

**Basic Education Review Committee
Minutes
September 28, 2006**

Members Present: Peter Abernathy (for M. D. Goetz), Tommy Bragg, Ethel Detch (for John Morgan), Douglas Goddard, Graham Greeson, Vincent Harvell, Chris Henson, Karen King, Richard Kitzmiller, Cliff Lippard (for Harry Green), Gary Nixon, Kip Reel, Nancy Richie (for Carol Johnson), Larry Ridings, Fielding Rolston, Rebecca Sharber, Stephen Smith, David Thurman (for Connie Hardin), Tim Webb (for Lana Seivers), Les Winningham, and Jamie Woodson.

Others Present: Angi Agle, Pamela Anstey, Leonard Bradley, Roger Campbell, Stanley Chervin, Cory Curl, Art Fuller, Tammy Grissom, Jim Guthrie, Vicki Hall, Lynne Holliday, Chad Jenkins, Sondra Keys, Kevin Krushenski, Toni Lancaster, Hayes Ledford, Pam Mason, John McAdams, Rose Naccarato, Jacqueline Nash, Denise Paige, Dawn Robinson, David Sevier, Tom Shamblin, Andy Sher, Don Thornton, Elfreda Tyler, and Karen Weeks.

Welcome and Introductions: Gary Nixon, Executive Director of the State Board of Education and chair of the committee, welcomed all members and asked members to introduce themselves.

Minutes: Nixon presented the minutes of the August 30 meeting of the committee. The minutes were approved unanimously.

Alternative Consideration for Determining Local Fiscal Capacity: Jim Guthrie of the Peabody Center for Education Policy presented an alternative consideration for determining local school district fiscal capacity for school support. He acknowledged the assistance of Cory Curl, Department of Education; Gary Nixon, Art Fuller and David Sevier of the State Board of Education; and Bill Fox of UT Knoxville.

Guthrie noted that while he is not an advocate for what is being presented, the ideas are in the mainstream, based on his experience in working with 31 other states. While the proportion of state and local contribution varies widely across the country, in Tennessee the two are about equal. This is a political decision.

An alternative revenue generation design should meet the following criteria: equity, adequacy, transparency, flexibility (elasticity of capacity), and minimal unanticipated consequences. An alternative design would generate predictable revenue amounts as specified by state per pupil spending requirements and empower local school districts to supplement state per public spending minimal expectations if they choose. Determining whether there should be a minimum expenditure level is a policy decision.

Such a system relies principally upon local property and local sales as a basis for taxation, assumes a state subsidy for school districts taxing at specified (computational) rates but which are otherwise too poor in terms of property or sales to generate specified revenue levels, and assumes a five-year transition period and “hold harmless” arrangements for all affected districts for both revenue and tax purposes. The state does not set the sales and property tax

rates for districts, but calculates the revenue subsidization based on the computational tax rates.

It should be noted that such a system changes revenue generation, not just the fiscal capacity model. The system assumes that the school district is the basic unit, and taxpayers would pay a property tax (for educational purposes) in their districts. The implications of this change needs to be examined.

In the discussion that followed committee members raised a number of issues:

1. The current county model takes into consideration per capita income. People pay their taxes from their income. However, the data on income by county are only officially taken every decade. Annual updates to income a estimates.
2. The issue of collectibility of taxes needs to be dealt with, particularly in urban areas.
3. In a district who would have the authority to levy taxes? Most school districts in Tennessee are constitutionally prohibited from having taxing authority. Local school districts are required to provide the BEP local share match; school districts submit their budgets to the county commissions or city governments.
4. The system does not address the issue of adequacy. Every system except two provides funding above the BEP formula amount.
5. How would the system handle students who live in one district but choose to attend school in another or households that have students in multiple school districts (e.g. one student enrolled in an elementary city system and the other student enrolled in the county system which contains a high school)? It is assumed that the taxes generated by the family would be treated as contributing to the fiscal capacity of a single district of residency.

Nixon asked the members of the committee if they wanted staff to continue working on this approach, taking into consideration issues identified by the committee. The legislature has directed the committee to develop a recommendation.

Senator Jamie Woodson requested that staff present the committee with the decision making process regarding why the other 5 factors in the TACIR prototype were not included. Staff will respond at the next meeting. TACIR included median household income at the county level and poverty data at the system level. Guthrie noted that income is difficult to incorporate at the district level and that low income data based on free and reduced priced lunches could be included on the distribution side of the formula.

Members indicated their wish to go forward with this model because it is understandable and defensible.

A question was raised as to how this model differs from the TACIR average tax rate method. The difference is that TACIR used an average tax rate, instead of a computational tax rate. However, a computational tax rate could be a function of the average.

Rebecca Sharber moved and Karen King seconded a motion that staff members move forward in looking at a plan similar to that presented and to develop calculations based on the model. The motion passed unanimously. Nixon stated that staff will develop the plan and email it to members prior to the next meeting.

BEP Unit Component Costs: Tim Webb presented an update on costs estimated for committee recommendations included in the 2005 BEP Review Committee Report for both immediate priorities and extended priorities. Members suggested issues that should be explored in developing costs projections.

Immediate Priorities: These were recommended to be implemented simultaneously:

1. **System Level Fiscal Capacity Index.** Implementation of a system level fiscal capacity index (including consideration of the TACIR prototype or other alternatives). In implementing the TACIR prototype in isolation, the cost for hold harmless would be \$42.2 million if fully implemented. In a phased implementation, the cost would be \$15 million if 50% implemented, and \$3.8 million if 25% implemented.
2. **At-risk Students.** We are currently funding 38.5% of eligible at-risk students at a unit cost of \$509.46. If we funded 67% of eligible students, the additional cost would be \$51.7 million and 100% (the goal) would be \$111.6 million.
3. **English Language Learners.** We are currently funding ELLs at 1 teacher/45 students and 1 translator/450 students. To lower the ratios, the additional cost to 1/40 and 1/400 would be \$2.6 million; to 1/30 and 1/300--\$10.4 million; and to 1/20 and 1/200 (the goal)--\$26.2 million, based on the number of ELLs in FY 2007, which is approximately 27,000.
4. **Elimination of the Cost Differential Factor.** The reduction of the CDF to 75% of current costs would produce savings of \$25.2 million; 50%--\$36.2 million; 25%--\$33.3 million; and 100% elimination--\$28.9 million. These represent the annual costs in a phased elimination.
5. **Increase of Instructional Salary State Share to 75%.** The cost to increase the state share from the current 65% to 68% would be \$49.9 million; 71%--\$119.7 million; and 75%-- \$224.1 million.

Extended Priorities:

1. **Professional Development.** Costs for funding at 1% of instructional salaries will be presented at the next meeting.
2. **School Nurses.** We are currently funding school nurses at a ratio of 1/3,000 students. The costs to reduce the ratio (based on FY 2007 estimates) would be one/2,500--\$2.1 million; one/2,000--\$5.2 million; one/1,500--\$10.6 million. School nurses become a bigger issue each year. The statutory mandate for school nurses should be removed as previously recommended by the committee. The committee discussed whether the goal of one nurse/1,500 should be revised in light of the expansion of the Comprehensive School Health pilot programs. Typically the CSH programs include screenings and increasing student activity, handled by one staff person who may or may not be a nurse.
3. **Teacher Classroom Materials and Supplies.** Cost for increasing the allocations per teacher from \$200 to \$300 will be presented at the next meeting.
4. **Technology Coordinators.** The BEP currently funds technology coordinators at a ratio of 1:6,400 students. The cost to reduce it to 1:5,000 is \$.85 million; to 1:4,000 is \$1.9 million; and to 1:3,000 is \$3.8 million.
5. **Technology.** The current allocation is \$20 million. A model for technology funding needs to be developed.
6. **Alternative Schools.** Data was provided to the committee last year for several models. Updated data will be provided to the committee. We need to define the roles and responsibilities of the attendance supervisor—it may be a central office job or it may be field based. (See also discussion of truant officers on page 5.)
7. **Positions Outside the BEP.** There is considerable support in the field and among members of the committee for generating funding for teachers at a level lower than the level mandated in the statute. Suggestions are that primary grades be funded at a ratio of 1/17 or 1/18 while keeping the legal requirement at 1/20. Similar reductions need to be made at the middle school level, as are being done at the high school level. It costs approximately \$90 million to implement a reduction of class size by 1 student at all grade levels.
8. **Transportation.** Costs for various changes will be presented at the next meeting. Fuel costs need to be reflected more adequately.
9. **Capital Outlay.** Costs will be presented at the next meeting. Current funding is based on student square footage costs for elementary, middle and high schools taken from the Means publication. Maintenance and operations are funded at a rate of \$2.67/ADM.

Additional Suggestions:

Jamie Woodson raised the question of whether we should reconsider last year's recommendation that we eliminate the **CDF** as part of the larger package included under immediate priorities. She noted that the Governor's Task Force on Teacher Pay (2003) had recommended replacement or readjustment of the CDF in concert with substantial improvement for at-risk and ELL students. The challenge will be to find a way to measure the costs of doing business. Chris Henson agreed, noting that while current data may not accurately reflect costs for all systems, until we have something better we should reconsider last year's recommendation. Without the CDF, the formula would have nothing to take under consideration the cost of living. Becky Sharber and Nancy Richie (representing Carol Johnson) concurred. Where you live makes a difference in the cost of doing business. Larry Ridings stated that the CDF should be replaced, noting that at-risk and ELL funding partially compensate for it (if fully funded); the cost of doing business should be accommodated on the distribution side. Tim Webb noted that Odden and Picus have developed adequacy models for Arkansas, Wyoming, and Washington. Wyoming has a CDF similar to ours. The models are proprietary, but he will try to obtain more information. It was suggested that Peabody bring in experts, such as Jay Chambers, regarding implementing a CDF.

Members discussed reviewing the means by which we fund systems experiencing high **growth**. The current method in which systems receive no additional funds if their growth is less than 2% negatively impacts some 74-76 systems. The Department will soon have the reporting system to make possible funding based on current year's ADM. In FY 06 the state funded \$21 million in growth. Additionally, high-growth systems have taken on a large amount of debt for school buildings, an estimated \$3 billion since 1995.

The Governor has proposed having a **truant officer** in every school. The cost to provide it for all middle and high schools would be \$60 million. The impact of the proposal for truant officers on the need for attendance supervisors should be reviewed. Members questioned whether we should mandate a truant officer if the BEP funds the position.

Richard Kitzmiller suggested the need to fund **special education assistants** at a ratio of 1/10 rather than 1/60 and to fund unit costs for the operation of the **superintendent's office** rather than the current 1/county.

Vincent Harvill suggested that the current provision for **assistant principals** at a ratio of 1/school in high schools is not enough. There should also be consideration of assistant principals in middle and elementary schools. The current formula for Assistant Principals will generate only one assistant principal for a student body of 650 to 999 kids. The duties of the Assistant Principal are many. Most high schools of this size will have two to three assistant principals, whereas the formula only generates one.

Ethel Detch encouraged the committee to focus on **achievement and outcomes**. The BEP is an input based formula. She suggested that the focus should be on the priorities identified in the State Board of Education's *Master Plan*. A copy of the *Master Plan* will be emailed to all committee members.

Nixon noted that Guthrie had volunteered a series of small group conversations with experts who could talk about issues such as outcome based funding.

Tim Webb noted that the estimated cost to **maintain the BEP** (not including teacher salaries, etc) for FY 2008 would be \$70 million, based on current estimated enrollment of 922,000 ADM.

Nixon stated that at the next meeting the committee might want to consider which of the above extended priorities the committee would want to elevate to the immediate priority list.

Next Steps: The committee will meet on **October 11 and October 23 from 10:00 to 3:00**. A new meeting location will be needed for the October 23 meeting.

Nixon thanked TSBA for providing the committee with the meeting room. He encouraged members to forward to him by email any additional thoughts on items to be included in the discussion. He also thanked committee members for their thoughtful deliberation and adjourned the meeting.