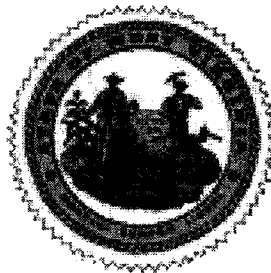


EDUCATION SUBCOMMITTEE C

SCHOOL AID FORMULA

SUBCOMMITTEE REPORT

January 9, 2007



JOINT STANDING COMMITTEE ON EDUCATION

EDUCATION SUBCOMMITTEE C

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June Interim Meeting

Dr. Tom Witt, Bureau of Business and Economic Research at West Virginia University, and Dr. Cal Kent, College of Business and Economic Research at Marshall University, both of whom are the consultants contracted with to conduct the study, presented an overview of the School Aid Formula. Additionally, they identified some key issues with the formula and discussed Senate Bill No. 570 introduced during the 2006 Regular Session.

July Interim Meeting

Dr. Kent began the meeting by giving a thorough synopsis of the "Education Finance and Property Tax Relief" report. He also discussed the homestead exemption act, levy rates and four methods of tax relief that would help ease the burden of new taxes on those individuals with a low income. Next, Amy Higginbotham with Dr. Witt's office discussed property taxes including property tax reform, classes of property and other specifics about property taxes.

September Interim Meeting

First, Dr. Witt further discussed property taxes generally, and pointed out that West Virginia ranks 42nd nationally in property taxes for fiscal years 02-04 per \$1000 income. Next, Ms. Higginbotham presented a report that they had prepared entitled "West Virginia Taxes Levied Analysis". This presentation included extensive discussion of the one percent cap on the allowable increase for property tax revenue. Lastly, Dr. Kent discussed Senate Bill No. 570 introduced during the 2006 Regular Session and then sought input from the Subcommittee on what direction they should go with the study from this point.

October Interim Meeting

Dr. Kent discussed the financing of special education and special needs children, how other states finance these children, the Individuals with Disabilities Education Act (IDEA) and the federal funding provided through that Act.

November Interim Meeting

Dr. Kent continued his presentation from the October interim meeting

about special education and special needs funding models. He pointed out that West Virginia has a little higher percentage of special education students than surrounding states, but that some of that could be attributed to high poverty and the rural nature of the state. Next, Ms. Higginbotham presented a report entitled "West Virginia Population Projections and School Transportation Funding Options". Lastly, Ms. Higginbotham discussed our current school transportation funding model and four other school transportation funding options.

December Interim Meeting

Dr. Witt and Dr. Kent led a discussion of possible recommendations that could be made by the Subcommittee, and sought direction from the Subcommittee on recommendations.

January Interim Meeting

Dr. Witt and Dr. Kent discussed the recommendations with the Subcommittee, and after much discussion the Subcommittee approved this report with the addition of attaching the Subcommittee minutes.

RECOMMENDATIONS

Recommendations for Legislation

- The local property tax share retained for discretionary use by county school districts be increased from two to ten percent (98 percent of local property tax base now used in the formula to only 90 percent). This is to be accomplished by a reduction in FY 2008 to 95 percent used in the formula from 98 percent with a 1 percentage point reduction in each of the next 5 years until 90 percent is obtained in 2013. The rationale is to give the local districts more flexibility in responding to local situations. This increased funding would at their discretion allow them to:
 - * Increase pay for teachers in specialties in short supply such as math, science and special education
 - * Provide cost of living supplements for teachers in districts facing competition from out-of-state districts which now offer higher salaries.
 - * Include signing bonuses for certain teachers in short supply
 - * Create housing allowances for teachers and administrators in areas where housing prices have significantly increased.
 - * Hire additional support personnel

This list provides examples and other expenditures are not excluded. It is recommended that there be no restrictions placed in the legislation on the local districts use of these funds.

- Repeal the 1 percent cap on increases in property taxes for school purposes. Currently anytime actual taxes statewide will increase by more than one percent the Legislature is required to roll back the mandated levy to be used in each county. Enacted to reduce the impact of the statewide reassessment over a decade ago, it has served its usefulness and restricts the ability of school districts to fund programs and increases the amount the Legislature spends under the PSSP. To implement this provision a further code change is needed so that "new property" is not excluded from the calculation.
- Establish a replacement system for determining population density for school transportation under the PSSP. Currently monies are allocated on the basis of "above and below average" enrollments. This leads to wide differences with there being little variation among counties close to the average and extreme variation for counties well above or below the average. Provide five categories for allocation which may need to include a "hold harmless" provision to insure no loss of aid by some county districts. In addition, consider the establishment of a sparsely populated and isolated county category that provides additional funding when enrollment declines below 1,400.

- **Require the State Department of Taxation with assistance from West Virginia University and Marshall University to provide an implementation plan by June 1, 2007 for assessment practices for real property in the State. This plan is to include but not be limited to:**
 - * **State Tax Department preparation of the Annual Sales Ratio Study to insure consistency and accuracy of sales used in preparation of the report. Require the report to conform in all respects to the standards of the International Association of Assessing Officers. Permit use of adjoining counties with comparable sales in case where there are inadequate comparable sales within a county. By allowing the State Tax Department to collect and verify the sales used in the study there is increased likelihood that the Constitutionally mandated 60 percent assessment level will be reached.**
 - * **Require all class III and IV industrial property to be assessed centrally by the State Tax Department**
 - * **Reconstitute and revive the State Property Tax Evaluation, Training and Procedures Commission as now provided in 11-1C 3 ff.**
 - * **Require the filling of positions on the board with qualified members and maintain membership at the authorized level**
 - * **Additional members be added from WVU and MU with expertise in property taxation, housing and/or regional economics**
 - * **Provide authority for Board to recommend increasing assessments on all or certain classes of property to meet the Constitutional 60 percent requirement**
 - * **Require that Annual Sales Ratio Study be completed by a certain date each year which would allow its inclusion in the PSSP process**
 - * **Acceleration of dates for final certification of assessed valuations to allow the legislature to have the correct figures when it allocates the States contribution to basic support under the PSSP. Careful review of all statutory and regulatory provisions will have to be made to insure that no inconsistencies would be created and the process would be feasible.**

Proposals for Interim Study 2007

- **A comprehensive study of how special education, particularly for students with disabilities, should be financed in the State. This study should involve economists, experts in special education, State agencies concerned with delivery of special education and appropriate local school officials. This**

may be a joint study with another Interim Committee.

- Consideration of a "cost of living index" to be used to establish different levels of support under PSSP. This will be an expensive endeavor if undertaken and will have to be updated at least annually. Florida has a system which could be used as a starting point.
- Continued investigation of the impact of changing student demographics and the considerable impact this will have on school finance. West Virginia University's preliminary work could be expanded to show the actual impact on each county district if the projected demographic trends continue.
- Review of "performance based" rather than "needs based" methods for school support. The requirement for "equal dollars for each scholar" is now obsolete and there are many suggestions, some of which are being implemented elsewhere, which would allow this transition. The legal status of the 'Recht decision' and its implications for alternative financing needs to be clarified since the presumption is that equalization of funding across counties is required.
- Benchmark West Virginia's education support with surrounding states emphasizing teacher salaries and benefits, sources of educational financing, local levy elections, and other key elements.

ATTACHMENT A
EDUCATION SUBCOMMITTEE A
SCHOOL AID FORMULA
MEETING MINUTES



**Joint Standing Committee on Education
WEST VIRGINIA LEGISLATURE**

State Capitol Building
Charleston, WV 25305

Senate Education Committee
Phone (304) 357-7805
Room M-427

House Education Committee
Phone (304) 340-3265
Room M-434

EDUCATION SUBCOMMITTEE C

School Aid Formula

Senator Bob Plymale & Delegate Tom Campbell, Co-chairs

MINUTES

Monday, June 12, 2006

11:00 - 1:00 pm

- House Judiciary committee Room

Senators present: Plymale, Unger, Harrison

Delegates present: Campbell, Beach, Paxton, Perry, Poling, Tabb, Williams,
Wysong, Canterbury, Duke Leggett

Chairman Campbell, called the meeting to order and asked to clerk to take silent role. We then went in to the first and only item on the agenda. School Aid Formula 101 presentation by Dr. Witt from WVU and Dr. Kent from Marshall.

Dr. Witt Began and gave an overview of presentation.

- Key issues
- SB 570
- Future Issues
- Recommendations

Dr. Witt referred to hand out page 3 and noted how the current formula is needs based rather than performance based.

Dr. Witt also questioned Accountability

- no way of knowing if money allocated is being spent for specific purpose
- question is this effective method of funding

Delegate Campbell question: Is there a direct correlation between allocation and funding?

Dr. Witt response: yes , that is correct and continues presentation.

Step 1. Professional Educators

- Is minimum salary sufficient
- cost of living indicators
- finding funds for pre-k educators

WV is currently using outdated data as it relates to enrollment. Should consider enrollment projections, many other states do this.

How is professional Educator defined?

Is 200 working days enough?

Should administrators besides principals be included?

Most areas are at cap or limit for special education allowance.

Senator Plymale question: What % of Federal dollars spent of Special Education, has it been over prescribed?

Dr. Witt: 40% to special education. and yes it would be nice if there were some flexibility in the formula.

Dr. Witt worked progressively through the 7 steps, then Dr. Kent began.

Dr. Kent, property assessment and the calculation of local share. The relationship between the two, and some of the shortcomings. Assessment practices have improved since the introduction of SB 570.

Dr. Kent Determination of Local Share

- WV state not responsible for assessment
- Poor enforcement

Dr. Kent continued to describe how local share is calculated and how local assessors were not assessing property properly and costing the state funds.

Senator Plymale question: Question intent of 1% growth limitation within one year.

Dr. Kent: To curb some sort of runaway situation where property value is increasing rapidly and outpaces natural growth, i.e. Snowshoe.

Question Delegate Tabb: Are under assessments costing the state money?

Dr. Kent: Yes, state picks up what the local end cant.

Dr. Kent spoke on SB570 and how it attempted to curb inadequate assessment of property at the local level. This would be a very methodical process that would give the best indication of land value. It also would have a 5 year phase in period to alleviate property tax adjustments.

SB 570 would increase power of tax commissioner to allow better enforcement of assessment.

Delegate Tabb question: Rationale for 3 year average for fast growing counties.

Dr. Kent, the 3 years is done to dispel any anomalies. There is no account for counties that are growing at a pace that is abnormal to this region.

Conclusions:

Dr Witt; formula outdated, not performance based, it in some areas lacks logical rationale. 570 step forward not permanent solution.

Senator Unger: Local flexibility, lets give them more, lets allow locals to do what they think best for the money. I think we may be micro managing from a state level

Dr. Kent; yes many other states Maryland for example allows for more local flexibility and that is one of the reasons they can provide that high salary.

Senator Unger: If were going to get serious we should consider 50/50 split between state and localities.

Delegate Williams; more local money leads to more local control, local counties know what they need better than state.

Delegate Duke: Runaway markets, is proper assessment engouraged

Dr. Kent; There are ways to value and use property assessments to reduce the impacts of such occurances.

Delegate Duke do we have county by county turnover rates?

Joe Panetta Dept of Ed., yes we can get those to you.

Senator Plymale do we have the trends of 5 year county by county enrollment?

Dr. Witt, yes and a long term view is important

Meeting adjourn.



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EDUCATION SUBCOMMITTEE C

School Aid Formula

Senator Bob Plymale & Delegate Tom Campbell, Co-chairs

MINUTES

Tuesday, July 11, 2006

1:00 - 3:00 pm

House Judiciary committee Room

Senators present: Edgell, Unger, Boley, Harrison

Delegates present: Campbell, Beach, Paxton, Perry, Poling, Williams, Wysong, Duke Leggett

Chairman Campbell, called the meeting to order and asked to clerk to take silent role. We then went into the first and only item on the agenda

Dr. Kent and Dr. Tom Witt gave their presentation on issues surrounding the school aid formula. Dr. Kent began the meeting with a brief review of the Education Finance and Property Tax Relief report. Dr. Kent gives a thorough synopsis, then moves on. He mentions the homestead exemption act and its significance, also denotes how someone becomes eligible. Next Dr. Kent discusses levy rates and how they effect the tax system. Dr. Kent then continues with 4 methods of tax relief that would help ease the burden of new taxes on those individuals that are low income households.

Delegate Paxton; 65 years old and senior the same thing?

Dr Kent; yes.

Delegate Duke: What percentage of those eligible in WV are taking advantage of the senior citizens tax credit?

Dr. Kent: We do not know, we are only aware of the ones that do take advantage of it.

Dr. Witt; When this is done, from a cost perspective you must include the administrative

cost incurred by the state.

Delegate Duke; This 1.3 million rollback for the local entities, was this an aggregate number for all counties.

Dr. Kent; yes

Dr. Witt; For that one particular year, but it is cumulative over time.

Delegate Duke; How many deferral states or spilt roll?

Dr. Kent; there are very few that use it.

Delegate Duke; Your best guest how much would a circuit breaker system cost the state?

Dr. Kent; I don't know, but that is something that we could pursue. This would be a static analysis.

Delegate Paxton; How is the classification of taxable land done in WV.

Dr. Kent; that is prescribed very clearly in the state constitution.

Senator Unger; Some counties have a larger concentration of those over 65 years old, how could this variable affect the outcomes? Seems to be a mismatch between the ability to pay and access.

Dr. Kent; Agricultural land is not assessed @ market value. This is done in efforts to achieve uniformity, and to some degree it has worked.

Senator Unger; I am referring to other land.

Dr. Kent; circuit may be able to help this some because taxes are based on percentage on income.

Senator Unger; Demographics vary throughout the state, I am just looking for flexibility to allow for fairness and equity in our tax model.

Dr. Kent; can do gridding of property taxes, and that is good practice.

Senator Unger; Is gridding a Statute?

Dr. Kent; No.

Delegate Duke; 21,000 homestead would now be 43,000

Dr. Kent; Yes.

Delegate Duke; are we a circuit beaker then?

Dr. Kent; No, we do not qualify because of other exemptions.

Next Dr. Tom Witt came to the podium and introduced Amy Higginbotham who gave the presentation.

Amy began by saying WV is not the only state to be looking into property tax reform. She then speaks on how property taxes are on the rise. Next Amy shows the Classes in which the taxes are broken down. Alluding to the high taxes Barbour county has had the highest increase of an astounding 294% over the five year period of 2000-2005.

Amy as you can see class I has been dropped.

Delegate Paxton; Why class one dropped

Amy; this was primarily where agriculture was classified, that has now been moved.

Senator Unger; Are substitutes counted

Amy; no they are not

Delegate Polling; 20 subs. short and 4 out of 5 science teachers in one school, teaching out of subject?

Amy; yes.

Delegate Paxton; Does a farm have to have 1000 dollars in receipts to qualify as a farm?
Dr. Kent; Yes.

Delegate Perry; There needs to be some sort of correlation between wages and taxes.

Delegate Duke; WV average levy rate dropped, what is the impact of that?

Dr. Witt; We can run the numbers and see what impact would be if 1% not there.

Delegate Campbell; I would like to see the actual collections.

Delegate Duke; What county at bottom of wages, and why? Degree Level by county, and years of experience by county?

Senator Boley; Managed timber land, has it been affected by TIF's?

Dr. Witt; To my knowledge TIF's have had no effect on public school finance.

Senator Unger; To my understanding there are 2 types of TIF's property and sales, correct? These stores want to be closer to Cabellos due to traffic and exposure. This should not effect property taxes.

Delegate Duke; \$ figures by county, of under assessment.

Dr. Witt; Last report the estimated total cost of under assessment 2.6 billion. An estimated 12 million and some change to each county.

Delegate Paxton; To what do you attribute this under assessment?

Dr. Kent; I'm not entirely sure, but the numbers have improved drastically since this study has began. It should be much better in the future. Also it is very difficult to properly

assess high growth areas.

Senator Harrison; What method used to determines the county assessment percentages?
Dr. Kent; a price to sales ratio.

Delegate Duke; There needs to be a change in public school finance, there is currently a disincentive to properly assess, that needs to be removed.

Delegate Wysong; I was startled to seem my county and the numbers. Property assessment is difficult and compound that with the growth in my area, problems can arise.

Senator Unger; moves the approval of last month's minutes, passed.

Senator Unger moves meeting adjourn.

Meeting adjourn.



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EDUCATION SUBCOMMITTEE C

School Aid Formula

Senator Bob Plymale & Delegate Tom Campbell, Co-chairs

MINUTES

Monday, September 11, 2006
1:00 - 3:00 pm
House Judiciary committee Room

Senators Present: Plymale, Chair; Boley, Edgell, Harrison
Delegates Present: Campbell, Chair; Beach, Paxton, Perry, Williams, Wysong, Canterbury, Tabb, Duke, Poling, Leggett,

Senator Plymale opened the meeting and instructed staff to take a silent role call. Minutes from September were approved and the presentations began.

First was Dr. Tom Witt who immediately began his presentation and pointed to a hand out and table #4. This table denoted that West Virginia was ranked 42nd nationally in property tax for fiscal years 02-04 per \$1000 income. Next Amy Higginbotham an economist from Dr. Witt's staff went over the West Virginia Taxes Levied Analysis report they had prepared. Amy went through the classification system for WV property taxes and then alluded to the 1991 legislation that put a max of 1% allowable increase for property tax revenue. This report lead to multiple questions by the committee.

Senator Boley: Is that 1% per county?

Dr. Witt: No, statewide practice. Actually caused a cap in growth.

Dr. Kent: It is a statewide policy, capped at 1%. It really creates a problem with high and low growth counties.

Chairman Plymale: Can we remove the cap? And could we still do the local share change as was suggested in sb570?

Dr Witt: It would increase local funds.

Chairman Campbell: This would positively affect the school systems?

Dr. Kent: It could, it is a significant amount of money. It is now outdated and it is causing disparities.

Senator Boley: Why is there such a difference between counties?

Dr. Witt: Refer to pg. 19 in the handouts. The disparity comes from the differing levy rates.

Delegate Duke: Does this apply to all property?

Amy Higginbotham: Yes.

Delegate Duke: Is it possible that an average homeowner from 2000-2006 could have seen a 100% increase in his property taxes? That has happened to me in my county.

Delegate Tabb: Can we look at the 1992 rates, and check prior to legislation and see both sides of coin?

Dr. Witt: We can put something together showing the consequences of this cap.

Delegate Paxton: Were the 1992 tax change because of less coal?

Dr. Kent: There were sweeping tax changes at that time that occurred to a variety of factors.

Chairman Campbell: Is each levying body in the state limited to this one percent increase?

Dr. Kent: No counties and cities and not subject to this, they are held at constitutional rates.

Joe Panetta (Dept. of Education): Can exceed the 1% but must be a public hearing to increase to constitutional maximum.

Next Dr. Kent has a few questions for the committee, and talked about senate bill 570. Where do you want us to go from here? Dr. Kent spoke about the main purpose and reasoning for SB570. His report included a detailed breakdown of the bill as it ended the legislative session. Referring back to the formula there are 3 critical areas. 1. Transportation Formula. 2. Special Education. 3. School Personnel. Do we need to consider 7-step formula revision? Do our enrollment practices create disparities?

Delegate Duke: Page 19 and 21 is it right that half the counties will be higher and half will be lower?

Dr. Witt: Yes.

Delegate Duke: Potential – Actual how can it be negative?

Higginbotham: Those numbers are based on bond and levy rates and that caused the negatives.

Senator Boley: Asked that the committee recognize the new superintendent from Pleasants County.

Senator Boley moves meeting adjourn.



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Minutes
Education Subcommittee C-School Aid Formula
Monday, October 16, 2006
House Judiciary

Senators Present: Plymale, Unger, Boley, Harrison

Delegates Present: Paxton, Perry, Poling, Tabb, Williams, Duke, Leggett

Delegate Larry Williams opens the meeting, and directed the clerk to take silent role. Delegate Williams suggested that we jump right into the first item on the agenda, a presentation from Dr. Cal Kent CBER Marshall University.

Dr Kent began his presentation on how other states finance special education and special needs children. He began with a report. WV is the only state that has exceptional need and exceptionally gifted in the same section of the formula. Expenditures for special education are the fastest growing component of education budgets. There are multiple reasons for this, IDEA (federal mandate equal opportunities, for disabled students), better diagnostic tools, court decisions, parental awareness, additional funding to districts, and standardized testing coupled with NCLB has lead to classification of slow learning students as disabled (major factor). Fed Govt. does fund some for IDEA but way below the 40% required and usually around 15%. Look at appendices in back of handout, tells the federal spending for special education is in each one of the states. On the average \$1800 per student, and in are area we are slightly below the national average. Also appendix D, shows the difference in cost for educating a regular student compared to a special education student. It cost nearly twice as much to educate a student that has exceptionalities. In 04-05 18.3 percent of WV students received some type of special education. 75% of these students are in groups such as speech and language impairments, mildly mentally impaired, and specific learning

disabilities, which are lower cost special education programs. Here in WV we must provide all students with disabilities full educational opportunities from birth through age 21.

Senator Plymale: Is that consistent with other states?

Dr. Kent: Some states do birth to 21 some 3 to 18, but the federal legislation is birth to 21.

Senator Plymale: Look at page 4 table 3, autism %, and learning disabled, are we consistent with other states, in terms of percentages?

Dr. Kent: We are above the national average, and the fact that poverty is a major determinate in education disabilities.

Dr. Kent continues, I have the county break down in the back in one the appendices. Lets look at that and the differences in counties; it is broken down into several categories and by county. This is done by percentage of disabilities and not the numbers. We have the averages on table 3, but that is not representative of any particular county.

Delegate Tabb: Ritchie County has no BD, that is worth looking at, I know they not large population, but that seems odd. The first column runs from 9% to 0%, large variation

Dr. Kent: Yes there is large variation, and they are supposed to be reporting the same way.

Senator Unger: Why certain counties are higher than other in certain areas. We really need to look at these numbers.

Senator Plymale: I totally agree, Joe Panetta from the St dept. of Ed. will you look at these numbers and try to get to the bottom of this. Why we have such a discrepancy from county to county.

Joe Panetta: Many students are multi-categorical, and many times it is difficult to put a child in any one particular area. It also depends on the committee that classified that student's IEP. There is a movement to maybe not pigeonhole kids, and make broader categories of leaning disabilities.

Dr. Kent: Students will be classified by their greatest disability, and in some cases these kids will have multiple disabilities and they will be classified by the most severe one disability.

Senator Unger: Some border counties have a higher percentage, but I would like to see where the trends are and why this is the case. We need to think about better directing our resources. In many cases there is great need in some of these counties and they are not getting the funding that they need. I don't know if we truly have taken the effort to look at these numbers and understand it so that we can do a lot more preventive care that could save the state health care costs in the future. This is very interesting information. Mr. Chairman with your recommendation I think we should get together with health and really get into this and put some initiatives in place to take care of some of these concerns.

Senator Plymale: I think that is an excellent idea.

Dr. Kent: that is a great idea because the growth here is exponential, and the costs at this rate will eventually spiral out of control.

Senator Plymale: The chairmen agree and staff taken note, I don't think that we fully understand what is going on here and we certainly must if we are going to be making policies.

Dr. Kent: We also have a much higher rate of birth defect.

Senator Plymale: That is why I think it is a health issue as well, and is something we need to get into

Delegate Paxton: Page 11 with your body language I would diagnose you as mildly HI.

Dr. Kent: I spent the 1st 12 years of my life in special education, for speech impairment.

Delegate Campbell: Low birth weight babies, WV has a high incidence of that? Why is that?

Dr. Kent: Lack of prenatal care, smoking, there are multiple factors.

The presentation continues, the alternate methods used to fund special needs children in vary from state to state. The flat grant method, every disabled child gets a flat grant regardless of disability. This does not count for the fact that some disabilities are more expensive to provide services for than others. This is also the per pupil weighted formula (used in WV). We weight the amount the money by the extent of the disability; we only use a single weight. This is widely recognized, as not the best system to use to fund special needs students. In smaller counties one special needs student can run up in the six figures to provide education to this child. There is the straight census system, which is what the federal government uses. In many instances parents that have students that have special needs, will move to a different county that has better accommodations for special needs children. I would suspect that is happening from time to time around the state. In some instances the state will encourage parents to move to a county like Putman that provides a good service that is more readily available.

Delegate Duke: As I see it if a county were to suddenly find them selves with 10 severely disabled students that would be an extra 1.2 million dollar cost to that county/

Dr. Kent: That is correct. The distribution of the service providers is not necessarily where the needs are. Some rural counties have closed high schools to provide special education in elementary.

Delegate Paxton: Do people move into the state to take advantage of the educational services that we provide?

Dr. Kent: We have not found any data that supports that.

Delegate Tabb: Does state or federal law mandate that the service be provided in the county they live in?

Dr. Kent: No, but the home county of that student must pay for the services.

Delegate Tabb: Maybe we need to be looking at these things on a regional basis. An example would be Putman, would it not be more efficient to have regional learning centers, rather than to fund each county. If we had a regional approach we might be able to take some of the weight off of some of these counties.

Senator Unger: I think that you would be able to get information, maybe there is privacy laws I don't know, but if you look from a general point of view, I would like to know how many of these disabled students were born inside of WV and how many moved here. I would like to see if there are trends of people moving into border counties to take advantage of services. Also knowing individuals in my home county that have a disabled child, it is very difficult for them to move to another county. I would just like to

see if there is a trend of families moving to this state to take advantage of services. How difficult do you think it would be to get that information?

Dr. Kent: I do not think it would be possible to get information of where these people were born. It is not available, HIPA violations and federal regulations prevent access to that information.

Senator Unger: Without violating the student's rights could the schools get that information. Being that this is education finance I believe that would be good information to have. This way we could see what is happening and find the trends in these areas so that we can best serve the population of this state. I don't know if that is something that will work out, but I do not want to base policy on assumption.

Dr. Kent: We will see what information is available senator and we will bring it back to you.

Senator Plymale: We are out of time, we need to start formalizing a report as we end this two year study in to school aid formula so please send recommendations to the respective chairs so that they may be considered.

Delegate Campbell moves meeting adjourn.



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EDUCATION SUBCOMMITTEE C

School Aid Formula

Senator Bob Plymale & Delegate Tom Campbell, Co-chairs

MINUTES

Monday, November 13, 2006

5:00 - 7:00 pm

House Judiciary committee Room

Senators Present: Plymale, Chair; Edgell, Harrison, Unger

Delegates Present: Campbell, Chair, Paxton, Perry, Williams, Wysong, Tabb, Poling,

Senator Plymale opened the meeting and instructed staff to take a silent role call. Minutes from September were approved and the presentations began.

Dr. Kent from CBER at Marshall University continued his presentation from last month on Special Ed and Impaired child funding models. He pointed out that WV is the only state that weighs all impaired children the same regardless of impairment. He pointed out that this system was flawed because it applies the same weight to each child regardless of the cost of student care. The 2 times weighted factor is very tough on small counties. In some cases extreme intervention from the outside needs to be brought in to aid these children, and this is quite costly. Small, rural counties are having difficulties meeting this mandate. This is an area that merits further investigation.

Dr. Kent then referenced an item that was requested from last month, on to the number of special education students in WV in terms of a percentage of total enrollment. WV ranked little higher than surrounding states, but some of that can be attributed to high poverty and the rural nature of our state. WV and OH included Pre-School and WV does not classify multiple disabilities. There are numbers and charts with in the handouts provided by Dr. Kent. Dr. Kent then opened the floor for questioning.

Delegate Tabb: Sounds like to me we need to do a study on special Ed funding
Dr. Kent: Agreed something need to be done to make it a more efficient system

Senator Plymale: I think there has been a change in Federal guidelines re: special Ed and classifications, we as a state need to be in line with the Federal policies. I agree we should do more in depth study on special education funding, and also get with the State Board and see how they might want to proceed.

Delegate Paxton: Does the Fed government have a set way of categorizing students that may have multiple impairments?

Dr. Kent: No, but in most cases the most severe impairment will be used for classification.

Delegate Paxton: Are gifted classified as special needs?

Dr. Kent: Yes

Delegate Paxton: Ratio of Gifted to Impaired

Dr. Kent: Yes we can get that; I can tell you that counties are maxed out for gifted.

Dr. Kent had to leave.

Moving on to the next item on the agenda is Ms. Amy Higginbotham, Economist from the Bureau of Business & Economic Research at WVU presenting, "West Virginia Population Projections and School Transportation Funding Options". Amy is accompanied by Dr. Tom Witt (Director) and Dr. Pavel Yakovlev (research Assistant Professor). Amy began her report beginning with population projections for all counties. She referenced her handouts and specific numbers, i.e. population by county and % changes by county. She then pointed out a Table on page 8 regarding population densities per square mile. Holding questions until the end Amy moved on two her second topic.

School Transportation funding options, our current model and four options listed on page 9 of the handout. Again here we will have problems with sparsely populated counties.

Senator Plymale: Is there a total cost for each option?

Dr. Witt: We have not run those numbers yet, but we will have those back to you next month.

Senator Plymale: If there are any other options that anyone can think of we would welcome it, and some recommendations possibly.

Delegate Tabb: I know rural systems are a concern, average miles that students travels, and travel time considered?

Dr. Witt: Yes. Furthermore, in the future counties should look at optimal locations for new Schools.

Delegate Tabb: Student information should be broken down and used. I'm referring to the info on page 4. I question those numbers with the 700 student increase they had last year, and I expect this trend to continue, and then I see those numbers and something does not add up.

Amy: We did not produce these numbers, they represent the best available information.

Dr. Witt: We do not have the systems in place to be any more accurate.

Senator Plymale: You would think that the School Building Authority would need accurate data to make accurate decisions.

Dr. Witt: Most states do have a demographer, West Virginia does not.

Senator Plymale: We do not have some of the data we need, I think this is something the state should be able to provide. This is something that we need to look into in the future.

Delegate Tabb: We need better projections we have thousands of new homes being built. I just do not agree with these numbers.

Senator Plymale: At the state level we might need a demographer that advises agencies. As population changes this has affects on school funding and economic development. Tom (Delegate Campbell) and I agree that as we look at recommendations we need to look at adding a demographer to that list.

Dr. Witt: Economic forecasts, aging population, funding of nursing homes. We do not have that capacity at the state level to make good decisions.

Senator Unger: Referring back to your handout I see that the population drops in 2015 and continues to fall thereafter, why?

Dr. Witt: These forecasts are bases on a census methodology that is not economically driven.

Senator Plymale: We need to find a way to get that information quicker, so that we can identify trends in the state and make appropriate decisions.

Senator Unger: It just seems illogical to me to see that dip occurring in 2015.

Dr. Witt: I can explain, more deaths less births, population will fall.

Senator Plymale: We are looking at options and what is the best way to make possible changes to Special Ed funding. And it looks like we don't have the proper data, nor the ability to get it.

Senator Unger: Maybe a new tax collection system and use tax information to identify students in households. We could use that information to get better data.

Dr. Witt: Demographers use many sources to gather information. There is a variety of info. that can be collected and used to make projections.

Senator Plymale: We have never done a good job of getting data and making forecasts. We need better and more up to date information to make important decisions.

Senator Unger: In my district there are 500-700 new students each year and I expect this trend to continue. It only make sense to incorporate that information in your projections.

Delegate Perry moves meeting adjourn.



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House Education Committee
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EDUCATION SUBCOMMITTEE C

School Aid Formula

Senator Bob Plymale & Delegate Tom Campbell, Co-chairs
December 10, 2006

MINUTES

Senators Present: Plymale, Chair; Bowman, Edgell, Unger

Delegates Present: Campbell, Chair; Beach, Paxton, Poling, Tabb, Williams, Wysong, Duke, Leggett

Delegate Campbell opened the meeting, and he instructed the staff to take a silent roll call. He quickly then moved on the first item on the agenda. Dr. Kent then immediately began his presentation on the possible recommendations for this School Aid Formula Committee. Some of the possible recommendations were;

1. The local share retained for discretionary use by county school districts by increased from two to ten percent. This would be a 5-year process with 3% the first year and 1% a year reaching the 90% mark in 2013.
2. Require an extensive review of assessment practices for real property in the State to include but not be limited to; an Annual Sales Ratio Study, Require all class III and IV property be assessed centrally by the State Tax Department, and Reconstitute and revive the State Property Tax Evaluation Training and Procedures Commission.
3. Establish a replacement system for determining population density under the PSSP.
4. Establish an extraordinary growth allowance with a discount in the local share.

5. If supported by the Governor, repeal the 1% cap on increases in property taxes for school purposes.

6. Provide a limited pool of funds to support special education students in counties whose current funding does not permit the provision of all mandatory curriculum for all students.

Questions:

Delegate Tabb: Is there a penalty for not assessing at 60%

Dr. Kent: That is the constitutional requirement, and counties are posting those numbers, now.

Senator Plymale: 60% assessment should be upheld and tracked properly in all counties.

Dr. Witt: With the localities contributing a higher percentage, which will allow for more flexibility.

Delegate Paxton: Do we have trouble recruiting? Other states can hire prospective teachers on the spot, and here in West Virginia we have to have a board review it; can something be done about this?

Senator Plymale: We have allowed for that in areas that have a critical shortage, I believe the 3 counties in the northern panhandle. We have some personnel law issues with being able to do it state wide.

Delegate Duke: This 3% reduction what does that translate to in dollars per educator? That 3% drop how much would that be?

Senator Plymale: We will have those for you, a whole break down. Dr. Kent and Dr. Witt both nod.

Senator Unger: That is a big jump in the first year why three percent then one percent thereafter?

Dr. Kent: The rationale behind that is to ease the impact of the change.

Senator Plymale: This will provide some flexibility for some counties to fix some problem areas. This is just one step, we need to address the wages in the eastern panhandle, but this will allow some local flexibility for them to increase teacher pay if they want.

Senator Unger: I think it is good policy; I just want to know that the money is going to be used in the right places. We need to watch what happens and not go around hiring support personnel instead of educators. We have had issues with this in my area and I just think we need to be careful.

Senator Plymale: I agree and in fact the State Dept. of Education is coming out with a study of the utilization of funds. This is a report on how the money was spent, I think this will be very a very telling report and I am looking forward to seeing it.

The presentation continued; Proposals for Interim Study

1. Acceleration of dates for final certification of assessed valuation to allow the legislature to have correct figures when allocations are made to the PSSP.
2. Consideration of the "Cost of Living index"
3. Review methods used in other states to implement real property assessment.
4. A comprehensive study of how special education, particularly for students with disabilities, should be financed in the State.
5. Continued investigation of the impact of changing student demographics and the considerable impact it could have on school finance.
6. Review the "performance bases" rather than "needs based" method for school support.
7. Re-benchmark West Virginia education financing with surrounding states.

Remaining Issues

1. Is the current allowance for professional educators appropriate?
2. Should the current use of both "adjusted" and "net" enrollment be continued (no other state uses both)?
3. Are the ratios for professional educators and service personnel appropriate?
4. How should honors and AP students be defined and included in the PSSP?
5. How should the allowance for administrative costs be revised?
6. Review of SB570 from the previous session.

Delegate Duke: Have you all looked at Spending and salary supplements at the local level?

Dr. Witt: Salary supplements are not in code, we can look at that, and the auditor feels that they should be in code.

Delegate Tabb: Moves the approval of November minutes, motion approved.

Delegate Duke: Could I get a break down of the turnover rate and the long-term substitution rate by county?

Dr. Kent: We can get those for you.



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EDUCATION SUBCOMMITTEE C

School Aid Formula

Senator Bob Plymale & Delegate Tom Campbell, Co-chairs
Monday, January 8, 2007

MINUTES

Senators Present: Plymale, Edgell, Unger

Delegates Present: Beach, Paxton, Perry, Poling, Tabb, Williams, Wysong, Duke

Senator Plymale opened the meeting and immediately turned it over to Dr. Cal Kent and Dr. Tom Witt to go over the committee report recommendations. Dr. Kent began with the recommendations that begin on page 6 of the committee report.

- The local property tax share retained for discretionary use by county school districts be increase from two to ten percent. This will allow for increased local flexibility for the local districts.
- Repeal the 1 percent cap on increase in property taxes for school purposes. Currently anytime taxes state-wide will increase by more than 1 percent the Legislature is required to roll back the mandated levy to be used in each county. To implement this provision a further code change is needed so that "new property" is not excluded from the calculation.
- Establish a replacement system for determining the population density for the school transportation under the PSSP
- Require the State Department of Taxation with assistance from WVU and Marshall University to provide an implementation plan by June 1, 2007 for assessment practices for real property in the State.

Questions:

Delegate Tabb: The funds will not be restricted to the listed items.

Dr. Kent: That is correct.

Delegate Poling: Can we monitor these discretionary funds? We need to be careful and be sure that these dollars are going to educate children.

Senator Plymale: I agree something might need to be done, and we can look at doing that in the respective legislative bodies.

Delegate Tabb: Does this effect Hardy County as it pertains to SB408?

Dr. Kent: No

Senator Plymale: All of these recommendations are a part of the Governor's Taxation and Modernization Program.

Tabb: I was just wondering if student population per square mile would be a better measurement.

Dr. Witt: Yes, this will also help those counties and allow some flexibility and free up some funds to use for transportation issues.

Delegate Duke: Counties that have payments in lieu of taxes are they considered in those numbers.

Dr. Kent: Yes, but there can be a real property problems.

Senator Unger: Are these the end of the recommendations?

Dr. Kent: Yes.

Senator Unger: I want to know how we are changing the School Aid Formula. We have been studying this for the past 2 years, and I ask you how are we fundamentally changing the SAF to better serve the State?

Dr. Witt: We were asked to examine the equity of funding, measure the inputs not the outputs. We have not addressed fundamental changes, I think because of the focus.

Senator Unger: The cost of doing business changes by location, given your environment, the local government and what have you. In the business sector everything is performance based and I thought we were moving in that direction. I just think that we are tinkering or revising instead of making substantive change. I just don't think we will be giving relief to those that need it most. We need to move in to the 21st century, with our School Aid Formula.

Delegate Perry: I echo the sentiments of the Senator. I thought we were going to break it down in to librarians, counsellors, nurses, and technology persons. It just does not appear that we are doing what I thought we were doing.

Senator Unger: We looked at neighbouring state practices and we have not adopted any. I don't think we have progressed as we should have. We did not get anything new.

Dr. Witt: We tried to show you all some of these things, but there was not a lot of support, the support was just not there for some of these fundamental changes.

Senator Plymale: Well, attendance was an issue for this committee, there was no consensus for those drastic changes. I think that moving from 2-10 percent is pretty significant.

Delegate Poling: I support these recommendations and the work that this committee has done. In the past we have talked about doing things are here we are actually doing something. The repeal of the 1% and the move form 2-10% are significant. I defend the process and support the recommendations.

Dr. Kent: If the committee remembers the 2nd meeting we went through the 7 steps of the formula and how they could be changed. But the focus began to shift to local flexibility. I think these recommendations will lead to significant funds and increased flexibility.

Delegate Williams: One of the major reasons I thought we were doing this was for the nurses and other professional non-educators that work in the school. With the increased rigor, the local boards must higher qualified educators to meet the new standards.

Senator Unger: I am not being harsh on Dr. Kent and Dr. Witt, please do not perceive that. I just think we got what we wanted. We are to blame. I thought you were going to prompt us with change. Instead we got what we wanted. But please do not misread this I am not attacking or criticizing you two or any of the work you have done. We just got what we wanted.

Delegate Duke: I think we are headed in the right direction. But we do need to realize in some areas time is critical, and we need to properly disperse the funds to those that critically need it. The concern I have is that will there be enough local flexibility? I would just like to see things happen faster, but I do think we are headed in the right direction, we just need to realize that time is critical.

Delegate Paxton: I move the acceptance of the subcommittee report C and that it be reported out to the Joint Committee on Education and the Joint Committee on Government and Finance.

Senator Plymale: There is a motion before us, I would also like to add the meeting minutes to to the committee report.

Delegate Paxton's motion with the addition by Senator Plymale passes.

Senator Edgell moves the meeting minutes from last month. Minutes approved by committee.

Delegate Paxton move meeting adjourn. Motion approved.