

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

January 6, 2016

Members Present: Jennifer Johnson, Mark Huntsman, Barbara Corry, Jefferson Moss (JM) and Joel Wright (JW).

Committee Staff: Scott Jones and Cammy Wilcox

Others Present: Travis Rawlings, Ben Rasmussen, Jay Blain, Jacob Wright, Susan Pulsipher, Debbie Davis, Jennifer Roth, Darin Brush, Nicole Call, Kristine Rasmussen, Sarah Young, Susan McRay, Cory Kanth, Diana Suddreth, Kevin John, Royce Van Tassel, David Rodemack

The Finance Committee meeting was called to order at 6:02 p.m. by Committee Chair Jennifer Johnson.

Approval of Previous Meeting Minutes

COMMITTEE MOTION: Motion by Board Member Corry to approve the December 2015 Finance Committee minutes. Motion seconded by Board Member Huntsman. Motion passes unanimously. (JM and JW absent).

Section Budget Reviews

The Committee received budget reports and updates from the USOR quarterly report, Informal Science Education Enhancement (iSEE), and Licensing and UPPAC Fees Section and had an opportunity to ask questions.

Please note the additional encumbrances in this USOR budget versus the USOR section in the Board Monthly Budget Report.

***Board Member Johnson requested that Internal Audit add the potential unreliability of LEA educator data in CACTUS to the risk assessment.

Merit to Career Service Exempt Finalization

The original place holder for the transition of Finance, Internal Accounting, and IT staff from merit to career service exempt was set at \$1 million. After further analysis, the estimate was reduced to \$800,000. That dollar amount includes all staff that are eligible for the transition.

After discussion with the LFA and DHRM, Superintendent Jones recommends sending out a sample survey to determine what percentage of staff would participate in the transition to more closely estimate the dollar amount.

COMMITTEE MOTION: Motion by board Member Johnson to recommend that the Board direct staff to send out the survey, after AAG review, and bring the survey results back to the next Board meeting. Motion was seconded by Board Member Moss. Motion passes unanimously.

FY 2016 USOE/USOR Indirect Cost Pool Update

Superintendent Jones submitted the request to the Department of Education to extend the provisional rate and is waiting for a response.

Maximus has requested additional information from the USOE for their report and staff are working to provide that detail.

COMMITTEE ACTION: No action taken. Informational only.

Progress on the SFY 16 Revised Budget and Corrective/Managerial Actions

The Internal Accounting Director provided a detailed briefing of potential issues/concerns and the Committee had an opportunity to ask questions.

Board Member Johnson reported that the USOE is not able to reconcile its data with the COBI, which is the legislature's budgeting tool.

Ms. Rasmussen is working with David Jones from the AG's office to get contract reviews to the standard the Board wants. David has been instrumental in turning these contracts around quickly to be on the consent calendar.

Ms. Rasmussen is holding a monthly policy and procedures meeting with all accounting staff to address accounting and non-compliance concerns. The meetings provide a consistent message agency-wide.

Superintendent Jones is on the Committee that reviews charter school promissory notes. Reconciliation of promissory notes is a concern and Board Member Johnson requested that Superintendent Jones report to the Finance Committee as progress is made.

Ms. Jacobson is working to align the USOE Chart of Accounts with FINET. The requested changes will need approval from the LFA and following approval will be presented to the Board. Superintendent Jones will review the final chart of accounts with Board Member

Johnson, Board Member Huntsman, Ms. Rasmussen and Ms. Jacobson prior to the Board presentation.

The Driver's Education Funds (PAH) is a restricted funding source. The potential to use this funding for other things is not likely. It was brought to the attention of the Committee because the account is accruing money. Options for spending will be discussed with the LFA.

COMMITTEE ACTION: Motion by Board Member Johnson to recommend that the Board use the \$150,000 discretionary accounting adjustment contingency fund towards the closing package error. Motion was seconded by Board Member Corry. Motion passes unanimously.

Federal Grants and Reporting

The Committee was given a report which details the current active grants for the Utah State Office of Education and had an opportunity to ask questions. Federal Grant Reporting will be placed as a perpetual Committee agenda items.

COMMITTEE ACTION: No action taken. Informational only.

Statewide Online Education Program (SOEP) Enrollment Procedures – Policy Outline for Modification to R277-276

Tuition payments for home and private school students are paid by the USOE to the SOEP provider LEA from an annual appropriation provided by the legislature. In FY 2016 \$500,000 ongoing and another \$250,000 onetime funds were received for this purpose. Payments for the SOEP are distributed through the monthly Minimum School Program (MSP) transfer. The number of enrollments from home and private schools is quickly approaching the maximum amount of the current year appropriation.

School Finance is seeking direction from the Board on how to slow down or stop new and bulk enrollments to avoid disruption of services to students already enrolled in the system.

COMMITTEE ACTION: Motion by Board Member Moss to recommend that the Board approve sending the memo to LEAs and to post a notice on the enrollment website to inform enrollees that as of January 11, only individual enrollments and not bulk enrollments are allowed until the money is obligated. Motion was seconded by Board member Huntsman. Motion passes unanimously.

Intent Language Reports

The reports were handed out today in Public Education Appropriations Subcommittee.

COMMITTEE ACTION: Motion by Board Member Huntsman to recommend that the Board release the Class Size Reduction and Pupil Transportation Allocation Formula reports to LEAs. Motion was seconded by Board member Johnson. Motion passes unanimously.

The report recommendations will come back to the Finance Committee and all Board Members are encouraged to provide feedback on these recommendations to Superintendent Jones.

FY 2016 Student Population Under-Projection

An under-projection of student counts for the 2015-2016 school year by the Common Data Committee (CDC) in November 2014 resulted in a current year deficit of approximately \$17 million amongst various MSP programs. The Committee reviewed a memo prepared by the School Finance section providing details of the current year deficit. There are sufficient carry over balances to fully fund the WPU this year, but the primary concern is what happens when we start the year at zero.

COMMITTEE ACTION: Motion by Board Member Johnson to recommend that the Board appropriate from the carry over balance in the basic program the full amount of the deficit to pay for the regular basic program. Motion was seconded by Board Member Moss. Motion passes unanimously.

A future consideration for the Board to consider is the potential that the CDC may underestimate the number of students again. In the event that this happens, there may be need to set aside one time money from the Education Fund in a restricted use account to close the gap in funding until the next fiscal year. School Finance will consider additional alternatives with Jonathon Ball.

Board Member Johnson communicated this issue with Senator(s) Hillyard and Stephenson, and Representative(s) Eliason and Sanpei so they are apprised of any actions that the Board may take. There was a response from Jonathon Ball and in the foresight of the legislature, they granted the State Board budgetary authority to appropriate the carry over balance.

Board Member Johnson also reported that Jonathan Ball is aware that the current models are old and don't reflect the transition that public education has undergone. To address outdated models, the Kem Gardner Public Policy Institute at the University of Utah to help update the models.

COMMITTEE ACTION: Motion by Board Member Johnson to recommend that the Board add as a legislative priority some contingency fund in case of another underestimation

of growth. Motion was seconded by Board Member Huntsman. Motion passes unanimously.

Policy Outline – Charter Funding on Average Daily Membership (ADM)

Funding for charter schools is scheduled to sunset with the current fiscal year and the recommendation from the Charter Funding Task Force is to move charter school funding to ADM plus growth.

School Finance presented a summary which identified several areas that need to be updated/addressed prior to April 2016 in order to transition to this model. The Finance Committee made the following assignments from the policy outline for additional information prior to making changes to rule:

#1 - Meet with David Crandall, Marlies Burns, Howard Headley, Angela Stallings, and Scott Jones and bring recommendations for the deadline.

#2 - #4 – Include the Superintendent Association, Charter Association and Business Administrators and asked for their thoughts and ideas.

#5 – Bring to the Committee what is currently used and the previous year’s data in UTREx to get a sense of what changes and how it is handled.

#6 –Work with internal audit and associations to get feedback/clarification of the 10 day rule.

#7 – Draft what is currently in practice and bring recommendations

#8 – Draft what is currently in practice and bring recommendations

#9 – Ms. Grange will e-mail a list of all charter school caps to the Board and bring recommendation back to the Committee, and for the group listed in #1 to discuss this issue and provide recommendations.

Noncompliance with Financial Reporting Deadlines

The Committee received a report of LEAs who submitted their Annual Financial Report (AFR) and/or the Annual Program Report (APR) after the due date. It is important that this information is submitted timely because the data from the reports is used to compile the annual Superintendent’s report.

The Finance Committee gave direction to Superintendent Smith to review the list of LEAs not in compliance and to bring corrective action recommendations back to the Committee.

Request for Data/Information

Superintendent Jones provided a table outlining what portion of USOE funding is federal and what is state. It appears the USOE has been underreporting federal funds which gives merit to the need for a Federal Compliance Officer.

This table is a substitute for the requested data of what percent funding for USOE is funded by what sources. The inability to readily provide this information underscores the shortcomings of our financial systems and the risk for noncompliance with federal code.

Motion to adjourn by Board Member Moss. Motion was seconded by Board Member Huntsman. The Committee adjourned at 10:00 p.m.