5:30 p.m. **EXECUTIVE SESSION:** Under provisions of ORS 192.610 – 192.690, Open Meeting Laws, the Board of Directors will conduct an Executive Session for the following purpose:

“To consider complaints or charges brought against a public officer, employee, staff member or individual agent, pursuant to ORS 192.660 (2) (B)” and to “conduct deliberations with persons designated by the governing body to negotiate real property transactions, pursuant to ORS 192.660 (2)(e).”

7:00 p.m. **REGULAR BOARD MEETING**

**TO:** Board of Directors

**FROM:** George Russell
Superintendent of Schools

**RE:** Reports and Recommendations

**VII. ITEMS FOR INFORMATION**

1. **Receive an Update on Proposals for the Acquisition of the Civic Stadium Properties** (Staff: Jon Lauch & Larry Massey)

   Three proposals were received on February 1, 2011 for the Acquisition of the Civic Stadium Properties. A general summary of the proposals, provided on February 16, 2011 during the regular board meeting, is as follows:

   **Eugene YMCA, Eugene, OR**
   Property Development Proposal:
   Purchase Offer: $3.5 million cash with alternative ground lease option.
   Conditions: Land use, development approvals. District to obtain approval for removal of stadium and “de-listing” from National Register of Historic Places

   **Master Development, LLC & Powell Development Co., Eugene, OR**
   Property Development Proposal: Mixed-use development with stores, restaurants, and residential apartments.
   Purchase Offer: $3.8 million cash with alternative ground lease option.
   Conditions: Land use, development approvals. District to obtain approval for removal of stadium and “de-listing” from National Register of Historic Places.

   **Save Civic Stadium, Eugene, OR**
   Property Development Proposal: Rehabilitation of the stadium and site conversion into a multipurpose sports venue, including restaurant, indoor field house, and other potential development.
Purchase Offer: Long-term lease (starting at $70,000) with option to purchase.

Conditions: Dependent upon fundraising.

The Request for Proposals (RFP) prescribes the process to be used in the evaluation of proposals and selection of the successful Proposer. The first step is for the screening committee to review and rate the proposals based upon an allocation of points and associated criteria approved by the board and set forth in the RFP. The screening committee is to forward a “competitive range” (or short list) of proposals to the board for further consideration, review, and evaluation. Although, the short list of proposals is to be forwarded by the screening committee, the board has specifically requested that all proposals be forwarded for information, whether or not each individual proposal is short-listed.

The proposals were evaluated based upon revenue (50 pts), additional benefit to school district 4J (20 pts), community benefit (20 pts), and preservation of the stadium (10 pts). The proposers and proposals are listed below in order of ranking and combined average score.

<table>
<thead>
<tr>
<th>Proposer/Proposal</th>
<th>Score (100 pts possible)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master-Powell/Ground Lease</td>
<td>85.2</td>
</tr>
<tr>
<td>YMCA/Ground Lease</td>
<td>74.3</td>
</tr>
<tr>
<td>Master/Cash Purchase</td>
<td>68.5</td>
</tr>
<tr>
<td>YMCA/Cash Purchase</td>
<td>67.3</td>
</tr>
<tr>
<td>Save Civic/Ground Lease</td>
<td>42.5</td>
</tr>
</tbody>
</table>

The screening committee considers the Master-Powell and YMCA proposals to be within the competitive range, and forwards these proposals for further consideration. Staff will review the individual proposals in detail with the board in executive session prior to the regular board meeting.

Next Steps:
The board will review the short-listed proposals, or all proposals if so decided, and evaluate the proposals based upon the general goals outlined in the RFP.

Competitive range (short listed) proposers may be asked to prepare and present a live presentation of their proposal to the board in executive session. The purpose of the live presentations will be to allow the proposers an opportunity to provide supplemental information for clarification of the proposal contents, as well as any additional information that may be assistive in arriving at a decision to ultimately award a contract resulting from the RFP.

Staff is proposing the following schedule:

Wednesday, April 6  
Executive session to discuss proposals.  
Confirm whether the board wishes to request further information from the proposers through presentations on April 13.

Wednesday, April 13  
Executive session, if desired, for proposer presentations
Once the board has reviewed the screening committee evaluation and the proposals, the preferred process and schedule to support the decision making process will become better defined.

The board will ultimately need to discuss deliberations in open session at a regular meeting. An Intent to Award will be issued announcing the selection of the successful proposer/proposal, and then the board will be consider that selection as a Future Action Item and Action Item.

2. **Receive a Financial Report** (Staff: Caroline Passerotti)

   Caroline Passerotti, Financial Analysis and Budget Manager, will review current general fund financial projections and respond to board questions.

**VIII. CONSENT GROUP – ITEMS FOR ACTION**

1. **Approve Personnel Items** (Staff: Celia Feres-Johnson)

   The superintendent recommends approval of the personnel items included in the board packet. These cover employment, resignations, and other routine personnel matters. The board may adjourn to executive session for matters dealing with employment if it desires to do so. ORS 192.660 (2) (a)

2. **Approve Revised Resolution Designating Depositories for School Funds**
   (Staff: Mary Nickelson-Hill)

   **Action Proposed:**
   Approve a revised resolution designating depositories for school funds for the 2010-11 fiscal year.

   **Background:**
   Each year, it is necessary for the board of directors to designate depositories for the fiscal year. In June 2010, the board adopted a resolution designating depositories for School District 4J effective for the current fiscal year. One of the depositories identified in the current resolution is Liberty Bank.

   In July 2010, Home Federal Bank acquired the assets of Liberty Bank, and all depositors of Liberty Bank automatically became depositors of Home Federal Bank. This resolution removes Liberty Bank and identifies Home Federal Bank as a designated depository for the District.

   **Discussion:**
   1. **Rationale:**
      Depositors of Liberty Bank automatically became depositors of Home Federal Bank. This resolution provides for the change that occurred during fiscal year 2010-11.

   2. **Options and Alternatives:**
      The District could determine to close accounts with Home Federal Bank and open accounts with depositories currently identified in the resolution.
3. **Budget/Resource Implication:**
Closing and reopening accounts would have an impact on staff time. There is no direct financial implication to the District.

4. **Board and Superintendent Goals:**
The proposal supports the Board Goal to provide prudent stewardship of district resources.

**Recommendation:**
The superintendent recommends that the board approve a revised resolution designating depositories for School District 4J.

3. **Affirm Person (or persons) Designated by the Board to Negotiate Real Property Transactions**

According to ORS 192.660 2)(e), Executive Sessions are permitted “To conduct deliberations with persons designated by the governing body to negotiate real property transactions.” The Board has not officially designated such person or persons as may be necessary to be in full compliance with public meetings law for executive sessions regarding the Civic Stadium properties.

Because of the collective history between Jon Lauch (Facilities Director), Larry Massey (District Architect), and John Brown (Evans Elder & Brown), the Superintendent recommends that all three persons be designated by the Board to negotiate real property transactions related to Civic Stadium. By having multiple persons designated, more flexibility is achieved since the presence of any one of these individuals would ensure compliance with the applicable law to allow the Board to conduct deliberations regarding the Civic Stadium properties in executive session.

**IX. ITEMS FOR ACTION AT THIS MEETING**

1. **Approve a Motion to Make an Offer of Employment for the Superintendent’s Position**

In August, the board initiated a search for a new superintendent, as Superintendent George Russell submitted his resignation effective as of June 30, 2010, culminating twelve years of leadership as 4J’s superintendent.

On October 27, 2010 the board approved the superintendent position description and profile as well as a process, time line and budget for the search. Ray & Associates was selected by the board to provide executive recruitment and search services.

The search process has involved extensive community and staff involvement. Three finalist candidates returned to Eugene on March 7 and 8 to visit schools, meet with community members, and interview again with the board. In addition, three board members also conducted site visits in each finalist candidate's community to learn more about the candidate and their leadership experiences.
The board has had the opportunity to consider the input received from community and staff members, the site visits and other information gathered through references. At this meeting, the board plans to consider a motion to make a formal offer of employment to a finalist candidate.

2. **Approve a Resolution Supporting the City Tax Measure** (Staff: Barb Bellamy)

**Background:**
On February 14, the Eugene City Council approved a resolution referring a temporary city income tax measure to the May 17 ballot. If approved by city voters, the tax would provide revenue for Eugene and Bethel School Districts, specifically to minimize increases in class size and reduce or eliminate instructional furlough days. At the February 16 board meeting, the board approved a motion supporting the tax measure and asked that a resolution supporting the income tax measure be prepared for board consideration.

Subsequently, the City Council modified the tax brackets and tax rates in the measure, approving an amended resolution on February 22. If approved by voters, the tax would be paid annually by city residents on income earned between January 1, 2011 and December 31, 2014.

**Discussion:**
1. **Rationale:** The district is facing a shortfall of $24 million for 2011-12 and ongoing deficits thereafter, based on financial forecasts and expectations of state school funding. Revenue from a city income tax would help the school districts avoid some of the reductions in teaching staff and instructional days that would otherwise occur in order to balance annual budgets. The city income tax is viewed by supporters as a temporary tax that would help fund school operations while a statewide school funding solution is pursued.

2. **Options and Alternatives:** The board could approve the resolution to support the city temporary income tax proposal, choose not to take action on the resolution, postpone action until a future date, or not approve a motion to support the tax.

3. **Budget/Resource Implications:** Based on the revenue estimates provided to the City Council, the tax would provide approximately $12 million per year to the district. The first revenue from the tax would be received in May 2012. The district would receive about 50 percent of the annual revenue, approximately $6 million, at that time and the remaining 50% would be received in October 2012.

4. **Board and Superintendent Goals:** This action is related to the board’s goal of student achievement and stewardship of district resources, specifically related to the sustainable budget key result: By 2014-15, the district will implement a sustainable budget strategy that maintains reserves at or above board targets minimizes the use of one-time funds for ongoing expenses, optimizes the use of short-term resources to improve student achievement, and increases operational efficiency while reducing long-term capital needs.”

A resolution supporting the tax measure is included in this packet. It reflects a revision, as discussed at the March 9 meeting.
Recommendation:
No recommendation. Oregon law prohibits the superintendent from advocating for or against a ballot measure.

3. **Approve a Resolution Placing a $70 Million Bond Measure for Capital Improvements on the May 2011 Election Ballot** (Staff: Jon Lauch & Caroline Passerotti)

**Action Proposed:**
Approve a resolution to submit to voters at the May 17, 2011 election a $70 million bond measure to:

a) fund capital improvements to school facilities, including remodels/additions to several schools
b) off-load general fund operating costs for building upgrades and repairs,
c) upgrade technology systems, and
d) provide a broad range of support for changes in delivery of instruction as required for larger class sizes, distance learning, space modifications, advances in instructional technology, and qualifying instructional materials.

**Background:**
The bond measure is being considered at this time as one element of the superintendent’s recommendations to move the district toward a sustainable operating budget as outlined in the Board Goals.

The proposed bond measure will provide some immediate general fund relief and take pressure off of limited existing capital reserves. It also will continue to move us along the path set forth in the Long-Range Facilities Plan adopted in 2002 by addressing our existing building needs. While the 2002 Long-Range Facilities Plan charted the course for school building replacement, this bond measure proposal does not include any replacement buildings. The replacements of one middle school and one elementary school have been removed from the $130 million proposal originally considered for this bond cycle. Since the board supports the temporary city income tax measure, which is also on the May 2011 election ballot, a more modest capital bond measure may increase the likelihood that both measures will be approved.

**Discussion:**
1. **Rationale:** State funding for education does not adequately provide for ongoing funding for capital infrastructure beyond daily maintenance and repair. Most, if not all, Oregon school districts depend on bond funding to provide for the initial cost of facilities and to provide for the ongoing costs of capital systems replacements and upgrades, rather than to further strain limited operating budgets for infrastructure. As buildings and their components age, the ongoing maintenance costs and frequency of repairs increase. Systematic replacement and upgrade of critical building elements is necessary in order to prevent the escalation of maintenance costs, to reduce operating costs, and to extend the useful life of the building.

The Long-Range Facilities Plan prescribed the cycle of capital bond measures required to upgrade and replace the district’s aged facilities, so placing a bond
measure before the voters is clearly consistent with the course charted with the approval of the Long-Range Facilities Plan (in 2002). Additionally, recent legislation has provided the opportunity to bond for capital repairs, including exterior painting, which were previously prohibited. Therefore, there is an immediate opportunity to provide some general fund relief by utilizing bond funds to provide for those functions.

Beginning with the $74 million bond measure approved in 1992 and coupled with the $116 million bond measure approved in 2002, the district has been both “playing catch-up” from deferred maintenance of previous decades and making significant progress toward improving the overall condition of facilities. Past bond funding has allowed us to make significant progress in improving the safety and security of the school facilities through the replacement and upgrade of fire alarm systems, security systems and site security improvements, intercom systems, card access systems, and to reduce operating costs through the implementation of numerous energy conservation measures. There is still on the order of $200 million in identified capital infrastructure needs for existing facilities. The proposed bond would permit the most critical needs in this inventory to be addressed.

2. Options and Alternatives: Alternatives that were reviewed and considered include deferring the bond measure to November 2011 or later, increasing the amount of the bond measure, and decreasing the amount of the bond measure.

May Election – Pros and cons of a May 2011 election

Pros:

- The district is authorized to receive $15 million in federally funded Qualified School Construction Bonds if a May 2011 measure is approved by voters. The QSCB funds are projected to save taxpayers approximately $23 million in interest costs over the life of the bond.
- Voters would be asked to maintain their current level of financial support for school district capital improvements, by filling a small reduction (gap) in taxes that will otherwise expire later in 2011. The property tax rate for 4J would not increase from the current level.
- Critical capital needs can be paid with bond measure funds rather than draw on existing reserves, using general fund dollars, or deferring needed repairs and upgrades.
- The bond measure would provide immediate relief to the general fund by “off-loading” roughly $1 million annually for building repair and upgrades for a six-year period.
- Experienced capital improvement program staff would be retained, avoiding layoff and “rebuilding” the staffing at a later date.
- Projects scheduled for the 2011 construction season could be funded with bond revenue rather than $2.73 million in capital reserves.
- School repairs, remodels and upgrades could move forward more quickly, improving learning environments for our students while also engaging private sector work through construction contracts.
- Allows 4J voters that live outside the City of Eugene to consider a measure that would help fund school district needs next year.
Cons:

- Because the City of Eugene temporary income tax for schools is on the May ballot, city voters may see the measures as competing and choose to support one or the other. As a result, one or both measures may fail.
- Gaining voter approval for any tax measure may be difficult during a down economy.

November Election – Pros and cons of deferring a bond measure to November 2011 or later

Pros:

- City of Eugene voters could focus on a single tax measure for schools on the May ballot, the temporary city income tax for schools.
- The board could increase or adjust the amount of the bond measure for a November election, if desired, as the deadline for submitting a measure to voters is September 8.

Cons:

- $15 million in federally funded Qualified School Construction Bonds is not likely to be available, as these funds will probably be depleted, if other school districts are successful in passing bond measures in May. The QSCB funds are projected to save voters approximately $23 million over the life of the bond.
- Voters will be asked to increase their tax support for 4J bond debt. Taxpayers will experience a small drop in their property taxes for bond debt on tax bills for the 2011-12 tax year. If a bond measure is approved in November 2011, the tax would be levied beginning in 2012-13 with tax bills that arrive in October 2012.
- Critical capital needs will need to be funded from existing capital reserves until exhausted and from the general fund. Further deferring capital system replacement and upgrades will increase the magnitude of future capital liability for years into the future.
- There would be no relief or benefit to the general fund until the 2012-13 year as there would not be any bond measure revenue to “off-load” roughly $1 million annually for building repair and upgrades.
- Experienced capital improvement program staff may not be retained, which would require “rebuilding” the program later.
- Projects scheduled for the 2011 construction season could not be funded from bond proceeds, thereby reducing the existing capital reserves by about $2.7 million to fund these projects.
- 4J voters that live outside the City of Eugene would not have an opportunity to vote for a measure that would help fund school district needs next year.

Options regarding the amount of the bond measure:

The amount of the bond measure could be increased to at least $130 million without increasing property taxes at this time. However, increasing the bond measure could increase the likelihood of not passing the income tax measure. I believe that the $70 million amount achieves the best balance between addressing our current and projected needs and reduces the perception of
competition with the income tax measure. The $70 million amount also balances the capacity of the voters to bond the debt without increasing property taxes and still provides a reasonable cushion to address capital needs in the relatively near future.

Reducing the amount of the bond to less than $70 million would require deferring critically needed capital systems upgrades. To do so would not keep us on the path of reducing operating and maintenance expenses associated with replacing and upgrading aging building components and systems.

3. **Budget/Resource Implications:** If the proposed bond measure is approved it will have a favorable impact on the general fund budget in three ways by:

- Directly reducing general fund expenditures by providing a mechanism to “off-load” $6 million of repair and upgrade functions ($1 million annually for six years).
- Reducing operating costs through implementation of energy conservation measures.
- Keeping maintenance costs from escalating by replacing/upgrading failing capital systems and building components.

The bond measure will also take the pressure off of dwindling capital reserves by providing a more stable funding source for capital improvements. If the bond measure is deferred or does not pass, resumption of general fund transfers to capital funds will eventually be necessary in order to sustain a minimal program of capital improvements.

4. **Projects to be Included in the Bond Measure:** A detailed project list has been included in your packet. In general the $70 million bond would provide:

- **Capital systems replacements/improvements - $44.4 million**
  Roofing, plumbing, heating, electrical, fire alarms, safety/security, paving, energy conservation measures, etc.

- **Additions and remodels - $10 million**
  This includes projects at Adams, Camas Ridge and Willagillespie elementary schools and also includes a $4 million consolidation/reconfiguration allowance for future actions which could include a possible addition to McCormack Elementary School. Restroom upgrades at multiple schools are also included.

- **Repair and building improvements currently in the General Fund operating budget (General Fund relief) - $6 million**
  Shift $1 million per year of funding for some repair and building improvements from the General Fund operating budget to bond funds, relieving the General fund of these expenses.

- **Technology - $6.8 million**
  Technology infrastructure upgrades, telephone system replacements, new student data information systems and classroom technology.
• **Instructional Systems Support - $2.1 million**
  This includes support for changes in delivery of instruction as required for larger class sizes, distance learning, space modifications, classroom instructional technology, and instructional materials.

• **Potential Real Property Acquisition - $0.7 Million**
  The district has discussed the potential acquisition of some property that adjoins existing school sites, in order to provide more flexibility for school replacement at these sites in the future.

Costs for bond issuance, construction contract administration and project management are included in the above numbers.

A certain amount of flexibility for project modification and reallocation of funds will be required in light of future processes including the Stakeholder Task Force which will review and make recommendations regarding grade level reconfiguration. The District has a history of reallocating bond resources when circumstances warrant, while still maintaining a high level of integrity of the program consistent with commitments to the voters. One example is the reallocation of resources toward seismic upgrades following a series of earthquakes in the state that seriously damaged some (non-4J) school facilities. All significant modifications and/or reallocation of bond funds have in the past been and in the future will be processed with the Board.

5. **Board and Superintendent Goals:** The bond measure is consistent with the Board Goal to “Provide prudent stewardship of district resources to best support student success, educational equity and choice.” And directly relates to the following Key Results:

1. **In 2010-11, the district will determine a timeline for a capital bond measure in 2011 or 2012 and will take final actions on the disposition of Civic Stadium through the RFP process.** (emphasis added)

2. **By 2014-15, the district will implement a sustainable budget strategy that maintains reserves at or above board targets, minimizes the use of one-time funds for ongoing expenses, optimizes the use of short-term resources to improve student achievement, and increases operational efficiency while reducing long-term capital needs.** (emphasis added)

As previously stated, the bond measure is being considered at this time as one element of my sustainable budget strategy recommendations. The bond measure will reduce long-term capital needs and increase operational efficiencies. The bond would also provide immediate relief to the general fund as a result of repair and improvement function off-load, and will reduce pressure on existing capital reserves. Capital investment in our school facilities also has a favorable impact on teaching and learning environments which can enhance the educational experiences and ultimately impact student achievement.
Recommendation(s)

The superintendent recommends approving the resolution to place a $70 million bond measure on the ballot for a May 17, 2011 election. You are scheduled to take action at your next meeting on March 16 as the deadline for the election filing is March 17.

A copy of the resolution and the Notice of District Measure Election is included in this packet.

4. **Disapprove the Public Charter School Application from College of Knowledge**
   (Staff: Carl Hermanns)

**Background:**
The 1999 Oregon Legislature passed legislation requiring local school boards to accept applications from private non-profit corporations who wish to establish charter schools. The legislation, which has been incorporated into statute in ORS 338.005 through ORS 338.185, establishes the criteria school boards must use to evaluate the applications and the conditions under which they are to be funded.

In accordance with the law and school board policy, College of Knowledge (CK) submitted a charter school application to the district on November 15, 2010. Within 15 business days of receipt of the application, on December 7, 2010, staff notified the applicant that the proposal was considered to be complete.

On January 19, 2011, a public hearing on the provisions of the proposal was held, as required under ORS 338.055(1) and School Board Policy LBE, Public Charter Schools.

Staff reviewed the application in detail and received clarifications from the applicant, as required. The superintendent and chief academic officer also reviewed the application against the criteria and requirements in School Board Policy LBE.

On February 2, 2011, the district board approved the superintendent’s recommendation to disapprove the charter school application from College of Knowledge based on findings that the proposed charter school 1) did not demonstrate sustainable support, 2) did not demonstrate financial stability or the ability to establish sound financial management systems by the time the school began operations, 3) was not sufficient in presenting a program that would provide comprehensive instructional programming, and 4) negative impacts to the education of district students outweighed the value of the charter school. Written notice of the board’s decision and reasons for denial were provided to the applicant.

Board Policy LBE permits the applicant to submit an amended proposal within 30 calendar days of the disapproval. College of Knowledge submitted an amended proposal on March 4, 2011.

ORS 338.055(4) and Board Policy require that the district board approve or disapprove the resubmitted application within 20 calendar days of receiving it. The board is scheduled to take action at its regular meeting on March 16, 2011.
Findings and discussion points below have been revised in response to the amended application. New discussion information is identified in italics.

Discussion

1. Rationale: Findings have been developed in response to Criteria for the Consideration of a Charter School Application (School Board Policy LBE):

   Criteria 1: The demonstrated sustainable support for the public charter school by teachers, parents, students, and other community members, including comments received at the required public hearing.

   Finding 1: The College of Knowledge has not met this criterion.

   Discussion:
   **Amended application:** While there is considerable enthusiasm among charter school organizers for the creation of the charter school, adequate interest among parents and the community has not been demonstrated.

   In the amended application, charter organizers provided the names of members of their stewardship council and board of directors, a letter of support, and information about a local theater group which is committed to their arts education mentorship program. They indicated that they have a list of more than 75 businesses, organizations and individuals who are supportive of the proposed charter school and have asked to remain anonymous.

   The organizers do not have a list of prospective students but stated that they are frequently contacted by members of the community who are interested in their school.

   Oregon’s charter school statute requires that the applicant demonstrate that the proposed charter school has sustainable support by teachers, parents, students and other community members. While the law does not establish specific benchmarks for demonstrating sustainable support, it does specifically include, but is not limited to, comments received at the public hearing.

   The College of Knowledge applicants have included in their application evidence of support from parents/students, community members, and current and former educators, including references to the following items:
   • A three member board of directors, all of whom are Eugene residents.
   • Two founders are Eugene residents.
   • The application includes reference to potential cooperative ventures with two community organizations, Centro Latino Americano and Next Step Recycling.

   The application does not demonstrate a level of “sustainable support” beyond a general interest in investigating possible future joint ventures. The application does not appear to contain or refer to direct interest from families of children seeking to enroll students in the school or involvement of parents and community members in the development of the instructional program or in the creation of a sense of need, calling for a program like the College of Knowledge. We believe that the application does not meet the statutory requirement of “demonstrated,
sustainable support,” and does not at this time represent the personal, student-focused parental or other involved adult support critical to the success of a new charter school.

Members of the College of Knowledge development team attended the public hearing held on January 19, 2011. A CK representative and two individuals, including members of the CK development team and board, provided testimony to the school board on the proposed charter school. Speakers highlighted their desire to see a proficiency-based program to meet the needs of at-risk students.

While establishing the support from those actively involved with the development of the College of Knowledge, the application and the testimony at the public hearing provides limited evidence of support from those students and parents the program would serve. We would conclude that at this time the application does not demonstrate the sustainable support necessary to recommend approval.

Criteria 2: The demonstrated financial stability of the public charter school, including the demonstrated ability of the charter school to have a sound financial management system in place at the time the school begins operating.

Finding 2: College of Knowledge has demonstrated the ability to achieve a financially stable operation; however, evidence of the ability to have a sound financial management system in place when the school begins operating has not been provided.

Discussion:
**Amended application:** Three-year financial projections were revised to reflect a more comprehensive understanding of employee compensation costs, including PERS. Assuming the charter school is able to achieve its projected enrollment, revised financial projections demonstrate positive net income from operations, positive cash balance and positive unreserved ending fund balance.

Organizers stated that the segregation of duties included in the accounting manual was corrected to reflect staff positions included in the proposed budget. A copy of the revised accounting manual was not included in the amended application.

**Funding Level.** District Board Policy LBE requires that the district provide the minimum level of funding established by statute for all students without a disability. This represents 95% of the State General Purpose Grant per student for students enrolled in grades 9 through 12.

In addition to the financial projections developed as part of their charter proposals, charter organizers were asked to submit additional projections that reflect the lower level of state funding the district anticipates as a result of Governor Kitzhaber’s draft budget for K-12 education in the 2011-13 biennium. Assuming General Purpose Grant amounts per ADMw of $5,742 in 2011-12 and $5,910 in 2012-13, charter school payments would be as follows:
CK has received a federal charter school planning grant in the amount of $55,000 to support pre-opening activities. The district is serving as fiscal agent for the planning grant. Should the district approve their charter application, charter organizers would be eligible to receive a federal implementation grant of up to $225,000, for which they would serve as their own fiscal agent. Proceeds can be used for curriculum and professional development, accounting fees, attorney fees for start-up expenses, minor building renovations, and administrative fees. Construction or purchase of facilities is not permitted with these funds.

**Financial Stability.** College of Knowledge provided three-year financial projections reflecting the state funding assumptions described above and showing positive net income from operations, positive cash balance and positive unreserved ending fund balance. While organizers were responsive to requests by district staff, at this time they demonstrated only a superficial understanding of what would be required to operate a financially stable charter school.

Revenue assumptions assumed first year enrollment of 100, growing to 125 in the second year, and included $10,000 to $30,000 in income from fundraising over the first three years. It is unclear whether the charter school would be able to attract enrollment at this level, given Network Charter School’s recent downward adjustment of its projected enrollment to 102 students in grades 7 through 12. Expenditure assumptions did not adequately address required employee compensation costs. Because a facility site has not yet been identified, it is difficult to determine the adequacy of proposed facilities costs.

**Sound Financial Management System.** Under Board Policy LBE, “financial management systems” consist of accounting and financial record keeping procedures, including financial reporting, cash management and investment practices, incorporating appropriate segregation of duties.

College of Knowledge addressed each of these areas in its proposed policies; however, the ability to achieve the required segregation of duties depended on positions that were not included in the proposed financial projections.

**Criteria 3:** The capability of the applicant, in terms of support and planning, to specifically provide the comprehensive instructional programs to students, as outlined in its proposal.

**Finding 3:** It is unclear whether College of Knowledge has met this criterion.

**Discussion:**

**Amended application:** The applicants have offered assurances that a comprehensive program will be provided. Pursuant to district standards, there is still significant concern around the applicant’s ability to provide all course offerings with available staffing and with appropriate materials.
The proposal does not sufficiently demonstrate how its program design translates into a comprehensive program upon implementation. Further, adequate consideration has not been given to the complexity and challenge of creating a comprehensive school program for smaller numbers of students, especially relating to the high school curriculum and current high school graduation requirements. In regard to expanding school choices to 4J students, the district already provides Alternative Education services to over 500 hundred students through district-sponsored alternative schools and contracts with private alternative schools. Among these options are the Early College High School programs which offer at-risk students the opportunity to prepare for and enter college. This is a national model that has a research-based track record of success. This system of alternatives is supported by a network of service providers at the schools and in the community, as well as a comprehensive assessment and referral process that ensures that students are given opportunities at schools that meet their needs and interests.

Criteria 4: The capability of the applicant, in terms of support and planning, to specifically provide the comprehensive instructional programs to students identified by the applicant as academically low achieving.

Finding 4: It is unclear whether College of Knowledge has met this criterion.

Discussion:
**Amended application:** The applicants have offered assurances that low achieving students will be provided with appropriate and effective services. Pursuant to district standards, it remains unclear how these functions will be adequately implemented and staffed.

The proposal does not demonstrate the ability of the school to respond to the needs of students who enter the school at various achievement levels. The proposal does not demonstrate a systematic approach to identification and intervention with students who have chronic low academic achievement.

Criteria 5: The extent to which the proposal adequately addresses the requirements of the proposal process.

Finding 5: College of Knowledge has adequately addressed these requirements.

Discussion:
**Amended application:** College of Knowledge organizers stated that they would expect to be an option for 4J Alternative Education referral. However, under Oregon charter school law, a charter school is not able to operate as an alternative education program, as enrollment in a charter school must be voluntary and not assigned by referral.

It should be noted that Response #11 states that the College of Knowledge is still pursuing sites for facilities.

Criteria 6: Whether the value of the public charter school is outweighed by any directly identifiable, significant, and adverse impact on the quality of the public education of students residing within District 4J. A "directly identifiable,
significant and adverse impact” is defined as the impact of adverse loss or reduction in staff, student, program, or funds that may reduce the quality of existing district educational programs. This may include, but not be limited to, the following current data as compared to similar data from preceding years:

(a) Student enrollment;
(b) Student teacher ratio;
(c) Staffing with appropriately licensed or endorsed personnel;
(d) Student learning and performance;
(e) Specialty programs or activities such as music, physical education, foreign language, talented and gifted and English Language Learners;
(f) Revenue;
(g) Expenditures for maintenance and upkeep of district facilities.

Finding 6: The value of the public charter school is outweighed by adverse impacts on the quality of public education of students residing within District 4J.

Discussion:

Value:
Amended application: College of Knowledge organizers believe its instructional model would be unique among district offerings and not compete with existing district programs, as their target population includes students not succeeding in current placements or not attending school. They propose to attract home school students from inside and outside 4J boundaries, students enrolled in neighboring district schools, and advanced students such as TAG underachievers who are not succeeding.

It is not possible to calculate the “value” of the proposed charter school with accuracy since such a value must at this point in the process be based primarily on assumptions and predictions. However, the statutory language establishes a balancing test, weighing the “value” of a proposed charter school with its adverse impact to the district’s other students. With that in mind, the value of the proposed College of Knowledge may be considered both from the perspective of the value to the CK developers and potential students and parents, as well as to the entire district.

The value to the CK developers was shown through the materials submitted in the application and in the testimony provided at the public hearing. However, neither the application nor the public hearing demonstrated or defined an identifiable group of students and parents whose needs or desires this program would meet. That is not to say that there are not students or parents who are interested in seeing such a program, but potential students and parents were not identified in the application or at the hearing.

From the perspective of the school district, the value of the College of Knowledge is also unclear. Without a clearly defined group of interested and involved students and parents actively supporting the development of a charter school, the value to the district must be evaluated over the entire district. From that perspective, the value of the College of Knowledge to the school district is much diluted when viewed across the school district and is less significant to the district.
Also, because the proposal does not demonstrate that the school would have the ability to respond to the needs of students entering the school at various achievement levels, it is unclear how the school would contribute to the district’s ability to serve students in need of additional assistance.

As stated above in the discussion under Finding (3), the district already provides Alternative Education services to over 500 hundred students through district-sponsored alternative schools and contracts with private alternative schools.

**Impact:**

**Amended application:** In the absence of information about prospective students, it is difficult to determine whether the College of Knowledge would be serving students other than those currently enrolled in District 4J schools. Should its enrollment primarily represent students who are new to the district (i.e., home school students, students enrolled in schools outside the district, or students residing within district boundaries but not currently enrolled in school), negative impacts to the district would be substantially reduced.

In response to the impact of the Great Recession on state and local revenues and continued declines in district enrollment, Lane County School District 4J has increased school staffing ratios, cut school days, reduced central support services, negotiated pay freezes and furlough days for employees, and used millions of dollars of reserves to achieve a balanced operating budget. Because further declines in revenues and increases in expenditures are projected, additional general fund budget reductions ranging from $22 million for $28 million are anticipated for the 2011-12 school year. To address the Board’s goal of achieving a sustainable budget, the Superintendent is recommending a broad range of budget reductions for 2011-12 which include eliminating 56 to 84 teaching positions, cutting 43 to 62 FTE classified and administrative staff, negotiating 9 to 13 furlough days (including six school days) and pay freezes for employees, closing four elementary schools, and using additional reserves.

Further declines in student enrollment from the approval of a new charter school would only serve to magnify the negative impact of these reductions on the quality of instruction for remaining district students. Savings from the reduction of teacher and supply budgets allocated on a per student basis combined with state funding retained by the district (95% for students in grades 9 through 12) are not sufficient to offset the loss of state funding to the district.

Assuming that the charter school enrolls 100 ADM in its first year and that 75% of charter school students are district residents (similar to Network Charter School), staff estimates that approving this charter school could result in the loss of 75 ADM to the district in 2011-12. The net negative monetary impact would be approximately $180,000.

Because charter school organizers have not yet identified a location for the College of Knowledge, it is difficult to anticipate the direct impact of the proposed charter school on the education of district students. However, because the district’s alternative high schools (Churchill Alternative, North Alternative and Opportunity Center) serve the same student base described as the target population for College of Knowledge, it could be assumed that enrollment might
shift from the alternative high schools to the proposed charter school. Collectively, district alternative high schools reported enrollment of 372 students as of December 1, 2010 and were allocated a total of 12.7 FTE licensed staff for 2010-11. Assuming the same percentage of district residents as Network Charter School, 100 first year students would equate to 75 ADM district residents. If 75 ADM transferred from district alternative high schools to College of Knowledge, the alternative schools would experience a 2.8 FTE decline in teaching staff, representing 22% of total staff and exceeding staffing allocated to North Alternative High School. A decline in enrollment of this magnitude could have a damaging effect on the district’s ability to serve some of its at-risk students.

The district incurs additional costs to address the needs of special education students who attend charter schools. The district receives no extra state revenue for special education students residing within district boundaries, yet additional staff must be assigned to the charter school site. Students who previously attended district schools would already be included in the district’s student count for “second weight” funding purposes. Students newly enrolled in the charter school would not bring more state resources since the district special education population already exceeds the statutory cap of 11% of resident average daily membership (ADMr). Should the charter school organize its school year differently than the district school calendar included in the contract with the Eugene Education Association, licensed staff serving special education students at the charter school must also be paid on an extended contract to work the additional days that the charter school offers classes.

In the current climate of budget reductions, these higher costs require reductions to budgets for other student services. The extent of the negative impact to the district general fund budget would depend on the size of the special education population. It is expected that a population of at-risk students would include a higher than average percentage of special education students. Assuming that one third of the 4J resident population requires special education services (similar to Network Charter School) and that staffing is provided according to the 45 to 1 student to teacher ratio used to staff district learning centers, it would cost the district an additional $45,000 to provide special education services to 4J students attending the proposed charter school. This does not include travel time and assumes no additional extended contract days would be required.

The approval of College of Knowledge would increase the requirements for oversight and administration by central staff. This would result in the dilution of support provided to existing district schools and possibly greater workload for school staff, potentially negatively impacting students in those schools.

**Conclusion:** Sponsoring a new public charter school at this time would further erode the district’s funding base for existing district programs, negatively impacting the quality of instruction for students in those programs. The net negative impact of reductions in state funding relative to lower teacher and supply budgets and higher costs associated with providing special education services would directly result in additional general fund budget reductions for the district and diminishing of instructional offerings to students. Based on the fact that the district already operates three alternative high school programs,
sponsors a charter school which serves primarily at-risk high school students, and manages alternative education placements for students, the value The College of Knowledge would bring to the district in this time of severe budget reductions is outweighed by the negative impact to the education of remaining district students.

Criteria 7: Whether there are arrangements for any necessary special education and related services for children with disabilities.

Finding 7: CK has met this requirement.

Discussion: Adequate understanding of responsibilities for special education services has been demonstrated.

2. Options and Alternatives: If the amended proposal is not approved by the Board, the applicant may appeal the decision of the School District Board to the State Board of Education, pursuant to ORS 338.055(4). As provided in ORS 338.075, the State Board will attempt to mediate a resolution between the district and the applicant. If a mediated resolution is not achieved, the State Board may either reject the proposal, upholding the District Board decision, or sponsor the public charter school. The opening of the charter school under State Board sponsorship would be expected to be delayed by one year.

3. Budget/Resource Implications:

District Sponsorship
See the Discussion under (6) above for the impact of Board approval of a charter school.

State Board of Education Sponsorship
Should the Board disapprove a charter application and it is successful in its appeal to the State Board of Education, the district must pay State School Fund grant amounts to the charter school at a higher rate than if the district were sponsoring the charter school. For students in kindergarten through grade 8, a minimum of 90% of the General Purpose Grant per ADMw (average daily membership, weighted) would be paid to the charter school, as opposed to the 80% minimum that applies to school districts. For students in grades 9 through 12, the 95% minimum remains the same.

In addition, one half of the General Purpose Grant per ADMw retained by the district must be paid to the Department of Education for all charter school students. Under district sponsorship, one half of the General Purpose Grant per ADMw retained by the district must only be paid to the home district of charter school students whose parents reside within the boundaries of another district.

3. Board and Superintendent Goals: The charter school recommendation addresses board goals of increasing achievement for all students and closing the achievement gap and also providing prudent stewardship of district resources to best support student success, educational equity and choice. In addition, it reflects the engagement of district stakeholders in supporting our students and schools.
RECOMMENDATION
Based on findings that 1) the proposed charter school did not demonstrate sustainable support, 2) evidence of a sound financial management system has not been provided, 3) there are continuing concerns about the charter school’s ability to effectively implement its proposed instructional program, and 4) negative impacts to the education of district students outweigh the value of the charter school, the Superintendent recommends that the Board disapprove the charter proposal for the College of Knowledge.

Upon Board action, this report will constitute formal written notice to the applicant of the Board’s decision and the reasons for denial.

A copy of the March 4, 2011 Response to Charter Application Denial is included in the board packet.

5. **Disapprove the Public Charter School Application from International School of Modern Technology** (Staff: Carl Hermanns)

Background:
The 1999 Oregon Legislature passed legislation requiring local school boards to accept applications from private non-profit corporations who wish to establish charter schools. The legislation, which has been incorporated into statute in ORS 338.005 through ORS 338.185, establishes the criteria school boards must use to evaluate the applications and the conditions under which they are to be funded.

In accordance with the law and school board policy, International School of Modern Technology (ISMT) submitted a charter school application to the district on November 15, 2010. Within 15 business days of receipt of the application, on December 7, 2010, staff notified the applicant that the proposal was considered to be complete.

On January 19, 2011, a public hearing on the provisions of the proposal was held, as required under ORS 338.055(1) and School Board Policy LBE, Public Charter Schools.

Staff reviewed the application in detail and received clarifications from the applicant, as required. The superintendent and chief academic officer also reviewed the application against the criteria and requirements in School Board Policy LBE.

On February 2, 2011, the district board approved the superintendent’s recommendation to disapprove the charter school application from International School of Modern Technology based on findings that 1) the proposed charter school did not demonstrate sustainable support, 2) the proposal was not sufficient in presenting a program that would provide comprehensive instructional programming for a K-12 school, 3) negative impacts to the education of district students outweighed the unclear value of the charter school and 4) evidence was incomplete that the charter school would be able to operate with financial stability and it remained unclear whether the proposed charter school would be able to have a sound financial management system in place by the time the school would begin operating. Written notice of the board’s decision and reasons for denial were provided to the applicant.
Board Policy LBE permits the applicant to submit an amended proposal within 30 calendar days of the disapproval. International School of Modern Technology submitted an amended proposal on March 4, 2011.

ORS 338.055(4) and Board Policy require that the district board approve or disapprove the resubmitted application within 20 calendar days of receiving it. The board is scheduled to take action at its regular meeting on March 16, 2011.

Findings and discussion points below have been revised in response to the amended application. New discussion information is identified in italics.

Discussion
1. **Rationale:** Findings have been developed in response to Criteria for the Consideration of a Charter School Application (School Board Policy LBE):

Criteria 1: The demonstrated sustainable support for the public charter school by teachers, parents, students, and other community members, including comments received at the required public hearing.

**Finding 1:** ISMT has not met this criterion.

**Discussion:**

**Amended application:** *While there is considerable enthusiasm among charter school organizers for the creation the charter school, adequate interest among parents and the community has not been clearly demonstrated.*

*The charter organizers are relying on a diverse founding group and supporter group to help insure that they have access to the achievement gap students who represent their target enrollment. Although community survey results included in the amended application show that 51% of 61 respondents expressed interest in a non-binding intent to enroll, the organizers have not demonstrated evidence of broad and sustainable support.*

Oregon’s charter school statute requires that the applicant demonstrate that the proposed charter school has sustainable support by teachers, parents, students and other community members. While the law does not establish specific benchmarks for demonstrating sustainable support, it does specifically include, but is not limited to, comments received at the public hearing.

The ISMT applicants have included in their application evidence of support from parents/students, community members, and current and former educators, including references to the following items:

- Nine member board of directors including five Eugene area residents and four from outside the Eugene area.
- The application listed two parents, not also in the board of directors as “supporting the mission and vision” of the school.
- The application includes one letter supporting the concept of the proposed charter school from the Director of Administrator Licensure Programs at the University of Oregon, College of Education.
• The application includes eight “Statement(s) of Community Support and Partnerships” from community partners supporting the “educational vision” of the proposed charter school.
• Results from survey completed by approximately 135 people, indicating conceptual support for a school like the ISMT; results reported included 18.5% of 135 responses indicated a “non-binding intent to enroll student.”

While the referenced materials demonstrate a level of conceptual support of the program, it does not appear to include direct interest from families of children seeking to enroll students in the school or involvement of parents and community members in the development of the instructional program or in the creation of a sense of need, calling for a program like the ISMT. We question whether such conceptual support, while important, would meet the statutory requirement of “demonstrated, sustainable support” and more importantly, would result in the personal, student-focused parental or other involved adult support critical to the success of a new charter school.

Members of the ISMT development team attended the public hearing held on January 19, 2011. An ISMT representative and seven individuals, including members of the ISMT development team and board, provided testimony to the school board on the proposed charter school. Speakers highlighted their desire to see a culturally competent, science and technology focused program to attract and instruct disenfranchised youth. Two speakers described themselves as parents of school aged children.

While clearly establishing the support from those actively involved with the development of the ISMT, the application and the testimony at the public hearing provides limited evidence of support from those students and parents the program would serve. We would conclude that at this time the application does not demonstrate the sustainable support necessary to recommend approval.

Criteria 2: The demonstrated financial stability of the public charter school, including the demonstrated ability of the charter school to have a sound financial management system in place at the time the school begins operating.

Finding 2: ISMT has provided financial projections indicating the ability to achieve financial stability. It is unclear whether the charter school has the ability to implement a sound financial management system by the time school begins operating.

Discussion:
Amended application: Three-year financial projections were revised to clarify ELL staffing at projected enrollment levels. Additional financial projections were provided to demonstrate how the charter school would achieve financial stability with an initial enrollment of 140 students.

Financial management systems were amended to identify the appropriate segregation of duties in relation to cash management. Reservations remain as to whether the charter school will have the internal capacity to implement a sound financial management system.
Funding Level. District Board Policy LBE requires that the district provide the minimum level of funding established by statute for all students without a disability. This represents 80% of the State General Purpose Grant per student for students enrolled in kindergarten through grade 8 and 95% of the State General Purpose Grant per student for students enrolled in grades 9 through 12.

In addition to the financial projections developed as part of their charter proposals, charter organizers were asked to submit additional projections to reflect the lower level of state funding the district anticipates as a result of Governor Kitzhauber’s draft budget for K-12 education in the 2011-13 biennium. Assuming General Purpose Grant amounts per ADMw of $5,742 in 2011-12 and $5,910 in 2012-13, charter school payments would be as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011-12</th>
<th>2012-13</th>
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</thead>
<tbody>
<tr>
<td>Grades K-8</td>
<td>$5,742 x 80% = $4,594</td>
<td>$5,910 x 80% = $4,728</td>
</tr>
<tr>
<td>Grades 9-12</td>
<td>$5,742 x 95% = $5,455</td>
<td>$5,910 x 95% = $5,615</td>
</tr>
</tbody>
</table>

ISMT has received a federal charter school planning grant in the amount of $55,000 to support pre-opening activities. The district is serving as fiscal agent for the planning grant. Should the district approve their charter application, charter organizers would be eligible to receive a federal implementation grant of up to $225,000, for which they would serve as their own fiscal agent. Proceeds can be used for curriculum and professional development, accounting fees, attorney fees for start-up expenses, minor building renovations, and administrative fees. Construction or purchase of facilities is not permitted with these funds.

Financial Stability. ISMT provided three-year financial projections based on the state funding assumptions described above, in which they showed positive net income from operations, positive cash balance and positive unreserved ending fund balance.

Organizers were responsive to requests for additional information and clarification by district staff. Follow-up questions were asked by a consultant, and it appears the consultant prepared the responses to requests for financial projections that reflected revised state funding assumptions. The financial projections do not include costs for a consultant after start-up; however, the implementation grant could be used for that purpose on a short-term basis in the event that the charter proposal is approved.

Revenue projections were based on state funding and did not rely on additional fundraising dollars. State funding depended upon projections of relatively high enrollment for a start-up charter school: 220 K-9 students in Year 1, 260 K-12 students in Year 2, and 290 K-12 students in Year 3. Whether the proposed charter school could achieve this level of enrollment is uncertain, as two district-sponsored charter schools which have been in operation for over ten years have been unable to achieve enrollment of 220 students. Organizers presented financial projections based on an alternate enrollment scenario of 140 students (130 ADM) in the first year of operation. They showed how staffing would be realigned to establish financial stability at the lower
enrollment. Financial projections based on 140 students and the requested alternate state funding amounts were not provided.

Expenditure projections appeared to be reasonable with teacher salaries slightly lower than the amount that the district pays beginning teachers.

**Sound Financial Management System.** Under Board Policy LBE, “financial management systems” consist of accounting and financial record keeping procedures, including financial reporting, cash management and investment practices, incorporating appropriate segregation of duties.

ISMT addressed each of these areas; however, it was unclear how the segregation of duties was adequate for cash management, financial reporting and payroll given proposed staffing levels. Responses to follow-up questions did not provide sufficient assurance that organizers could independently implement sound financial management systems in time for the proposed charter school to begin operations.

Criteria 3: The capability of the applicant, in terms of support and planning, to specifically provide the comprehensive instructional programs to students, as outlined in its proposal.

**Finding 3:** It is unclear whether ISMT has met this criterion.

**Discussion:**

**Amended application:** The applicants have provided assurances that a comprehensive program will be provided. Pursuant to district standards, there is still considerable concern around the applicant’s ability to provide all course offerings for nine grade levels with available staffing.

The proposal does not sufficiently demonstrate how its program design translates into a comprehensive program upon implementation. Further, adequate consideration has not been given to the complexity and challenge of creating a comprehensive school program for smaller numbers of students, especially relating to the high school curriculum and current high school graduation requirements. In regard to expanding school choices to 4J students, the district already provides an Arts and Technology Academy (K-8) and a School of IDEAS at North Eugene High School that provide excellent programming for students who are seeking project-based instruction that leads to strong post-secondary options in Science, Technology, Engineering and Mathematics. Likewise, each high school in 4J offers a robust science, math and technology program that is integrated into the comprehensive high school program.

Criteria 4: The capability of the applicant, in terms of support and planning, to specifically provide the comprehensive instructional programs to students identified by the applicant as academically low achieving.

**Finding 4:** It is unclear whether ISMT has met this criterion.

**Discussion:**
Amended application: As with Finding 3, the applicants have provided assurances that low achieving students will be provided with appropriate and effective services. Pursuant to district standards, it is unclear how these functions will be adequately staffed.

The proposal does not demonstrate the ability of the school to respond to the needs of students who enter the school at various achievement levels. Inconsistencies in program design and proposed practice do not respond adequately to the needs of a broad range of students.

Criteria 5: The extent to which the proposal adequately addresses the requirements of the proposal process.

Finding 5: ISMT has met this requirement.

Discussion: While the charter proposal adequately addresses this requirement, a couple of items merit attention.

Response #11 states that the International School of Modern Technology is evaluating potential sites. Organizers plan to select a site and negotiate a lease by March 2011.

Response #31 states that the proposed charter school will abide by district board policy and quotes the policy for transporting students attending regular district schools.

District Board Policy LBE (Public Charter Schools) states that public charter schools shall comply with the transportation requirements for students who participate in district-sponsored alternative programs and who transfer between neighborhood schools.

The district maintains that it is not responsible for providing transportation by bus or otherwise of any students to district-sponsored charter schools. However, charter school students are allowed to ride on district buses to and from the charter school on existing district routes, to the extent seats are available for such students.

Criteria 6: Whether the value of the public charter school is outweighed by any directly identifiable, significant, and adverse impact on the quality of the public education of students residing within District 4J. A “directly identifiable, significant and adverse impact” is defined as the impact of adverse loss or reduction in staff, student, program, or funds that may reduce the quality of existing district educational programs. This may include, but not be limited to, the following current data as compared to similar data from preceding years:

(a) Student enrollment;
(b) Student teacher ratio;
(c) Staffing with appropriately licensed or endorsed personnel;
(d) Student learning and performance;
Specialty programs or activities such as music, physical education, foreign language, talented and gifted and English Language Learners;
Revenue;
Expenditures for maintenance and upkeep of district facilities.

Finding 6: The value of the charter school is outweighed by adverse impacts on the quality of public education of 4J students.

Discussion:
Value: It is not possible to calculate the “value” of the proposed charter school with accuracy since such a value must at this point in the process be based primarily on assumptions and predictions. However, the statutory language establishes a balancing test, weighing the “value” of a proposed charter school with its adverse impact to the district’s other students. With that in mind, the value of the proposed International School of Modern Technology may be considered both from the perspective of the value to the ISMT developers and potential students and parents, as well as to the entire district.

The value to the ISMT developers was clearly shown through the materials submitted in the application and in the testimony provided at the public hearing.

From the perspective of the school district, the value of the ISMT is unclear. Without a clearly defined group of interested and involved students and parents actively supporting the development of a charter school, the value to the district must be evaluated over the entire district. As stated above, the district already has two schools collectively addressing students in kindergarten through grade 12 that provide excellent programming for students who are seeking project-based instruction that leads to strong post-secondary options in Science, Technology, Engineering and Mathematics. From that perspective, the value of the ISMT to the school district is much diluted when viewed across the school district and is less significant to the district.

The district shares the applicant’s interest in better serving students in the achievement gap. However, because the proposal does not clearly demonstrate how the school would respond to the needs of students entering the school at various achievement levels, it is unclear how they would contribute to the district’s ability to serve students in need of additional support.

Impact: In response to the impact of the Great Recession on state and local revenues and continued declines in district enrollment, Lane County School District 4J has increased school staffing ratios, cut school days, reduced central support services, negotiated pay freezes and furlough days for employees, and used millions of dollars of reserves to achieve a balanced operating budget. Because further declines in revenues and increases in expenditures are projected, additional general fund budget reductions ranging from $22 million for $28 million are anticipated for the 2011-12 school year. To address the Board’s goal of achieving a sustainable budget, the Superintendent is recommending a broad range of budget reductions for 2011-12 which include eliminating 56 to 84 teaching positions, cutting 43 to 62 FTE classified and administrative staff, negotiating 9 to 13 furlough days (including six school days) and pay freezes for employees, closing four elementary schools, and using additional reserves.
Further declines in student enrollment from the approval of a new charter school would only serve to magnify the negative impact of these reductions on the quality of instruction for remaining district students. Savings from the reduction of teacher and supply budgets allocated on a per student basis combined with state funding retained by the district (20% for students in kindergarten through grade 8 and 95% for students in grades 9 through 12) are not sufficient to offset the loss of state funding to the district.

Assuming that the charter school enrolls 220 ADM in its first year and that 85% of charter school students are district residents (similar to Ridgeline Montessori Public Charter School and The Village School), staff estimates that approving this charter school could result in the loss of 179 ADM to the district in 2011-12. The net negative monetary impact would be approximately $250,000.

Because charter school organizers have not yet identified a location for the International School of Modern Technology and a breakdown of enrollment by grade is not available, it is difficult to anticipate the direct impact of the proposed charter school on the education of district students.

The district incurs additional costs to address the needs of special education students who attend charter schools. The district receives no extra state revenue for special education students residing within district boundaries, yet additional staff must be assigned to the charter school site. Students who previously attended district schools would already be included in the district’s student count for “second weight” funding purposes. Students newly enrolled in the charter school would not bring more state resources since the district special education population already exceeds the statutory cap of 11% of resident average daily membership (ADMr). Should the charter school organize its school year differently than the district school calendar included in the contract with the Eugene Education Association, licensed staff serving special education students at the charter school must also be paid on an extended contract to work the additional days that the charter school offers classes.

In the current climate of budget reductions, these higher costs require reductions to budgets for other student services. The extent of the negative impact to the district general fund budget would depend on the size of the special education population. The average percentage of special education students currently ranges from 10% to 13%. If it is expected that ISMT’s target population is “achievement gap” students, then the higher percentage or 13% of the projected enrollment could be expected to require special education services. Under this assumption, it would cost the district an additional $45,000 to provide special education services to 4J students attending the proposed charter school, not including travel time. Because ISMT is proposing a year-round school calendar, the cost of additional extended contract days would be required. At this time, it is difficult to estimate that cost.

The approval of International School of Modern Technology would increase the requirements for oversight and administration by central staff. This would result in the dilution of support provided to existing district schools and possibly greater workload for school staff, potentially negatively impacting students in those schools.
**Conclusion:** Sponsoring a new public charter school at this time would further erode the district’s funding base for existing district programs, negatively impacting the quality of instruction for students in those programs. The net negative impact of reductions in state funding relative to lower teacher and supply budgets and higher costs associated with providing special education services would directly result in additional general fund budget reductions for the district and diminishing of instructional offerings to students. Negative impacts to the education of remaining district students in this time of severe budget reductions outweigh the unclear value that ISMT would contribute to the district.

Criteria 7: Whether there are arrangements for any necessary special education and related services for children with disabilities.

**Finding 7:** ISMT has met this requirement.

**Discussion:** Adequate understanding of responsibilities for special education services has been demonstrated.

2. **Options and Alternatives:** If the amended proposal is not approved by the Board, the applicant may appeal the decision of the School District Board to the State Board of Education, pursuant to ORS 338.055(4). As provided in ORS 338.075, the State Board will attempt to mediate a resolution between the district and the applicant. If a mediated resolution is not achieved, the State Board may either reject the proposal, upholding the District Board decision, or sponsor the public charter school. The opening of the charter school under State Board sponsorship would be expected to be delayed by one year.

3. **Budget/Resource Implications:**

   **District Sponsorship**
   See the Discussion under (6) above for the impact of Board approval of a charter school.

   **State Board of Education Sponsorship**
   Should the Board disapprove a charter application and it is successful in its appeal to the State Board of Education, the district must pay State School Fund grant amounts to the charter school at a higher rate than if the district were sponsoring the charter school. For students in kindergarten through grade 8, a minimum of 90% of the General Purpose Grant per ADMw (average daily membership, weighted) would be paid to the charter school, as opposed to the 80% minimum that applies to school districts. For students in grades 9 through 12, the 95% minimum remains the same.

   In addition, one half of the General Purpose Grant per ADMw retained by the district must be paid to the Department of Education for all charter school students. Under district sponsorship, one half of the General Purpose Grant per ADMw retained by the district must only be paid to the home district of charter school students whose parents reside within the boundaries of another district.

4. **Board and Superintendent Goals:** The charter school recommendation addresses board goals of increasing achievement for all students and closing the
achievement gap and also providing prudent stewardship of district resources to best support student success, educational equity and choice. In addition, it reflects the engagement of district stakeholders in supporting our students and schools.

**Recommendation:**
Based on findings that 1) the proposed charter school did not demonstrate sustainable support, 2) it remains unclear whether the charter school has the internal capacity to implement a sound financial management system by the time school begins operating, 3) there is continuing concern about the charter school’s ability to effectively provide the proposed instructional program to its students across nine grade levels, and 4) negative impacts to the education of district students outweigh the unclear value of the charter school, the Superintendent recommends that the Board disapprove the charter proposal for the International School of Modern Technology.

Upon Board action, this report will constitute formal written notice to the applicant of the Board’s decision and the reasons for denial.

A copy of the amended charter application dated March 4, 2011 is included in the board packet.

**X. ITEMS FOR ACTION AT A FUTURE MEETING**

1. **Approve the 2011-12 School Year Instructional Calendars**  
   (Staff: Celia Feres-Johnson)

   **Action Proposed:**  
   Approval of 2011-12 school year instructional calendars.

   **Background:**  
   Yearly school instructional calendars are developed and presented to the Board for review, discussion and approval in accordance with Board Policy and the District/Eugene Employees Association (EEA) Collective Bargaining Agreement.

   **Discussion:**  
   In accordance with board Policy, each year the board adopts a calendar for the following school year showing all school days, teacher planning and grading days, holidays, and vacation days for the year.

   The 2011-12 Instructional School Calendars, as presented, were reviewed by EEA as required by the District/EEA Collective Bargaining Agreement. Any changes to the calendar will be presented to the Board at a future date.

   **Recommendation:**  
   The superintendent will recommend the board approve the 2011-12 School Year Instructional Calendars as presented or modified.

   Copies of the proposed calendars are included in your packet for this meeting.
EXECUTIVE SESSION (if needed)
Under provisions of ORS 192.610 – 192.690, Open Meeting Laws, the Board of Directors will conduct an Executive Session for the following purpose:

To conduct deliberations with persons designated by the governing body to carry on labor negotiations, pursuant to ORS 192.660 (2) (d).

Calendar for Board Members

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, April 6</td>
<td>Executive session</td>
<td>6 pm</td>
</tr>
<tr>
<td>Wednesday, April 6</td>
<td>Regular Board Meeting</td>
<td>7 pm</td>
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<tr>
<td>Wednesday, April 13</td>
<td>Executive session (tentative)</td>
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<tr>
<td>Wednesday, April 20</td>
<td>Regular Board Meeting</td>
<td>7 pm</td>
</tr>
<tr>
<td>Tuesday, April 26</td>
<td>ACE Awards - Valley River Inn</td>
<td>5:30 pm</td>
</tr>
</tbody>
</table>

Hold for spring Board Retreat (date to be selected after mid-March):
Friday, April 15 afternoon and Saturday, April 16

Friday, May 20 afternoon and Saturday, May 21