

MINUTES
ESD Coordinating Board
Public Hearing

Wednesday, October 3, 2007
1:30 p.m. at ESD 112, Vancouver, WA

A meeting of the ESD Coordinating Board was called to order by Chairman Howard Coble at 1:30 p.m.

ESD Coordinating Board Members present:

Robert Bauer, ESD 101
Maggie Perez, ESD 105
Dr. Richard Graham, ESD 112 (substitute for Bill Baumann)
Dr. Howard Coble, ESD 113 and Chair
Katie Proteau, Olympic ESD 114
Brad Gingerich, ESD 123
Randy Johnston, North Central ESD 171
Gordon Griggs, Northwest ESD 189

ESD Superintendents present:

Dr. Terry Munther, ESD 101
Dr. Jane Gutting, ESD 105
Dr. Twyla Barnes, ESD 112
Dr. Bill Keim, ESD 113
Dr. Walt Bigby, Olympic ESD 114
Dr. Monte Bridges, Puget Sound ESD 121
Bruce Hawkins, ESD 123
Dr. Rich McBride, Northwest ESD 171
Dr. Jerry Jenkins, Northwest ESD 189

Board Members not present:

Ken Seng, Puget Sound ESD 121

Moved/Seconded/Carried/Bauer/Perez to approve the June 26, 2007 minutes.

Remote sites were checked and found to be operational.

Chairman Coble provided an overview of the afternoon's public hearing. He explained that the summary of the auditor's recommendations (released September 18, 2007) would be reviewed by the ESD Coordinating Board and a plan of action would be determined. A report will be provided in July of 2008.

Chairman Coble read a general opening statement into the record, which stated the following:

"Good afternoon. The nine Educational Service Districts in Washington have invested nearly a year – and significant resources – responding to the state-mandated performance audit. The end result is a report confirming the value of our statewide ESD system. Ten previous studies since 1969 reached the same conclusion.

We are pleased that the audit validates the ESDs' outstanding cost efficiencies and quality programs. The ESDs were commended for:

- providing quality services that meet the needs of school districts.
- leadership of administrators and board members who possess rich experience, high integrity and the knowledge necessary to lead effective 21st century organizations.
- effective controls over fiscal operations including budgeting practices.
- organizational models that meet the needs of participating districts and provide effective services related to program delivery.

In addition, customer surveys evidenced high levels of satisfaction with ESDs for their service delivery, responsiveness and efficiency.

To put this report in proper perspective, it is important to note some important facts:

1. The single most important fiscal issue confronting ESDs is the lack of state funding – or what ESDs refer to as core funding - , given the number of statutory requirements as well as service expectations and needs of school districts. While the report references erratic funding revenues among ESDs in the state, the

lack of core funding is at the heart of this issue. Ideally, the report would have examined this critical topic in significant detail.

2. ESDs are not state agencies – they are political subdivisions – and they are not fully funded like state agencies. Accordingly, their finances and performance cannot be evaluated in the same manner as an agency drawing most, if not all, of its funding directly from the state. In reality, ESDs received only 2% of their revenue by direct state allocation in the year audited. The remaining 98% was generated through the ESDs’ entrepreneurial efforts, which bring millions of dollars into our state education system each year. For example, in 2006, the state allocated \$3.7 million to support ESDs. This funding provided seed money to generate more than \$205 million in programs and services for schools and children. By any standard, this is an outstanding rate of return.
3. The nine ESDs are similar in their mission, statutory duties and some of the services they provide. At the same time, each is unique, providing specific services tailored to meet the needs of their local districts. This regional focus, so critical to the success of school districts in our regions, makes it difficult to compare one ESD to the other or apply global standards and recommendations.
4. Local schools are under no obligation to use or purchase ESD services. Strong school district participation and support for ESD services testifies to the ESDs’ quality, effectiveness and vital role in the state K-12 system.
5. Within the report, the authors have identified an umbrella category of “cost savings” which they identify as a combination of two things: 1) potential cuts in expenditures and 2) potential new revenue sources. We believe the two categories would be more accurately considered as distinctly separate, independent items. Indeed, new revenue-generation benefiting local districts (recommended in the report) would not necessarily impact ESD revenues or expenditures.
6. There are identified errors in the report that have not been corrected by the State Auditor’s Office, and some of the recommendations are based on opinions, not facts. Furthermore,

there were significant inconsistencies across the individual ESD audits, as conducted by the various audit teams.

In addition to these clarifications, it is important to note that the nine ESDs support accountability, openness and continuous improvement. Indeed these qualities have been demonstrated since the inception of ESDs in Washington State 38 years ago.

We understand the difficulty and complexity of auditing nine different agencies that are responsive to their individual regions. We also recognize the difficulty for all concerned in being the first educational entities to undergo performance audits. In the end, this foundational experience will assist the state in crafting and refining future audits.

The individual ESDs will be taking the various recommendations under consideration and will report back, as required, in July 2008.”

[end of statement]

Dr. Bill Keim provided an overview of the structure of the summary. Chapter 2 addressed geographic distribution of ESDs. It contained two commendations and two recommendations. Chapter 3 provided an overview of governance and management functions of the ESDs. One commendation and six recommendations were provided; Chapter 4 reported on the financial management and reporting and contract management. One commendation and six recommendations were provided; Chapter 5 reported on the program delivery of ESDs throughout the State. One commendation and six recommendations were provided; Chapter 6 described the management functions which gave no commendations and seven recommendations; Chapter 7 reported on facilities management and gave one commendation and ten recommendations. Finally, Chapter 8 provided technology reviews and gave nine recommendations.

Chairman Coble clarified that the public hearing was only on the global report. He reported that the House Appropriations and General Government audit subcommittee held a hearing last week focusing on the global report. Some ESDs have held their individual public hearings on their reports.

It will take some time to sort out and analyze the differences between the responsibilities of the global system and those of the individual ESD agencies.

Chairman Coble introduced the individual board members present and a roll call was taken. Chairman Coble then stated the board would take comments from the public. The public was asked to keep their comments between 3-5 minutes.

Public hearing testimony:

ESD 112: no public comments.

ESD 101: no public comments.

ESD 105: one member provided testimony.

ESD 113: no public comments

Olympic ESD 114: no public comments

Puget Sound ESD 121: no public comments

ESD 123: No public comments

North Central ESD 171: No public comments

Northwest ESD 189: No public comments

Dr. Keim stated the items highlighted in the audit report would be addressed in the AESD's strategic plan, specifically related to legislative, partnerships and the system of ESDs. The AESD will be the body to report on the progress.

Moved/Seconded/Carried/Johnston/Gingerich to ask the AESD Executive Board and the nine ESD superintendents to develop recommendations and strategies and report back to the ESD Coordinating Board by July 8, 2008 specifically regarding those recommendations that will not be implemented along with the rationale for that decision; those recommendations that have been completed during the 2007-08 school year along with a description of work completed; and, those recommendations that were partially implemented during the 2007-08 school year along with a description of work completed and the anticipated 2008-09 work plan.

Chairman Coble closed the hearing by stating that this effort was both expensive and complicated and the ESDs are assuming responsibilities and costs in implementing the recommendations.

There being no further business, the hearing adjourned at 1:56 p.m.

Respectfully submitted,

Cindy Sands
Recording Secretary