

Session

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ALASKA STATE LEGISLATURE



Chair: Special Committee on Energy
Co-Chair: Community & Regional Affairs
Vice-Chair: Labor & Commerce Committee
Member: Resources Committee
Member: Ways & Means Committee

REPRESENTATIVE CALVIN SCHRAGE

MEMORANDUM

TO: Senator Natasha von Imhof
Chair, Legislative Budget and Audit Committee

Representative Chris Tuck
Co-Chair, Legislative Budget and Audit Committee

FROM: Representative Calvin Schrage

DATE: Dec 11th, 2022

RE: ISER geographic school district cost factory study funding request

Dear Senator von Imhof, Representative Tuck, and Members of the Committee,

I respectfully request that the Legislative Budget and Audit Committee allocate funding in the amount of \$180,000 to commission a study with the Institute of Social and Economic Research (ISER) to analyze and update prior findings for the current geographic school district cost factors. ISER has indicated that a period of 12 to 18 months, beginning Summer 2023, would be adequate in order to complete the scope of this study and provide the committee a full report. Dayna Jean DeFeo, Assistant Professor of Education Policy and Matt Berman, Professor of Economics at the University of Alaska Anchorage are planned to serve as head researchers for this study.

BACKGROUND

The current geographic differential in Alaska's foundation formula was originally calculated by the American Institutes of Research (AIR) in 2003 and was revised and updated by UAA's Institute of Social and Economic Research (ISER) in 2005.

The differential considers variations in costs between districts for four major types of district expenditures: personnel services; energy services; supplies, materials, and small capital items; and travel (as it affects maintenance services, administrative oversight of school operations, district-level meetings for professional staff, and statewide professional meetings). Those four components are further broken down into 12 more detailed categories. The geographic

differential is calculated by a formula that includes the relative costs (each district relative to Anchorage) of each of the 12 categories and the relative (to Anchorage) budget share for each district for each category. The table below shows the major and detailed components; the revisions made by the ISER 2005 study, and the relevant dates of data used to calculate the differential in use today.

As the table below shows, most of the data used in calculating the geographic cost differential currently in use are more than 15 years old. However, the cost of energy and other costs have varied widely since 2003. Also, a 2015 ISER report that looked at teacher compensation and tenure re-estimated the teacher salary component of the cost differential and found changes in the relative cost to attract a qualified teaching force, compared to the 2005 study.

Reports detailing the specific methods for calculating these costs are available at the Legislative Budget and Audit website, under ‘Publications’: <http://lba.akleg.gov/documents/publications/>

GEOGRAPHIC COST DIFFERENTIAL COMPONENTS

Major component	Detailed-component	ISER revision	Data used now
Personnel	1. Classified staff	None	FY99 - FY02
	2. Certified staff (teachers)	Updated data and changed model to account for variation in districts' ability to attract qualified candidates	FY99-FY04
	3. Administrators	Updated data and combined with teachers (using revised model)	FY99-FY04
Energy costs	4. Energy cost model	Replaced the cost model with actual costs; updated data	FY00 to FY03
Supplies and small capital items	5. Paper	none	FY02
	6. Windows	none	FY02
Travel (non-student)	7. Travel, teacher school to district office	none	FY02
	8. Travel, teacher, district office to Anchorage	none	FY02
	9. Travel, school admin, schools to district office	none	FY02
	10. Travel, superintendent, district office to Anchorage	none	FY02
	11. Travel, district admin. to schools	None	FY02
	12. Travel, Maintenance, district off or center of commerce to schools	None	FY02
Budget shares used to weight components	Relevant shares applied to each of the 12 components	updated	Average, FY00 to FY03

WORK PLAN

ISER will need to collect updated data on all the items detailed above, incorporate that data into the existing models and formulae, and report the results. The tasks are described below:

DATA COLLECTION

Community data: ISER will compile data on demographics, labor force participation, wages, economics, weather, community access, travel costs, and alcohol control.

DEED Data: ISER will request the following from EED: certified staff database for FY15-21; classified staff database from FY13 – 21; detailed audited operating fund expenditures by district for FY08 – 21, and information about districts' staff vacancies when school opens each year.

Data from school districts: Following the approach taken by AIR, ISER will survey school districts on their costs for various types of travel, for paper (as a proxy for instructional supplies); for windows (as a proxy for small capital and maintenance supplies), and for information about hiring challenges and staff shortages.

ANALYSIS

Classified staff: (follows AIR study methodology) ISER will update and revise AIR study's hedonic wage model for classified staff. (component 1)

Certified staff (follows 2015 ISER study methodology): ISER will update our 2015 analysis of relative teacher costs across districts. Where the 2015 study produced community-level cost relatives, this study will only produce district-level cost relatives. Teachers and administrators will be considered in a single model (as was the case in 2005); this is an extension of the 2015 study that excluded administrators. (components 2 and 3)

Energy (follows 2005 ISER study methodology): In 2005, we used the average from FY00 through FY03 of actual energy costs per student for each district. ISER will update this calculation for the five most recent years available, and also to examine how this estimation of energy cost relative varied over the most recent 10 years of data. (component 4)

Supplies and small capital; Travel costs (follows AIR study methodology): Using both data collected from districts and ISER-compiled data, we will follow the process described in AIR's report to calculate the costs relative for those columns (components 5 through 12)

Budget Shares: (follows AIR study methodology) ISER will use the AIR-developed matrix (revised if necessary to adjust to any changes in how the data are reported) to determine budget shares by district over the last decade, will analyze the variation over that time, and document an appropriate time period for averaging the shares to use in calculating the differential.

CONSIDERATIONS FOR FUTURE UPDATES

ISER will review methodologies used in other states for geographic cost differentials, and report on potential approaches to a more cost-effective approach to future updates of the geographic differential.

PURPOSE OF REQUEST

The purpose of this request is for the Legislative Budget and Audit Committee to allocate a sum of \$180,000 to contract a study on school district cost factors used to determine public education funding under AS 14.17.460. The Legislative Budget and Audit Committee is requested to submit a report summarizing the study to the chief clerk of the house of representatives and senate secretary not later than December 31, 2024, and notify the legislature that the report is available. The Legislative Budget and Audit Committee

- (1) shall base the study on the cost of providing education in each school district, including the cost of providing education in each school district, including the cost of classroom instruction and administrative support, the cost of a school lunch program, the cost of school materials and supplies, the cost of transportation, and other costs that relate directly or indirectly to the operation of a school;
- (2) shall use Anchorage as a base value for comparing costs among school districts; and
- (3) may consider information from state, federal, or private sources to document cost differentials among school districts.

Sincerely,



Representative Calvin Schrage
House District 25, Anchorage