

**MINUTES OF THE WORK SESSION AND REGULAR MEETING
OF THE BOARD OF DIRECTORS
SCHOOL DISTRICT 4J, LANE COUNTY, OREGON**

January 25, 2011

The Board of Directors of School District No. 4J, Lane County, Eugene, Oregon, held an executive session followed by a regular board meeting at 6 p.m. on January 25, 2011, at the Education Center, 200 North Monroe Street, Eugene, Oregon. Notice of the meeting was mailed to the media and posted in the Education Center on January 20, 2011, and published in *The Register-Guard* on January 23, 2011.

ROLL CALL

BOARD MEMBERS:

Craig Smith, Chair
Alicia Hays, Vice Chair
Jennifer Geller
Beth Gerot
Ann Marie Levis
Jim Torrey
Mary Walston

STAFF:

George Russell, Superintendent of Schools
Barbara Bellamy, Chief of Staff and Communications Director
Carl Hermanns, Assistant Superintendent/Chief Operating Officer
Susan Fahey, Chief Financial Officer
Jon Lauch, Director of Facilities Management
Les Moore, Director of Computing and Information Services
Sara Cramer, Director of Elementary Education
Celia Feres-Johnson, Director of Human Resources
Laurie Moses, Director of Secondary Education
Larry Sullivan, Director of Educational Support Services
Caroline, Passerotti, Financial Analysis and Budget Manager

STUDENT ADVISORY PANEL MEMBERS:

Karen McGhehey, HIS, All Campuses
Lydia Tam, Churchill High School

OTHERS:

Dayna Mitchell, Eugene Educators Association

MEDIA:

KRVM

WORK SESSION

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

Superintendent George Russell stated that he planned to go through the recommendation in each category area and to talk about the final recommendation and any alternate that was a part of that at the next meeting. He hoped to follow that with a vote on the entire package.

Mr. Torrey assumed that this did not mean there could not be amendments. Mr. Smith responded that if a board member was planning on offering an amendment that had not been brought forward previously, it would be good to do so.

Ms. Gerot asked for clarification on whether they would be voting on the \$22 million strategy or the \$26 million strategy and whether the end result could be a combination of the two in some areas. Superintendent Russell affirmed that this was possible and added that as a result of some additional information he could have some revised recommendations. He also thought it possible that there could be an alternate that considered what could happen if a citywide revenue measure passed.

Mr. Torrey believed, regarding the current proposed school closures, that they might be acting too quickly in the face of a lot of unknowns, not the least of which was a bond measure or an income tax measure. He said his motion to amend the final recommendation would be to keep open Charlemagne French Immersion School, Parker Elementary, and Crest Drive Elementary Schools for one year and that they be treated the way Twin Oaks Elementary School was currently proposed to be treated. He averred that there were a number of things they could be precluding should they move forward with the current proposal for closures. He pointed out that the City of Eugene had spent a great deal of time talking about where future housing might exist. He said the Envision Eugene group was on the verge of making recommendations to the City Council. He thought the group was not willing to look at changing the make-up of the density in south Eugene, but there were options in the southwest area as there were large properties zoned residential in that area. He felt they were running the risk of moving so fast they would preclude some of the options and he did not believe that holding off for one year on the closures of those three schools would be a bad thing. He stressed that he was not "afraid" of addressing closures, he just wanted to defer this.

Ms. Levis asked for clarification. Mr. Torrey said his amendment would propose for Charlemagne to remain at the Fox Hollow Elementary School site.

Ms. Hays asked what impact this amendment would have. She observed that it was simple to see that it would increase the budget by \$1 million but there were larger impacts to consider and she would like additional information on that.

Ms. Geller observed that many parents had spoken on behalf of keeping Parker Elementary open. She and the board had seen the numbers and she understood that part of the reason was that it would be hard to move a number of students into Parker. She asked staff to provide a more elaborate reasoning to help the public better understand observed that many parents had spoken on behalf of keeping Parker Elementary open. She and the board had seen the numbers and she understood that part of the reason was that it would be hard to move a

number of students into Parker. She asked staff to provide a more elaborate reasoning to help the public better understand it.

Ms. Geller recalled that she had asked at one point why they could not leave Charlemagne where it is and wanted the information to be reiterated. Additionally, she said one of the things she was looking at in terms of closures was how much money the district could save. She noted that the cost of remodeling McCornack Elementary School to increase its capacity gave her pause.

Superintendent Russell stated that the reason Parker was proposed for closure was that there were too many schools in the south region for too few kids. He said they had to close some schools in that region and the district had been "putting it off for years." He stressed that the board could choose to defer closing any and all of them; it was the board's prerogative. He added that they could also keep Charlemagne where it was, but they had spoken about moving it for at least five years. He felt that if they did not move it in the present action, the school would never be moved to a more central location. He agreed that it was "only \$1 million" but if one thought about that in terms of 15 or 16 teaching positions. He explained that in the short-term it looked like only \$1 million, but in the long term it would translate to saving those teaching positions.

Carl Hermanns, Assistant Superintendent/Chief Operating Officer, commented that if they kept Charlemagne where it was, Parker would still close. He thought one possibility would be to move O.C. to the Parker site and then surplus the Dunn property, since that building could no longer be used as a school because of its size. He stated that closing Parker still involved several variables in that it was the one closure where the kids would go in two different directions and the district would have to work with boundaries to ensure that Spencer Butte Middle School remained viable. He said the kids would fit, but it would be tight and some adjustments would have to be made to the special education program. He thought it could create some constraints on future reconfiguration options. He said the option of keeping Parker open would preclude any savings from the sale of the Dunn or from the school closure and the district would still have more capacity than students.

Ms. Geller asked if it was fair to say that in looking at the grade schools in the south region that if they closed one of the other three it would create more difficulty for accommodating the children. She asked what factors had led to the selection of those particular schools. Mr. Hermanns responded that the proposal to close Parker did not have anything to do with the building condition; it had been considered a solution that would work well if they had undertaken reconfiguration. He noted that it had been first brought up in the Shaping 4J process. He stated that without the issue of reconfiguration, Parker was still a school with capacity that exceeded its population.

Ms. Geller ascertained that choosing another school for closure, such as Edgewood Elementary, would create capacity issues for the schools the kids would be moved into.

Mr. Torrey said if all of the schools slated for closure stayed as they currently were, would the district lose the ability to provide any of the services to those kids for the present year. Mr. Hermanns replied that the district would still be facing the same issues and would be struggling more significantly with them in the coming year because of the need to change the staffing ratio. He said resources would be further stretched out; when smaller schools were kept open all of the schools felt the impact. He stated that the Crest/Adams Elementary consolidation would

provide economies of scale that would facilitate better service delivery all around, as an example.

Mr. Torrey understood what he was saying about efficiencies, but he wanted to focus on whether the district would have any problem with providing the same services currently provided in the next year if those four schools were kept open. Mr. Hermanns responded that the Crest Drive and Adams Elementary Schools would be challenged to maintain the current services.

Sara Cramer, Director of Elementary Education, said the ratio was part of the impact to current services. She explained that it was more than just about class sizes, there would also be a reduction in specialists. She stated that the schools would still have to provide special education services for students and it was harder to meet this requirement for a school with a smaller population.

Mr. Torrey stated that a lot of the issues they were discussing regarding reconfiguration and language immersion and alternative schools were the topics that the task forces were going to be addressing. He stressed that the whole reason they were convening the task force was to look at options. He also had concern that the Superintendent's proposal included closure of Twin Oaks Elementary School and consolidation with McCornack though the outcome of the capital bond measure was as yet unknown.

Ms. Levis asked if Parker Elementary was being closed because Charlemagne needed a "new home." Superintendent Russell assured her that this was not the case. He explained that the recommendation to move Charlemagne had come after the proposal to close Parker Elementary. He said if he had his "druthers" he would not have moved it to the Parker site because it was not as centrally located as he would have liked for Charlemagne to be.

Ms. Levis wanted to be certain that everyone understood what it would mean not to close schools. She underscored that her preference would be to leave all of the schools opened, but the kids would be adversely affected by such a decision.

Ms. Cramer emphasized that this was not only a discussion about how many jobs they would save, it was a discussion on how many school days there would be. She was concerned about the Kindergarteners who were currently not getting enough school days.

Ms. Hays appreciated hearing from all of the people who had come out to provide public testimony. She noted that many had said the district was moving too fast and needed to approach school closures carefully. She recalled the discussion about consolidating Harris and Eastside Elementary Schools when she was a new board member and she remembered visiting Parker Elementary School at this time. She related that Parker teachers had said to her that if the board did not close Harris Elementary, the board would close Parker. She felt it had been clear to people even back then that this was a possibility. In listening to the many people who had talked to her about the schools she had been touched by stories of how wonderful the schools were. She wanted to celebrate and appreciate that the caring among the teachers and the parents of all of the schools, regardless of what happened. She said it was important to remember that the budget proposal cut administration as well as staff. She underscored that it was easy to forget the minimal service that some kids would be provided because of staff cuts.

Ms. Hays asked how the district would address the split of Parker into two different schools, given that some of the students were there by choice. She asked if the students who were in Parker as cohorts would be able to remain together. Jon Lauch, Director of Facilities

Management, acknowledged that this presented a challenge. He said when they first looked at it there was a boundary change that would take 50 percent to Edgewood Elementary School and 50 percent at Camas Ridge Elementary School, but he was not certain they could manage the transfers in that way.

In response to a follow-up question from Ms. Hays, Ms. Cramer said it was difficult to say who the cohort would be at this point as they did not know how many kids would go to each school. She thought that when they divided up Parker they were not certain how many Parker students would opt to go elsewhere. Ms. Hays ascertained from Ms. Cramer that the intention was to split up the Parker neighborhood students and then as the capacity of the two receiving schools allowed, to permit cohorts to transfer together.

Ms. Walston felt that they had been hearing a lot of testimony from people but she was not certain they had been listening. What bothered her most were the staffing ratio change and the furlough days. She said while she was not anti-choice and she thought immersion schools added vibrancy to the district, she did not think they had been clear on the criteria. She reviewed the school populations of the schools that were proposed to be closed. She thought they could move the Academy of Technology and Art (ATA) and the Family School into the Adams facility, which would free up the Jefferson building to house Charlemagne and Buena Vista which would make it so those schools were more centrally located. She understood that they would have to close schools, though she did not really want to. She felt that there were unanswered questions and it saddened her that schools were being "pitted against" each other.

Mr. Smith ascertained that Ms. Walston was in agreement with Mr. Torrey about deferring the closures for a year. She noted that she did support the closure of Coburg Elementary School in its current configuration.

Mr. Torrey understood that Title dollars would be lost at Adams and Camas Ridge Elementary Schools under the current recommendation. He asked if they were worried about the loss of funding for at-risk kids. Ms. Cramer responded that they were concerned and were monitoring the socio-economic-status (SES) of those schools. She said they had done some projections about what the possible combinations would result in, in terms of free and reduced lunch status.

Mr. Hermanns asked that the board keep in mind the research that indicated that it was beneficial to all kids when the general socio-economic status of all kids rose.

Ms. Cramer described how this had worked in the past. She felt that overall it would not change the Title 1 funding, they would not lose funding.

Ms. Geller asked for staff to comment on transportation from the Crest area to Adams Elementary. Mr. Lauch responded that it was the district's belief that they could safely travel down Storey Boulevard with stops along Storey, though no turning movements. He said the same was true of Crest Drive.

Ms. Geller noted, in looking at the alternatives for school consolidation, that the alternative that would leave Crest Drive Elementary School open indicated that there would still be a savings of \$500,000 and she asked why it would not be \$300,000, which was the savings that the closure of Twin Oaks Elementary School would net. Ms. Fahey replied that in a Crest closure situation they did not anticipate having to add a bus route to transport kids to Adams. She said if they just closed Coburg and one other school, it was important to remember that closing Coburg did not result in the same amount of savings as the closure of the two other schools.

Ms. Geller surmised that the alternate school consolidation option saved less money because the district would keep an additional school open and that it was a slightly more expensive school to keep open.

Mr. Smith listed the six schools that had been closed during his tenure on the school board. He also noted that three alternative programs had been either closed or consolidated. He believed most of this had happened in the last decade. He stated that the student population was dropping and the district would continue to have to address this. He averred that the board was responsible for a system of education that reflected the community.

Ms. Gerot commented that the Board had been talking about closing the list of schools before them for years. She had talked to some of the staff at those schools and they had asked that the board give them some certainty. She was confident that the schools could get together and get the resources to consolidate successfully.

Ms. Geller said the conversation about the cuts was a hard one to have. She felt it pointed to the need to have long-range planning strategies.

Ms. Levis was optimistic. She had spent the day listening to people talk about what a great school district they had and what great things they had done in facing the budget cuts. She underscored her feeling that the district had a great staff and administration. She believed that if they "right sized" the district for the needs of the future and prepared for looking at reconfiguration, if that was the right approach to improving the quality of education, they would have more centralized and focused operations. She challenged the district to think about what could be and not about how bad things could be.

Ms. Walston appreciated Mr. Smith's historical perspective. She likened the decisions they were making to jumping out of an airplane, saying that she was willing to make the jump so long as "the parachute was properly packed."

Mr. Smith adjourned the work session at 7:06 p.m.

REGULAR MEETING

CALL TO ORDER, ROLL CALL, AND FLAG SALUTE

Board Chair Craig Smith called the regular meeting of the School District 4J Board of Directors to order at 7:13 p.m. He led everyone present in the Pledge of Allegiance.

AGENDA REVIEW

Superintendent Russell indicated that no changes to the agenda had been made.

INTRODUCTION OF GUESTS AND SUPERINTENDENT'S REPORT

Superintendent Russell stated that Ms. Bellamy would brief the board on the most recent Eugene City Council meeting and he planned to discuss the latest communication the district had from the Governor's budget proposal. He acknowledged that the board had a number of guests present and welcomed them.

COMMENTS FROM STUDENT REPRESENTATIVES

Lydia Tam, Churchill High School, reported that they were organizing a benefit dance, the proceeds of which would go to eradicating polio in poor countries.

Karen McGhehey, International High School, stated that IHS had nothing to report since the previous week.

ITEMS RAISED BY THE AUDIENCE

Mr. Smith reviewed the guidelines for public testimony.

Blaine Hlebechuk read a statement from the Meadowlark Parent Organization expressing its opposition to the superintendent's proposed reorganization of the district. He acknowledged the difficult decisions involved in the sustainable budget process. He related their feeling that Meadowlark should not be merged with another school until after the task force was convened to consider grade reconfiguration and had completed its process, with the new superintendent seated. They recommended that there be no closures in 2012. He commented that the language immersion schools could manage their class sizes because of the lottery and this was not considered to be equitable. They asked that site council representatives be invited to participate in the conversations about reconfiguration and alternative schools.

Bruce Orem, parent of a 4J student and business owner, appreciated the position the board was in. His biggest concern was the speed that the decision was moving at. He believed that the information was incomplete. He felt that the proposed changes were not fully understood across the board. He underscored that school closures were permanent. He asked the board to take more time and think about it.

Janel McPherson spoke regarding the Coburg Community Charter School proposal. She served on the steering committee and was involved with the curriculum planning. She related that they had been in contact with another charter school, the Cascade Heights Charter School, concerning the planned curriculum as it was similar to theirs. She declared that it was their goal to meet all of the academic needs of all of the students for curriculum without overspending. She stated that Holly Denman, from Cascade Heights, had agreed to work closely with them considering teacher hiring, fundraising, student assessment and other areas in which she was familiar. She said the Coburg teachers could have access to the same teacher training during the year as the Cascade teachers and at a minimal expense. She said Coburg Community Charter School would join a consortium of six successful charter schools in the Willamette Valley who use the same core knowledge model. She believed that Coburg also had the resources to acquire whatever equipment they would need. She noted that she had been in contact with parents of school-aged children who were making decisions to leave the 4J district schools for private schools, home schooling, or the Harrisburg school. She predicted that this would diminish the number of students that would transfer to Gilham Elementary School. She related that the parents had communicated to her that they would remain at Coburg Elementary if the application to be a charter school was approved.

Kenya Luvert said she had grown up in the Eugene area and had gone to School District 4J schools. She had brought her young daughter along with her. She said her daughter would have been going to Parker Elementary School if it was being kept open, but her mother was applying to open a charter school that might better suit her daughter. She wondered what the classrooms in 4J schools would look like for the students if the ratio was changed dramatically.

She was concerned how it would affect the achievement gap as students who fell behind could escape notice. She did not want her daughter to be one of those students that would not learn to read. She was encouraged by the charter school application from the International School of Modern Technology, which she felt would address the gaps in the education system. She said it had been almost 20 years since she had graduated but some of the same issues she had faced in school were still being faced by young people. She believed that the curriculum had evolved some, but the whole curriculum needed to be more representative of the community. She did not see that at present.

Jules DeGiulio asked the board to reconsider the school closures. He believed it would have the most disruptive impact with the least return on the investment. He averred that schools taking on a large number of students would undergo a culture change that would need time for study and a process put into place to ease the transition. He quoted the report on Crest Drive and Adams Elementary Schools that indicated that both schools were meeting goals for teaching and learning. He was fearful of moving 220 students from one school culture to another without knowing how that transition would play out. He could not predict that two schools of that size could merge together with a positive result. He asked that they take more time think about the changes.

Joshua Stroud said the goal of the International School of Modern Technology was to reach and grab the kids falling through the cracks and to bring more students to 4J, which could ultimately bring more revenue to the district. He related that they had surveyed people about the proposed charter school and had an 80 percent positive response, and about 67 parents were prepared to enroll their children in the school. He said they consistently had more and more people interested in the mission and vision of the school, which would be an all-year around school. He shared that they eventually hoped to have a pre-school as well and wanted to pursue having international exchanges. He noted that they had already partnered with other countries, such as China and Kenya, as well as with NASA. He averred that there were kids falling through the cracks and the federal government had identified this type of school as a way to address that. He asked that the board consider the value of what the school would bring to the community.

Arbrella Luvert, project director for the International School of Modern Technology, said one of the survey respondents had asked why the school was pursuing charter status now. She explained that the federal government had a movement to reduce dropout rates and to increase the number of under-represented minorities in school. She acknowledged that the superintendent and staff had recommended that the board not approve the application. She remained optimistic because parents were "sick and tired" of their kids not succeeding in good schools. She felt that the district did have good schools, but there was room for another good choice. She considered their school model to be a comprehensive 21st century school. She understood that the district's enrollment had dropped by 1,300, but she believed there were likely another 1,300 students who had "gone off the radar," students who wanted another choice. She declared that the International School of Modern Technology was not just an "overnight creation." She pointed out that the CEO of Project Lead the Way had signed up as a business partner. She understood that it was hard to give anything in a down economy, but she asked the board to put a face to those who were not present. She declared that the International School of Modern Technology would be a good public school choice for those people.

Anne Bridgman thanked the board for their work on the budget shortfall. She asked them to take a leadership role on the proposal for an income tax for Eugene residents. She noted the

council's unanimous vote of the previous night to direct its staff to draft a measure for the May ballot so that Eugene's residents could vote on this important matter. She felt that the council and the city needed to hear a clear message that the district would welcome the tax measure. She averred that the board needed to make it known that if this measure did not pass, the district would have to lay off more than 60 teachers. She had no doubt that the district would find a bridging mechanism once it knew that the funding measure would be put into effect and she wanted to be certain that the board let the council hear that from them.

Rees Maxwell hoped the board was listening to the community questions and concerns. He asked what board thoughts that were shaping decisions had not been voiced to the public yet. He did not understand why Crest Drive and Parker Elementary Schools were being considered for closure, given that they were not the smaller schools in the district. He believed that under the current plan, McCornack Elementary School would be the only feeder school for Kennedy Middle School. He suggested that the district merge the Academy of Technology and Arts (ATA) and Family School with Adams and change the north boundary of Crest, so as to leave two strong viable elementary schools that would then help ensure Kennedy's viability. He questioned where the students would go if ATA was closed. He felt that Adams would be the most obvious choice, but would not be available if Crest Drive was consolidated there.

Collette Gallegos spoke on behalf of the International School of Modern Technology. She declared that "when one door closes, another door opens." She stated that the school would be a 21st century school that would offer a comprehensive curriculum with a multi-cultural framework that would allow an international exchange-ability within and outside of the school. She believed that the school would not only allow the school to become a family-oriented school on a multi-cultural level, it would allow students to build meaningful long-term relationships. She said the year-round curriculum would offer a supportive value to single-parent households. She felt that the school brought a private school quality education to being a public choice.

Dusty Smith, member of the steering committee for the Coburg Community Charter School, stated that the request for the Oregon Department of Education (ODE) planning grant had been denied. He explained that priority for the grant had been given to secondary schools that focused on at-risk students. He said the ODE had strongly encouraged them to apply for the fall round of grants. They still felt their proposal was financially and educationally sound; they had a proven track record of physical and financial support. He related their belief that the proposed charter school was a great solution for both the town of Coburg and the district. He underscored that the application had addressed the financial stability and projections for the first three years of operation. He noted that the amended budget covered the projected start-up costs with a combination of money at hand and proceeds generated from a historically proven fundraising event. They currently planned to purchase only curricula and some other equipment needed to open. He assured the board that they were able to move forward without any grant funds, which he believed demonstrated the dedication of community members to the success of the school.

Dana Schull spoke in support of the Coburg Community Charter School application. She had served on the Coburg Intergovernmental Agreement (IGA) committee over the past four years. She said in the past they had always come up with a plan to come up with a way to keep the school open. She asked the board to work with them again to keep it open. She asked the board to be "visionary" as it related to the charter decision. She asked them to allow the Coburg parents to work with the district; they wanted it to be a positive experience for all parties involved. She concluded by stating that while the perceived value of the school to the district

might not be so apparent, the value of the school to the community of Coburg could not be overstated.

Neil Moyer, parent of a student at Crest Drive Elementary School, found it hard to be optimistic. He likened closure of Crest Drive to "cutting off a healthy foot." He said Crest Drive parents had pored over the information provided by district staff and had questions on numbers that did not make sense to them. He feared that parents would just take their kids elsewhere. He noted that the Equity Committee had spoken twice in support of managing diversity through the school consolidations. He did not understand why race was even part of the equation.

Sasha Gaines spoke in support of the Institute of Modern Technology and the Science Technology Engineering and Math (STEM) program. She noted that the STEM program was unique; no other school had the program in the State of Oregon. She said NASA was preparing the science and math programs for the school. She believed that the school would have private school standards in a public school. She stated that currently she homeschooled her daughter and she had friends who homeschooled as well who were considering putting their kids into the charter school.

Shirina Gaines said her friend, Lucy, was homeschooled and took classes at Home Source and now she was thinking about going to the International School of Modern Technology.

Betty Snowden said there had been an experiment in which public schools in Baltimore had taken 20 at-risk kids to a school in Kenya that had been a smaller school with smaller classes. She stated that the kids had then excelled. She considered Ms. Luvert to be a good educator and she applauded her for having a vision on how to help the children. She urged the board to have faith and to support this vision of concern for their children. She understood that the International School of Modern Technology would not have it "easy," but she wanted the board to understand that the children who would attend the school were not children that the district would have otherwise. She asked the board to give the charter school application their approval.

Todd Glenz, owner of McKenzie Commercial Contractors, noted that his business had remodeled North and South Eugene High Schools. He said part of the proposed bond measure was to provide needed maintenance that would save money in the long run. He stated that one side benefit of the bond funds for capital improvements was that it would provide jobs to people who would then pay their taxes and support the schools.

Ayanna submitted a written comment: *I would like the board to consider how positively the International School of Modern Technology would affect our community. This school would individualize each student's educational experience and give students who do not "fit" into our regular school system box a place where they will not only learn but develop a love of learning. My children are in successful programs in the 4J school system, but have heard the talks of this school and are excited about the possibilities the school offers. I think ISMT would address the achievement gap at least for the students who would attend. ISMT would give students an opportunity to achieve at a higher level than current expectations for many students now. I truly hope that this school is given a chance to prove that the vision will benefit our district and community.*

COMMENTS BY EMPLOYEE GROUPS

Dayna Mitchell, Eugene Education Association (EEA), related their recommendation that the board move forward with recommendations that were bold, strategically sound, and that provided for a sustainable budget. She declared that now was the time "to have courage" and to make tough decisions, including closing and consolidating schools where needed. She stated that the EEA was confident that the board would do the right thing and take appropriate and necessary action.

ITEMS FOR INFORMATION

Receive an Update on Potential City Tax for Schools

On January 24, the Eugene City Council held a second work session to discuss the possibility of a city tax to help support Eugene and Bethel school district operations. The City Council was expected to provide some direction regarding whether they wish city staff or a newly appointed City Council Education Funding Subcommittee to further explore or develop an income tax or income tax surcharge proposal to refer to Eugene voters. Staff planned to 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 was finalized on January 25 and would be emailed to board members once it was released.

Barbara Bellamy, Chief of Staff and Communications Director, reported that the school district had been asked to work with city staff to determine a revenue amount. She understood that city staff would prepare a couple of options for the council to consider.

Mr. Smith explained that the funds would be dedicated to classroom use, staff ratio improvements, or furlough day relief. He said if the state declared that any money raised would offset the State School Fund, the tax would end, or if the schools found themselves adequately funded the tax would end, or the tax would sunset after six years.

Ms. Bellamy noted that this was part of Councilor Andrea Ortiz' motion.

Mr. Smith stated that staff was to report back on February 14 and the Bethel Board met on the previous meeting and would not meet until after the 14th. He said it was clear to everyone that the tax would not be collected until 2012 and would not be available until after April 15 of that year. He explained that the issue facing the district was how to bridge the gap until the revenue came in.

Ms. Geller ascertained that the council had asked the district for input only on the dollar amount.

Mr. Smith stated, in response to a question from Ms. Geller, that after the decision on February 14, the board would need to decide how to proceed with the bond measure. Ms. Bellamy added that the board had until March 16 to place something on the ballot.

Mr. Torrey urged them, along with the superintendent, to reach out to City Manager Jon Ruiz and Mayor Kitty Piercy to confirm their understandings of the meeting. He had heard a number of councilors ask what the school boards wanted. He understood one of the councilors to want the Bethel School District to hold a special meeting about it.

Mr. Smith was pretty certain they had only asked for input from boards by the day before their February meeting regarding the amount of revenue.

Ms. Geller said at some point the people would want to know if the board supported it.

Superintendent Russell believed that they wanted to know where the board stood and also what amount of revenue each district would want to see from that revenue source.

Receive Information Regarding a Proposed Bond Measure for Capital Improvements

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.

Because of principal and interest payments on the district's current debt obligations would 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 passed. 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 had yet to be determined, but staff was 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 was needed on the election date. This allowed for continued discussion of a potential city income tax measure for schools while also allowing bond measure planning to move 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 were now in the General Fund operating budget to bond funds if the measure was approved. This proposal was 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 were:

- ***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, minimized 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 planned to review a more detailed list of proposed bond projects at the January 25 meeting. The general categories and relative proposed funding for each were 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 the 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 address the 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.

Cost for bond issuance, construction contract administration and project management are included in these 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 per \$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 revenues 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 being asked for at the present 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 this meeting the 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 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 to approve a resolution referring the bond measure to voters at the May 17, 2011 election.

Jon Lauch, Director of Facilities Management, reviewed the information regarding the bond measure.

Mr. Torrey understood that Roosevelt Middle School had been specifically identified as a school to be replaced and asked what the capacity of the new school was projected to be. Mr. Lauch replied that it would be modeled after the Cal Young and Madison Middle Schools with a capacity of about 700 students.

Mr. Torrey ascertained that the school's current capacity was up to 1,000 students. He asked how much of the money to be spent on remodeling for consolidations. Mr. Lauch responded that \$4 million was slated to pay for that. He said adding Twin Oaks Elementary School to McCornack would require approximately six additional classrooms to be built onto McCornack, plus some additional space to the cafeteria, gymnasium, and storage space.

Mr. Torrey asked if passing the sustainable budget would mean that the board had elected to place the bond measure on the May ballot. Superintendent Russell clarified that the board would have to make a separate decision regarding the ballot measure. He indicated that his recommendation was to place the ballot measure on the May ballot but he thought it could be confusing to the public, should the City of Eugene decide to also place an income tax measure on the ballot. He noted that Bethel School District shared this concern.

Mr. Torrey did not think the board would get a decision on the income tax measure from the council unless it provided them the information they were looking for regarding whether the district would place a measure on the May ballot. He had a lot of concern that if they waited until after February 14th they might end up precluding one of the options. He strongly recommended that district staff and Mr. Smith reach out to the Mayor.

Ms. Levis understood that placing the ballot measure on the May ballot would save the taxpayers \$17 million. She asked how much revenue the income tax measure was seeking to raise. Superintendent Russell replied that it was proposed to raise between \$10 and \$12 million. He had some concern that this amount of taxes might motivate people to vote no. He explained that the amount would also depend on what kind of income tax it would be, such as whether it would be progressive. He had spoken with the Mayor on the previous evening and she indicated that the council's desire was to place the measure on the May ballot, because it might allow the district to mitigate and forestall the kinds of reductions that had been proposed in the sustainable budget.

Ms. Geller considered this to be an important conversation. She wanted to ensure the board had an adequate chance to discuss the bond measure as well as possible local revenue solutions. She understood that the board was not meeting again until February 9.

Mr. Smith thought they could schedule a special meeting, if necessary, but he felt it was difficult to know what to say given that they had nothing to react to at this point.

Mr. Torrey ascertained from Ms. Bellamy that the bond decision would not have to be made before March.

In response to a question from Ms. Geller, Chief Financial Officer Susan Fahey, reiterated that the savings to the taxpayers were due to American Recovery and Reinvestment Act (ARRA) funds that would not be available for a November ballot measure.

ITEMS FOR ACTION AT A FUTURE MEETING

Consider Approval of Public Charter School Application from Coburg Community Charter School

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 339.185, 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 teacher, 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 evidenced of support from parents/students, community member, 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, CCCS 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 the 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 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 8th Grade.

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 through 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 (ADM). 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 the January 19, 2011 meeting.

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

Carl Hermanns, Assistant Superintendent/Chief Operating Officer, reviewed the criteria stipulated by the state and by board policy, as included in the report. He stated that the superintendent and staff had recommended approval of the application from the Coburg Community Charter School subject to the award of a federal charter school planning grant and successful negotiation of a contract with the district. He related that the school had now submitted revised financial projections and staff had reviewed them and determined that the school could be financially viable though it had not been given the school planning grant.

In response to a question from Mr. Torrey, Financial Analysis and Budget Manager

Caroline Passerotti confirmed that the model for projecting financial stability at projected levels of state funding worked with a population of 120 students, but a 100-student scenario depended on other things, such as beneficial lease provisions.

Mr. Torrey surmised that they would need roughly \$90,000 to make up the difference should there only be 100 students.

In response to a question from Ms. Levis, Ms. Passerotti stated that the district had placed a number of conditions on the Network Charter School prior to its opening. Ms. Levis asked if the district had received any feedback from the school on whether this had made it more difficult. Ms. Passerotti replied that she had not heard any.

In response to a question from Mr. Smith, Ms. Passerotti said based on the district's proposed action to close Coburg Elementary School, the charter school was not being considered a conversion of a current school into a separate charter school.

Mr. Smith asked why the district was not charging market prices to lease the school. Mr. Hermanns responded that he understood that they intended to pay all of the expenses that the district needed to break even and then over the next three years the school was asking for a favorable lease arrangement. He said the first year the rent was proposed to be \$4,800 and then it would go up to \$24,000 in the second year.

Mr. Smith observed that this was not the discussion that they had in the sustainable budget context. Rather, he said, the focus was on renting district property for fair market value.

Disapprove the Public Charter School Application from College of Knowledge

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

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 (ADM). 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.

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.

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.

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 the January 19, 2011 meeting.

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

Mr. Hermanns reviewed the application from the College of Knowledge as it pertained to the criteria.

There were no questions.

Disapprove the Public Charter School Application from International School of Modern Technology

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

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.

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.

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.

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 the January 19, 2011 meeting.

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

Mr. Hermanns reviewed the application from the School of Modern Technology according to the criteria.

Ms. Levis ascertained that if any or all of the three applications were not supported by the board, they would have an opportunity to resubmit them.

Randy Harnisch, Legal Consultant on Charter Schools, cited the provisions regarding resubmission of the applications.

Ms. Geller noted that people had testified that the International School of Modern Technology would actually bring people into the district. She asked how the funding would flow in that case. Ms. Passerotti responded that the regular education students would become residents of the district sponsoring the charter school and any state funding would bring revenue to the district at a rate of 20 percent of the allocation per pupil.

In response to a follow-up question from Mr. Torrey, Ms. Passerotti clarified that the district would not be taking directly from another district, rather the money would be allocated from the state.

Ms. Hays asked how this would work for special education students. Ms. Passerotti replied that the law required that the students continue to be residents wherever the parents or guardian resided.

Ms. Hays asked if the three existing charter schools were bringing funding into the district. Ms. Passerotti stated that in two of the schools approximately 85 percent of the students were from in the district and in the third approximately 65 percent of the students were from within the district.

Ms. Walston observed that the International School of Modern Technology had proposed to bring back in some of the students that had "fallen through the cracks." She wondered if denying the application would cause the target group to be in a double bind. Mr. Hermanns replied that the recommendation to deny the application had been based on the proposal itself and had been more a result of omission in that there was not a clear description of how it would address the complexities of academic achievement.

Brad New echoed this and added that the proposal did not anticipate the kinds of problems that were known to exist in high school programs and the associated achievement levels, along with the interventions that could be required.

Mr. Smith commended staff on the thorough reports that had been provided to the board.

Approve the Superintendent's Sustainable Budget Final Recommendations and/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:

Final Recommendations

1. Reduce Staffing/Services & Programs

2011-12

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

2012-13

- TBD

2013-14

- TBD

2. Fewer School/Work Days

Final Recommendations

2011-12

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

2012-13

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

2013-14

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

3. School Closures/Consolidations

Final Recommendations

2011-12

- Close Coburg, Crest Drive and Parker Elementary Schools in 2011
- Consolidate Meadowlark at Willagillespie
- Move Charlemagne French Immersion School K through 5th grade to Parker
- Cost/Savings Target: \$1 million

2012-13

- Close Twin Oaks Elementary School

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

2013-14

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

Alternate Recommendations

2011-12

- Close Coburg, Adams Elementary Schools in 2011 (leaving Parker and Crest Drive open)
- Consolidate Meadowlark at Willagillespie
- Move Charlemagne French Immersion School K through 5th grade to Adams
- Cost/Savings Target: \$0.5 million, requires additional \$0.5 million 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: \$0.5 million

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. Material & Supplies/Services

Final Recommendations

2011-12

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

2012-13

- TBD

2013-14

- TBD

6. School Instruction/Redesign

Final Recommendations

2011-12

- Stakeholder Task Force to recommend reconfiguration to the 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: \$0.5 million

2012-13

- TBD

2013-14

- TBD

8. Reserves/One-time Funds

Final Recommendations

2011-12

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

2012-13

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

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
- General Fund Costs/Savings Target: \$1.7 million

2012-13

- Negotiate contract adjustments that minimize and contain ongoing costs to district

- GF Cost/Savings Target: TBD

2013-14

- TBD

10. Revenue Enhancements

Final Recommendations

2011-12

- Bond Measure \$130 million in May 2011 for critical needs, technology & new school (offload of General Fund = \$1 million)
- Increase community use fees by 20% (\$20,000)
- Lease closed schools to charters/others (\$200,000)
- Revenue Target: \$1.2 million General Fund

2012-13

- Sell Civic Stadium, Willard School, or other vacant facilities with 50% proceeds to the General Fund Reserve (\$3 to \$5 million)
- Local tax to support local schools in 2012-13 (\$10 million for 3 years) - November 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
- General Fund Costs/Savings Target: TBD

The superintendent recommends 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 reinstated 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: \$4 to \$6 million.

Superintendent Russell said the board materials, included above, summarized what would be in the final recommendation, along with alternate options. He did not anticipate that he would change the recommendations before the board considered approval, though some things were not yet firm. He noted that the \$500,000 from the Education Service District became more nebulous with the state cuts and that a 40 percent cut to materials and services would be problematic; 15 percent was more reasonable. He was troubled by the cuts to extracurricular

activities but thought it possible that the district could mitigate them should the city's potential revenue proposal be approved. He acknowledged that having the ballot measure and the income tax measure on the May ballot together could complicate matters. He added that further changes to the budget from the Governor's office could potentially impact the recommendations further.

COMMENTS AND COMMITTEE REPORTS BY INDIVIDUAL BOARD MEMBERS

Ms. Levis reported that the Equity Committee had met on the previous day. She said Bruce Stiller had reviewed the 4J Climate Survey for the group. She felt the committee had been given a great perspective on the information. She related that the Superintendent Search Committee was moving forward and would provide recommendations to the search consultants on January 27.

Ms. Hays said she had spent time with high school students in the Revolution Group. She related that they were making plans around student health and other things.

Ms. Walston stated that United Way had a Success by Six breakfast meeting, regarding the neighborhoods in Bethel and Springfield that United Way was focusing on using a model like the Harlem Plan. She said she had spent part of the day with the nutrition staff at Churchill High School. She related that they were making chili and marinara sauce using a lot of local products. She had also gone to have lunch at Edison Elementary and then at South Eugene High School and they had learned how menus were planned. She added that she had been Mr. Smith's guest at the Rotary Club earlier in the day.

Ms. Geller related that the Budget Committee had met so that the lay members could provide input on the recommendations. She had attended a conference in Wilsonville that focused on improving the lives of children in the state. She had spoken at sessions about running for the school board, stability of funding, and improving education. She had particularly enjoyed hearing Adam Davis, who worked for an opinion/research firm in Portland, who spoke about understanding the climate in which they were working. She said he stressed the importance of remembering that many people were not well-informed and that they needed to craft the messages they were giving so that people saw the connection between government and quality of life.

Ms. Gerot had attended an Oregon School Boards Association (OSBA) meeting during the previous weekend at which they had discussed legislative agendas. She said they had discussed the Class Project, the goal of which was to empower educators and raise student achievement, and had presented statistics regarding professional development and protected time for teachers to work together to plan and to look at individual students. She noted that some data had been provided to the board in their red folders. She had also attended the Superintendent Search Committee interviews earlier in the day. She had not heard a candidate express concern about decisions being made prior to their being hired and seated as superintendent.

Ms. Hays said she would be sending the board members a flier about a community conversation to be held at the University of Oregon that was seeking to start a community project to lessen the child abuse rates by 90 percent by 2030. She related that it was being called the 90 By 30 Project.

Mr. Smith said Springfield Superintendent Nancy Golden had also spoken before the Rotary Club and had indicated that the Springfield School District was facing some of the same funding issues the School District 4J was. He also noted that he had received over 400 email responses to the budget proposal thus far. He said the *ad hoc* committee appointed by the Eugene City Council had attended the council meeting on the previous evening and he had met with State Representative Phil Barnhart and State Senator Chris Edwards.

Mr. Smith observed that many people said if the school district would just wait to make changes based on the budget shortfall there would be more options, but when they voiced that feeling they did not tend to include what those options would be.

ADJOURN

Mr. Smith adjourned the meeting of the School District 4J School Board at 9:41 p.m.

George Russell
District Clerk

Craig Smith
Board Chair

(Recorded by Ruth Atcherson)