

**Basic Education Program Review Committee Meeting
August 21, 2008 (Draft)**

Members: Cathy Pierce (M.D. Goetz), Robert W. Greene, David Connor, David Thurman, Keith Brewer, Tommy Bragg, Richard Kitzmiller, Vincent Harvell, Melissa Brown, Karen R. King, Chris Henson, Larry Ridings, Harry A. Green, Jamie Woodson, John Morgan, Bobby Webb, Rebecca Sharber, Gary Nixon, B. Fielding Rolston, Stephen Smith, Kriner Cash

Attendees: Art Fuller, David Sevier, Bruce Davis, Jacqueline Nash, Pam Mason, Kevin Krushenski, Russell Moore, Keith Boring, Phil Doss, Roger Campbell, Dick Ray, Rose Naccarato, Lynne Holliday, Denise Paige, Kibram Toney-Bernard, Reina Reddish, Brandy Binny, Carol Neiger, Nancy Richie, Pamela Anstey, Alfred Hall, Wesley Robertson

I. Welcome and Introductions

II. Review of 2007 Recommendations

Gary Nixon began the meeting with introductions, followed by a review of the [immediate and extended priority recommendations](#) from the November 1, 2007 report.

III. BEP & Technology

BEP technology recommendations and the fiscal impacts were presented by Art Fuller, David Sevier, and Wesley Robertson.

- The [consensus recommendations](#) for technology was reviewed by Art Fuller (see pages 8-9), including a [list of BEP technology working group members](#).
- A review of State Board [Policy on Distance Learning and e-Learning](#) was facilitated by David Sevier.
- A review of [e-learning programs throughout the U.S.](#) was led by Mr. Fuller, including an emphasis on state appropriations devoted to e-learning.
 - Tennessee was among only two additional SREB states (MD, DE) lacking substantial state appropriations for e-learning.
- The [fiscal impact](#) of immediate priorities related to the recommendation was led by Wesley Robertson.

Discussion of the committee focused on providing more specifics related to the hardware and infrastructure needs.

Chris Henson suggested the group revisit the hardware and infrastructure recommendations focusing on the resources need to achieve necessary outcomes, not just inputs.

Richard Kitzmiller noted the importance of looking back at past research performed on 21st century schools and classrooms.

Gary Nixon directed the subgroup to provide more specifics on the hardware / infrastructure recommendation.

IV. BEP 2.0

Wesley Robertson reviewed BEP 2.0, including the fiscal impact of a 100% transition to the Fox model. The scenario was based on 2007-2008 average daily membership and 2008-2009 BEP fiscal year numbers.

[See BEP 2.0 100% handout.](#)

There were several questions related to the maintenance of effort columns of the handout. Wesley noted that these columns would be covered in the SJR 1180 discussion.

Harry Green raised the question of when would be the year in which 100% transition to the Fox model would take place.

John Morgan noted that based on the economic downturn making such a prediction would be very hard to make into the foreseeable future.

Harry Green raised the question of whether there was an anticipation of additional improvements to the BEP on the funding side, in light of the fact that both a tax capacity and a fiscal capacity model are flawed. Mr. Green stated that both were just a temporary fix and that there was a need to look at something better.

Tommy Bragg posed the idea of studying something better, referencing Mr. Green's comments.

Gary Nixon noted that the review committee can study any issue relevant to the formula, but that he believed the last several years had been spent on finding a better option.

Harry Green asked a question concerning the BEP 2007 executive summary referencing a TACIR report. Mr. Green asked if this referred to the infrastructure report currently being compiled by TACIR.

Gary Nixon noted that this was the report to which the extended priority recommendation referenced.

V. SJR 1180

Art Fuller provided a quick overview of the [SJR 1180 legislation](#), including members of the subgroup¹ (TSBA, TOSS, TCCA, Comptroller's Office, DOE, SBE). Mr. Fuller

¹ Tennessee School Board Association, Tennessee Organization of School Superintendents, Tennessee County Commissioner's Association, Comptroller's Office, Department of Education, State Board of Education

noted that moving forward TEA and the Office of Legislative Budget Analysis would be added to this subgroup.

Kevin Krushenksi presented a budget survey of systems, comparing the budgeted and actual revenues of fiscal years 2007 and 2008, including differences in tax rates over this same period.

See the following link: [Budget Reports Survey 2007 – 08](#)

The budget survey reflected all sources of revenue, not just property tax. Six to seven counties had a reappraisal resulting in a tax decrease. One to two counties had an off-cycle re-evaluation appraisal resulting in a tax decrease.

There was discussion among committee members related to the concept of normal growth.

In this current year, normal growth was likely negative.

John Morgan presented an overview of maintenance of effort, including discussion points of the subgroup.

See the following link: [Maintenance of Effort, Discussion Points](#)

In laymen's terms Mr. Morgan defined maintenance of effort as "what you got last year is what you'll get this year."

Based upon this definition, every system complied with the law. However, the infusion of new BEP 2.0 dollars did not create the level of local funding as would have been expected. Maintenance of effort is applied irrespective of the infusion of new dollars.

Mr. Morgan posed a number of discussion points (see above). Highlights of the discussion included the following:

- Do nothing
- Recast maintenance of effort in regards to purchasing power
- Applying an inflationary index
- Recast maintenance of effort in regards to tax rates
- Apply some threshold or differential. LEAs not meeting this threshold would undergo a maintenance of effort test.

Robert Greene presented the one point of consensus among the SJR 1180 subgroup.

At a minimum, the language related to the current application of maintenance of effort needs to be clarified in statute, clearly articulating current practice and expectations related to maintenance of effort as applied by the Department of Education.

The review committee agreed with the prospect of clarifying the maintenance of effort language.

V. SJR 1180 (continued discussion)

Additional discussion of the committee focused on the following issues:

Funding systems adequately

- Gary Nixon posed the question of “What about school systems already funding adequately?”
- Karen King stated that the BEP formula does not fund education adequately.
- Larry Ridings suggested the idea of applying maintenance of effort based on funding “the same as last year plus any mandated increases in the local match” (e.g. due to inflation, benefits, insurance, etc.).
- Robert Green stated that most of the complaints about maintenance of effort are from well-funded systems.
- John Morgan commented that most places are already overmatching the BEP, systems are already funding above what the BEP requires. More state funding already requires mandated local increases.

Mandatory state salary increases

- Bobby Webb presented an example related to state mandated salary increases.
- John Morgan noted that the total dollar value can be used for salary increases not just the percentage. Systems can use the total dollar value generated by the statewide percentage increase.
- Chris Henson provided an example of how increases in BEP 2.0 funding were required to support district school improvement plans while the district still had to account for substantial increases in inflationary costs, such as those associated with fuel, etc.
- Richard Kitzmiller provided the example of how education is frequently compared to industry in regards to operations and funding. However, unlike private industry, education does not have the option of making drastic cuts and layoffs. The school district cannot go backwards on salary. The school district cannot substantially reduce the number of teachers.

Local school system fund balance

- Karen King raised the issue of a local school district’s fund balance, stating that maybe some of the formula should consider some part of the fund balance.
- Wesley Robertson noted that the department let’s school districts include debt service as part of the local match.

The committee broke for lunch.

V. SJR 1180 (continued discussion)

Senator Woodson addressed the committee noting the following:

Impressions from the legislative session

- The legislature struggled with the issue that 100% of new funds for education did not go to education.
- There seemed to be little connection between efforts designed to improve education in Nashville (within the legislature) and the impact of these efforts at the local level.
- There is fear that the current situation will make getting more funds for education improvements and reform more difficult.
- The concept of a threshold seems interesting, but how do you figure it out for systems funding well above the BEP?
- The issue of maintenance of effort will have a significant impact on future investments for K-12 education.

Additional discussion related to maintenance of effort continued among the committee.

- Nancy Richie (Memphis City Schools) posed the question of what other powers related to the enforcement of maintenance of effort where there other than withholding funding. She noted that withholding funding seemed to punish the school district and not the local funding body.

Taxing authority

- Becky Sharber posed the question of if there was conversation related to providing local education agencies with taxing authority?
- Senator Woodson noted that this would require a constitutional amendment.
- Stephen Smith stated that there was a need to gain more understanding of the issue. In the case of a special school district it is the general assembly that actually passes the tax through a private act. Local school boards seem to be split 50 / 50 on the issue.
- David Connor noted that county commissions are split on the issue, as well.
- Becky Sharber asked if pursuing the conversation had the potential to serve as a good solution for the state of Tennessee.
- Stephen Smith noted that Tennessee is only 1 of 11 states where the board does not have taxing authority.
- John Morgan stated that we should have a similar conversation about adequacy of funding. If you give taxing authority to school boards, there is the potential for school board members to start acting like county commissioners. There is the potential for more difficulty in government agencies working together. The existing system requires balancing the needs and resources at a local community

level. Something needs to happen, however, he was not sure if taxing authority is the answer.

- Becky Sharber stated that we've always just talked around the edges of this issue.
- Stephen Smith noted that the school accountability mandates are flawed. If we want the buck to stop at the board, what funding authority do we provide for them to achieve the goals to which they are held accountable?
- Keith Brewer suggested, for discussion purposes, making school boards a part of the county commission.
- David Connor asked the question about which body would exist whose sole focus is to advocate for education?
- Senator Woodson stated that perhaps there is a timing issue related to school budgets which needs to be examined.
- Robert Green stated that more systems are waiting until the last minute. In this year, many systems used a continuation budget.
- Gary Nixon asked the question regarding what additional information is needed for the next meeting?

Stephen Smith stated that he would be willing to provide a national overview of the taxing authority question to the committee.

Maintenance of effort and a "Watch List" (continued discussion)

- John Morgan suggested a need to explore Larry Ridings' idea of maintenance of effort related to examining the local share according to mandated increases in funding.
- Tommy Bragg suggested the idea of a "watch list" for school systems related to maintenance of effort.
- Becky Sharber stated that a "watch list" of some sort would make a difference in her county.
- David Connor proposed the concept of a "watch list" divided into at least two phases. Phase 1, putting systems on notice, followed by required mediation / arbitration in Phase 2.

The need for clarity on existing practice related to maintenance of effort

- Robert Greene emphasized the need to get clarity codified within in the law related to maintenance of effort, specifically looking at the question of how to address systems that aren't doing what they are supposed to do. What adjustments should be required? If systems are below a certain percentage threshold what are the next steps?
- John Morgan stated that it would be a good idea to think 2 – 5 years down the road, specifically looking at counties which have never done much more than the minimum. There also may be the need to attain an attorney general's opinion. Additionally, at some point academic success needs to come into play also considering the new standards which will be phased-in.

- Philip Doss stated the need to think about the implementation of the new standards associated with the Tennessee Diploma Project.
- Becky Sharber suggested gaining additional feedback from the 20 systems identified on the list. Would it be possible to gain their insights related to “if the following processes had been in place would the same issues related to maintenance of effort have occurred?”
- Robert Greene stated that the feedback he has received from these type of systems was the question of “how could they fund the other mandated increases, based on receiving the same amount of funding as last year?”. School systems anticipated more positive growth this year than actually occurred. Normal growth for this year may have actually been negative.

When should maintenance of effort account for exceptions?

- Karen King reiterated the question of maintenance of effort when there is not normal positive growth.
- John Morgan stated that the current test for maintenance of effort is budget to budget adjusted for enrollment.
- Karen King asked about the exceptions, noting that something needs to take into account the actual budget.
- Wesley Robertson state that right now if you under collect you can still tap into your fund balance.
- Robert Greene stated that you can amend your budget down. You may under budget to establish a low maintenance of effort. If you use actual to actual budget there is no flexibility.
- Nancy Richie noted that amending the budget down can be a hard sale locally if you collect more than budgeted.
- Robert Greene stated that we give LEAs every break that we can related to making maintenance of effort.

The meeting concluded.

Next Steps

- Continued research by the BEP Technology group on hardware and infrastructure recommendation.
- Continue research among the SJR 1180 subgroup related to clarity language and additional maintenance of effort scenarios
- Presentation by Stephen Smith on the question of school boards and taxing authority

The next BEP Review Committee meeting will be held on Friday, September 19th (10am to 2pm) at the new TSBA offices.

**TSBA Headquarters, 525 Brick Church Park Drive, Nashville, TN 37027
(800) 448 - 6465**

BEP Technology Recommendation 2008

Inflationary Increases for Technology

In order to account for inflationary increases in the BEP formula, the existing \$20 million allocation for technology should be applied to the reduction of technology coordinator ratios per ADM.

Instructional Technology Coordinators

1. *The BEP formula should incorporate funding for a new position in each local education agency, the instructional technology coordinator, to support the districtwide implementation of technology in three key areas:*
 - a. *Improved student academic achievement through the use of instructional technology in elementary and secondary schools*
 - b. *Information, media, and ICT literacy of administrators, teachers and students*
 - c. *Effective integration of technology resources and systems through professional development and teacher training to establish research-based instructional models*

A handout was presented demonstrating the fiscal impact of both recommendations. Wesley Robertson noted the cost for this immediate transition would cost the state an additional \$4.8 million.

Extended priorities of the group were presented as follows:

E-learning Course Content

The BEP formula should incorporate funding to support the scale up of successfully piloted and board approved e-learning course content, such as e4TN, providing local education agencies with \$TBD per ADM enrolled in grades 6 – 12.

E-learning funds should be used to support such areas as:

- *Professional development and training for teachers on e-learning and the delivery of e-learning content;*
- *Staff supplementals for additional teaching workloads, where applicable;*
- *E-learning course facilitators;*
- *Course tuition and instructional technology infrastructure.*

Technology Support Personnel

The BEP formula should incorporate funding for technology support personnel, funded at a ratio of \$TBD per ADM, grades K – 12. Technology support personnel will support districtwide implementation of key administrative technology duties, related to the following areas:

- a. Technology infrastructure, networking, and technical support*
- b. Instructional support and instructional technology coaching towards improved student achievement outcomes.*

Hardware and Infrastructure

The BEP formula should incorporate funding for technology hardware in support of e-learning and online assessment initiatives, funded at a ratio of \$TBD per ADM, grades K-12. The annual report of hardware capacity as reported to the department of education should be applied in the consideration of appropriate BEP hardware funding levels.

DRAFT