

Basic Education Review Committee
Minutes
July 21,2005

Members Present: Peter Abernathy (for M. D. Goetz), Ethel Detch, Harry Green, Graham Greeson, Jamie Hagood, Vincent Harvell, Chris Henson, Edna Holland (for Ross Loder), Karen King, Richard Kitzmiller, Gary Nixon, Kip Reel, Jesse Register, Fielding Rolston, Stephen Smith, David Thurman, Steven Walker (for Douglas Goddard), Tim Webb (for Lana Seivers), and Les Winningham.

Others Present: Emily Aller, Keith Brewer, Cory Curl, Kerri Courtney, Art Fuller, Jamie Hanks, Patrick Hely, Alexandria Honeycutt, David Huss, Cliff Lippard, Kim Karesh, Kevin Krushenski, Pam Mason, Libby McCroskey, Sharon Metz, Rose Naccarato, Patrick Norton, Bruce Opie, Lynnis Patrick, Cathy Pierce, Patrick Smith, Joe Sullivan, Elfreda Tyler, and Karen Weeks.

Welcome and Introduction

Gary Nixon, Executive Director of the State Board of Education and chair of the committee, welcomed members and asked them to introduce themselves. He reviewed the agenda, noting that there will be several reports after which the Committee will discuss priorities for the coming year. The committee will likely meet 4 times prior to issuing its November 1, 2005 report.

Review of November 1, 2004 Report

Nixon reviewed the Executive Summary of the Report and reported on progress.

Immediate Priorities: Nixon stated that the items listed under immediate priorities had been partially fulfilled under the budget submitted by the Governor and approved by the General Assembly. Specifically;

1. At-Risk Students: Funding for this item was made a classroom component at the 75/25 state/local ratio. The budget submitted by the Governor and approved by the General Assembly added \$11 million for at-risk students to the BEP. When combined with funds previously provided for at-risk under the BEP, the total of state funds for this item will be \$34 million. This amount will provide funding for approximately 20% of students eligible for such funding in grades K-12 at a unit cost of \$509.46 per student. The recommendation in the report was that funding for 100% of at-risk students be phased in over a five-year period.
2. English Language Learners: Funding for this component was not increased.
3. BEP Technical Corrections: Funding was provided to cover FICA for duty-free lunch and substitute teachers.

Extended Priorities:

1. Fiscal Capacity Index: Work continues on developing a fiscal capacity index based upon a 136-system model.
2. Unit Cost Components: The budget includes \$25 million for the first item listed, Pre-Kindergarten for At-Risk Children, funded by the lottery scholarship fund, to be matched by local systems in accordance with the BEP ratios based on an aggregate state/local split of 75/25.

As part of the overall budget improvement for the current fiscal year, \$5 million was allocated for the professional development of teachers.

BEP Special Education Counts

Tim Webb, Department of Education, presented information regarding counts of children receiving special education services in programs for 3 and 4-year-olds. Apparently, the state does not include special education preschool students in the ADM counts in calculations to generate state aid. TCA 49-10-102 (1) (A) defines children with disabilities as those between 3 and 21 years of age, inclusive. Further, TCA 49-10-113 (c)(1) states, "For the purposes of entitlement to state aid, children with disabilities shall be counted in the same manner as other children." He estimated that the fiscal note to incorporate 3 and 4-year-olds as IDEA eligible children would be \$18.5 million. The state does include students identified with disabilities in the special education option of services count within the current BEP funding formula.

There was a consensus among members that the department should submit an official request to the Attorney General regarding special ed counts and the administration of such counts within the BEP formula.

Review of Fiscal Capacity Index

Harry Green, TACIR, presented an update of proposed changes both in the 95-County Model and the 136-System Model. In constructing the models, the staff intentionally did not look at the impact on systems.

He presented Venn diagrams showing the effects of various components proposed for inclusion in the 136-System Model. When both per-pupil shared property tax base and per-pupil shared sales tax base are included in the model, 56.5% of the variance in per-pupil fiscal capacity is explained. When the other independent variables are included, 77% of the variance is explained.

Green presented an update of the model, including two years of data, by school system.

Cliff Lippard, TACIR, presented a discussion of the impact on the model of changes in the reporting of the telecommunications sales tax base. Because some of the taxes collected are no longer reported by situs, they can not be

factored into fiscal capacity as they were previously. The report included spread sheets showing the changes by county.

Lynnisse Patrick, TACIR, presented findings regarding a correction of the Franklin Special School District's Tax Base in the 136-System Model. Even small changes in fiscal capacity in a single system can affect the fiscal capacity of all systems.

In the discussion that followed, it was pointed out that data for many of the factors included in the model were not available when the county model was first developed. Child poverty is now updated annually. It was also clarified that the percentage value for child poverty as incorporated into the prototype is evaluated at a different standard than the free and reduced lunch populations reported by schools. This percentage takes into account all children who live in the area whether or not they attend public schools.

The 95-county model explains 85% of the variance, while the 136-system model explains 77% of the variance. Green expressed the belief that over time, the 77% will increase. He noted that the adjusted R squared is 77%, which is a high percentage in a regression model.

Fielding Rolston, State Board of Education Chairman, noted that the relationships for sharing tax revenues between cities and counties (both legislatively mandated and voluntary) add to the complexity of the model. He wondered whether it was possible to construct a model that would rely simply on the property and sales tax bases within counties and cities. Green answered that this could be done, but it is difficult to separate out what part of property and sales tax revenues go for schools versus other government purposes.

Nixon noted that a bill was introduced last session requesting the Committee to develop guiding principles regarding changes in the determination of fiscal capacity and for indemnification of local systems that would be negatively impacted by such a transition, to be reported to the Senate and House Education Committees by January 1, 2006. Gary asked the two chairmen to provide guidance.

Jamie Hagood, Chair, Senate Education Committee, noted that the bill passed the Senate, but did not pass in the House Finance Ways and Means Committee. She stated that this topic will continue to be of legislative interest, and that legislators would prefer that the Committee do this. She encouraged the committee to produce guiding principles by January 1. Les Winningham, Chair, House Education Committee, said that the House was hopeful that there would be no more scenarios and no more changes in figures.

Green stated that TACIR does an annual inventory of school infrastructure needs and that it wants to look at the issue in relation to fiscal capacity. The data is self reported data, but TACIR does check it, and he noted that reporting is much better than previously.

BEP Unit Component Costs

David Huss, Department of Education, presented information regarding funds for the at-risk classroom component, which will be \$34,158,940 for FY 06 and will fund about 20% of at-risk eligibles in K-12, at a unit cost of \$509 per student. The instructional salary component, including a 2% increase, will be \$35,585.84. Funding for alternative schools will be \$23.97 for students in grades 7-12 and vocational ADM.

Ethel Detch, Office of Research and Educational Accountability, noted that the Comptroller's report had found wide variation in funding for alternative schools across the state. The funding provided in the BEP does not reflect the true cost of running such schools. Huss noted that one problem is that school systems do not always report expenditures in the appropriate classifications. The state board is leading a task force on alternative schools that would provide additional future recommendations related to alternative schools.

Attendance Supervisors

Gary Nixon brought to the attention of the Committee the request of the Tennessee Attendance Supervisors' Steering Committee that one additional attendance supervisor be added to the BEP. The rationale was the increasing responsibilities of the attendance supervisors to provide student intervention services, administer the state student management system, enforce truancy laws, and work to lower the dropout rate. Nixon will appoint a sub-committee to look into the issue and report back to the full committee.

At Risk and ELL Funding

Tim Webb presented some preliminary thinking regarding how to make progress on the two issues of at-risk and ELL funding. He outlined some ideas which would include the following:

- Reduce the CDF by 25% annually
- Increase the state share of the instructional component by 2.5% annually
- Increase ELL funding, as a classroom component
- Increase at-risk funding.

This would require additional funding, would result in a reduction of the current hold harmless and stability provisions more quickly, and would begin to address adequacy issues. Committee members responded favorably to the concept. One member requested a definition of hold harmless; this is not well understood by the public.

Next Steps

Gary Nixon opened a discussion seeking input from members regarding priorities for the 2005 report. Members identified the following things as needing to be done:

1. Develop guiding principles regarding fiscal capacity. (Nixon will appoint a subcommittee).
2. Move forward on the ideas presented by Tim Webb on CDF, state share, ELL, and at-risk.
3. Report on salary disparity, taking into account health benefits and including regional comparisons.
4. Report back to the committee, providing data on special education counts by school system, including the percentage of 3 and 4 year olds in each system.

Nixon thanked members for their thoughtful deliberation. The next meeting will be August 24, 2005 (TSBA conference room).

Nixon adjourned the meeting.