



## CLASSROOMS FIRST INITIATIVE COUNCIL MINUTES

**General Meeting – November 19, 2015 2:30 P.M.**

**Location:** 1700 W. Washington  
2<sup>nd</sup> Floor Conference Room  
Phoenix, Arizona 85007

**Members Present:** Alicia Alvarez, Brian Capistran, Tim Carter, Susan Chan, Janna Day, Annie Gilbert (telephonic), Kenneth Hicks, Beth Maloney, Greg Miller, Co-Chair Jim Swanson, and Dawn Wallace

**Members Absent:** Governor Doug Ducey, Superintendent Diane Douglas

**Staff Present:** Carmen Ronan, Kristin Sorensen

### **Call to Order, Welcome & Introductions**

Jim Swanson called the meeting to order at 2:34 P.M.

Mr. Swanson then called for an approval of the October 29, 2015 Council meeting minutes as presented. Tim Carter moved to amend the minutes to revise a statement that was attributed to him regarding sale or lease of district properties. Mr. Carter motioned for approval of the amended minutes, Alicia Alvarez seconded; the motion passed unanimously.

### **Public Comments**

Phil Francis, Community Volunteer and retired CEO of PetSmart, delivered a presentation on the importance of investing in early childhood literacy. He advised that children should be able to read and speak English by the third grade, adding that one in five children who are not reading by third grade will not graduate from high school. He related this to public safety, citing a statistic that 80 percent of statewide prisoners did not graduate from high school. He also provided a brief history of early childhood education efforts in Arizona, including funding and defunding of half-day kindergarten. Lastly, Mr. Francis outlined the Additional Classroom Time Coalition's efforts to advocate for increased investment in early childhood literacy programs, and he asked Council members to diligently support the Governor's education funding proposal.

Superintendents Debbi Burdick, Roger Freeman, Frank Davison, and Mark Joraanstad representing the Arizona School Administrators Association presented their comments as a group. Ms. Burdick, Superintendent of the Cave Creek Unified School District, spoke about current-year funding. She said the Fall 2016 \$40 million reduction of state aid to school districts as a result of moving to current-year funding is inconsistent with the elected leadership's rally to partially restore funding to public education. She expressed a growing concern among superintendents and district business officials that the implementation transition to collecting current year data may result in errors due to

a lack of time allotted for testing and vetting. She explained that the unpredictability of current year membership and its associated funding could: further districts' inability to recruit and retain quality staff; result in cash deficits or significant cash balances, creating fluctuations in tax rates from year to year; and bring about a loss of funding equal to two years of student decline for districts in decline. She concluded by asking the Council to recommend suspension or postponement of FY2016 current-year funding until solutions can be determined to mitigate the financial hardship to school districts.

Mr. Freeman, Superintendent of Littleton Elementary District, spoke about achievement funding for high-performing schools. He stated that measuring student achievement does not necessarily measure school effectiveness because student family factors outweigh the influence of a school on student achievement by more than a three to one ratio. He said the prior school grading system put an equal emphasis on raw score and growth score averages, which created an incentive to recruit 'good' students, and resulted in a high degree of selectivity among many of the highest scoring schools. He advocated for putting a greater emphasis on growth scores in the school grading system to decrease bias based on socioeconomic factors and more accurately reflect the effect of the school. He asked the Council to work with other statewide education agencies to build a better measure of school effectiveness before moving forward with efforts to recognize school achievement.

Mr. Davidson, Superintendent of the Casa Grande Elementary School District, mentioned that the last time the funding formula was overhauled over 30 years ago, the task required over two years of work. He then urged the Council to take ample time to finish their task so they may consider the consequences of various options. He also encouraged the Council to recognize that charter and district schools have different funding systems because they represent two distinct types of organizations and obligations. He observed that districts have statutory obligations to serve children who reside within their boundaries, and are funded by local property taxes; whereas charter schools can cap enrollment and do not get local property taxes. He also stated that the funding formula has been revised several times since the 1980s to account for needs of charter, district, and online schools.

Mr. Joraanstad, Superintendent of the Saddle Mountain Unified School District, said increased funding for special education should not come from a diversion of other allotments because districts and charters are already diverting other funding to provide mandated services. He added that given the disparities in the distribution of special needs students, resources should go to those entities actually serving this population. He said he favored eliminating the current Auditor General's Classroom Spending Report and realigning spending categories to capture a broader, more accurate definition of classroom spending that includes instructional and student support. He also lamented funding cuts to Career and Technical Education (CTE) and urged the Council to consider a recommendation in support of CTE.

Joe Geusic called on the Council to look into data more deeply and think of the greater good in their decision making.

Mike Barragan, Assistant Superintendent of Finance at Glendale Elementary, expressed concern about current-year funding. He said the Arizona Department of Education is scheduled to transfer to AZEDS next fiscal year, and school business officials are concerned that the combination of implementing AZEDS and current-year funding at the same time could result in errors because they are two large scale changes. He posited that current-year funding will result in unpredictability in

budgets and tax rates. He ended by saying schools need a support structure for implementing current-year funding to mitigate financial hardship for schools and taxpayers.

Sarah Ells of Flagstaff Unified School District said her district is operating with \$12 million less than in 2008, and even with local funding support the schools are operating in a very lean environment. She said without local revenue streams there will be less money in the classroom, even with increased state funding. She urged the Council to get more input from local school districts on how phasing out bonds and overrides would affect them.

Mr. Swanson provided a brief overview of the Council's progress and plans moving forward. He said the last several meetings have been dedicated to hearing from the public, which has been extremely helpful to the Council. He said the Council will present recommendations to the Governor on areas of agreement, and they will recommend continuing the work of the Council beyond December 2.

Dawn Wallace advised members that they were given hard copies of public comments submitted via the website.

**Presentation: Current-year funding, Arizona Department of Education**

Lyle Friesen and Mark Masterson of the Arizona Department of Education (ADE) provided information about the transition from prior-year to current-year funding for all school districts, including IT-related impacts. Mr. Friesen, ADE School Finance Director, said beginning July 1, 2016, the student count will be defined as the average daily membership (ADM) for the current year, and in FY17 budgets will be based on an estimate of the student count. He outlined several changes that will occur under current-year funding: eligibility for small school adjustments will not be known until after the end of the year, overrides will fluctuate as the Revenue Control Limit (RCL) fluctuates, RCL expenditure capacity in excess of the four percent limit is permanently lost, a lump sum reduction of \$380 million will be reduced before knowing the student count, and \$930,727,700 in state aid is being rolled over in July 2017 before knowing the student count. Mr. Friesen then described impacts on property taxes. He said property taxes cannot be properly set without knowing the budget, non-state aid school districts may receive inadequate or excess tax revenues if they have not estimated their count closely enough, and the homeowner's rebate and one percent cap will also be impacted. Lastly he illustrated how district schools will experience a loss of one year of funding during the transition to current-year funding.

Mr. Masterson, ADE Chief Information Officer, discussed IT impacts. He said current-year funding is feasible if necessary direction and approvals occur by February 2016, and the current-year funding requirement would be added to the scope of the AELAS School Finance Project Investment Justification. To accommodate current-year funding, AELAS that was scheduled and funded for FY16 will be deferred to FY17. He added that a large outreach effort is required to prepare all districts for the transition to current-year funding, and 37 percent of the estimated cost would go to outreach. Lastly, he said 80 percent of SAIS School Finance components have not transitioned to AELAS.

Greg Miller commented that the implementation implications presented caused him concern, and he believed implementation should be done over a two to three year timeline.

Mr. Carter asked if the Superintendent would be willing to recommend reconsideration of current-year funding to the state legislature. Aiden Fleming of ADE responded that the Superintendent would be reviewing current-year funding soon.

Mr. Swanson said the Council may be able to recommend reconsideration of current-year funding, but the legislature is the entity that must be approached for policy change on this topic.

Ms. Wallace asked for clarification on AZEDS. Mr. Masterson said AZEDS is student finance, and in FY17 AZEDS will be the data source, whereas today it is SAIS. Ms. Wallace asked when ADM data will be collected to determine apportionment throughout the year. Mr. Friesen said June would be the ideal ADM collection date, but, as changes in ADM occur, schools will update their count. Ms. Wallace asked how many data points will be collected during the course of the year. Mr. Friesen said every time there is a change in enrollment, it will be reflected in the system. Ms. Wallace asked what ADE will do if there are unforeseen transition issues in terms of implementation. Mr. Masterson said program issues would be communicated to ADOA and JLBC.

Mr. Fleming said it would be advisable to put current-year funding in a system it was built for, rather than trying to plug current year information into a system that was built around prior year funding.

Mr. Carter said current-year funding can have an effect on what the Council is trying to achieve, and wondered if it would be worth making the Governor aware of this. Mr. Swanson said the Council may want to consider drafting something in its report for the Governor regarding current-year funding.

#### **Update: Equitable Funding Structure**

Kenneth Hicks said the working group assessed potential components of a single funding structure for all public school students. He added that education organizations will see if they can find any alternatives, and the Council will review various alternatives before determining the best way forward.

#### **Update: Recognition of Excellence**

Mr. Miller said the working group talked about the current status of the A-F redesign, including how the redesign will take into account the alternative process and how opportunity funding will fit into the accountability process. The group also talked about impacts of leadership programming and the many successful programs throughout the state.

#### **Update: Student Centered Learning Priorities**

Mr. Swanson said the Council discussed the opportunity weight and achievement weight, and it was the general sense of the Council that the focus should be on the achievement weight, which should take growth into account. The Council is unsure how any additional weights would be funded, but they have discussed repurposing the TEI or teacher evaluation funds.

#### **Next Meeting**

Mr. Swanson advised that the Council will have its next meeting on December 2, 2015. He said he would be working with the Governor's Office staff to put together a presentation for the Governor.

Ms. Alvarez asked for further logistical details about extending the work of the Council. Mr. Swanson said the report for the Governor would likely be bundled into those items that the group has agreed upon and completed, and those items that still need to be addressed by working groups.

**Adjourn**

With no further business before the Council, Mr. Swanson adjourned the meeting at 4:38 P.M.