

**Basic Education Program Review Committee Meeting
September 19, 2008 (Attachments Included)**

Members: Stephen Smith, Dave Thurman, John Morgan, Chris Henson, Cathy Pierce (for M.D. Goetz), Gary Nixon, Richard Kitzmiller, Denise Brown, Larry Ridings, Karen King, Vincent Harvell, Melissa Brown, Bobby Webb, Wesley Robertson (for Commissioner Webb), Rose Naccarato (for Harry Green)

Attendees: Art Fuller, Denise Paige, Tammy Grissom, Nancy Richie, Pamela Anstey, Luke Geise, Pam Mason, Kevin Krushenski, Lynne Holliday, Carol Neiger, Phillip Doss, Keith Boring, Russell Moore, Reina Reddish, Kimbra Toney-Bernard, Tiffany Mason

I. Welcome and Introductions

Dr. Nixon welcomed Denise Brown of Unicoi County as a new member to the BEP Review Committee. Committee members and attendees introduced themselves. Dr. Nixon asked for a motion to approve the minutes from the August 21st meeting. Bobby Webb motioned to approve the minutes, supported by voice consensus of committee members.

II. BEP & Technology Update

Art Fuller reviewed BEP technology subgroup discussion and discussed a handout of best practices related to technology hardware as discussed by the subgroup (see page attached documents). This review of best practices was followed by an updated BEP Technology Hardware recommendation.

The following suggestions were made from the committee related to the following recommendation.

- A districtwide target of 5 computers per classroom should be added.
- There should be the incorporation of a five-year, ongoing phase in, so that school districts can keep technology current.
- On item #3, the phrase “assessment” should be replaced with the word “instructional”

Additionally, Chris Henson suggested that the sub-group incorporate infrastructure and networking needs associated with technology, looking at such issues as local wide area networks and other technology infrastructure. Art Fuller stated these areas would be research and incorporated into the report.

Based on these recommendations, updated recommendation language will be provided to the committee.

Committee comments and suggestions refer to the following draft language:

The first consideration in the deployment of hardware should be the development of technology leadership among school principals.

In order to drive improved achievement, in support of statewide e-learning and online assessment initiatives, the BEP should provide a portion of funding so that each instructional classroom consists of the following:

- 1. a computer per instructional teacher, including standard office and communication tools. (\$1,500)*
- 2. five computers per classroom, including standard office and communication tools (\$7,500, revolving five year phase in)*
- 3. an LCD projector, accounting for electrical retrofitting and a ceiling mount (\$1,500)*
- 4. at least one technology-based assessment tool, including but not limited to*
 - a. a document camera (\$650 - \$1250)*
 - b. smartboard / interactive white board (\$1,500 - \$2,000)*
 - c. individual pupil response system (\$2,000)*

Funding should be set at a ratio of \$TBD per ADM, grades K-12 and based on a revolving five year phase-in to ensure the appropriate upkeep of hardware.

Art Fuller then reviewed a combination of reports from Education Week's Technology Counts (2006 – 2008).

(2008) <http://www.edweek.org/ew/toc/2008/03/27/index.html>

(2007) <http://www.edweek.org/ew/toc/2007/03/29/index.html>

(2006) <http://www.edweek.org/ew/toc/2006/05/04/index.html>

Mr. Fuller emphasized the following within the reports:

- Tennessee received the grade of a C- in regards to “Access to Technology”
- Tennessee lags behind the U.S. average of number of students per instructional computers (4.1 students, TN vs. 3.8 students, U.S average). This information was used as the basis for calculating the estimated statewide cost to reach the U.S. average of approximately \$18.1 million (see attached documents).
- Tennessee does not have a state sponsored professional development online portal. 39 states have moved forward with such an initiative.

III. SJR 1180 Discussion

Wesley Robertson summarized discussion of the maintenance of effort subgroup and reviewed a [PowerPoint presentation](#) of the key issues associated with Maintenance of Effort.

Within the PowerPoint presentation, Mr. Robertson presented the following clarification language for group discussion:

No County or Municipality shall reduce their prior year's appropriations or allocations to the operations of public schools, excluding capital outlay and debt service.

Consensus of the subgroup was reached only around the issues of clarifying the existing maintenance of effort language.

Mr. Robertson also reviewed two handouts detailing 100% implementation of BEP 2.0, including two maintenance of effort threshold percentage floors (110% and 115%).

- [Threshold percentage floor of 110%](#)
- [Threshold percentage floor of 115%](#)

Growth in ADM

The committee discussed issues of ADM growth noting the following:

- Richard Kitzmiller – I've heard about student growth. Was there any discussion related to looking at maintenance of effort on a per student basis?
- Bobby Webb – That becomes complicated because of at-risk and ELL.
- Richard Kitzmiller - If a fast growing system only gets the same amount as the year before, that system is losing money. Right now we don't have the appropriate allowances for systems.
- Chris – It's not just systems that are fast growing, it could be any system.

Bearing the burden for basic school expenditures

The committee discussed the increased burden that local school districts already assume.

- Wesley Robertson – The big question you get is why is MOE critical. It's just local inflation. Every school system in the state has teachers outside the BEP formula. When the state passes a raise, that is passed on to every teacher. When they say you have to get a 3 percent raise, that's every teacher in the school system. That may not be a big problem in 95% of the systems, but in a number of systems it is a big burden.
- Bobby Webb – Even if you don't have a single teacher outside the BEP, you only get funding for ½ of it.
- Chris Henson – It's not just raises it is also TCRS benefits.
- Wesley Robertson – It is what we have to work with.
- Vincent Harvell – The county commissions are looking at the fact that we already pay more than what is required. Right now they are supporting all of the additional positions.

Pushing the envelope within the BEP

The committee discussed issues related to “pushing the envelope” with the BEP

- Gary Nixon – If you were pushing the envelope would it be for student declines, growth, and inflation?
- Bobby Webb – Why don’t you leave the rates the same? That would be the maximum pushing of the envelope. Not only did you not get the growth. The rate stays the same and the added revenue gets shifted somewhere else.
- Vincent Harvell – I believe the rate should stay the same.
- Karen King– What about re-appraisal?
- Bobby Webb – When there’s re-appraisal you would account for that and still bring the same percentage.
- Chris Henson – What if you considered something like CPI (consumer price index)? If you had something that changes from one year to the next that could account for the cost increase.
- John Morgan – I think we all wish we could fund education better in Tennessee. When you start looking at solutions outside of the BEP. Systems with property values growing faster, tends to be wealthier systems that already spend more then the rest of the state. You create a compounding effect and potentially perpetuate that funding gap.

It gets very hard to solve this problem separate from the elephant in the room. The BEP does not fund at a level that we believe ought to be there. From the standpoint of Maryville and Alcoa they tend to be doing more then what other systems are doing, they want the ability to step up in other areas beyond education. Well if you cut that off at a certain percentage threshold it becomes very difficult to deal with.

- Bobby Webb – The whole issue of determining wealth, ability to pay is kind of a farce. The taxpayers pay that tax. Every county has people who are in poverty. Our tax rate is five times that of Stewart County, if you are poorer in Shelby County you have to pay a much higher amount. For example the poor in Shelby vs. Stewart, Shelby county has to pay five times the amount. I go back to John Morgan’s plan. Everyone in the state needs to pay the same rate.
- Gary Nixon – Any directions for Wes?
- Bobby Webb – I believe the (clarification) definition presented to the group is a good one.

Why is Maintenance of Effort Critical? (See, PowerPoint Slide 6, attached)

The committee discussed issues associated with PowerPoint Slide 6

- Chris Henson – Why is MOE critical? MOE doesn't do anything for the things we've talked about are important. MOE doesn't go for anything that we are talking about on this slide.
- John Morgan – If the BEP adequately recognized the number of teachers, student needs, and really funded capital outlay, the annually increase in cost would be part of state funding. The reason MOE doesn't address these things is because MOE does not address these things.
- Richard Kitzmiller – It misses about 1 billion dollars. As long as that gap is 1 billion.
- John Morgan – I don't think that billion dollars is currently being wasted.
- Chris Henson – Even if the BEP takes care of what we're talking about. There is still going to be a local match. Maybe the MOE should take that into consideration.

The local impact of state salary increases

The committee discussed issues associated with state mandated salary raises.

- John Morgan – Typically we raise that state salary schedule. I don't recall us saying that every teacher has to get that raise. There is training and experience adjusted every year. We're talking about legality vs. practical result. The percentage rate does not equate to the statewide percent. I think what happens in practice is that the BEP generates a certain amount of money that gets spread.
- Vincent Harvell – One of the things is that teachers hear you are going to give a 3 percent raise. That alone makes it a practical matter.
- John Morgan – I believe there are several systems that average down.
- Bobby Webb – We take every teacher cell and raise it 3 percent.
- Larry Ridings – Legally when we give a 3 percent raise, you ought to reflect that.
- Gary Nixon – Several systems I know of have a state share and a local share for raises.
- Nancy Richie – Our complaint is related to the training and experience.
- Wesley Robertson – Now that there is only a flat rate for salaries generated in the BEP. We've actually seen a trend that the training and experience is declining.
- Larry Ridings – It is a mandated expense that local systems have to bear.
- Nancy Richie – Are we saying that we are not willing to incorporate language for inflation?
- Wesley Robertson – If I am living in an area growing by leaps and bounds, maybe I should be able to back off my tax rate.
- John Morgan – We take the position that there has to be a tax rate established for public schools. We think there are some court cases out there that support that. But this has not been settled.

Clarity language, exceptions, and inflation

The committee discussed issues associated with maintenance of effort clarity language, exceptions, and inflation.

- Karen King – There is no consideration now for funding exceptions and that needs to be looked at. Counties have the ability to adjust and shift where fund received from the rates are going.
- John Morgan – If you make it appear that commissions are going to be punished in future years for stepping up for education that presents a significant problem.
- Stephen Smith – We already have an inflationary cost adjustment. We would support an inflationary adjustment for every school system.
- Gary Nixon – In that case, the vote would be...do we want to include inflation in the clarity language for maintenance of effort?
- David Thurman – If we are going to do that we need to look at the disparity moving forward.
- Vincent Harvell - We now have language that has an additional requirement for local governments. The formula as it exist requires local governments to contribute more as the state contributes more. Once the funding level is established it should only be reduced based on declining enrollment. This is lock-step with the BEP formula which also declines with enrollment. Many times even with declining enrollment, this does not occur with the Local government. If the BEP formula is adequately funded the inflation factors built into the formula would be spread proportionately between state and local. This would or should require increased local effort.
- David Thurman – The inflation is already built into the formula but are we confusing that with the local match requirement?
- Stephen Smith – It's built in but there's still confusion.
- Karen King – Do you want it linked to the inflation factor linked to the BEP formula?
- Chris Hension – If you are in an area that has depressed property values. Are you telling that government that you are going to increase their property tax rates because their property values are going down?
- Rose Naccarato – It would depend what type of index you had built in.
- David Connor – I don't know how these would interplay, especially in areas where the property tax rate is going down.
- John Morgan – When you start compounding that with inflation it produces really big numbers. It sends the message that we better not give locally funded raises. We are all sympathetic to the problem.
- David Thurman – If you put a mandatory inflation factor onto MOE, the formula itself may not be recognizing the actual cost. Would it weaken the argument to adequately address the formula?
- John Morgan – When you start mandating expenditures without regard for capacity. It is potentially a significant dis-equalizing result. This is what got us into trouble before. That's a problem

An alternative draft of maintenance of effort clarity language

The committee considered an alternative draft of maintenance effort clarity language.

In no event shall an LEA receive less funding from a local government than it received in the previous fiscal year, adjusted for any declines in student enrollment, excluding funding for capital outlay and debt service.

- Bobby Webb – I think we need a short term plan and a long term plan. Until we figure out a way for school boards to levy some sort of tax. I would just like for once to have the ability to convince that public that if I just had a nickel. We either all need to be able to have special school districts or we need to change the taxing authority. That's the long term solution.
- Gary Nixon – Restate your motion
- Stephen Smith – We should put a no-threshold inflationary adjustment, but make some suggestions where fiscal capacity decreases
- Gary Nixon – Would you be willing to let the committee take your suggestion and work on the appropriate wording.
- Chris Henson – Why don't we just say for any changes in student enrollment?
- Kevin Krushenski - I think the idea was to specify what was current practice.
- Rose Naccarato – You are basically saying that you would want it to be per pupil.
- Gary Nixon – Do you see any compounding based on changes in student enrollment?. In my mind I am having trouble seeing why you don't adjust up when you adjust down.
- Larry Ridings – Part of the rationale was so that your school systems would get closer to the local MOE. It put the MOE closer to what was being done. I guess there were so many complaints.
- John Morgan – By placing more responsibility for the BEP on local government. It made it really hard for the legislatures to enhance the BEP. Officials did not want to pass an action that increased the local effort, property tax.
- Larry Ridings – When Bobby was talking about a short term and long term. That system would work if the systems were close to being equally. Is there something where at least we could pass on these mandated increase for local salary? Include those state increases until you got to that point.
- Gary Nixon – Are we willing to gamble with the MOE recommendation and add inflation and/or changes to enrollment?
- John Morgan – I believe the committee should be provide with three options to consider.
 - Clarifying current understanding of what the law is. (Option 1)
 - Language that would require inflationary adjustment (Option 2).
 - Language based on changes in school enrollment, not just declines (Option 3).

Comparing both versions of Maintenance of effort draft Language

In no event shall an LEA receive less funding from a local government than it received in the previous fiscal year, adjusted for any declines in student enrollment, excluding funding for capital outlay and debt service.

No County or Municipality shall reduce their prior year's appropriations or allocations to the operations of public schools, excluding capital outlay and debt service.

- Wesley Robertson– Would it be possible to have a long term solutions?...adjusted for inflation and declines in student enrollment, excluding appropriations for capital outlay and debt service.
- David Thurman – In the current language. What is the difference between appropriations and allocations?
- Bobby Webb – Appropriate is intended. Allocate is actual.
- Wesley Robertson – I think we would want it to say appropriate.

Lunch

IV. LEA Taxing Authority

Stephen Smith presented a [PowerPoint presentation on LEA Taxing Authority](#).

In the course of the presentation, Mr. Smith also provide the following example:

- Even though law states County Commissions do not have line item veto authority. There are ways to get around it. Mr. Smith provided the example of how Putnam County reduced the entire budget by \$30,000 when it did not agree with a portion of the budget. The county commission achieved the desired effect without officially vetoing a line item.

Discussion of the Committee involved the following:

- Chris Henson – I have always heard that there the potential for school board members to be more focused on finances. Is this just a hypothetical? Regardless, school boards are held accountable for results. Is there any evidence that this type of focus on just finances actually takes place?
- Stephen Smith – These are elected officials. If the people believe they are not using money efficiently they are going to be voted out of office.
- Wesley Robertson – Larry says he hadn't seen any signs of that over the last 25 years.
- Larry Ridings – No, Special School Districts are the best kept secret throughout the state. The hardest job you have is trying to get board members to run, they tend to be more businessmen. You don't tend to get the big farmers who are primarily on county commissions to keep taxes down. I think you will find tax rates in SSD are very comparable to other areas. It does make life easier, when the

board has the authority to make funding decisions. I wouldn't want to do it any other way.

- Richard Kitzmiller– How often do you change the tax rate?
- Larry Ridings – We tried not to do it more than every five years. Usually you try to set a tax rate that would cover you every four or five years. In some ways you are more responsible because you're on your own.
- Rose Naccarato – Does your rate automatically take into account re-assessment?
- Larry Ridings – Most of the time they put the growth in there, but there are a few times where I felt it wasn't where it needed to be.
- Stephen Smith – We are surveying members this month. We have not taken an official position on providing school boards with taxing authority.
- Larry Ridings – Because Gibson county is unique, when they divided counties into parts based on communities. The last one to do that was in 1981. In 1981 they took the unusual move. Since then the county commission has had no problem raising funds. They don't want school districts back in.
- Gary Nixon – I know a number of school leaders that have mentioned that they would like the opportunity to sell their education vision to the community.
- Stephen Smith – A lot of states are like that and if they would like to go beyond that they have to go to the county commission.
- Larry Ridings – That's not the case in Gibson Co.
- John Morgan – Does the private act say it can?
- Larry Ridings – It can't exceed capital indebtedness of a certain amount.
- David Connors – If school boards didn't have the situation they have now then TSBA wouldn't be here arguing for inflationary increases.
- Larry Ridings – These mandatory things come down to school boards but they do not have any fiscal authority to do anything about it.
- Bobby Web – I think it's the way to go, if you truly have a law where the legislature intends for the county commission not to have line item authority. Why does the county commission even have to vote on the budget? It seems like a conflict in law to me.
- Gary Nixon – Are we thinking about this as a long term proposal?
- Richard Kitzmiller – Are you asking in regards to a long term solution?
- Wesley Robertson – I think it's the long term solution.
- John Morgan – Does this fall in the purview of the BEP review committee? We need to be careful that we do not reach. This does not necessarily relate to the BEP. If they ask the review committee to look at fiscal independence, then that's a different story.
- Chris Henson – Would it be possible to get this email out to the members?

V. Next Steps

- Gary Nixon – Last call for comments.
- Kevin Krunshenski– As long as the meeting is not during the first week of October

- Gary Nixon – Next meeting to react to it. May do the last meeting as a WebEx. Art has direction related to technology. Wes has direction related to SJR 1180.
- Gary Nixon -We look at our next meeting as a WebEx. The fourth meeting.

Summary of Next Steps

- The Comptroller's Office will prepare salary disparity analysis.
- SBE staff will update technology hardware recommendation based on committee feedback and performing research on technology infrastructure.
- The SJR 1180 subgroup will bring back to the committee three variations in maintenance of effort language related to the following:
 - Clarifying current understanding of what the law is. (Option 1)
 - Language that would require inflationary adjustment (Option 2).
 - Language based on changes in school enrollment, not just declines (Option 3).
- The next meeting will be held on Wednesday, October 15, 2008 (11AM to 2PM), TSBA headquarters conference room.

DRAFT