

**MINUTES**  
**Education Reform Commission – Funding Formula Committee**  
**October 28, 2015 – 10:00 AM**  
**State Capitol – Room 450**

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The following Funding Committee Members were in attendance:

Tom Dickson, Kent Edwards, Terry England, Barbara Hampton, Jack Hill, Charles Knapp, Lindsey Tippins, Alvin Wilbanks and Dick Yarbrough.

Cynthia Kuhlman was absent.

**Welcome by Charles Knapp, Chairman**

The October 28, 2015 meeting of the Education Reform Funding Formula Committee was called to order by Dr. Charles Knapp.

Dr. Knapp welcomed committee members, staff and guests.

**Approval of Minutes from September 23, 2015**

The minutes from the September 23, 2015 meeting were disseminated. A motion was made and seconded to approve the minutes as presented. The motion was unanimously approved.

**Opening Comments from Dr. Knapp**

Today we are going to take a more in-depth look at the major item on the agenda – the model. Additionally I would like to try to accomplish moving this as far along as we can. We have another meeting for the Funding Formula Committee scheduled for November 12<sup>th</sup> and the next full Commission meeting is scheduled for November 19<sup>th</sup>. I would like to start briefing the members of the full Education Reform Commission on the outlines of the model as we lead into the meeting on November 19<sup>th</sup>.

**Proposed Funding Formula Model by Martha Ann Todd**

I would like to talk through some of the changes that were made since the last meeting in September in response to the feedback we receive from you in that meeting, and then answer any questions you may have for us as we go through the presentation.

Please note there are two things we would like to state as reminders to the Funding Formula Committee Members. Remember that as we do this we are talking about how districts will earn the money and we're moving from an FTE count to a student enrollment count. This also involves flexibility in how the money is earned in that students will not have to be scheduled in a specific way in order to earn the funding in the way that happens sometimes under the current model. It also ties into the accountability and flexibility contracts that the districts have with the State Board of Education which provide them with the flexibility on how they spend the money in accordance with those contracts. If they do not have those contracts they will be held to whatever requirements exists in Title 20.

In the last meeting we asked you to rank your priorities in terms of which weights were the greatest priority and should be most important. From that we learned that as a group K-3 was the considered to be a top priority; that was very clear. The student base amount in 9-12 were also very important in those rankings to this group. We went back and worked with the funding to increase a number of areas. Please refer to the summary.

The student base weight in the last meeting was \$2,175.70. That has increased based on your feedback to \$2,322.09, which also has the effect of increasing the impact of each weight. We move on down into the weights in your narrative on page one.

### **K-3**

The K-3 weight in our last meeting was 0.1651 and you see reflected in this summary and narrative a weight of 0.2872. This effectively funds K-3 earnings at \$30 million dollars more than is currently earned above the base for those students in QBE. We have prioritized that by increasing that weight.

### **9-12**

The 9-12 weight was also increased. On page two in your narrative, in our last meeting it was 0.0731 and now it's 0.0822. In addition to the base now the 9-12 students are earning an additional \$95.6 million dollars in the overall formula.

### **CTAE**

The last time we had a very large amount of money in that weight, more so than in QBE. In order to adjust some of these others and to add the base, we moved some of that money. The CTAE weight therefore decreased from 0.20 to 0.06. However that amount funding still generates \$11.6 million dollars more than is currently generated in the QBE formula for CTAE students. We had some discussion in our last meeting about working to try to identify CTAE courses, and it would have to be courses not pathways, that could be considered high cost as compared to low cost. We have had ongoing conversations with DOE and we have not been able to at this point to fully develop a course list that everyone can agree on. Our intent (if it meets your approval) is to convene a group of CTAE directors and/or superintendents that have broad ranging CTAE programs in their districts and have some conversations about what they see are the ongoing costs of those courses.

Charles Knapp: So what that does (depending on the discussions) is reallocates \$40 million dollars?

Martha Ann Todd: Yes, that pot of money (this is our understanding) would then be distributed on two different weights basically. You would have one group of courses so that the students in that course earn this amount and another group that would earn less. We would have to develop some business rules because some students will be in more than one course. It would make sense if a student is in a high cost course and a low cost course that student should probably earn at the high cost level. We would develop those business rules to determine those calculations.

### **GIFTED**

The Gifted weight generated a lot more funding than previously earned in QBE. We adjusted from there, as well. That weight was 0.6483 and it's currently 0.3356. It still however generates \$9.6 million dollars more than that particular funding item generates in QBE for those students.

Lindsey Tippins: I think we need to be cognizant of the needs of all our students. It's interesting to me this weight is the highest weight we have other than special education. I wonder if it is disproportionately weighted. In terms of the challenge and cost incurred on meeting the needs of the students, I would like to see if this type of weighting is justified in terms of cost drivers. We may also need to have something in the narrative about how that would be determined.

Tom Dickson: One of the things that concern me is that this one of those areas where there is a wide variance of how much of their time is spent in the gifted program. Assuming the logic you're put in here - the average is three. I see that as the one thing that has concerned me is collapsing some of these things and dealing with averages. Some systems are going to gain and some are going to lose. I'm worried about those systems that are going to lose money on this process.

Martha Ann Todd: What would you like us to investigate? What I'm hearing here is that we need some description about how the eligibility is determined. You're questioning why this weight should be one third more? Is that the right amount of weight? And, there's also the question that some districts are going to be provided more services and some less.

Tom Dickson: I would like to see how much difference there will be an impact at the local system level.

Alvin Wilbanks: The reduction I thought was appropriate, but I do agree we need to look at criteria.

Martha Ann Todd: When you say the criteria needs to be clearer, are you referring to the eligibility?

Alvin Wilbanks: Yes, eligibility.

Martha Ann Todd: There are very specific ways to qualify a child for gifted services. What I'm hearing you say is that we need to clarify.

Lindsey Tippins: I would for us to talk about some type of cost drivers. Also we need discuss some of type of accountability model. I don't think we can talk about funding without talking about academic achievement and linking the two concepts.

Charles Knapp: We will try to strengthen that in the narrative.

### **STUDENTS WITH DISABILITIES**

We have made no changes in narrative or in the weights since our last meeting because of the change in the base. This is still generating \$1.6 million dollars more than QBE which is basically the same. So there is no real change there.

### **ESOL**

In our last meeting the weight was 0.01119, now it's 0.1937. We made that adjustment because in our prior iteration of this document and the summary in the calculations, ESOL was actually generating less funding than was generated for those students under QBE. We made some adjustments so that it is generating approximately the same – one and half million dollars more funding in this particular calculation than there is currently in QBE and the base.

Lindsey Tippins: One question going back to special education. Does any model that we adopt gear more to an inclusion model or a pull out model the funding mechanism? Does it have any effect on a model the local districts may utilizing and would that effect their funding?

Martha Ann Todd: I would not be so bold to say that it would have an effect; I would say that it should not have an effect. Because what should be driving the determination of the student services is the IEP. The IEP should determine the amount of services, the type of services and the service delivery model for those students. Whether that's happening in every case or not or whether it's being influence by how much money I can earn or not, I cannot tell you that. I would hope not. But the IEP should drive those

decisions. In the conversations we've had with DOE and several districts about this particular proposal, it's easier to understand that if I'm serving a student this many hours per week I'm going to earn funding at this level. It doesn't matter if those services are all of one sort. For example, if a student has a fulltime para pro or if those services are combined from multiple providers -- maybe there is a para pro in some classes, maybe there is occupational therapy or physical therapy or speech therapy, but it's the cumulative amount of human resource time provided to that student that's driving the funding in this model.

Lindsey Tippins: If you had a special education student and they were in an inclusion model, would they continue to earn special education although they were in the regular classroom?

Martha Ann Todd: In an inclusion classroom you have both a special education teacher and a regular education teacher. The answer to that is yes.

Barbara Hampton: In this model that child in the classroom for however many hours would that special education teacher.... that would be the time that is measured?

Martha Ann Todd: That is correct.

Tom Dickson: What would be the impact for that small system does not have funding? Maybe it's an occupational disability where they have to hire someone just to come in and deal with that student.

Martha Ann Todd: In the student's IEP that will be counted as minutes served. Those services, whether they are administered by an employee of the district or a contractor to the district they would still be counted as minutes served.

Tom Dickson: That contracted services will cost more than minutes served by an employee of the system.

Martha Ann Todd: It could and in some cases it definitely would because it could be very difficult to find some of those persons skilled in those areas.

Tom Dickson: Superintendent Wilbanks, do you think that's going to cover those kinds of costs?

Alvin Wilbanks: I think it will. It's easier and it provides more flexibility.

Kent Edwards: I agree. IEP is going to drive that. I think we have adjusted it. The uniqueness of that child is the driver where the services provided could make a system possible have a difficult time. Contracted services are difficult to find.

Martha Ann Todd: In my experience in working with the districts with special education students there have always been special education students for whom we earn more special education dollars than we actually spent to serve those students, and many special education students for whom we did not earn dollars. I would expect that would still be the case.

### **ECONOMICALLY DISADVANTAGED**

Economically disadvantage is the one new weight that was not in existing in the QBE formula. It is the comparison that we have made back to QBE funding that EIP and REP funding lines. In our last meeting the economically disadvantage weight was 0.0788 and it's increase slightly here to 0.0970. The total earnings in this line is \$119,256,250. When you compare this if you take the total earned by districts for

EIP, REP and ESOL and you compare them to the total earned for ESOL in this particular model there are \$112,510,632 more in this model. Basically that effect is \$110 million dollars from the ED weight. There's \$105 million dollars more in ESOL than there was in the QBE model.

### **STUDENT FUNDING BASE**

We've already talked about the amount of funds in the student base on page six. These funds include the funds that were in QBE -- direct instructional costs, indirect instructional costs, media staff, staff development, nursing, and transportation. Since the last meeting we added \$110 for the purposes of technology because of some concern that you've expressed in past discussions that we're not funding technology.

Lindsey Tippins: In July we received a breakdown of the base. Can we get another breakdown of the base?

Martha Ann Todd: Yes we can get that to you.

### **EXAMPLES OF STUDENT EARNINGS USING BASE AND WEIGHTED STUDENT CHARACTERISTICS**

Pages 7 and 8 are basically the same student examples of student with various characteristics. The point there is to make sure everyone clearly understands that we're funding the students enrolled. You're earning for the student base and you're earning for the characteristic of that student, whether it's a K-3 student or a 9-12 student, a student enrolled in CTAE courses, or a student with disabilities. All of that is cumulative funding earned by that student.

### **CENTRAL OFFICE**

Early on in our conversations central office was included in the base. In the last meeting we broke it out separately and the feedback we received from you is that there should be additional ability to earn other certified central office staff that provide support in some of the larger districts. We added three additional levels: enrollment 2,500 to 74,999 and up. We have looked at this and basically what that does is provide additional staff for 17 of the largest districts in the state. That allows them to earn additional staff to support.

Terry England: I would like to go back and talk about something we discussed previously as it relates to putting principals in the base. I still have a concern with putting them in the base for a small system. I know we have sparsity or low density, but I think this would cause the small system to come up short.

Martha Ann Todd: How would you like for us to model that out?

Terry England: It might be something as simple as going back and pulling out the principals alone. It may have to be based on building count versus student count.

Susan Andrews: You want us to remove the principals from the base and see how it calculates separately?

Terry England: Yes

Martha Ann: Before we pull it out, we will check district by district to see what their earning.

## T & E

Since the last time we met, we have edited this section in terms of trying to achieve some clarity. On top of page 10, the 1<sup>st</sup> sentence “T & E should continue until all teachers employed in the year immediately prior to implementation would to be calculated outside the base” has been there for some time. To help with clarity we added the example. “For example, if the new funding model has been implemented in FY 16, all the teachers who were employed in the districts would then be covered under the T & E funding that were employed in FY 15.” And we can continue to try to gain more clarity.

We also added bullets and graphs to help tie the explanation in a visual manner. Every new employee would then earn at the new average salary schedule which exists upon implementation and will become what we will call the state funded level beyond that point. Once you have left the state salary schedule we can't average what's in the salary schedule. Once you've left that and districts begin to implement their new local models you're going to designate a state funded level. Currently the average is \$50,767.69. What we have said is all of the districts that are paying teachers on the right side more in T&E will continue to get that, and for the districts that are paying teachers less in T&E, that difference goes into the base and is that \$50.26 we added into the student base across the state. That is your starting place.

On page 11 we have also added some clarification about the compensation models. We had previously said that compensation models must have effectiveness as one component. That remains the same. We also took into account other district priorities. We added the second sentence under section A on page 11, “The new compensation models cannot require existing teachers to make less than their contracted amount in the year immediately prior to the implementation of the new funding model.” That was the conversation that the committee had, and we wanted to add clarity to the narrative. Under section B we also said stated, “All new compensation models would contain a provision that would allow teachers to opt in or continue to be paid under the T&E model unless the district had an executed contract with state board that provided them a waiver in terms of their teacher compensation model.” We added the last sentence, “For districts accountability contracts currently in existence or in development with the state board because many of those are being developed this year, to be renewal in the future, the district must have begun to implement a new compensation model prior to the renewal date.” Those renewal conversations will be taking place between school year 2021-2023. We are basically taking six to seven years out. This sets a time frame for district to begin to develop their new compensation models and begin to implement them. I would like to stress ‘begin’ as this will be a phase-in or stepped-in approach. Think about Marietta City for example, they have begun to develop their new compensation model and have implemented certain components and have revised some components and they will continue to develop and implement that over time.

The only other change on this page from the last time is changing the language of the last four short paragraphs in trying to create some clarity. Basically, what we're saying that there is going to be the T&E calculation, there is going to be new employees that are funded at the state average for now, and the state funded level going forward should be determined periodically.

Tom Dickson: A system that is implementing a new salary model, do they have the option to continue to pay existing teachers on the T&E schedule?

Martha Ann Todd: Yes.

Tom Dickson: Another thought I have is in terms of setting the state salary budget level, at a minimum that ought to annually be reflected in the cost of living.

Alvin Wilbanks: Do you have any thing that we do that is based on the CPI? Or any index?

Barbara Hampton: There is one place – Teacher Retirement and State Health Benefit. That's an automatic increase

Alvin Wilbanks: And I think in looking back in retirement it would have been better if that had been based on an index. I would suggest that we might want to look at doing something similar. There could also be a cap.

Charles Knapp: Should we say periodically or annually?

Tom Dickson: I would say do it annually and in accordance with the CPI index.

Lindsey Tippins: I would suggest annually. Another comment or question, in the existing T&E structure, would the committee recommend at the same time we do a salary adjustment for all certified personnel if we raise the state average teacher salary? I think the language states that teachers who opt to stay in will continue to be paid under the T&E structure. I think it said the existing T&E structure. My second question, is their salary frozen until they retire other than step increases? What is prescribed in the current T&E structure when the transition is made? Would that structure be subject to any cost of living increases? Will we look at all teachers or just those under the new system? I think we need to address this and clarify.

Charles Knapp: My interpretation of existing was different. Current might be a better term versus existing.

Dick Yarbrough: I think now is the time to make that clear.

Tom Dickson: If you said adjust the T4 salary whatever percentage you adjust state base.

Lindsey Tippins: If that's our intention let's state it now so that there is no question about it.

Tom Dickson: The QBE formula had a three year period for salary review. I think we're still waiting on the first review. Merely putting it into law is not necessarily going to make that happen.

Martha Ann Todd: Would it be reflective of this discussion to say state funded levels will be reviewed annually and adjusted as determined by the appropriated state budget process? And then also add a clarification that current T&E model will be adjusted by the same percentage of any adjustment made to state funded level?

Charles Knapp: Yes. Sounds right.

### **Draft Compensation Model Frameworks**

These model frameworks should be considered for discussion purposes only! This is just to say here is a way you could take this menu of options and put them together to create various frameworks. There can be as many different compensation models as there are LEAs in this state. And perhaps there should be, because no district should take develop a compensation model that does not take into account its mission, vision, values, strategic plan, unique circumstances of that district and the needs of the

students in that district and the priorities they have to set to meet those needs. Therefore, I would like to very clear. This is nothing to pick up and do; it's just food for thought.

Also you have in your packet the GASPA guidance that we shared with you previously but I bring it back to say in this guidance the school personnel professionals, the human resources professionals in our districts have provided some very clear guidance about the things students in that district should think about and take into consideration as they begin to think about how they would develop a model. Looking at these frameworks (about 20 pages) I am not going to read through all the details, but merely note the levels of complexity and make a few points.

The continued implementation of the tiered certification system that PSC is in the process of implementing and has developed through supports these models. That is, interns supported by the teacher and leader evaluation systems presupposes that teachers in the state will have a certain degree of proficiency or they will not be licensed to practice in the state. So when we have set the requirements in our narrative language so far that districts' model must take into account teacher effectiveness, at a minimum level the fact that you have a teaching certificate in the state takes into account a basic level of effectiveness or you're not going to be able to maintain that certificate in the tiered certification model that is in the process of being implemented. So that is the assumption for effectiveness that drives models A and B. If I have an induction certificate that means I'm a teacher in my 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> year and that I have demonstrated certain level of proficiency in order to get that certificate. In order to transfer that certificate into a professional certificate, at the end of three years I have to also demonstrate a certain level of effectiveness and proficiency. To get the advanced and lead professional certificates, I have to demonstrate increasing levels of effectiveness. Those models are assuming that certification to demonstrate the teacher effectiveness. They show that you could, as a district, continue to pay for years of experience, perhaps in ranges. Model B adds in the fact that if you chose to pay for advanced degrees in your district you could also incorporate that into your model. You might even choose for the district to pay for advanced degrees for math teachers, but not necessarily for every teacher. So, it's conceivable that I could have in my district a model for math teachers and a model for all other teachers. Or, a model for the K-3 teacher or a model that have variations depending on my priorities. The district would have to choose what makes sense to them. Model C takes into account if the district wanted to acknowledge teachers with a proficient teacher effectiveness measure they could pay a stipend for that. If they wanted to acknowledge teachers with an exemplary teacher effectiveness measure they could choose to pay a stipend for that, as well. Model D takes a different approach which basically says if you're going to have 11 levels of compensation in our district and depending on your effectiveness and your experience or your importance in our priorities in retaining you in our district we are going to place you on one of those levels. You could pay stipends for expertise. The district would have to analyze its individual set of circumstances and determine what those priorities should be to drive those stipends.

Dick Yarbrough: Would the national board certification be reinstated?

Martha Ann Todd: That would be a district determination. None of this would be done the state level. If the district felt that it was important for their teachers to have national board certification and that was effective in helping them meet the needs of their students they could choose to recognize that. This would be within the district.

Alvin Wilbanks: Dick I would think if they already have it you could recognize it.

Martha Ann Todd: That's right. One thing we did not model out is the ability to pay for advanced degrees.

The exceptional educator stipend on page 9 is the same idea of paying for an advanced or professional certification for a teacher that takes on additional responsibilities. Building that career ladder is just taking a difference approach. Model E is basically the same, but it adds the opportunity for a district to decide if they want to pay school performance incentives. It is conceivable that a district might (in an underperforming school) want to say if your school achieves this level of progress in these measures next year, everyone working in the school will earn this stipend or every reading teacher in the school would earn the stipend. That would be completely up to the district to determine.

Model F is the same thing but it adds the opportunity to pay for strategic staffing incentives.

All of this language is just draft language that we looked at several other models from several districts in several states to give you some ideas of how it could be done. Again, this is not something that we are saying you should do in your district; it's merely a framework.

Mike Dudgeon: My subcommittee also talked about this and we have a recommendation that I think is very consistent with these models: 1) Models should respect grandfathering in teachers in T&E, 2) Models should not significantly weight graduate degrees for salary, 3) Models should allow additional pay for high subjects, 4) Models should allow pay for additional responsibilities, 5) Models can include signing bonuses for tough fields, 6) Models should allow faster route to median salary.

#### **Equalization / Local Five Mill Share by Dr. Susan Andrews**

This committee had recommended in previous discussions that we use a multi-year average of property wealth to determine eligibility. As we modeled out the two-year average, the three-year average and the four-year average and looked at the results of the three-year average, it came to our attention that the data that we used is a couple of years behind, the data lags. And, the intentions that you had was that averaging would smooth out those peaks and valleys for districts that are on the fringes of equalization. One year they get a large bump, the next year they do not get anything. Because the local property tax digests are continuing to decline in the data we're using, the intended consequence did not happen. We want to share that with you. There were some districts that earned more equalization and there were some districts that earned less. We looked at it also in five mill share and the same – as long as the local property tax digest was declining then some districts were having to pay more than they would have if we had left it alone. Our recommendation is that you leave equalization and local five mill share calculation as we currently have it and in the recommendation say that when the property tax digests become more stable so that they are showing positive trends, averaging will be revisited to see if there is a smoothing out of those peaks and valleys for the districts. On five mill share it is about 1% more that districts will have to pay statewide. We will send you this spreadsheet so that you can look at the trends to see the individual districts and how the averaging affected those districts.

#### **LOW ENROLLMENT / LOW DENSITY GRANTS**

During the last meeting we were using 2,200 as the student enrollment size of the district. In this iteration we're using 3,500 as the enrollment size. We are still using a fewer than six students in density and we looked at the property wealth per child. If the district qualified in low enrollment and in low density this narrative suggests that they would be paid for both. If the district qualifies in low enrollment or low density, but they are in the top quintile of property wealth per student, then they would

disqualified for this grant. All districts that are currently earning Sparsity funds would qualify under this methodology. Thirty-six additional districts would qualify for low enrollment and low density grants above those that currently qualify for Sparsity. And, your recommendation had also been to make it clear in this document that your intention was for those districts to get the money that they earn by the calculation of this grant and that it not be prorated. The total cost in this model is \$41 million dollars.

Barbara Hampton: How was it in the QBE formula?

Susan Andrews: They earn about \$23 million and it was prorated 27%.

Lindsey Tippins: I don't quite understand why. It looks to me like the intent of Sparsity and Low Density was to provide funding for districts that do not have funding based on the average high cost. When analyzing some of the districts, some have extremely low millage rates and they're receiving Sparsity and low enrollment, you have some districts that a very high tax base and wealth per student. It looks to me like that's defeating the purpose. I think we need to look at that more. I'm all in favor of helping those districts that have extremely high costs, especially those that have a tax base to make up for.

Susan Andrews: And that was one of the reasons why we looked at that top quintile and eliminated those districts that had just one of these criteria but were in the top quintile. You have to remember that even though some of those had high wealth per student, they're using a disproportionate amount of that for overhead.

#### **HOLD HARMLESS**

We've heard you say that we cannot expect districts to move to a new formula with some districts earning less money and that you can turn one faucet off and turn another one on. I think it is appropriate for this committee to recommend the length of time in which districts will receive the hold harmless so they could adjust to the new formula allocations. We will show you the districts that do earn less and those that earn more and that will help you in making that determination.

Dick Yarbrough: I have a question on compensation and need some clarification. If you opt under the new model, what would be the opportunity for salary increases under T&E?

Martha Ann Todd: Let me restate what I heard from committee members today: If they're in the T&E plan they're going to continue having the increases based on experience. But what I heard the committee discuss is that if in the future in revisiting the state funded salary level for the new hires makes an adjustment in that the consensus seems to be that the same adjustment should it be made in the base pay on the T&E salary scale, as well. Did I hear that correctly?

Dick Yarbrough: Yes. I appreciate the clarification.

Erin Hames: I would also like to make clear, they are still in the T&E salary schedule. They are still getting the step increases that they would have gotten for years of experience for additional degrees.

#### **CHARTER SYSTEMS**

In the current law there was not an amount stated that charter systems would get on top of their QBE earnings. There is a percentage in the law that you will see in the current methodology of 3.785%. In the proposed methodology we are saying that charter systems would earn just as traditional systems do within the formula. They get the grants that are in the formula just as all schools would. But on top of

that, they would still get a charter system supplement. Since there was not an amount in the current law, we looked at the earnings of the charter systems and backed into this percentage. We said the percentage would be 3.861%. So, we would change that from 3.785 to 3.867%. Currently that earns charter systems \$87.75% per student. This new calculation would generate \$89.65 per student, which would be a statewide difference of about an additional \$300,000. This is all calculated based on the current charter systems. There are 28 LEA charter systems.

Tom Dickson: Do we have a picture of how much those additional systems are going to cost?

Martha Ann Todd: We have not modeled that. We can find out from DOE. We can take the list and re-run those calculations in the charter system model.

### **STATE COMMISSION CHARTER SCHOOLS**

We have them listed in two separate narratives: The Virtual State Charter Schools and the State Charter Schools Supplement. The virtual state charter schools would continue to earn funding at the same amount as all other public schools with the exception of the student weight for CTAE and in the virtual state charters we are proposing the CTAE students be weighted at the lower tier since the charter schools are not equipping high cost labs as the traditional brick and mortar schools are. And this would occur if we finalize the decision to tier in CTAE. Then we would calculate the amount of total revenues less federal revenues less state revenues and other equalization grants per enrollment for those lowest five school systems ranked by their evaluation just as we do now to determine the charter system supplement and currently that supplement is reduced by a 1/3 and the recommendation is that we reduce that by 1/2. We all know that the virtual charters have larger class sizes. They do not have a greater need for para professionals, counselors, psychologists, they do not have the maintenance and operation costs as a traditional brick and mortar school.

The next bullet indicates we will calculate the current enrollment five mill share for charter schools and that outlines how that is done. The last sentence says we will reduce that by 1/3. We have not changed the local five mill share amount for any district or any school to this point. But, because we are recommending to reduce the second bullet point by 1/2 it just seems fair to us that you would also reduce their local five mill share by 1/2 and so our recommendation is to change that 1/3 to 1/2 there also. We just haven't gotten to the local five mill share to have that conversation today about averaging all of those things we talked about earlier. We would recommend that 1/3 on the very last sentence be changed to 1/2. The state charter school supplement, the charter school would continue to receive funding through the formula as they do now in QBE. Based on the weighted student characteristics and the grants is described in the formula and they would continue to receive the proportional share of the nutrition grants. They would continue to receive a proportional share of the capital outlay grant, based on enrollment. They would continue to receive a charter system supplement grant. And as you know that is based on the lowest five school systems. As we continue do iterations of the formula and to make changes here we are very cognizant of fact of how districts were earning less or how districts were earning more. And through the iteration we have gone from 120 districts earning less down to where we are today. Nine districts are earning less and we were doing the same things looking at the charter school. So we are recommending that when you calculate that charter schools supplement for these charter schools that you add a multiplier of 1.2 to the charter school grants. Then you would calculate the local five mill share and total grants to generate their earnings. The total funding earned in this

model for state charter school supplements is \$61,108,000 which would include \$27,000,000 for the state charters and \$33,000,000 for the brick and mortar charters.

### **REGIONAL EDUCATION SERVICE AGENCIES (RESA)**

The committee has recommended to leave RESA funding as it currently is and recommend that they continue to have conversations about sharing services.

### **GEORGIA SPECIAL NEEDS SCHOLARSHIP PROGRAM**

In the last meeting we came to the recommendation that we will make no changes to the special needs scholarship program until there is review of the final recommendations of the School Choice committee. Since that time the School Choice Committee has reported out their preliminary consensus. We have listed their recommendations which state that should the general assembly pursue the creation of the education savings account, that they would consider converting the existing special needs scholarship program to an ESA. So, we just added their recommendations here. You will get their final recommendations in the next commission meeting. Our recommendation is to go along with the recommendations of the Expanding Educational Options committee.

### **STATE SCHOOLS**

The recommendation has been that we have no changes to the budgeting process for state schools, but that there be a comprehensive review and study of the state model.

Tom Dickson: Can we put a timeline on that recommendation?

Susan Andrews: We sure can. What would you recommend?

Tom Dickson: I think the study ought to go within two years.

Susan Andrews: There would be a comprehensive review and study of the current model and funding for state schools for providing services to those students including effectiveness and efficiency of all services provided within two years.

After some discussion, it was determined to include January 1, 2017 for the report on the review to be presented.

### **RESIDENTIAL TREATMENT FACILITIES**

As you are aware those students are assigned to residential treatment facilities for short period of times, some for 30 days, ninety days. So, it is difficult to just look at enrollment. Therefore, our recommendation is that we continue to look at the current methodology of enrollment and average daily attendance in funding those students at the new D and E special education categories. For students with disabilities, we continue to fund counselors and maintenance of operation for those facilities, but we are treating them all as facilities and not programs. We would adjust their funding in the midterm adjustment based on average daily attendance.

Tom Dickson: We have spent a large amount of time over the last two or three years on this issue. The needs are significant. These kids are our direct responsibility. We want to look at this very closely and make sure because we have made some recommendations on how to handle the funding for these kids.

Susan Andrews: This is a small increase - \$227,000.

Tom Dickson: It's not what the total is, it's the specific needs that they generate.

Dick Yarbrough: Susan, is this prior to the special needs category we talk about earlier?

Susan Andrews: Yes. When they are assigned to residential treatment facilities they would be funded at the special education category D.

### **PRESCHOOL HANDICAPPED**

We are changing this from an FTE to a per student amount. Preschool handicapped children do not attend full day. Most cases they come in for ½ a day or for 1/3 a day, and we have tried to take that into consideration in the calculation. It is very similar to the current methodology and this would be an increase of \$1.3 million over the QBE calculation. We are taking into account again special education category D and category E. You can see there are percentages of those children that are within those categories currently and this again supports that whole notion of early childhood education and identifying those children with special needs prior to entering kindergarten.

### **DEPARTMENT OF JUVENILE JUSTICE SCHOOLS**

Your preliminary consensus is to not make any changes to the process of funding DJJ schools.

Martha Ann Todd: Going back to the low density/low enrollment topic from earlier in the meeting, in order to address some of the questions about whether the districts that are qualifying for the low density/low enrollment funding are meeting their obligation basically to have the appropriate local millage rates. In other words, they are taxing low and then still qualifying for this additional funding. It makes sense to us that we would tie that to the same millage requirement that is in place for equalization. Does that make sense? When we go and model that we can use that as an additional criteria in order to earn that additional funding. Or is that something that needs to be discussed? Do you have something else that you would like for us to look at or use?

Tom Dickson: Personally, that makes sense.

Charles Knapp: Mike, you did a deep dive on equalization. Does that sound sensible to you? Do you think that could be applicable to Sparsity?

Mike Dudgeon: I don't see why not. We had the argument at the time about whether this should be property tax or income. I think the legislature at the time had decided that the way we did it was fine. I don't think it would be problem to use it for Sparsity.

Jack Hill: This doesn't change what's in the law, right?

Martha Ann Todd: It would be using what's in the law as a criteria for the low density/low enrollment.

Susan Andrews

We have distributed to you a list that shows the districts and how they would earn funding under the new formula. This shows a ranking from those districts that would earn more all the way to the districts that would earn less. The percent column shows how much more or less the district earns over the QBE FY 16 allocation. Baker County is listed first. Therefore, Baker County in the new formula would earn 32% more than their FY 16 QBE allocation.

Martha Ann Todd: The hold harmless column is how much more or less they would be earning under this model. The hold harmless are the ones in red. The ones that would earn less are the last 11 listed on the sheet. There are 9 districts and 2 charters.

Barbara Hampton: Can you give an overview of the ones on the bottom and the rationale behind this.

Martha Ann Todd: Overall there are two major factors, besides the two Virtual. The big change in the two Virtual is the way we're talking about funding their grant. It would change their local five mill share to be reduced by a half instead of 1/3. Between the two of them, they would earn close to \$1 million dollars. Let's talk about the other nine. If they are LEAs then there are two big factors: 1) the transition from counting FTEs to counting enrollments. Most of these if not all of them may be actually losing from FTE to enrollments. The other point is that most of the districts are actually gaining in other areas, such as the base, CTAE, Gifted, ESOL, but they almost all have high percentages of K-5 students qualified for EIP services. The state average is 2.5% of the students qualified for EIP and some of these districts have as much as 41% of their students, some of them 22%. The amount that they are losing in terms of the EIP qualified students is not fully made up for those districts by the amount that they are earning back in the poverty weight. That's the big picture. I have the detail district by district.

Tom Dickson: Those are some big dollars for some of those districts.

Martha Ann Todd: For two of them they are 2%. The percent and the dollars are all relative. For seven of those districts it's less than 1% of their budget. But depending on the size of your budget less than 1% could still be significant.

Tom Dickson: I am having trouble figuring the \$38 million dollars in Gainesville City. That's what percentage of their budget?

Martha Ann Todd: Gainesville City is earning \$903,490 less under this formula.

Jack Hill: Susan, when you talked to the superintendents did they offer any reason why the EIP number was so high?

Susan Andrews: No. We did not get into that. But I did point out to them that was one of the main reasons for their earning less was that they have percentages 2 to 3 times the state average.

Mike Dudgeon: Susan, this hold harmless is the true hold harmless at the end of the day?

Susan Andrews: Yes.

Charles Knapp

What I like to do is think for a minute about getting to the end game here. We have a meeting of this committee scheduled November 12 and the full commission meeting scheduled November 19. We have some adjustments to make from the conversations that have taken place today, and we will model those out and make sure we've got the information to the committee as requested. And then get back to the members of the committee individually or collectively to discuss. This would be before the meeting on the 12<sup>th</sup>. What I would like to do is move in to the meeting on the 12<sup>th</sup> and be able to approve the model so that we can present it to the full commission on the 19<sup>th</sup>. At the same time in order to prepare, the full commission we would start a series of meetings with members of the full commission in smaller groups. I want to start briefing them, being very careful to say this is not an approved model by the funding formula committee as yet. This is what our current thinking is at this

point so that we are ready for the meeting on the 19th. That would be sort of the plan from here. Susan, Martha Ann and John, does that sound right to you? Members of the committee?

Dick Yarbrough: What constitutes them getting more money or getting less money in your simplest explanation?

Susan Andrews: The characteristics of their students.

Charles Knapp: Particularly the EIP.

Martha Ann Todd: You would increase the base also. Every student in the state is earning significantly more than under QBE. And then you have added the poverty weight, which we have not had before, which in many cases over balances the qualifications for EIP and remedial students in the past. In these last nine, districts particularly, it did not do that.

Charles Knapp: Does the agenda for the next three weeks sound okay to everyone? This is our current version. This is not approved by the committee. We are still discussing it and it is not approved.

Martha Ann Todd – Items for follow up

- One thing we need to do in narrative is to go back to the section on gifted and clarify how students are qualified for gifted services and how those services may be delivered. In other words, what are the reasons that we need that weight for the gifted students there?
- We need to go back to central office allocation and consider a different spread and possibly look at that and see if there's another division of enrollment that makes more sense than the one we have added here.
- We need to look at principals – are the districts and schools earning the same number of principals in the base currently that we have modeled, or do we need to pull that out and make it a different calculation?
- There are a number of notes I have made here on revising the language around T & E on page 10 and 11. We will revisit that and add some clarification.
- Equalization and Local Five Mill Share – we will leave that alone.
- The Low Density/Low Enrollment – we will tie the eligibility for that to levying the same number of mills that are required to be eligible for equalization funding.
- Hold Harmless – more clarity around the hold harmless explanation.
- We will model that the funding will be with all the charter systems, including those which are currently negotiating contracts.
- Virtual charters – we are going to reduce the local five mill share requirement by 1/2 instead of 1/3.
- Add date of January 1 for state schools.
- Revisit the conversation around the residential treatment and get with Rep. Dickson and Rep. England to address your concerns.
- CTAE – Convening a meeting with a group of CTAE directors to get their input on tiering the CTAE weights.
- T & E – Make clear that in the future when legislature adjust the state funded salary that the current salary schedule would be adjusted by the same percentage.

Dick Yarbrough: We need to emphasize this is a 1<sup>st</sup> draft.

Charles Knapp: That's an important point to make. Please do not consider these as final numbers.

Dick Yarbrough: It's a starting point to get us to preliminary consensus.

Lindsey Tippins: We have adequately addressed reading by 3<sup>rd</sup> grade, but we need to add funds for 4<sup>th</sup> and 5<sup>th</sup> to guarantee math proficiency. We need to make a statement that math by 5<sup>th</sup> grade is critical. I do not think we are finished with foundational work after the 3<sup>rd</sup> grade. Our projections need to reflect that. I think we need to make a statement that that will be one of our priorities.

Alvin Wilbanks: I would agree to the importance of it.

Susan Andrews: Are you asking us to take some money from some of the other weights or are you asking us to put some additional money in the K-5 weight?

Lindsey Tippins: I would not put it in K-5, I would create a classification for 4<sup>th</sup> and 5<sup>th</sup> grade and weight 4<sup>th</sup> and 5<sup>th</sup> grade with specific reasons to address math and literacy.

Erin Hames: Are there weights you would suggest decreasing?

Lindsey Tippins: I really do not know. I just think it needs to be a stated priority, not only in the verbiage but in the funding and I think we need to have a methodology where we can measure the accountability of appropriated funds.

Charles Knapp: We will have a discussion about that in the next week or so.

Martha Ann Todd: I am hearing that there is some interest in looking at additional weight for 4<sup>th</sup> and 5<sup>th</sup> grade students to prioritize math, particularly continuing literacy. We will look at it.

Next Meeting: November 12, 2015, 10:00-3:00, Capitol 450

Adjourn