

**SUMMARY MINUTES OF
ADVISORY COMMITTEE ON PUBLIC SCHOOL ACADEMIC FACILITIES
MEETING**

February 27, 2018, 9:30 a.m. – 12:30 p.m.

Committee Members – Present

Jim Alessi, Chairman
Charles Stein, Vice Chairman
Brad Montgomery, Secretary
Cody Beene
Jeff Steiling
Jim Tucker
Jim Yeager
John Hoy

Jon Collins
LaKenya Riley
Malinda Martin-Johnson
Nathan Smith
Scott Archer
Craig Boone, *Ex Officio*
Doug Harris, *Ex Officio*

Committee Members – Absent

Brent Massey
Rusty Mullen
Scott Copas, *Ex Officio*

Division Staff – Present

Brad Montgomery, Director
Terry Granderson, Assistant Director
Carol Bowman, Administrative Analyst

Approval of Meeting Minutes from January 23, 2018

Proposed Processes Recommendation

Jimmy Alessi requested motion on Process Proposal from previous meeting. Nathan Smith agreed generally with splitting funding into two pots but did not believe State had good enough data to develop facilities needs list.

Charles Stein reviewed previous presentation, covered outline of topics addressed by Advisory Committee small group including Proposed Processes recommendation.

- Calculation of cost factors
- BLR report data regarding enrollment grown and decline
- Mill value impact on project funding
- Poverty value impact on funding

Jimmy Alessi opened floor to comments, which included:

- Splitting funding into two pots was good.
- Question asked for clarification on how two pots split, which Dr. Stein indicated to be addressed in next meeting.
- Nathan Smith stated he needed more clarity and it seemed too early to vote now, that priority needs list is more important but State lacks data to create it. Thinks Committee should discuss how to improve Division's data first.
- Charles Stein reiterated only requesting "tentative approval" of two pots suggestion, and that this is all in line with BLR's report and addresses most issues raised in their report but does not address Rep. Lowery's concern.
- Cody Beene did not like approach because did not address wealth of people that would be paying the bill.
- Motion made, but Nathan Smith wanted motion worded differently.
- Jimmy Alessi asked and Charles Stein confirmed only requesting "tentative" recommendation to establish starting point. Brad Montgomery indicated this process was same as it was six years ago, which Charles Stein confirmed was correct.
- Nathan Smith said prioritization was slapdash and not well planned.
- Vote on proceeding with two funding pots unanimously passed.

Wealth Index and Funding – Roll Out

Charles Stein reviewed current processes of wealth index. He indicated school districts submit applications and Division reviews applications and scope using POR on space projects. Cost factor calculation presently has maximum of \$175, but in real-world closer to \$200. Lower number better for school districts and higher number is better for State. Wealth index is in statute and rule.

Charles Stein indicated large discrepancy among school districts on mill values. Suggested ranking all school districts by poverty percentage with first quarter reduced by 10%, and second quarter by 5%. He handed out an adjusted wealth index sheet and stressed it was for working processes only, not for publication.

Jimmy Alessi opened floor to comments, which included:

- Reducing wealth index would go against what Governor stated he wanted for reducing State funding.

- Building incentives already in place to cut costs.
- POR crystal clear on what school district can build that is eligible for funding.
- POR and rules already control what school districts can build.
- Many school districts need more funding and if school district-to-school district compared, it does not give an accurate calculation. Debt services already tied to school district expenses. To get true indication, need to go to State Financial funding of project and then POR. Large school districts receive more funding than some smaller school districts.
- What is actual wealth of school districts?
- Presentation addressed most of issues within BLR report.
- Discussed assessment vs. collection vs. disbursed rates.
- Simplicity very important, the proposed process would be more complicated, and Committee needs to find simpler calculation.
- Question asked why top 35-40% of wealth school districts get funding at all.

Charles Stein stated he needed a vote on this, and suggested if someone had better process with numbers, to present details at next meeting in March.

Academic Facilities Wealth Index and WSD Systems Projects

Senator Blake Johnson and Representative Charlotte Douglas made presentation to Advisory Committee. Rep. Douglas stated she put together a group who included Shane Broadway and Bill Stovall from original Task Force. She wanted to make small school districts viable. Group used computers and data in research.

Sen. Johnson suggested putting poverty of families into formula.

Rep. Douglas presented report titled *Facilities Proposal Working Group* prepared by Sen. Johnson, Rep. Douglas, Shane Broadway, Bill Stovall, and Harvie Nichols. She indicated proposal would reconfigure WSD Systems funding, still needed in their opinion, and transfer more of responsibility to school districts through this restricted funding.

Proposal #1 – Warm, Safe, and Dry

Annually distribute first \$10 million or 10% for WSD Systems and safety enhancement projects. Funding would be restricted and school districts allowed to carryover unspent funds from year to year, allowing ability to save toward larger projects. Rep. Douglas provided funding examples.

Proposal #2 – Wealth Index

Adjust wealth index formula to factor in a measure of personal income wealth in each school district because current formula does not consider family wealth of district students. Disparity with some school districts, typically considered poor based on percentage of free and reduced price lunch students, possibly considered wealthy by facilities wealth index. Density has inequity. Two calculations include two main concepts: value of 1 mill per student and relative median income.

Proposed calculation used median income for each school district as estimated by U.S. Census Bureau's American Community Survey. Median income highly correlated (.75) with school districts' free or reduced price lunch percentage, which changes annually.

Rep. Douglas suggested school districts hold funding in separate escrow account and not comingle funds. Rep. Douglas has requested percentage of each school district that has agricultural land. Suggested increased funding for those school districts.

Jimmy Alessi opened floor to comments, which included:

- Median income will negate Rep. Douglas' suggestion.
- Question asked if Legislature was ever going to look at fund balances. School districts continue to borrow money and go further into debt.
- Issue of tax assessments of agricultural lands discussed and fact that State has long way to go to provide adequate educational space for children.
- Delta adequacy and equitability needs included in discussion because rural Arkansas from Missouri to Louisiana cannot match State funds.

Rep. Douglas stated that \$197 is average of a "true-up" mill. Value of mill is most important vs. number of mills. Nathan Smith requested "true-up" definition. Rep. Douglas asked Harvie Nichols define. Mr. Nichols stated issue was some school districts with low property worth equal low mill funds, so "true-up" would require State subsidizing.

Nathan Smith stated if one says no local property tax rate, then you only raise 5-10% (no match) just State funds, do not meddle with Wealth index.

Sen. Johnson suggested putting poverty of families into formula.

Rep. Douglas commented on tiers of calculations on carryover funds, poor vs. medium vs. wealthy school districts, and that she defers to Advisory Committee on regulations on proposal #1.

Discussion included:

- Need to levelize Partnership funding across fiscal years of each biennium.
- Motion proposed to add personal wealth index into wealth and response was that would just add more complexity to situation.
- Some school districts do not use preventative maintenance because State will pay for what school district needs.
- Division should tighten rules so if school districts do not properly maintain their facilities then the State will not pay.
- Suggestion encouraged use of free and reduced lunch rates run against poverty.

Maximum Construction Project Cost

John Hoy stated \$175 needed increased. He reviewed differences in Cost Factors from 2006, 2009, and present. He indicated Brad Montgomery had forwarded him Kelly Consulting Services' numbers, which Mr. Hoy handed out to Advisory Committee members. He stated local school districts not responsible for funding projects because it is State's responsibility and that State provides too little funding so local patrons have to pay instead.

Discussion included:

- Advisory Committee can recommend removing items from facilities manual so school districts can decide to lower what wish to construct. Potential changes to manual may reduce some of \$175 cost factor issues.
- Suggestion of unmasking, perhaps, the true construction Cost Factors but leaving limit as is.
- Funding plan discussed, where Division draws funding line, but this new method would switch to State needs-list with 6-10 year plan.
- Question asked if Mr. Hoy proposing raising \$175 cost factor, which he responded yes and that it only requires change in rule not in statute.
- If changed, would not be effective until 2021-2023 biennium.
- Suggestion to take \$175 cost factor and place into tiers so top section, i.e. large growing school districts, would receive lower rate, and poverty areas in top tier would receive more funding.
- This was same recommendation Dr. Stein presented earlier.
- School districts should pay for all additional fees such as facilities consultants, architects, etc. because not State's responsibility.

School Security Projects

Brad Montgomery reported Governor created Arkansas School Safety Commission and appointed him as member. He indicated that school districts have been telephoning State Fire Marshal and ADE for guidance. Has been discussion with State Fire Marshal about allowing short delay if fire alarm pulled to determine if it is actual fire or dangerous situation. No students have died as result of school fire in 50 years so small delay should not be a problem. ADE working on an emergency plan for Governor.

Mr. Montgomery requested additional task be added to Advisory Committee regarding active shooters, and possibly add to rule funding for intercoms, camera systems, ballistic windows, and security vestibules, etc.

Manual Sub-Committee Update

Jeff Steiling indicated facilities manual changes were sent to DPSAFT prior to last meeting but he had not heard back. Hoped to have facilities manual changes returned to him after March 1 deadline.

Other Business

Brad Montgomery indicated that throughout the program review of wealth index, prioritization, ranking, and rules, it had not occurred to the Advisory Committee exactly what to ask a vendor to do so special procurement request can be prepared. Jimmy Alessi stressed Advisory Committee must meet the Governor's deadline. Mr. Montgomery stated the previous suggestions for statewide meetings might no longer be necessary which Mr. Collins added only would muddy the water. Mr. Alessi stated an outside vendor is necessary to look over Advisory Committee shoulder to see if on track.

Next Meeting Date

The Committee selected the next meeting date of March 27, 2018, at 9:30 a.m.

Adjourn