

6:00 p.m. WORK SESSION

Conduct a Work Session on the Superintendent's Sustainable Budget Final Recommendations and Alternate Options, Including School Closure/Consolidation Proposals

7:00 pm REGULAR MEETING

TO: Board of Directors

**FROM: George Russell
Superintendent of Schools**

RE: Reports and Recommendations

VII. Items for Information

1. Receive an Update on a Potential City Tax for Schools (Staff: Barb Bellamy)

On January 24, the Eugene City Council will hold a second work session to discuss the possibility of a city tax to help support Eugene and Bethel School Districts. The Council is expected to provide some direction regarding whether they wish city staff or a newly appointed City Council Education Funding Subcommittee or to further explore or develop an income tax or income tax surcharge proposal to refer to Eugene voters. Staff will provide an update and the board will have an opportunity to discuss the outcome of the City Council work session and implications.

The City Council's Education Funding Subcommittee met for four hours during the week of January 17-21, but was not able to develop a recommendation that fully addressed specifics such as whether the tax would be an income tax or income tax surcharge, the tax rate and structure, and the amount of revenue that should be generated. The group expressed strong concern about the impacts of both past and future funding reductions on the quality of education that can be provided by our public schools and recommended that the purpose of any new revenue measure would be to retain teacher positions and maintain the teacher-student ratios and to maintain instructional days.

The subcommittee's report will be finalized on Monday, January 25, and emailed to board members once it is released.

2. Receive Information Regarding a Proposed Bond Measure for Capital Improvements (Staff: Jon Lauch)

At the January 12 board meeting, staff provided an overview of a proposed \$130 million bond measure. The board requested additional information about projects that would be funded by the bond measure. At this meeting, staff will review the list of potential bond projects and ask for board input.

Because principal and interest payments on the district's current debt obligations will be lower in 2011-12, the district's financial advisors have indicated that if voters approved this new bond measure, debt service payments could be structured so the current tax rate for school district's capital improvements would not increase. In addition, the district was approved for \$15,000,000 of Qualified School Construction Bonds (QSCB) if a May bond measure passes. These bonds are supported with federal stimulus dollars and are structured so that interest payments are covered by the federal government, not district taxpayers. District financial advisors project this will save district taxpayers \$17 million over the life of the bond. The availability of QSCB resources is expected to expire after the May election.

An election date has yet to be determined, but staff is proceeding with a planning timeline that would allow the board to refer a bond measure to voters at the May 17, 2011 election. The board would need to take action on a resolution referring the measure to the May election ballot at the March 16 board meeting. Until then, no decision is needed on the election date. This allows for continued discussion of a potential city income tax measure for schools while also allowing bond measure planning moving forward, before making a decision about a bond measure election date.

Oregon law does not allow bond measure revenue to be used to support teaching positions, instructional programs, student activities, utilities and operating costs; however, the district could shift about \$1 million in annual costs for qualifying improvements and repairs that are now in the General Fund operating budget to bond funds if the measure is approved. This proposal is included in the superintendent's final recommendations for achieving a sustainable budget.

Board and Superintendent Goals:

Among the key results identified in the board's goals for 2011-12 are:

- ***In 2010-11, the district will determine a timeline for a capital bond measure in 2011- 12 and will take final action on the disposition of Civic Stadium through the RFP process.***
- ***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.***

Proposed Bond Projects:

Staff will review a more detailed list of proposed bond projects at the January 25 meeting. The general categories and relative proposed funding for each are as follows:

- **School replacements - \$63 million**

New construction, including equipment and furnishings:

- One middle school - \$36.7 million
Roosevelt Middle School was the project identified in 2002 as the next middle school that would be replaced with a new building on the existing site.
- One elementary school - \$26.3 million

Decisions about replacement schools could be made prior to the election or the board could determine which schools would be replaced after the outcome of school configuration discussions and decisions.

The district's long-range facilities plan calls for the replacement of aging elementary and middle school buildings. Many of our school buildings are 50-years-old or more and replacement is a more cost-effective choice than doing major remodels and upgrades.

- **Capital systems replacements/improvements - \$40.9 million**

Roofing, plumbing, heating, electrical, fire alarms, safety/security, paving, energy conservation measures, etc.

- **Additions and remodels - \$9.4 million**

This includes projects at Adams, McCornack and Willagillespie elementary schools, should the board proceed with the school consolidations proposed by the superintendent. Restroom upgrades at multiple schools are also proposed.

- **Maintenance and building improvements currently in the General Fund operating budget (General Fund relief) - \$7 million**

Shift \$1 million per year of funding for some maintenance 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 potential textbook adoptions, classroom instructional technologies to support teaching and/or distance learning, and potential space improvements to the address impact of increased teacher/student ratios.

- **Potential Real Property Acquisition - \$0.8 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 (projected at approximately 5%).

Impact on Taxpayers

Due to lower current debt service requirements in 2011-12, taxpayers would see a drop of \$.08 per \$1,000 of assessed value if a new bond measure is *not* approved by voters. If a \$130 million bond is approved, debt service payments will be structured so that the 2011-12 rate would be \$.08 per \$1,000 of assessed value so that the current tax rate for bond debt would not increase. This represents \$20 for a home with an assessed value of \$250,000. In year 2026 after the district's current debt service obligations are paid in the entirety, the tax rate on the new bonds is projected to be \$.96/\$1,000 which represents approximately \$340 for a home with an assessed value of \$250,000. This means that taxpayers would see little to no increase in their tax assessment for school district bond debt, if the \$130 million bond measure is approved in May.

If the bond measure is referred to the November ballot, voters would see a drop in their 2011-12 tax assessment and the district would be asking voters to restore the previous level of funding for capital improvements, and payment of the interest on the \$15 million no longer available for QSCB funding would revert to district taxpayers. Bond measure revenue would be received in 2012-13 instead of 2011-12.

Benefits to Teaching and Learning:

The 2002 bond measure funded four new school buildings, remodels and upgrades that improved the learning environment for many students as well as building safety and security. These improvements significantly reduced operating costs.

The next bond measure will fund critical repairs at many schools but will also continue improvements that support 21st century learning and improve instructional spaces for students and teachers.

Next Steps:

No specific direction is needed at the January 25 meeting; however, staff would like to get some sense of board support for the bond projects proposed and hear board suggestions for possible adjustments or issues that need clarification.

Following the January 25 meeting, next steps are:

1. Refine the proposed bond project list, following board decisions about school closure and consolidation at the February 2 board meeting.
2. Board meeting: February 16
Review and confirm the project list and discuss election timeline.

Assuming the board wishes to continue planning for a May election:

3. Board meeting: March 2
Public hearing on the bond measure proposal.

Future action item: Consider a resolution referring the bond measure to voters at the May 17, 2011 election.

4. Board action: March 16
Action item: Approve a resolution referring the bond measure to voters at the May 17, 2011 election.

The rationale for a May and November election timeline, which was provided on January 5 with other staff responses related to sustainable budget recommendations, is included in your packet. More detail about proposed bond projects will be provided at the meeting.

VIII. Items for Action at a Future Meeting

1. **Consider Approval of Public Charter School Application from Coburg Community Charter School** (Staff: Caroline Passerotti and Brad New)

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, Coburg Community Charter School (CCCS) 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.

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

DISCUSSION

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

Discussion: 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 CCCS 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 board of directors consisting of 7 community members/parents.
- 150 people, who have participated in a survey, attended town hall meetings and participated in activities of the charter development committee.
- Charter development committee consisting of 10 parents, 3 community members, 4 city officials and 5 current/former educators.
- Future parent, community and educator support will be developed and maintained by means of a community advisory committee, financial oversight committee, site council and teacher's council.

The application demonstrates that the developers have established broad-based and ongoing support that includes the required component constituencies and indicates a level of current and ongoing support for the development and operation of a charter school within the Coburg community. The application contains reference to direct interest from families of children seeking to enroll students in the school as well as direct involvement of parents and community members in the development of the proposed instructional program.

The discussion of closing the existing Coburg elementary school has created a sense of need and a level of urgency and support within the families attending the school. In addition, community leaders, including the Mayor and members of the Coburg City Council have stated that having a community school is critical to their viability as a city and that absence of a community school would jeopardize their ability to grow and thrive.

The CCCS development team, accompanied by representatives from the police department, fire department, local grange, Rotary club, City Council and Government, attended the public hearing held on January 19, 2011. A CCCS representative provided testimony describing the Coburg Elementary School as a hub of the community with a 150 year tradition. The community members attending the hearing were clearly there in support of the proposed charter school.

In conclusion, CCCS application demonstrates that the proposed charter school has the level of sustainable support necessary to recommend approval.

(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: Contingent upon the award of a federal Charter School Planning Grant and the successful negotiation of a facility lease, Coburg Community Charter School has demonstrated that it would be able to operate with financial stability, based on the financial projections it has submitted and the funding level required in district board policy. It has demonstrated its ability to have a sound financial management system in place at the time the school begins operations.

Discussion:

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 eight (8).

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 Kitzhaber's draft budget for K-12 education in the 2011-13 biennium. Because financial projections included in the CCCS proposal were based on a lower funding level than this, it was not necessary for them to develop additional projections.

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:

	<u>2011-12</u>	<u>2012-13</u>
Grades K-8	\$5,742 x 80% = \$4,594	\$5,910 x 80% = \$4,728

CCCS organizers assumed \$4,488 per ADMw in each year of their projections.

CCCS has applied for but not yet been awarded a federal charter school planning grant. Should organizers be awarded this grant, they will receive \$55,000 to support pre-opening activities. The district will serve 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. Grant funding is a critical element in the proposed charter school's ability to achieve financial stability. Should the grant not be awarded, charter applicants would need to resubmit financial projections which demonstrate how it would be a financially stable organization without that funding.

Financial Stability. CCCS provided three-year financial projections based on three different enrollment scenarios in combination with the state funding assumptions described above. Under the "conservative" projection, the proposed charter school would enroll 100 students in Year 1, 125 in Year 2, and 160 in Year 3. Their most optimistic or "full enrollment" projection would enroll 150 students in Year 1, 175 in Year 2, and 200 in Year 3. In each scenario, charter school organizers demonstrated the ability to achieve a positive net income from operations, positive cash balance and positive unreserved ending fund balance. With Coburg Elementary School's current year enrollment at 110 students, it is reasonable to assume the charter school could attract enough students to fulfill its "conservative" enrollment scenario.

Organizers were responsive to requests for additional information and clarification by district staff and demonstrated a solid understanding of what would be required to manage a financially stable charter school.

In addition to conservative state funding estimates, revenue projections assumed that the charter school would receive financial donations ranging from \$20,000 in its first year of operation to \$32,000 in the third year, in its most conservative enrollment scenario. Projected donations are increased in higher enrollment scenarios. The Coburg community has donated on behalf of their elementary school in the past, and these amounts are comparable to those agreed to in the Intergovernmental Agreement between the City of Coburg and the district for the years 2009-10 through 2011-12. A payment for \$10,000 was made to the district as agreed for the 2009-10 school year.

Expenditure projections appeared to be reasonable with teacher salaries roughly equivalent to what the district pays beginning teachers. Similar to other charter applicants, grant funding is expected to fund a substantial amount of start-up costs, including staff development, furniture and fixtures, instructional supplies and curriculum, and computers. Facilities budgets were sufficient to cover known operating costs at the Coburg site and also afford lease payment of \$2,400 in Year 1 and \$12,000 in subsequent years to the district. It is uncertain whether the charter school could afford a greater lease payment that would provide a profit to the district in its first two years of operation, under its most conservative enrollment projection (e.g., 90 ADM in Year 1, 112.5 ADM in Year 2). Depending upon actual enrollment, organizers have expressed interest in pursuing a lease agreement that permits the district to break even in the beginning years and grows toward a mutually beneficial lease payment in the long run.

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.

CCCS has addressed each of these areas satisfactorily and demonstrated they would be able to implement a sound financial system by the time the school begins operations.

- (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: CCCS has met this requirement.

Discussion: The proposal is sufficient in presenting a program that will provide comprehensive instructional programming.

- (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: CCCS has met this requirement.

Discussion: The proposal demonstrates the ability to provide comprehensive instructional programming to students identified as academically low achieving.

- (5) The extent to which the proposal adequately addresses the requirements of the proposal process.

Finding 5: Coburg Community Charter School has adequately addressed the requirements of the proposal process as outlined in District Board Policy LBE, Public Charter Schools.

Discussion: While CCCS has adequately addressed the requirements of District Board Policy LBE, a couple of items merit comment:

In response #31, the charter proposal states that the district shall be responsible for the transportation of CCCS students. It also states that CCCS transportation requirements will be the same as for students who attend district alternative schools 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. 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.

Response #32 applies only to proposed charter schools which represent the conversion of existing public schools and asks what arrangements are being made for students, teachers and other school employees who choose not to attend or be employed by the charter school. CCCS organizers responded to this question, indicating the district's plans for transferring students to other district schools and directing any interested Coburg Elementary staff to apply for available positions at CCCS.

The district does not consider CCCS to be a conversion of a district school to a charter school, as the Superintendent has recommended closure of Coburg Elementary and consolidation of its student population with Gilham Elementary to achieve savings to offset general fund budget deficits and an enhanced instructional program for students.

- (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: It is unclear whether the unique benefits of the charter school to the Coburg community are outweighed by directly identifiable, significant and adverse impacts on the quality of public education of students residing within District 4J.

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 Coburg Community Charter School may be considered both from the perspective of the value to the defined Coburg community as well as to the entire district.

The value of the CCCS to the Coburg community has been shown throughout the application and in the testimony provided at the hearing: the applicants have stated that a community school is critical to the continued viability of Coburg as a city. City officials are concerned that current and future city development efforts may be jeopardized if the school is closed. From the perspective of the Coburg community, the CCCS adds significant value.

From the perspective of the school district, the value of the CCCS is less clear. The value to the district of maintaining an elementary school in the Coburg community is much diluted when viewed across the school district and is less significant to the district than to the Coburg community.

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) are not sufficient to offset the loss of state funding to the district.

Assuming that the charter school enrolls 90 to 110 ADM in its first year, Coburg Elementary School’s October 1, 2010 enrollment of 110 is the ceiling for negative impact to district enrollment and 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 77 to 94 ADM

(with kindergarten students counted at 0.5) to the district in 2011-12. Under that assumption the negative monetary impact would be \$100,000 to \$120,000 annually, at a time that the district is seeking \$210,000 in on-going savings from the closure of this elementary school.

Under the Superintendent's recommendation to close Coburg Elementary School, current students would be relocated to Gilham Elementary School. The district's rationale for closing and consolidating schools has been based on the combined benefits of savings to the district operating budget and an enhanced instructional program for students. In the current economic environment, a larger school can provide more educational offerings and benefit from economies of scale that a smaller school cannot. Approval of a charter school that would retain students instead of relocating them to Gilham prevents students attending Gilham from realizing the benefits intended by the proposed closure and consolidation. Under the Superintendent's recommendations to increase the student to teacher ratio, Gilham would lose approximately 1.4 to 2.6 FTE teaching staff. Moving 77 Coburg students to Gilham would support the retention of an estimated 2.7 to 2.9 FTE teaching staff, offsetting the negative impact of possible budget reductions to the students in the school.

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. Presently, the district assigns 0.5 FTE licensed staff to provide special education services at Coburg Elementary School. If the proportion of special education students in the proposed charter school remained the same, providing staffing to CCCS would cost approximately \$30,000, not including travel time. No additional extended contract days are anticipated.

The approval of Coburg Community Charter School 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. The benefit of retaining a community school in the City of Coburg is of unique and significant value to Coburg, but of less value to the Eugene 4J district as a whole. It is unclear whether this benefit is outweighed by the negative impact to the education of remaining district students in a time of severe budget reductions.

- (7) Whether there are arrangements for any necessary special education and related services for children with disabilities.

Finding 7: CCCS has met this requirement.

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

2. Options and Alternatives:

Should the Board disapprove an application, written notice of this action will be provided to the applicant within 30 days of the public hearing, stating the reasons for disapproval and suggesting remedial measures, as required in Board Policy LBE.

The applicant may submit an amended proposal to the superintendent within 30 days of the disapproval. The Board is required by statute and board policy to act on the amended proposal within 20 days of receiving it.

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 the findings above and subject to the award of a federal Charter School Planning Grant, the Superintendent recommends that the Board approve the charter proposal for Coburg Community Charter School for a three-year term. Approval is also contingent upon the successful negotiation of a charter contract.

Copies of the major section of the charter proposal and financial projections were provided at your January 19, 2011 meeting.

Copies of letters of support which were provided as part of the charter school proposal are included in your board packet.

2. Disapprove the Public Charter School Application from College of Knowledge (Staff: Caroline Passerotti and Brad New)

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.

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

DISCUSSION

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

(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: 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.

(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 not met this criterion.

Discussion:

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:

	<u>2011-12</u>	<u>2012-13</u>
Grades 9-12	\$5,742 x 95% = \$5,455	\$5,910 x 95% = \$5,615

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.

(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: The proposal is not sufficient in presenting a program that will provide comprehensive instructional programming.

Discussion: 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.

(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: The proposal does not demonstrate the ability to provide comprehensive instructional programming to students identified as academically low achieving.

Discussion: 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.

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

(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: 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: 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.

(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:

Should the Board disapprove an application, written notice of this action will be provided to the applicant within 30 days of the public hearing, stating the reasons for disapproval and suggesting remedial measures, as required in Board Policy LBE.

The applicant may submit an amended proposal to the superintendent within 30 days of the disapproval. The Board is required by statute and board policy to act on the amended proposal within 20 days of receiving it.

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 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 outweigh the value of the charter school, the Superintendent recommends that the Board disapprove the charter proposal for the College of Knowledge.

Copies of the major section of the charter proposal and financial projections were provided at your January 19, 2011 meeting.

No letters of support were provided as part of the charter school proposal.

3. **Disapprove the Public Charter School Application from International School of Modern Technology** (Staff: Caroline Passerotti and Brad New)

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.

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

DISCUSSION

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

(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 ISMT has not met this criterion.

Discussion: 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 a 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.

- (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: There is some evidence that ISMT would be able to operate with financial stability, based on the financial projections it has submitted and the funding level required in district board policy. It is unclear whether ISMT would be able to have a sound financial management system in place at the time the school begins operations.

Discussion:

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 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:

	<u>2011-12</u>	<u>2012-13</u>
Grades K-8	\$5,742 x 80% = \$4,594	\$5,910 x 80% = \$4,728
Grades 9-12	\$5,742 x 95% = \$5,455	\$5,910 x 95% = \$5,615

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.

- (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: The proposal is not sufficient in presenting a program that will provide comprehensive instructional programming.

Discussion: 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.

- (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: The proposal does not demonstrate the ability to provide comprehensive instructional programming to students identified as academically low achieving.

Discussion: 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.

- (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.

(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 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.

(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: Should the Board disapprove an application, written notice of this action will be provided to the applicant within 30 days of the public hearing, stating the reasons for disapproval and suggesting remedial measures, as required in Board Policy LBE.

The applicant may submit an amended proposal to the superintendent within 30 days of the disapproval. The Board is required by statute and board policy to act on the amended proposal within 20 days of receiving it.

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) the proposal was not sufficient in presenting a program that would provide comprehensive instructional programming for a K-12 school, and 3)

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.

Copies of the major section of the charter proposal and financial projections were provided at your January 19, 2011 meeting.

Copies of letters of support which were provided as part of the charter school proposal are included in your board packet.

4. Approve the Superintendent's Sustainable Budget Final Recommendation or Alternate Options, Including School Closure/Consolidation Proposals

Summary of Final Recommendations from January 12, 2011 Board Meeting

Financial Assumptions

The final proposed target for 2011-12 is \$26 million rather than the previously revised target of \$22 million. The strategy goal is to achieve a balanced approach that still includes 50% ongoing or sustainable strategies through staff reductions, ratio changes, and service/program reductions of about \$13 million; about 25% through use of one-time dollars from reserves or other short-term sources for about \$6.5 million; and another 25% through compensation-related savings from a combination of fewer days (furloughs) and less in salary/benefits for around \$6.5 million.

Strategy Options. The following recommendations represent the final strategy options that I am recommending. In some cases, there are also alternate scenarios requested by the board that could be considered in lieu of my recommendations. With the changed financial assumption, the major areas in which substantial revisions occurred are staff and program reduction; staffing ratios; closure and consolidation (reconfiguration); school/workday reductions (furloughs); and, other compensation-related adjustments. The strategy options I will be recommending, and any alternate options, are presented below:

1. Reduce Staffing/Services & Programs:

Final Recommendations:

2011-12

- Reduce administrative and classified staff by 10% (62 fte) – \$3.5M
 - including restructure and consolidate Central Office departments, reduce administration
- Change staffing ratio by 3 (65 fte @ \$5.4M) to 4 = (84 fte @ \$7M)
- Eliminate or reduce teachers on special assignment and staff development specialists – \$0.5M
- Cost/Savings Target: \$9.4M–\$11M

2012-13

- TBD

2013-14

- TBD

2. Fewer School/Work Days

Final Recommendations:

2011-12

- 10-13 Furlough Days (6 less school days) – one/month based on work year plus one additional day
- Cost/Savings Target: \$4.5M

2012-13

- Continue 10-13 Furlough Days (6 less school days) – one/month based on work year plus one additional day
- Consider 4-day work (32 hrs) and school weeks if necessary
- Cost/Savings Target: \$4.5M

2013-14

- Continue 10-13 Furlough Days (6 less school days) – one/month based on work year plus one additional day
- Continue 4-day work (32 hrs) and school weeks if necessary
- Cost/Savings Target: \$4.5M

3. School Closures/Consolidations

Final Recommendations:

2011-12

- Close Coburg, Crest Drive and Parker in 2011
- Consolidate Meadowlark at Willagillespie
- Move Charlemagne K-5 to Parker building
- Cost/Savings Target: \$1M

2012-13

- Close Twin Oaks
- If Bond Measure passes, consolidate Twin Oaks with McCornack after addition
- Cost/Savings Target: \$0.3M

2013-14

- Possible closure/merger of non-language alternative schools with neighborhood schools
- Cost/Savings Target: TBD

Alternate Option

2011-12

- Close Coburg and Adams in 2011 (leaves Parker & Crest Drive open)
- Consolidate Meadowlark at Willagillespie
- Move Charlemagne K-5 to Adams building
- Cost/Savings Target: \$0.5M, requires additional \$0.5M of ongoing reductions to be identified

4. Shared Services/Contracting Out

Final Recommendations:

2011-12

- Identify additional services that can be provided by Lane ESD
- Determine what current services can be transferred to Lane ESD
- Cost/Savings Target: \$0.5M

2012-13

- Explore service sharing options with other districts that could reduce costs
- Look at contracting out some services
- Cost/Savings Target: TBD

2013-14

- Contract out or consolidate some services with other school districts or provide through private sector
- Cost/Savings Target: TBD

5. Materials & Supplies/Services

Final Recommendations:

2011-12

- 20% reduction in materials & supplies, contracted services budget
- Centralize purchasing of materials & supplies, equipment
- Cost/Savings Target: \$1.5M

2012-13

- TBD

2013-14

- TBD

6. School Instruction/Redesign

Final Recommendations:

2011-12

- Stakeholder Task Force to recommend reconfiguration to Superintendent and Board for implementation 2012-13
- Redesign instructional delivery model for secondary schools to accommodate fewer students & less resources
- Cost/Savings Target: TBD

2012-13

- Revise school calendar
- Shorter summer breaks
- Consider 4 day school weeks
- Implementation of reconfiguration recommendations, if any
- Cost/Savings Target: TBD

2013-14

- TBD

7. Non-Instructional/Student Support Programs

Final Recommendations:

2011-12

- Reduce General Fund support for athletics programs and other extracurricular offerings by 25%
- Cost/Savings Target: \$0.5M

2012-13

- TBD

2013-14

- TBD

8. Reserves/One-time Funds

Final Recommendations:

2011-12

- Use up to \$6.5 million in reserves/one-time funds to maintain and bridge to 2012-13
- Cost/Savings Target: \$6.5M

2012-13

- Use up to \$3M from sales of surplus property or lease revenue
- Cost/Savings Target: \$3M

2013-14

- GF Reserve and Contingency = 90% of Board Targets
- Cost/Savings Target: TBD

2014-15

- GF Reserve and Contingency = Board Targets

9. Compensation/Benefits

Final Recommendations:

2011-12

- Negotiate pay freeze, including no step/column increase
- Negotiate \$210,000 decrease in benefits costs
- GF Costs/Savings Target: \$1.7 M

2012-13

- Negotiate contract adjustments that minimize and contain ongoing costs to district
- GF Costs/Savings Target: TBD

2013-14

- TBD

10. Revenue Enhancements

Final Recommendations:

2011-12

- Bond Measure \$130M in May 2011 for critical needs, technology & new school construction (offload of GF = \$1M)
- Increase community use fees by 20% (\$20K)
- Lease closed schools to charters/others (\$200K)
- Revenue Target: \$1.2M GF

2012-13

- Sell Civic, Willard, or other vacant facilities with 50% proceeds to GF Reserve (\$3M–\$5M)
- Local tax to support local schools in 2012-13 (\$10M for 3 yrs) – Nov 2011
- Revenue Target: TBD

2013-14

- Implementation of any new revenue sources to mitigate reductions
- Revenue Target: TBD

11. Other Options

Final Recommendations:

- Consider early retirement incentives
- Adopt single-platform technology systems for centralized purchasing & technical support
- Minimize site-based decision making and increase centralized direction for staffing; e.g., program staffing for student support services
- GF Costs/Savings Target: TBD

The superintendent will recommend approval of recommendations 1 through 10 as provided above, or as the board may determine to adopt any of the alternative options identified above or as otherwise modified upon discussion of the board.

At the January 12 meeting, the board asked that the following option from the initial scenarios be re-instated as an alternate option:

Alternate Option:

Compensation/Benefits

- Negotiate salary reduction of 5% across the board.
- Negotiate reduction in part of PERS employer pick-up.
- GF Costs/Savings Target: \$4M–\$6M

XI. Comments and Committee Reports by Individual Board Members

XII. Adjourn

Calendar for Board Members

Wednesday, January 26	Celebration of Business And Future 1 st Citizen Award	5:30 pm
Monday, January 31	Executive Session	4 pm
Wednesday, February 2	Regular Board Meeting	7 pm
Friday, February 11	Superintendent Interviews	TBD
Saturday, February 12	Superintendent Interviews	TBD
Wednesday, February 16	Regular Board Meeting	7 pm
February 14-25	Board interviews with Superintendent finalist candidates	to be scheduled
Wednesday, March 2	Regular Board Meeting	7 pm

March 7-11	Community forums with Superintendent finalists	to be scheduled
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Wednesday, March 16	Regular Board Meeting	7 pm
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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