools, but not home schools nor private school students.

4. Voted and Board Local Levy

MOTION: Co-Chair Eliason moved that the immediate release of the undistributed funds from S.B. 97 regarding the Voted & Board Local Levy be included in the base budget bill.

Rep. Lifferth supported the motion and stated that it was critical to do this as soon as possible. Sen. Hillyard spoke in favor of the motion, but wanted to make sure the Governor was aware of the need for him to sign this immediately. He mentioned that it might be necessary to separate it out of the education bill if there is an issue that would tie this up. Co-Chair Stephenson indicated the chairs will confirm this with the Governor's office.

The motion passed unanimously.

5. Budget Review: State Board of Education Line-Items (Education Agencies)

Ms. Curry discussed the function of the USOE. She mentioned that most of the revenue is from the Education Fund, Federal Funds, Dedicated Credits, and Restricted General Funds. The analyst has recommended some technical changes would add back in balances that were previously removed.

a. **Online Education Program.** Ms. Curry mentioned that the committee might want to consider funding for the [Statewide Online Education Program](#). District students who want to take these classes are already funded through the Minimum School Program. This program is now out of funding for private and home school students. The committee may want to provide a supplemental appropriation. The USOE has estimated that ongoing funding would have to be \$1.25 million in FY 2017 to meet the estimated demand for home and private school students.

Co-Chair Stephenson asked how much the supplemental would have to be to allow students to complete credit-bearing courses. Ms. Curry answered that the USOE estimate is \$500,000 to finish out the school year. Co-Chair Stephenson stated that this has been an amazing tool to have home-school students be a part of the public education process. Mr. Scott Jones, USOE Associate Superintendent, said that all of these courses are provided by LEAs.

Rep. Thurston asked if the 25 percent administrative costs are typical of other programs. He also asked if administrative costs would increase if \$1.25 million were appropriated. Mr. Leishman stated that it is a little bit high. He would need to research to get a more specific answer. Mr. Jones indicated that USOE runs this program and has a coordinator and automation support. He stated that the 25 percent would remain steady. He wanted to clarify that there is enough funding in place to support the students currently enrolled. The additional funding would be needed to meet the demand for new enrollment.

Rep. Thurston asked about the recommendation to separate line item or program within the USOE budget. Ms. Curry stated that this item is included with business services appropriation unit.

Rep. Cutler asked if this would require an appropriation or new legislation. Mr. Leishman stated that because it is an established program, so it would only require an additional appropriation (possibly a supplemental and then ongoing).

MOTION: Rep. Cutler moved to allocate \$500,000 of the Base Budget one-time to finish up FY 2016.

Rep. Fawson asked if the administrative costs also cover the teachers that are involved in the programs. Ms. Natalie Grange, USOE Finance Director, said that the tuition cover the costs for the teachers and the administrative cost is for the specialist who enrolls the students and works out agreements with the LEAs. Rep. Fawson also asked if there was a difference between the reimbursable amounts for a home-school student versus a private-school student. Ms. Grange indicated that the tuition reimbursement is established in statute for all students.

Sen. Hillyard asked where the \$500,000 would be coming from. Co-Chair Stephenson answered that it would have to be found through internal savings or it would have to be a request made to

EAC. As a member of the EAC, Sen. Hillyard stated that they are asking committees to look internally to find reallocation sources.

SUBSTITUTE MOTION: Rep. Thurston moved to adopt the original motion and to add intent language that suggests that from this point forward no more than 15 percent of the total budget can be spent on administrative costs.

Ms. Grange explained in more depth the need for these administrative costs and answered Co-Chair Stephenson's follow-up questions regarding this issue.

The substitute motion passed with Sen. Hillyard, Rep. Cutler and Rep. Last voting in opposition.

Co-Chair Stephenson asked USOE to be prepared to discuss how they would recommend making those internal allocations.

Rep. Briscoe asked for clarification regarding where the money would come from. Mr. Leishman answered that there are probably several options to find one-time money. He stated that balances within the various programs could be analyzed. He said that there is about \$1 million in the charter school administrative account, and \$3 million in the local replacement. Mr. Briscoe asked if USOE could give committee members a break-down of which private schools are participating in this program.

Mr. Jones said that the USOE will look internally for the \$500,000 and provide the impact analysis of this motion. Co-Chair Stephenson stated that in the future the committee might want to give the state board more flexibility in addressing these kinds of needs.

Rep. Cutler asked USOE to report at a later meeting if the program can be run with the 15 percent allocation.

b. USOE Initiative Programs. Ms. Curry recommended a technical change to this budget line item. The change would move the balance that is currently in the Economic and Financial Literacy program, which no longer exists, to the General Financial Literacy program.

c. Carson Smith Scholarships. Ms. Curry stated that the appropriation for the [Carson Smith Scholarships](#) program is required by statute to increase annually. She reported that at the end of FY 2015 this program is currently carrying a balance of about \$850,000. The analysts would recommend the Legislature evaluate the balances remaining after FY 2016 and consider making changes to the students qualifying for the scholarship and using part of those balances to fund that increase.

d. Educator Licensing. Ms. Curry reported that [Educator Licensing](#) is funded by a restricted fund. She mentioned that at the end of FY 2015 the balance was about \$2.3 million. She said that USOE has requested a one-time allocation as well as an ongoing increase in the appropriation for educator licensing so they can use some of that money to cover the increased costs of background checks. They would also like to hire an educator preparation program approval specialist. Ms. Dickson indicated that the staff member who had previously been working on this was now working on educator evaluation full-time as a result of S.B. 64.

Rep. Briscoe asked about the source of the revenue increase that occurred in 2008. Mr. Leishman recalled that there were changes in the licensing fees at that time. Ms. Sydnee Dickson, Interim State Superintendent for USOE, stated that they were not holding fingerprints in abeyance and so they had to cycle everyone through according to their license cycle which brought in an unusual large number of educators who needed these background checks. Mr. Travis Rawlings, USOE Educator Licensing Coordinator, added that the increase in volume in fingerprinting which accounted for the revenue stream.

e. Federal Funds. Ms. Curry mentioned that she recommends a technical change for the appropriated amount for federal funds for child nutrition. She indicated that the amount is about \$29 million too low. Ms. Curry discussed the [Federal Funds](#) Issue Brief.

Rep. Briscoe asked if the request for the current fiscal year and what would be the source. Ms. Curry indicated that these are all federal funds and the award was larger than was anticipated. Rep. Thurston asked for clarification about this. Mr. Leishman explained that these expenditures occur every year and if this were not allocated, they would run out of funding sometime during the year. This is a reimbursement process on meals actually served. Rep. Lifferth asked what Utah has to do to qualify for the funds and if there are strings attached. Ms. Dickson answered the funds will only be reimbursed for meals actually served.

f. Fees. Ms. Curry discussed the [Fees](#) Issue Brief which outlines the fees from the State Board of Education for FY 2016 and the proposed fees for FY 2017. She stated that USOE is also requesting a language change rather than having a straight percentage to adding the words “up to” a certain percentage.

Rep. Thurston mentioned that the out-of-state tuition fee should probably increase slightly each year. Ms. Dickson indicated that this a cooperative agreement between LEAs in bordering states. Mr. Leishman mentioned they will follow-up on this.

6. State Board of Education Budget Priorities.

Mr. David Crandall, Chair, State Board of Education introduced Mr. David Thomas, 1st Vice Chair, and Ms. Jennifer Johnson 2nd Vice Chair.

Ms. Johnson gave an overview of the Utah State Board of Education [Utah State Board of Education Budget Request Overview](#). She discussed the duties, USOE Implications of USOR Audit, and Financial Problems and Needs. She mentioned the [Budget Services & Internal Audit](#).

Co-Chair Stephenson commented on the expertise and the understanding from the individuals on the State Board of Education.

Rep. Eliason congratulated the board leadership for the actions and direction taken. He mentioned that progress was being made regarding moving USOR. Rep. Christensen thanked the presenters and asked for hard copies of the presentation. He mentioned the importance of parents being involved in this process. He specifically asked about the burden for USOE of federal compliance. Ms. Johnson answered that approximately about \$12 million is required for personnel to run the federal programs and about \$8 million of local funding. It would be very

difficult to break this down into administration and direct services. Rep. Lifferth asked how much a modern efficient system-wide accounting system would cost the state. Ms. Johnson answered roughly \$30 million. They are asking for a double-entry accounting system and the cost depends on how centralized the system would be, but they are asking for \$7 million. Rep. Fawson stated that without this system there is potential mismanagement of billions of dollars. He mentioned the reporting problems specifically as it applies to federal grants. Rep. Briscoe asked about Recent Federal Grant Compliance Changes and asked if all single audits are not currently made public. Ms. Johnson answered this was an error, they are all public.

Co-Chair Stephenson mentioned that the committee will come back to this discussion in greater detail specifically as it relates to the [Utah State Office of Education Budget Requests](#). He mentioned Ms. Johnson's comment that past presentations gave incorrect data to the committee. He asked if the presenters knowingly gave incorrect data or if it was a lack of information. Ms. Johnson stated that she was referring to the monthly budget reports going to the board, not the reports to the committee.

Co-Chair Stephenson asked if 30 FTEs were needed at USOE to manage school lunches. Ms. Johnson did not feel she could answer this question thoroughly at this time. She welcomed committee members to come and get a more in-depth look at the school lunch program.

7. Requests for Appropriations/Bills with Fiscal Impact

a. Sen. Fillmore discussed a request for \$10 million for the educator salary adjustment program. This would protect the Legislature's intent for the full amount to go to teachers. Rep. Christensen mentioned the quality teaching grants and discretionary merit bonuses. Rep. Briscoe asked if the only item that had changed from 2007 to 2016 was retirement. He asked if it was true that most charter schools do not participate in the state retirement program. Sen. Fillmore stated that anecdotally that was correct.

b. Rep. Draxler mentioned that H.B. 33 established an American Indian and Alaskan Native Commission to look into addressing the long-standing severe chronic achievement gap of native students. There is a critical need for highly-qualified teachers in the reservation schools and in urban schools with high numbers of native students and home and family support. He stated that S.B. 14 requests a very high prioritization for \$2 million to establish a five-year pilot program for pay bonuses for teachers in these reservation schools. Co-Chair Stephenson indicated that this would also provide successful role models for the community. Rep. Eliason asked committee members to look at SAGE scores for the Native American populations.

c. Ms. Tami Goetz, Executive Director, STEM action center, spoke to the committee regarding S.B. 93 the Computer Science Initiative. She discussed the three parts of the K-16 initiative. She stated the fiscal note is currently approximately \$2.7 million but they will be leveraging all resources possible. Co-Chair Stephenson mentioned that as this bill is amended, the committee could hear from Ms. Goetz again.

MOTION: Rep. Eliason moved to adjourn. The motion passed unanimously. Co-Chair Stephenson adjourned the meeting at 10:55 a.m.