

Kentucky Board of Education, Special Meeting February 20, 2013

500 Mero Street, State Board Room, First Floor, Capital Plaza Tower, Frankfort, Kentucky

SUMMARY MINUTES

The Kentucky Board of Education held a special meeting on February 20, 2013, in the State Board Room, First Floor, Capital Plaza Tower, Frankfort, Kentucky. The board conducted the following business:

I. Call to Order - February 20, 2013 - 2:00 p.m. (EST)

Chair David Karem called the special meeting of the Kentucky Board of Education to order at 2:00 p.m. ET. Karem announced that the purpose of the special meeting is to consider the commissioner's recommendation to place the Monticello Independent School District under state management pursuant to KRS 158.789, 158,785 and 703 KAR 3:205. He also indicated that the meeting materials are posted on the board's online system as well as there being hard copy packets on the materials table.

II. Roll Call

Attendance Taken at 2:00 PM:

Present Board Members:

Leo Calderon
David Karem
Roger Marcum
Ms. Nawanna Privett
Brigitte Ramsey
William Twyman
Mary Gwen Wheeler

Absent Board Members:

Judy Gibbons
Jonathan Parrent
Robert King

III. Pursuant to KRS 158.780, 158.785 & 703 KAR 3:205, Consideration of Commissioner's Recommendation to place Monticello Independent Under State Management – Associate Commissioner Hiren Desai & staff (Summary of staff note and materials; 20-minutes followed by Questions and Answers); Monticello Independent Board of Education (20-minutes followed by Questions and Answers)

Coming forward for the Kentucky Department of Education were Associate Commissioner Hiren Desai, Division Director Kay Kennedy, Financial Consultant Gayle Bender and Staff Attorney Lisa

Lang. Chair Karem indicated that the department would have 20 minutes to present the background on this issue and highlight the data that was sent to the board in support of the commissioner's recommendation. Likewise, he said, representatives from the Monticello Independent Board of Education would have 20 minutes to present their data.

Lisa Lang began and gave the history of the issues that have occurred within the Monticello Independent School District as well as the legal background related to the situation. This included the fact that the district was put under state assistance in December 2012. She noted that the financial situation in the district is more dire than was suspected at first.

Associate Commissioner Desai then asked board members to go to the Staff Recommendation and Rationale section of the staff note where he would highlight the content. He commented that when the district was put under state assistance, it was thought that the financial situation could be handled in that manner; however, Desai said, afterward, the deficit was found to be larger at around \$1.1 million. He continued by going over the financial history of the situation and stated that one reason state management is being recommended is so funding can be advanced for the district to finish the year. Desai emphasized that the department can either assist the district in this manner or their students will receive no education for the rest of the year. He went on to say that if state management is not approved, the district will not make payroll on Feb. 28.

Chair Karem then asked where the dollars are coming from for this purpose.

Desai replied that staff met with the Governor's office staff and it was agreed that the department will advance the dollars to the district with funds identified by and agreed to with the Governor's Office.

Mary Gwen Wheeler asked if the district will be required to pay the dollars back and Desai responded that repayment would be required over time.

Roger Marcum then inquired if the district's transportation costs were too high.

Division Director Kay Kennedy replied that the district is being reimbursed \$200,000 and is spending \$400,000 due to the fact that they transport nonresident students. Gayle Bender clarified that Monticello is transporting 300 county students and Wayne County is transporting 300 city students.

Chair Karem then asked what the department sees as a solution to the financial situation that can be implemented by next fall.

Associate Commissioner Desai responded that department staff have struggled with the situation since December but cannot come up with workable recommendations for a self-sustaining financial plan. He indicated that the school district may want to cover this in their presentation. However, Desai pointed out that if it cannot be solved, merger would have to be considered.

Roger Marcum continued his inquiry on transportation asking what is typical when there is an independent/county agreement on nonresident students.

Kay Kennedy explained that transporting nonresident students is one way an independent district can attract students and it is not unusual for an independent district to transport these students. Hiren Desai added that if the enrollment increases, these costs can be absorbed but indicted the enrollment is flat here and in other independents across the state.

Then, Roger Marcum asked about the fact that personnel expenditures are 93% of the total budget, what the average percentage is in this area and how long the district has been in this high percentage range.

Director Kennedy replied that the personnel costs jumped up into the 90s during the past year and said that the percentage is generally in the 70-75% range.

Marcum went on to inquire about what caused the increase.

Gayle Bender responded that causes include the reduction in SEEK funding and the fact that ARRA funds ended without the commensurate reduction in staff that were paid for by ARRA.

Mary Gwen Wheeler then asked if there are other ways to cut capital expenses.

Ms. Bender replied that if the soccer field land sells, the dollars could go back into the general fund.

Brigitte Ramsey inquired whether there is a plan for cost savings for the rest of the year.

Ms. Bender replied affirmatively and said it is through the hiring freeze and spending freeze.

At this point, representatives of the Monticello Independent School District came forward to give their presentation. Board Attorney Winter Huff introduced Board Member Nancy Duncan, Finance Officer Bill Boyd and Curriculum Supervisor John Chapman. She then indicated that the district acknowledges mistakes have been made in the past and that they are responsible for the current situation. Huff also noted that the district is very appreciative of the assistance that the department has given. She then asked Mr. Boyd to provide an update on the financial work that has been going on.

Mr. Boyd said that he has been working with a committee that the local board created last month to come up with efficiencies and revenue enhancements. He noted that the board has adopted a salary schedule at its last meeting to reduce expenditures by \$600,000 per year and will also be providing minimum staffing levels for school councils. Boyd commented that district-wide positions are being examined and property that is owned is being reviewed to see if any can be sold. He said the work has reduced the deficit to between \$400,000 and \$500,000 and the committee is diligently trying to come up with a viable plan.

Next, Board Member Nancy Duncan emphasized that the local board is committed to resolving the financial and academic problems. She talked about the culture of the district and its commitment to

its students. Duncan stated that the local board pledges to listen to guidance and learn from past mistakes.

Curriculum Supervisor John Chapman then used a PowerPoint presentation to talk about the curriculum and instruction work going on in the district and the progress that is being made.

Chair Karem then opened the floor up to questions by board members.

Bill Twyman asked if students had been impacted by the uncertain future of the district due to the financial issues.

Mr. Chapman replied that students are worried about the future of the district.

Nawanna Privett inquired if any plans are in place to help students keep focused on learning.

Mr. Chapman responded that several faculty meetings have been devoted to this, celebrations of positive events have occurred and at the January local board meeting many students attended to hear the facts of the situation and express their opinions.

Next, Roger Marcum noted that he appreciated the board member saying that mistakes have been made along the way but said he did not understand why the local board is just now getting around to correcting some of these situations when some of this has gone on for three years.

Board Counsel Winter Huff replied that the current members of the board were not the ones that caused the situation and said that much of it occurred due to poor information, lack of advice and not enough questioning.

Marcum continued by saying some of the members were on the board when the purchase of the property occurred without state approval.

Huff responded that two were on the board but were not given accurate information. She emphasized that the local board is in support of state management and looking forward to working with a state manager.

Chair David Karem interjected that the local board needs to understand that adopting the compensating rate is not appropriate and they should approve the 4% tax rate.

Roger Marcum added that the local board took the compensating rate for four of the last six years. He also commented that loving and supporting students does not necessarily mean that the needs of all students are being met and the district must do a quality job in educating all students. Marcum emphasized that the local board must take the responsibility to see detailed information on all issues.

IV. Final deliberation and decision by the Kentucky Board of Education (20-minutes with any final Q and A) - Action/Discussion Item

At this point in the meeting, Chair Karem asked for a motion, second and vote regarding state management for Monticello Independent.

Motion Passed: Pursuant to KRS 158.780, 158.785 & 703 KAR 3:205, approval of the commissioner's recommendation to place Monticello Independent under state management passed with a motion by Roger Marcum and a second by Brigitte Ramsey.

Leo Calderon	Yes
Judy Gibbons	Absent
David Karem	Yes
Roger Marcum	Yes
Jonathan Parrent	Absent
Ms. Nawanna Privett	Yes
Brigitte Ramsey	Yes
William Twyman	Yes
Mary Gwen Wheeler	Yes

After the vote, Brigitte Ramsey asked when the board would be dealing with the need for financial management training for local board members and revisiting the training of local board members in general.

Associate Commissioner Hiren Desai replied that he and his staff will be bringing forward the training regulation in April for its first reading.

Mary Gwen Wheeler was then recognized and commented that Monticello Independent must think about possible tough decisions for the future and how resources can best be used.

V. Adjourn

Chair Karem asked for a motion, second and vote to adjourn the meeting.

Motion Passed: Adjournment of the meeting passed with a motion by William Twyman and a second by Roger Marcum.

Leo Calderon	Yes
Judy Gibbons	Absent
David Karem	Yes
Roger Marcum	Yes
Jonathan Parrent	Absent
Ms. Nawanna Privett	Yes
Brigitte Ramsey	Yes
William Twyman	Yes
Mary Gwen Wheeler	Yes