

Minutes
State Board of Education Special Session
Monday, May 14, 2007

The Arizona State Board of Education held a Special Session at the Translational Genomics (TGen) Research Institute, 445 North 5th Street, Phoenix, Arizona. The meeting was called to order at 10:07AM.

Members Present

Mr. Jesse Ary
Dr. Vicki Balentine
Ms. Martha Harmon
Superintendent Tom Horne
Mr. Larry Lucero
Ms. Anita Mendoza
Mr. Jacob Moore
Dr. Karen Nicodemus
Ms. Cecilia Owen

Members Absent

Dr. John Haeger
Ms. Joanne Kramer

1. GENERAL SESSION

- A. President's report and update regarding evaluation of the Board's Executive Director

Dr. Nicodemus stated that at the May meeting the evaluation will take place as Mr. Yanez has been formally noticed of the meeting. She asked members to formulate any questions/comments that should be included in the evaluation process and noted that evaluation and salary recommendations will be provided for members for discussion and consideration.

- B. Update regarding the 2007 Legislative Session. Discussion may include, but is not limited to, proposed budgets for the next fiscal year. The Board may take action to support, oppose or remain neutral on specific legislative proposals.

Mr. Yanez reported on the following items:

- HB 2305 dealing with Saddle Mountain USD
 - Received notice from the Maricopa County Superintendent that district is officially over its budget limit
 - District has revenues but does not have the ability to spend
 - If County Superintendent's Office follows the law and does not honor warrants school would not meet payroll and school would shut down
 - Notified Senate and House staff and bill was resurrected freeing up budget capacity for the remainder of the year and then place district in immediate receivership
 - Would not be as protracted as was done in Colorado City
 - Expanded list of qualified receivers will be presented at May 21 SBE meeting
 - SBE took hits from various legislators regarding its position on Saddle Mountain USD which was to allow the district to recover through a plan of its own with careful monitoring by the ADE and SBE
 - Assumption was that the county would continue to honor warrants and since it is not, HB 2305 was brought into existence

Further points of clarification were discussed including:

- SBE involvement with Saddle Mountain and perceived disappointment that the SBE is viewed as not acting appropriately even though this was brought out only four months ago
 - Call to public statement brought awareness but no discussion was allowed at that time as it was not an agenda item
 - Worked with ADE staff to verify allegations which were subsequently confirmed
 - After February meeting, SBE indicated it wanted presentation of all options available
 - In March, approved moving in direction of setting up benchmarks, etc.
 - Since that time, working with ADE to put together a feasible plan and extended payback
 - District's payback plan was to pay back over a 5-year time period
 - During discussions county superintendent's office notified that warrants would not be honored
 - Brought Legislators up to date
 - Presentation from two members of public asked for immediate receivership but SBE voted to proceed with recovery plan
- Impact this might have for other schools/districts that are in financial trouble
- Superintendent Horne noted that oral discussions were carried out with all county superintendents asking them not to honor warrants in these types of cases
- Over 70 districts in Arizona are overspent, of which approximately 28 are technically overspent by 5% which puts them in a situation of triggering legislative definition of insolvency
- Need to try to have a plan in place to avoid additional expenses
- Difficult to get legislature to understand immediate problems as SBE cannot place a district into receivership in a one-month period
 - must notice district, district has to respond and can request a hearing and the cost of receivership is very expensive
- At what point was county superintendent involved regarding a corrective action plan
 - Both county superintendent and county treasurer were included in discussions regarding budget capacity which had been expended and therefore warrants were not going to be honored
 - Mr. Horne noted that receivership doesn't solve the problem but rather the county superintendent didn't pay attention to the law and is now doing that by not honoring warrants
 - Not solution to short-term problem but may be long-term solution
 - Bill regarding receivership is expiring but this bill will cover this situation
- If receivership bill does expire in January 2008, any district in receivership will not be affected
 - SBE would not have power to place a district in receivership after that date

Dr. Balentine suggested that further audit questions should include information regarding budgets, etc., however, it was clarified that this is not necessarily realistic due to timing of audits and that something more immediate is needed.

Superintendent Horne reiterated that the reason for this problem was that county superintendents were honoring warrants and now they can be the one to prevent this problem from re-occurring.

Mr. Yanez stated that districts that have over-spent will be discussed at the May 21, 2007, SBE meeting and will include options available to districts and added that the Board will begin seeing these kinds of hearings toward year-end for a while.

Ms. Harmon asked about whether there is pressure from legislators to shut down all over-spending districts. Mr. Yanez emphasized that a statewide solution must be found, as is being worked on at this time with an east valley district, regarding what must be done to operate through the end of the school year.

Mr. Ary noted that if districts are patterned like cities, states, etc., then a plan of action is already in place and asked why districts are allowed to operate this way. Superintendent Horne reiterated that it has been happening because county school superintendents have been honoring the warrants. He added that if nothing happens, students will have to commute to an adjacent district, which is undesirable, so the efforts are toward keeping this from happening.

Ms. Mendoza noted that there is some poor communication between entities statewide and the SBE sometimes does not receive timely updates.

Ms. Owen demonstrated efforts being undertaken with county superintendents and treasurers to assist each district in meeting deadlines, making reports, and all other items related to school finance.

Dr. Nicodemus stated that she received a call from a legislator asking about the SBE's role and why some of these issues were missed. She added that, supposedly, the sense that the SBE is not fulfilling its obligation was being generated by the ADE. Dr. Nicodemus reiterated that the decisions were made by full agreement of the Board members and if there are conflicting messages being sent there could be a conflict.

Superintendent Horne responded that this is untrue and the point is rumor control. He urged members to check out anything that is said. Mr. Horne stated that the actions taken by the SBE were consistent with his positions.

Mr. Ary asked Mr. Horne why the letter didn't go out to the county superintendents and Mr. Horne stated that all counties were contacted but the letter was not sent in order to give county superintendents an opportunity to exercise common sense. Dr. Nicodemus agreed that to send a formal letter may have taken an opportunity for discussion off the table.

Mr. Yanez clarified that he is significantly involved with ADE school finance staff in these matters. Dr. Balentine emphasized that communication from ADE school finance is helpful to know what plans may be in place. Mr. Yanez added that four other districts have been contacted and meetings are being held and/or planned.

Ms. Harmon reiterated the importance of clear communication within ADE and SBE and outside entities.

Dr. Nicodemus asked that since the ADE and SBE are in agreement on this bill, whether all parties would then confer in joint meetings with legislators or one-on-one. Mr. Yanez responded that neither the ADE nor SBE has actively lobbied on behalf of this bill but school district personnel were urged to ask for legislators' support.

Ms. Janice Palmer, Director, Governmental Relations, Arizona School Boards Association, stated that the ASBA has agreed to a one-year extension on the receiver bill. She noted that they are working with SBE and ADE to come up with better communications/solutions.

- Senate proposal, SB 1086, will allocate three additional FTE's and charges the SBE with three new initiatives:
 - Math/Science initiatives
 - End-of-course and on-line testing

- o Performance based pay design

Dr. Nicodemus stated that members have received a call from Superintendent Horne regarding this bill and noted the following:

- The SBE is created through constitution and can't be removed by the Governor and/or the Senate after members are confirmed
- Part of the SBE's role is to act independently from a policy perspective, but it can consider both sides as it strives to move forward
- The SBE is woefully understaffed in a growing state/population
- The ADE has been allowed growth commensurate with its/state's needs
- The Senate proposal to be supportive of education and the SBE's work as policy makers

Mr. Horne noted that he has had an excellent working relationship for 5 years with the SBE and that the ADE will implement policies adopted by the SBE. He added that staffing assistance could come from ADE as ADE has parallel personnel to answer any needs the SBE may have.

Ms. Harmon clarified that the SBE does policy and ADE implements policy and that the SBE is woefully understaffed. Mr. Yanez added that he spoke with the Governor's Office last week regarding the relationship between the three new FTE's and clarified that they are not tied to initiatives and that the three new positions are up to the SBE at the SBE's discretion. Mr. Horne added that this is not an innocuous way to help Mr. Yanez but rather a political attack on Mr. Horne. He added that this can be designed so both entities can work together and if it is passed it will be worked it out, but at this point in time he is defending himself.

Ms. Owen reiterated that Mr. Horne has seen the SBE staff struggle to get all things done and that assistance is essential.

Mr. Ary added that the new proposal is needed as the capacity of the ADE has been increased while the SBE has not been increased for ten years and that the SBE must grow in relation to the state's growth.

Dr. Balentine stated her support of the budget in the Senate regarding public education.

Dr. Nicodemus noted the value of this discussion with the Superintendent and that she would continue to support the Senate bill, not being critical of ADE, as all are doing the best they can under very challenging circumstances. She noted the shared priorities between P-20 and ADE, an elected Superintendent and Governor; the SBE appointed by the Governor and confirmed by the Senate, the purposes of carrying out responsibilities as policy makers in the best interest of K-12 education in Arizona and the need for staff to assist in these efforts.

Dr. Nicodemus added that the SBE needs to enjoy its independence from the ADE in carrying out its responsibilities.

Ms. Harmon stated that the workload of the SBE is too much for two people and to piece-meal work to personnel at ADE is not fair. She noted that she is looking at this as an opportunity to have staff in place that can support the SBE more completely.

Ms. Mendoza added that she understands the Superintendent's position but would like to know that information being passed on is not influenced by the ADE's perspective.

Superintendent Horne stated that at this stage he is in a major war with someone else and will continue to oppose the bill, but if the bill is passed, the situation can be worked out.

Clarification of instruction for lobbyists:

- Majority of SBE members support Senate budget
- Record shows that Mr. Horne is in opposition

Motion by Dr. Balentine and seconded by Mr. Ary that the SBE support the Senate Budget Bill 1086 specifically to language regarding the SBE and that at the point of negotiations the SBE empowers Board leadership to engage in those negotiations. *Motion passes. Mr. Horne voted no.*

Ms. Mendoza added for the record, that although she is in favor of Senate Budget Bill 1086 for the FTEs, the House bill does move to provide equalization of pay for charter schools which is not included in the Senate budget, to which she objects. She added that there is also language for preschool which is also not addressed in the Senate budget and these two areas continue to need attention.

Lunch break at 12:53PM and reconvened at 12:25PM

- C. Discussion regarding the State Board of Education's legislative agenda for 2008. Discussion may include, but is not limited to, student and teacher assessments, teacher certification, school finance, school accountability, and Board operations and resources.

Mr. Lucero and Mr. Ary reported regarding legislative issues that are being discussed/proposed including:

- Discipline issues
- Sales tax issues
- SBE should have discussions with legislative leadership in early fall
- Advocacy role of the SBE relating to public education
- Funding priorities in relation to the newly adopted budget

Mr. Yanez suggested that members look at areas previously identified as priorities and outlined in the materials provided including:

- 21st century graduation requirements
 - Year 2016
- Money for transitions
- Seat time requirement/distance learning
 - Hours per day
- Length of school year
 - Number of days
- Funds for alternative programming
- Alternate/multiple pathways
- Opt-out
- Minimum requirements
- State to understand the value of dual enrollment
 - Look at Florida and Indiana models that result in community colleges not charging tuition in dual enrollment
- Advocacy
 - Matrix for legislative agenda
 - Issues not in isolation
 - Where are the "players"?
 - Credibility of SBE
- School finance
 - Communication

- Complexity of school finance
- Equalization and equitability for charter funding (requested presentation regarding explanations and accountability for charters)
- Streamline reporting
- Caution regarding how political the SBE may become
- Teacher Quality
- Assessment, Accountability and Achievement
- Board Operations
 - Set up dates to meet with legislators
 - Two-day meeting for regular meeting followed by informal session/meeting with key legislators
 - Set a target and then work toward that goal

D. Tour of Translational Genomics (TGen) Research Institute (12:00PM). No discussion of Board business will occur under this agenda item.

Mr. Michael Bassoff, President, TGen Foundation, guided members on a tour of the Institute and explained some of the functions of their work.

Motion by Ms. Mendoza and seconded by Mr. Ary to adjourn. *Motion passes*
Meeting adjourned at 1:35PM