

MEMORANDUM OF UNDERSTANDING (MOU)

Between

The State of Alaska, acting by and through the University of Alaska Anchorage on behalf of the Center for Alaska Education Policy Research located at the Institute of Social and Economic Research, hereinafter referred to as "CAEPR".

and

The State of Alaska, Department of Administration, Division of Personnel Labor Relations, hereinafter referred to as "DOPLR".

Authority: Alaska Statute AS 36.30.730 "Intergovernmental Relations - Supply of Personnel, Information, and Technical Services".

I. BACKGROUND

House Bill 278, Sec. 52, instructs the Department of Administration to "present to the legislature a written proposal for a salary and benefits schedule for school districts, including an evaluation of, and recommendations for, teacher tenure." June 15, 2015, is the deadline for this project.

Education policymakers in Alaska are challenged to provide education programs of comparable quality across our diverse state. Success toward this goal is partly dependent upon school districts' ability to staff their schools with personnel of comparable quality. The product developed from the work procured through this agreement will be a salary and benefits proposal that calculates the salary and benefits a district needs to offer to employ school district personnel of comparable quality across localities.

Alaska has 53 school districts managing and operating our state's system of public schools. Those districts serve approximately 130,000 students in approximately 500 schools. These districts vary greatly in terms of enrollment, size, and geographic location. Most of Alaska's school districts are relatively small in terms of enrollment. Two-thirds of the state's school districts educate fewer than 500 students each. School districts are defined as two separate types: City and Borough Districts (34 total), and Regional Attendance Areas (REAA, 19 total).

A difference between city and borough districts and REAAs is that REAAs are in unincorporated villages and territories, which do not have the authority to tax. Therefore, these districts rely primarily upon nonlocal revenues to support their education programs. In contrast, the city and borough districts are fiscally dependent upon local government. As a result, they may receive local tax revenues from the city council or borough assembly, which alone has the authority to levy local taxes.

Alaska considers itself to be a "local control" state regarding public education, and most decisions regarding the management and operation of schools are made at the district level.

Currently, each district determines salaries and most benefits for its employees, usually through a negotiated agreement process with employee labor associations. As such, compensation paid to each otherwise comparable teacher, administrator, paraprofessional, or other staff is different, depending on the district. Despite significant variation in each district's overall cost of recruiting and employing comparable personnel, most districts' compensation plans are remarkably similar, although all vary somewhat.

However, the contexts in which these jobs are performed vary dramatically. For example, many districts in rural and remote locations in our state experience difficulty recruiting and retaining certified personnel, while Alaska's urban cities experience relatively low staff turnover and a high number of applicants when positions do open. Economists and education policymakers recognize that the relative costs of providing equitable educational programs in remote sites – including personnel costs – are significantly different than those of urban areas. Accordingly, Alaska's education aid formula has been developed to reflect differences in the relative cost of delivering comparable education services in our state's 53 school districts through a District Cost Factor component (AS 14.17.460). The purpose of this differential is to equalize the real value of education funding in order to remove inequities caused by regional differences in the cost of school operations. Currently, each district's cost factor also includes an estimation as to its relative cost of employing certified personnel of comparable quality to Anchorage.

Many challenges exist for designing a salary and benefits schedule for school districts that works best for all school districts. One of the many challenges is how to account for geographic differences in access to amenities, school and district characteristics, and prices of consumer goods both within and between school districts, which affect a district's ability to employ school personnel of comparable quality to those in Anchorage. Another is how to structure a standardized compensation plan for the otherwise unstandardized system inherent within local control. Challenges also exist for making a recommendation for teacher tenure, especially during this time when districts are adapting to new state evaluation requirements.

DOPLR views this project as an opportunity to present a plan that is intended to improve remote school districts' ability to employ qualified, experienced, and effective staff while simultaneously helping the state account for growth in education spending and control costs.

II. PURPOSE & SCOPE

The purpose of this MOU is to clearly identify the roles and responsibilities of each party as they relate to the written proposal for salary and benefits schedule for Alaska school districts.

Per House Bill 278, Sec. 52, the State of Alaska Department of Administration is responsible for developing a written proposal for a salary and benefits schedule for school districts. A related assignment is to evaluate teacher tenure policy and propose recommendations. DOPLR is forming an agreement with CAEPR to conduct the required work. DOPLR anticipates that the final written proposal for a salary and benefits schedule for school districts will include the following three main parts:

- *Geographic cost differentials for school district personnel;*
- *Base compensation schedules for teachers and principals;*
- *Different benefits school districts offer their employees and their costs.*

DOPLR anticipates that some districts in Alaska will have significant variation within their district in the relative costs of recruiting and retaining employees of comparable quality to those in Anchorage. For example, Lower Kuskokwim School District serves both Bethel, a hub city with many amenities, and several outlying communities with fewer amenities, including Newtok and Toksook Bay. Thus, it is expected that part of the research method will be screening all districts using a reliable, valid, and defensible method to determine whether significant variation in the relative cost of recruiting and retaining employees of comparable quality exists between sites within the district. CAEPR is expected to describe its method for defining and measuring significant intra-district variation. In districts where significant intra-district variation is found to exist, CAEPR is expected to develop geographic cost differentials for each site within the district. Otherwise, geographic cost differentials can be determined for whole district.

Determining a statewide salary and geographic differentials for some types of school district personnel cannot be done with the type of modeling that has been developed for certified staff. There is such a range of classified work that it is difficult to account for all the categories, and more importantly, there isn't a labor market in some villages for many of these positions. CAEPR's modeling technique relies on a labor market. The other group of jobs CAEPR can't model are related services providers. Another challenge will be superintendents, because there are only 53 of them at any given time, and their scope of work and the administrative support available to them varies greatly by district. The other issue is the number is so small that statistical modeling isn't precise. CAEPR will suggest alternative methodologies for those jobs, and work with DOPLR to determine how best to proceed. CAEPR will include the development of the methodologies in the budget for this proposal.

Final recommendations to the legislature regarding teacher tenure will come from the Commissioner of the Department of Administration. To help the commissioner form appropriate recommendations, DOPLR is requesting CAEPR to research stakeholder perceptions, tenure policy in other states, the extent to which tenure decisions are, will be, and should be based on teacher evaluation ratings and on student achievement measures; provide recommendations based on this research; and provide supporting documentation.

This MOU is intended to identify the Project Tasks and Deliverables as follows:

Project Tasks

CAEPR is expected to provide the following Project Tasks:

I. Research

CAEPR will be responsible for developing all aspects of the project work plan and project work schedule necessary for producing the required written proposal and tenure recommendations. Examples of key questions to be considered, researched, and reported on:

- *How is comparable quality regarding school district personnel defined and measured;*
- *What salaries and benefits do different school districts need to offer in order to employ personnel of comparable quality;*
- *What are the similarities and differences between the certified and classified labor markets in districts in Alaska;*

- *What jobs can be appropriately modeled with the approach used in the 2003 ISER School Cost study, and which ones cannot;*
- *How would standardized salary and benefits schedules for school districts affect the process school districts use when planning future budgets;*
- *How would standardized salary and benefits schedules for school districts affect the ability of the state government to project and control future funding needs;*
- *Of what value to school districts are the education and experience of its employees;*
- *What, if any, pay incentives have merit and deserve consideration;*
- *How does district size affect the duties associated with being superintendent;*
- *Where housing is provided, to what extent is it appropriately considered a benefit;*
- *What is the purpose and value of tenure; and,*
- *How might changes in tenure policies affect the salaries necessary to attract and retain qualified personnel?*

II. Stakeholder Involvement

CAEPR's research methodology is expected to include information from various agencies and stakeholders with vested interest the project. It is critical that a large cross-section of stakeholders and school districts be surveyed, in order to adequately reflect a full spectrum of knowledge and opinion. Examples of key questions to be considered, researched, and reported on:

- *What perspectives exist among different stakeholder groups regarding the value and purpose of teacher tenure;*
- *What perspectives exist among different stakeholder groups regarding the extent current tenure statute is problematic and the extent of the problem; and,*
- *What perspectives exist among stakeholders regarding salaries and benefits different school districts need to offer in order to employ personnel of comparable quality across localities?*

III. Report Format and Content

CAEPR will be responsible for insuring that the research methodology and resulting study outcomes be clearly communicated in the final products.

IV. Travel

DOPLR anticipates that members of the research team will be, at a minimum, expected to travel to Juneau to present its findings to the state legislature. CAEPR should define other travel requirements it deems necessary. The development and coordination of all travel plans will be CAEPR's responsibility. All transportation, lodging, and per diem travel costs should be budgeted for in the agreement.

V. Progress Reports

Progress reports to the project coordinator will be required at least twice monthly, and should reflect the following:

- *Progress toward the objectives outlined in the agreement;*
- *Successes and failures in implementing the agreed upon research methodology;*
- *Requests for additional data or information.*

VI. Meeting Schedules

The project coordinator will be informed on any significant meetings that may need to be attended. Advance notice should be given in cases where travel arrangements may be necessary.

Deliverables

Due to the sensitive nature of this study, the end results must be reliable, valid, and defensible. The development and implementation of methods that result in a reliable, valid, and defensible report is critical to the success of this project. CAEPR is expected to provide the following deliverables:

- I.** *Provide the project coordinator a work plan within 30 days of the start of the project work period.*
- II.** *Throughout this duration of this contract, CAEPR personnel will be expected to be available to meet regularly – either telephonically or in person – with the project coordinator to discuss developments in planning and execution of research. There may be periods when communication needs to be on increased frequency.*
- III.** *Submit twice-monthly progress reports to the project coordinator. Progress reports can be e-mailed and should include a summation of all relevant work conducted by CAEPR during the reporting period and should reflect the successes or failures of adhering to timelines and project objectives.*
- IV.** *Develop valid, reliable, and defensible geographic cost differentials for different subgroups of school district personnel in different school districts in Alaska or, if deemed appropriate, sites within a school district. Geographic cost differentials can be calculated for a whole district where significant variation between its sites is found not to exist. Where significant variation between sites within a district is found to exist, a geographic cost differential must be determined for each site. CAEPR is expected to determine geographic cost differentials through the use of a valid, reliable, and defensible method, and use a valid, reliable, and defensible method to measure whether significant intra-district variation exists.*
- V.** *Develop base salary and benefit schedules for teachers and principals. CAEPR is expected to use valid, reliable, and defensible methods to develop these schedules.*
- VI.** *Describe the position of superintendent within Alaska school districts, how superintendent duties differ across school districts in Alaska, and how superintendent compensation is currently determined. Develop a list of alternative methods for determining superintendent compensation.*

VII. Prepare a list of different benefit options school districts offer their employees and their associated costs. Such options can reflect those commonly offered by districts already and others that CAEPR researchers deem valuable, or wise, or otherwise important.

VIII. Provide recommendations to DOPLR regarding teacher tenure policy that is based on research. Part of the research CAEPR will be expected to conduct is surveys assessing how different stakeholder groups perceive tenure.

IX. Describe the similarities and differences between the certified and classified labor markets in Alaska. CAEPR is expected to describe the labor market for related service providers in Alaska.

X. Submit a draft of its work by e-mail by April 27, 2015, to allow Department of Administration staff a period of review and discussion with CAEPR researchers.

XI. Participate in a period of stakeholder review and written comment by May 11 to May 22, 2015. This period will allow stakeholders the opportunity to review CAEPR's work and provide written comment before it is finalized and presented to the legislature.

XII. Submit a final draft to DOPLR staff by June 1, 2015.

XIII. Be available to present and discuss the report findings in person to the legislature on or by June 15, 2015. CAEPR is expected to be available to present its research and findings at other times at DOPLR's request.

XIV. Notify the project coordinator of any alterations made to the project schedule or scope of work as soon as possible.

III. Tentative Work Schedule

The following is a tentative breakdown of the timeline anticipated for the project:

Schedule

- *Pre-agreement meeting: October 8, 2014;*
- *Work period: November 1, 2014 to June 30, 2015.*

Meetings with stakeholders in fall of 2014 and winter of 2015, for example:

- ✓ *AASB conference in Anchorage: morning of Friday, November 7, 2014;*
- ✓ *AASB Winter Academy in Anchorage: morning of Saturday, December 13, 2014; and,*
- ✓ *Alaska Superintendents Association Legislative Fly-In: March 8-10, 2015.*

- *DOPLR review of CAEPR proposal and discussion period by: April 27 to May 1, 2015;*
- *Other stakeholders review CAEPR proposal and comment period by: May 11 to May 22, 2015;*
- *CAEPR submits final draft by: June 1, 2015;*
- *Presentation to the legislature by: June 15, 2015*
- *Agreement concludes June 30, 2015.*

IV. COST AND PAYMENT

DOPLR will directly pay (reimburse) the University of Alaska Anchorage a total of \$93,000 for the project. Contracting and invoicing will be through a Reimbursable Services Agreement executed between UAA and DOA.

V. CAEPR RESPONSIBILITIES UNDER THIS MOU

CAEPR shall undertake the following activities:

Role Descriptions

CAEPR will lead a research team of multi-disciplined and qualified researchers who will prepare a written proposal for a salary and benefits schedule for school districts as outlined in this agreement. CAEPR will also evaluate teacher tenure policies, assess stakeholder perceptions, and provide recommendations for teacher tenure. CAEPR is expected to be available to present the proposal to the legislature no later than June 15, 2015.

The CAEPR team will include: Matt Berman, Professor of Economics, an economist with 30 years of experience in Alaska including school finance studies in the 1990s and 2005; Diane Hirshberg, Professor of Education Policy, an education specialist with 11 years of research in Alaska on school reform and education policy issues; Alexandra Hill, Senior Research Associate, a policy researcher with over 25 years' experience at JSER and CAEPR, including 15 working on education policy issues, and whose work includes compiling and analyzing teacher turnover data.

VI. DOPLR RESPONSIBILITIES UNDER THIS MOU

DOPLR shall undertake the following activities:

Role Descriptions

DOPLR will track the progress of this project and oversee its successful completion. DOPLR will help CAEPR access information it needs for the successful completion of this project. DOPLR will help prepare for and participate in presentations, information gathering activities, and meetings related to this project. DOPLR will review the work submitted by CAEPR. The Commissioner of the Department of Administration will provide the requested recommendations for teacher tenure to the legislature.

The DOPLR team will be led by the deputy commissioner of the Department of Administration, the director of the Division of Personnel and Labor Relations, and a research analyst.

**VII. IT IS MUTUALLY UNDERSTOOD AND AGREED BY AND
BETWEEN THE PARTIES THAT:**

Modification

Either party may request modifications to deliverables or schedules as it pertains to the work-flow and process of the requested project. These modifications can be mutually agreed upon by any means deemed appropriate by the State or CAEPR Project Director.

Termination

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. In the absence of a breach of contract by the contractor, the State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

VIII. EFFECTIVE DATE AND SIGNATURE

This MOU shall be in effect upon the signature of CAEPR's and DOPLR's authorized officials. It shall be in force from *November 1, 2014* to *June 30, 2015*.

CAEPR and DOPLR affirm to this agreement with this MOU by their signatures.

Signatures and dates

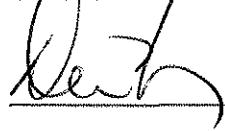
University of Alaska Anchorage

DOPLR

 11/18/14
Date

 11/14/14
Date

CAEPR

 11/18/14
Date