

**Utah State Board of Education Finance Committee
Meeting Minutes**

November 5, 2015

Members Present: Jennifer Johnson, Mark Huntsman, David Thomas
Joel Wright (JW) - present for most items

Members Excused: Jefferson Moss and Barbara Corry

Committee Staff: Brad Smith, Scott Jones and Cammy Wilcox

Others Present: Kristine Rasmussen, Jennifer Roth, Stacy Carroll, Marlies Burns, Ben Leishman, Jaime Barrett, Natalie Grange, Chad Wilkinson, Jo-Ann Wong, Jay Blain, Von Hortin, Kip Bigelow, Nicole Call, Vonda Parriott, Nate Johansen, Barbie Faust, Debbie Davis, David Rodemack, Royce Van Tassel, Susan McRay

The Finance Committee meeting was called to order at 6:25 p.m. by Committee Chair Jennifer Johnson.

Approval of Previous Meeting Minutes

COMMITTEE MOTION: Motion by Board Member Huntsman to approve the October 2015 Finance Committee minutes. Motion seconded by Board Member Thomas. Motion passes unanimously. (JW absent)

Taxing Entity Committee to the Redevelopment Agency of Bountiful City for the C.B.D. Neighborhood Development – Plan Extension

Chad Wilkinson, Redevelopment Agency Director for Bountiful City, presented the redevelopment plan extension to the Committee. The Bountiful Redevelopment Agency is requesting a 20 year extension to the project which will expire in December 2015. Mr. Wilkinson indicated that the City Center project will not go forward without tax increment funding.

Board Members voiced concern with the 20 percent administrative costs associated with the RDA and felt the administrative cost should be lower.

Ms. Grange read an e-mail from Superintendent Bowles that indicated the Board and the team at the School District feel positive about and supportive of the RDA and that the RDA creates a positive movement in the lives of the children in Bountiful.

COMMITTEE ACTION: Motion by Board Member Thomas to recommend that the Board direct the agency TEC representative to vote with the local School Board. Motion seconded by Board Member Huntsman. The Committee voted 2-1 to advise the TEC representative to vote with the local School Board. Members Thomas and Huntsman in favor and Member Johnson opposed. (JW absent)

SFY 16 Budget Reporting

The Committee received budget reports and updates from the State Board of Education, USOE Fine Arts POPS, and the State Charter School Board Section and had an opportunity to ask questions.

There is a new field on the section budget reports titled “carry forward” which identifies any unused budget. All carry forward shows up as revenue in the following year’s budget, but it is not ongoing funding so it is important to identify. Some of the section’s carry forward funds are rolled into the discretionary fund, but restricted funds are not rolled into discretionary funds.

Internal Accounting has started an additional process to close out budgets on a monthly basis. This will help improve the year-end close-out where there have been audit findings.

The State Charter School Board budget has a large carry forward budget which Executive Director Marlies Burns reported was saved up for future projects. Projects identified for the use of carry forward funds include:

- Additional start up and implementation grant, which is currently underfunded
- Professional development:
 - Giving funds to schools directly to assist with professional development of their Governing Boards
 - Giving funds to Charter School Associations to provide state-wide professional development

PowerPoint overviews for the USOE Fine Arts POPS and State Charter School Board will be given at a future Finance Committee meeting. Ms. Burns will invite Charter School Board Members to attend the future Charter School presentation.

COMMITTEE ACTION: No action taken. Informational only.

Legislative Intent Language Reports

Ms. Grange presented a draft report on class size reduction which is scheduled for presentation at Education Interim Committee on November 18. Ms. Grange is

concerned with the performance measures in the report and needs clarification on how to proceed.

Public comment suggests that class size reduction has not been fully funded since 1999, resulting in a “class size maintenance program.” The program has not increased generally to account for student growth or teacher salary increases. Capital expenses may also be incurred with class size reduction efforts. In many cases, class size reduction functions as a block grant benefitting “younger” student population LEAs. Research does not indicate that reducing class size improves student learning other than in grades K-3. Class size is a local issue that is best solved at a local district/building level.

COMMITTEE ACTION: Motion by Board Member Wright to recommend that the Board request that the legislature redistribute class size reduction funds through the WPU to be managed by the Districts. Motion seconded by Board Member Thomas. Motion passes with Board Member Johnson, Wright, and Thomas in favor and Board Member Huntsman opposed.

Moving class size reduction funds into the WPU would change appropriations allocations and it would move some unrestricted funds and make them restricted affecting Special Education and Career and Technical Education. Ben Leishman modeled this information approximately four years ago to identify the affected LEAs. Mr. Leishman will try to find the report and send it to Brad for review.

Additional reports that will be brought to the Committee for review include:

- HB207 required a survey to all teachers in the State and for the USOE to make a recommendation for a potential tax credit or an increase in the teacher supply appropriation line item
- FTE reports for K-3 reading for Title I and class size programs
- Drop out recovery

Non-Compliance with R277-484 LEA AFT/APR Reporting Deadlines

The Committee received a list of those LEAs who submitted their Annual Financial Report (AFR) and/or the Annual Program Report (APR) after the due date. Updates since the initial list was created include:

- Weber District has completed
- Vanguard Academy has completed
- Daggett District has completed
- Tintic District has completed
- Garfield District is still working on adjusting their prior year balances
- Reports for Wasatch Institute and Alianza Academy have been submitted but they are not certified

The School Finance section rejected a submission by the Winter Sports School for not submitting a balance sheet with their financial reports.

COMMITTEE ACTION: No action taken. Informational only.

FY 2016 USOE/USOR Indirect Cost Pool Update

An external firm has been hired to review all of the indirect cost rates. The audit of rates will take place in November and December so that any changes to the rate can be submitted to the Department of Education before the December 31, 2015 deadline.

COMMITTEE ACTION: No action taken. Informational only.

Career Service Exempt Positions

The Committee received updated information regarding changing career service exempt positions to career service exempt for IT and Finance. Nicole Call reported that the Board is empowered by statute to have their own employees, but the Board is not exempt from DHRM. The Board could statutorily and legislatively change the process.

The Board could incentivize employees to voluntarily choose to move to an appointed position, but the agency would need funding to support the incentive. This funding increase would need to be prioritized as a legislative ask.

COMMITTEE ACTION: Motion by Board member Johnson to recommend that the Board seek legislative change to amend the words necessary to give the Board and the Superintendent control over its salary ranges and categories. Motion seconded by Mark Huntsman. Motion passes unanimously.

***Nicole will e-mail the memo to the Board outlining the verbiage

Motion by Board Member Johnson to recommend that the Board seek funding to offer the option to the employees in IT and Finance, in all three agencies (USOE, USOR and USDB) for a seven percent raise to move from merit to career service exempt status, subject to a secondary verification of the titles included in the calculation. Motion seconded by Board Member Thomas. Motion passes unanimously.

Minimum School Program Funds for Administration

The Committee was given a report of the MSP funds that USOE utilizes to pay for administrative positions/services.

Ben Leishman clarified issues with the practice:

- The MSP has generally been defined as money that is directly distributed to school districts and charter schools
- By taking administrative costs out of those programs that are supposed to be directly distributed, it undervalues the cost of the USOE
- The MSP is a different budgetary line item under the Budgetary Procedures Act and the only people who can transfer funds from one line item to another is the legislature. USOE practice has been in violation of that act.

This topic will be on the Public Ed Appropriations agenda on November 24.

COMMITTEE ACTION: No action taken. Informational only.

Out-of-State Tuition Payments

The USOE received requests from three school districts for payment of out-of-state tuition during the fiscal year 2015 closing process. It appears the practice and payments have been occurring since the early 1980s. The payments are funded out of carry over funds.

COMMITTEE ACTION: Motion by Board Member Thomas to recommend that the Board require districts with out-of-state tuition payments to preapprove those payments by the State Board on an annual basis. Motion was seconded by Board Member Johnson. Motion passes unanimously.

Local Education Agency Financial Reporting

Associate Superintendent Jones wants to create a task force involving representation from administrators at School Districts and Charter School to talk about the reports required by the USOE and the possibility of an end-to-end system to help formulate the required data. Nicole Call will also be a part of the task force.

A recent State Audit released about school finance reporting indicates a pleasant surprise with the reliability of the data in the reports.

Recently a charter was approved with a private school/public school relationship. In this school there will be a combination of private school and public school expenditures. Ms. Grange is seeking clarification on what School Finance should expect to see in the financial reports of this charter.

The Committee wants a report to verify that public funds are not supplanting a private enterprise and that funds are not being co-mingled. In the event of a hybrid environment like this, the Board needs to see all documentation. This requirement for documentation should be included as part of the charter.

Finance Committee Requests for Data/Information

Scott will verify which budget holds the dedicated credit to pay for one of the Attorney General staff.

The USOE Fine Arts POPS programs will be presented at a later Finance Committee meeting with the programs split out separately.

The State Charter School Board overview will be presented at a future Finance Committee.

Forecasts/Spend plans will eventually become a part of the budget process as additional staff are added and trained in Internal Accounting.

Board Member Wright requested further discussion on:

- District chartering of schools and how they get funded
- School busing
- The size of school districts

Motion to adjourn by Board Member Thomas. Motion was seconded by Board Member Wright. The Committee adjourned at 9:30 p.m.