

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

August 11, 2013

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

**Committee Staff:** Scott Jones and Cammy Wilcox

**Others Present:** Natalie Grange, Deborah Jacobson, Royce Van Tassel, Brent Page, Sean Loth, Anthony Schmidt, Tugs Parra, Jenn Yates-Givens, Joseph Borrack, Jacob Wright, Jay Blain, Craig Frank, Curtis Buys, Blanca Estrada, Susan McRay, Jennifer Lambert, Terry Shoemaker, Dale Mossman, Vonda Parriott, Chris Godfrey, Bryan Quesenberry, Erin Preston, Jill Curry, Julie Quinn and Susan Pulsipher

The Finance Committee meeting was called to order at 5:32 p.m. by Committee Chair Jennifer Johnson.

Approval of Previous Meeting Minutes

**COMMITTEE MOTION:** Motion by Board Member Moss to approve the June 2016 Finance Committee minutes. Motion seconded by Board Member Corry. Motion passes unanimously. – JW absent

Recognition of Success/Improvement/Achievement

Curtis Buys from the IT section presented an overview of the updates to the MSP Automation process to the Finance Committee. Deputy Superintendent Jones stated that Business Administrators will have an opportunity to review the information/data prior to the platform being released.

FY 17 Budget Follow Up and Areas Requiring Further Action or Direction by the Board

Deborah Jacobson reported that all budgets, except for carryforward dollars, have been loaded into Finet. Board Member Johnson reported that Board Leadership reviewed the budgets prior to Committee and tasked the superintendency with better identifying what makes up the following line items:

1. Purchase services
2. Contracts
3. Office supplies
4. Unclassified other and
5. Operating expense.

Board Leadership also requested the budget line items be broken into two “buckets” identifying future available funds and unclassified. Deputy Superintendent Jones highlighted that the budgets are already starting to reflect the detailed information but more will be included in future presentations.

Deborah Jacobson is creating a list of object codes included in the line items for the Board. Deborah identified that sections are coding similar items in different object codes and training is necessary to provide consistency among sections.

Deputy Superintendent Jones is seeking direction from the Board on how to allocate specific funding included in the Board’s budget. Items discussed include:

1. \$269,000 for the development of Competency Based Learning
2. \$151,126.77 in education funds and
3. How to fund Regional Service Centers (RSC) with declining Federal Mineral Lease (FML) dollars.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend that the Board have the Standards and Assessment Committee determine how to best utilize the \$269,000 appropriated for competency based learning. Motion seconded by Board Member Huntsman. Motion passes unanimously.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend that the Board use the \$151,126.77 for the ERP accounting system that was not fully funded by the legislature. Motion seconded by Board Member Huntsman. Motion passes unanimously.

Deputy Superintendent Jones reported that Federal Mineral Lease dollars are declining and that Regional Service Centers have been funded completely out of Federal Mineral Lease dollars in the past. Previously, FML dollar estimates were around \$3.5 million, but this year the estimate is \$1.3 million, and Regional Service Centers receive approximately \$1.6 million annually out of the FML.

Deputy Superintendent Jones estimates \$790,000 in FML carryforward for FY 2017 but also highlighted approximately five staff are direct charging to FML. Regional Service Centers received their disbursements for the month of July, and the carryforward dollars can continue to fund them through the first half of FY2017, but additional money will need to be identified to fund the remainder of FY 2017 and decision need to be made on how to fund FY 2018.

Board Member Johnson invited Terry Shoemaker, Executive Director of the Utah School Superintendent’s Association (USSA) and Associate Superintendent for the Utah School Board Association (USBA) and Duke Mossman, Executive Director of Northeastern Utah Educational Services (NUES) to address the Finance Committee regarding Regional Service Center funding.

Mr. Mossman provided a brief outline of Regional Service Center funding and how that has changed since 1969. He reported that in 1969 Regional Service Centers were created as an individual line item in the budget. In 2001 the legislature collapsed line items and began funding Regional Service Centers in the MSP. In 2007, Patrick Ogden asked to use the State appropriated funds and to fund the Regional Service Centers out of FML. Mr. Mossman reported that Regional Service Centers were given assurances at that time that the funding would remain whole.

Mr. Mossman reported that the Regional Service Centers have met with Senator Hillyard and that the Senator wants to restore the original state funding for Regional Service Centers. Mr. Mossman acknowledged that USBE and Regional Service Centers could be competing for State dollars for FY 2018.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend that the Board dedicate the Federal Mineral Lease carryforward estimate of \$790,000 to the Regional Services Centers and direct Board Leadership to speak with Legislative Leadership regarding supplemental funding for FY 2017. Motion seconded by Board Member Wright. Motion passes unanimously.

Board Member Johnson reported that the unrestricted indirect cost rate came in at 19.1 percent, which is higher than USBE anticipated. Deputy Superintendent Jones reminded the Committee that the Board supported the agency in mandating an 18 percent indirect cost rate for FY 2016 and Ms. Jacobson budgeted sections as if they will pay a 19 percent indirect cost rate for FY 17.

USOR will still pay an indirect cost rate for the first quarter of FY 17, and Maximus is still calculating the FY17 rate. Deputy Superintendent Jones feels confident that by budgeting at 19 percent for FY 17, the USBE can cover any potential indirect cost pool increases.

#### FY 2017 Section Budget Reviews and Schedule Approval

The Committee received budget reports and updates from the State Board, SSFP Assistant Superintendent, PP Deputy Superintendent and Indirect Cost Pool Section and had an opportunity to ask questions.

#### STATE BOARD:

Deputy Superintendent Jones and Deborah Jacobson reviewed the current Board budget with the Committee.

#### SSFP ASSISTANT SUPERINTENDENT:

Deputy Superintendent Jones reported that this is a reclassification of Deputy Superintendent Nye's vacant position. Superintendent Dickson also provided historical perspective on how the Superintendency was previously organized, and reported that

the current demands on Superintendency time has made it difficult to maintain obligations outside of work. Reclassifying the position and allowing it to be filled will also allow for risk mitigation of program management.

Board Member Huntsman requested a narrative on of the expectations of the person hired for the position.

PP (Public Policies) DEPUTY SUPERINTENDENT:

The Committee reviewed the budget for Deputy Superintendent Stallings section with the addition of the policy position.

INDIRECT COST POOL:

Deputy Superintendent Jones and Deborah Jacobson reviewed the Indirect Cost Pool budget with the Committee.

#### SFY 16 Closure Report and Areas Requiring Further Action or Direction by the Board

Natalie Grange reported that all transactions are officially closed and that she is working to verify that carryforward numbers are correct. After those numbers are firmed up, a final report will be presented in September.

**COMMITTEE ACTION:** No action taken. Informational only.

#### Board Process for Determining SFY 18 Funding Priorities

The Committee was provided a handout outlining the FY 2018 budget timeline for the Governor's Office of Management and Budget (GOMB). Jacob Wright from the GOMB reported that all other agencies are required to provide their cases for budget priorities by early October and that changing Board priorities in December is very difficult for the GOMB and LFA.

Superintendent Dickson suggested that historically the USBE has been reactive in prioritizing their budget priorities by supporting initiatives from people on the hill as well as lobbyists. There needs to be a formal process for determining budget priorities.

Deputy Superintendent Jones suggested that the Board should be prioritizing FY 19 at this point and that strategic plans are typically developed for a five-year cycle.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend that the Board dedicate four hours in September to discuss the FY 18 budget priorities. Motion seconded by Board Member Moss.

Following discussion, Board Member Moss amended the motion to have staff come with information for the Board to support and direct the Board priority process. Amended motion was seconded by Board Member Johnson. Motion passes unanimously.

### Carryforward Reconciliations

Ms. Grange reported there are many difficulties in determining carryforward balances this year and that she, her staff and Deborah are working hard to clear up the discrepancies. Ms. Grange stressed the importance of maintaining funds in the line items they are assigned to. She is also looking into agreements with other entities that need to be cleared up. There has been a significant amount of manpower used to do closeout the appropriate way but once FY 16 is closed out appropriately, FY 17 closeout should be much easier.

Ms. Grange knows there are things the USBE is currently doing that can be built into the grants management system. But currently everything is a manual reconciliation that takes time. This reconciliation also affects the carryover that is reported for the Minimum School Program.

Board Member Huntsman asked if there are other resources or tools available to temporarily help while this process is brought up to speed. Ms. Grange reported that because the USBE and the systems used are unique, it takes much more manpower to train individuals. Although the process is slow, the USBE is making great progress and after it is caught up, it will be easier to maintain. Ms. Grange recognized the managerial accountants, grant compliance officer and Brian Ipson for their efforts in getting the reconciliation complete.

**COMMITTEE ACTION:** No action taken. Information only.

### Charter Loan Uncollectible Balance Disposition

The State Charter School Board closed the Wasatch Institute of Technology (WIT) at the beginning of school year 2015-2016. The school obtained a revolving loan in February 2013 for \$300,000 and made its monthly scheduled payments until closure. WIT liquidated its bank accounts and provided the USBE a check on July 14, 2016. The revolving loan has an outstanding balance of \$70,623.37 that the Board needs to determine what to do with.

Ms. Grange reported this is the first time that a charter revolving loan has not been paid back and the Board should consider establishing a policy on how to handle this type of issue in the future. The Finance Committee discussed the option of developing an escalating interest rate to incentivize Charters to pay off the revolving loans more quickly.

Board Member Johnson invited Royce Van Tassel from the Utah Association of Public Charter Schools to speak to the issue. Mr. Van Tassel reported that the section of code that authorizes the loans is up this year and the legislature will be looking at ways to strengthen the program. He suggested that the Board consider working with the legislature to use the funds in a more compressed time frame to reduce risk.

Bryan Quesenberry suggested setting up a fund similar to what contractors pay into in the event of a default which gives them a pot of money to dip into to reduce the risk.

Jennifer Lambert, Interim Executive Director for State Charter Schools, reminded the Committee that WIT did open for one year and that regardless of where the interest rate was set, WIT would not have been able to pay off the loan. WIT was closed due to low enrollment and no accreditation.

Ms. Grange stated that the impact of the default is there will be \$70,623.37 less money to lend out for future charter schools because of the uncollectible balance. Natalie also mentioned that the check from WIT was received after year end and USBE will be booking an allowance and determining how to reflect the revenue in the financial statements.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend that the Board write off the loan balance as uncollectable and request the advisory group to make recommendation on what to do with this going forward to decrease or mitigate risks of default. Motion seconded by Board Member Moss. Motion passes unanimously.

#### Modification of the Charter Revolving Loan Fund Promissory Note for Multiple LEAs

St. George Academy was delayed opening one year by the State Charter School Board in June 2016. The school is requesting one additional year of deferment on loan repayments. The school would continue to accrue interest during the deferment year which would increase their monthly payment to \$8,823.34 beginning in September 2017.

Ms. Lambert reported that St. George Academy did not have sufficient enrollment numbers to open but they have made improvements for a stronger opening next year. St. George Academy is not currently in operation and they had to let all teachers go until the enrollment numbers are sufficient. The charter has received a startup and implementation grant. Ms. Grange clarified the St. George Academy is not receiving MSP funding because they are not open.

**COMMITTEE MOTION:** Motion by Board Member Moss to recommend that the Board approve the loan modification for St. George Academy. Motion seconded by Board Member Corry. The committee voted 3 – 2 to approve the loan modification. Members Moss, Wright and Corry in favor, and Member Johnson and Huntsman opposed.

Ms. Grange reported that a comparison of amortization schedules and promissory notes showed 13 promissory notes do not agree with current repayment terms. A list of the modifications needed for the promissory notes was provided to the Committee. Ms. Grange stated that there is no impact to any loan terms or collection and that when the error was identified, nine of the eleven started making repayments.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend the Board to direct staff to make the changes in the promissory notes. Seconded by Board Member Moss. Motion passes unanimously.

#### Board Approval of Significant Accruals

GASB 33 requires an estimate to be made at the end of each fiscal year that represents the amount of federal expenditures made by LEAs before year end that were not claimed or reimbursed by the USBE before year end.

Based on the calculations by USBE Finance staff, using a ratio for each LEA which compares total federal receivables reported at year end to total federal revenues, the estimated accrual for FY 2016 is \$76,782,642.

**COMMITTEE MOTION:** Motion by Board Member Huntsman to recommend that the Board book the estimate of \$76,782,642 as the FY 2016 matching accruals. Motion was seconded by Board Member Corry. Motion passes unanimously. (JM Absent)

#### H.B. 329 Grants Management Draft Policy and Update

Jacob Jorgensen reviewed the grants management policy with the Committee. Board Member Johnson asked that the policy be put in the correct Board policy format before being published.

**COMMITTEE MOTION:** Motion by Board Member Johnson to recommend that the Board adopt the grant management policy. Motion seconded by Board Member Corry. Motion passes unanimously.

#### R277-600 Student Transportation Standards and Procedures (Amendment and Continuation)

H.B. 301 creates a grant program to provide transportation funding for routes that are unsafe for a student to walk. The statute requires the Pupil Transportation Advisory Committee to recommend a grant application to the Board.

**COMMITTEE MOTION:** Motion by Board Member Johnson to approve R277-600, for amendment and continuation, on first reading and to recommend that the Board approve R277-600, for amendment and continuation, on second reading with the

associated documents for applications. Motion was seconded by Board Member Moss. The committee voted 4 – 1 to approve the amendments to R277-600 on first reading. Members Johnson, Huntsman, Moss, and Corry in favor, and Member Wright opposed.

#### National Center of Educational Statistics Annual Reporting Submission

The report for the National Center of Educational Statistics (NCES) will be submitted on Monday.

**COMMITTEE ACTION:** No action taken. Information only.

#### Summary of MSP Formulas

Board Member Johnson requested the MSP process and control transition document to be created by School Finance to identify programs or formulas and what the issue are or were in relation to the MSP. This document will also be present in the next Public Ed Appropriations Subcommittee.

Natalie presented a high level sketch of the ERP plan. The left side of the document shows the current systems with blue indicating operational; yellow is almost operational; and red is under development. Items on the right side pertain to functions currently held or managed by State Finance.

The Grants management system listed is the UCA which does not have the ability to grow or expand. Natalie's highest priority is replacing that system with one that is adaptable.

**COMMITTEE ACTION:** No action taken. Information only.

#### Consent Calendar Review

Consent items were briefly reviewed to identify any items the Board should be made aware of. No major concerns identified.

**COMMITTEE ACTION:** No action taken. Information only.

#### Request for Data/Information

- Board Member Huntsman requested a narrative on of the expectations of the person hired for the SSFP Assistant Superintendent position.

Motion to adjourn by Board Member Moss. Motion seconded by Board Member Huntsman. Motion passes unanimously and Finance Committee adjourned at 9:10 p.m.