

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON EDUCATION**

January 30, 2002

8:04 a.m.

**MEMBERS PRESENT**

Representative Con Bunde, Chair  
Representative Brian Porter  
Representative Joe Green  
Representative Peggy Wilson  
Representative Gary Stevens  
Representative Reggie Joule  
Representative Gretchen Guess

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative William K. "Bill" Williams

**COMMITTEE CALENDAR**

HOUSE BILL NO. 312

"An Act relating to the delay of the reduction of supplementary public school funding; and providing for an effective date."

- MOVED HB 312 OUT OF COMMITTEE

WORK SESSION ON TEACHER SHORTAGE:

Rehiring of Retired Teachers [What Will Become HB 416]  
Teacher and Principal Mentoring

- HEARD

Service Learning Program/Wrangell Schools  
Health & Liability Insurance Costs  
Rural Regional Training Centers  
In-service Requirements  
Development of School Districts' Geographic Boundaries  
Changing High School Hours to Begin Later  
Improving Student Attendance  
Extending School Year by 3 Days

- SCHEDULED BUT NOT HEARD

Teacher Housing

- CANCELED

**PREVIOUS ACTION**

BILL: HB 312

SHORT TITLE: SUPPLEMENTARY PUBLIC SCHOOL FUNDING

SPONSOR(S): REPRESENTATIVE(S) WILLIAMS

Jrn-Date	Jrn-Page		Action
01/14/02	1956	(H)	PREFILE RELEASED 1/4/02
01/14/02	1956	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1956	(H)	EDU, FIN
01/14/02	1956	(H)	REFERRED TO EDUCATION
01/30/02		(H)	EDU AT 8:00 AM CAPITOL 17

**WITNESS REGISTER**

RANDY RUARO, Staff

to Representative William K. "Bill" Williams

Alaska State Legislature

Capitol Building, Room 511

Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of the sponsor of HB 312, Representative Williams.

SENATOR GARY WILKEN

Alaska State Legislature

Capitol Building, Room 514

Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of SB 36 in opposition to HB 312; said it supports the old formula over the new.

EDDY JEANS, Manager

School Finance and Facilities Section

Education Support Services

Department of Education and Early Development

801 West Tenth Street, Suite 200

Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 312; said it is directly in line with the Education Funding Task Force recommendations.

BRUCE JOHNSON, Director  
Quality Schools/Quality Students  
Association of Alaska School Boards  
316 West Eleventh Street  
Juneau, Alaska 99801-1510

POSITION STATEMENT: Testified in support of HB 312; said it is an appropriate measure while the legislature awaits the completion of the new cost study; during work session, voiced support for the rehiring of RIP retired teachers, but cautioned that it is a stopgap measure for addressing teacher shortage issues.

DAVE JONES, Director of Finance  
Kodiak Island Borough School District  
722 Mill Bay Road  
Kodiak, Alaska 99615-0000

POSITION STATEMENT: Testified in support of HB 312; said the new cost study will correct inherent problems in SB 36.

JIM SMITH, Principal  
Galena City High School  
Galena City School District  
P.O. Box 299  
Galena, Alaska 99741-0000

POSITION STATEMENT: Testified in support of HB 312.

VERNON MARSHALL, Former Executive Director  
NEA-Alaska [National Education Association-Alaska]  
114 Second Street  
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 312; said it suspends the erosion of the funding floor for one year.

GUY BELL, Director  
Division of Retirement & Benefits  
Department of Administration  
P.O. Box 110203  
Juneau, Alaska 99811-0203

POSITION STATEMENT: Testified that the rehiring of teachers who took the Retirement Incentive Program (RIP) would have no actuarial impact on the retirement system.

LARRY WIGET, Executive Director  
Public Affairs  
Anchorage School District  
P.O. Box 196614

Anchorage, Alaska 99519-6614

POSITION STATEMENT: Testified regarding the Anchorage School District's service recognition program.

MARK JONES, UniServe Director

NEA-Alaska

1840 South Bragaw

Anchorage, Alaska 99508

POSITION STATEMENT: Testified on behalf of NEA-Alaska against including RIP teachers for rehiring eligibility because of the potential deleterious impact on the retirement fund.

PAULA HARRISON, Director

Human Resources and Labor Relations

Matanuska-Susitna Borough School District

125 West Evergreen

Palmer, Alaska 99645-0000

POSITION STATEMENT: Testified in support of expanding the pool of teachers available for hire by including RIP retirees.

JUDY NORTON, Principal

Curriculum Director and Testing Coordinator

Copper River School District

P.O. Box 108

Glennallen, Alaska 99588-0000

POSITION STATEMENT: Testified that rural districts can benefit by contracting for special services with retired teachers.

PJ FORD SLACK, Director

Teaching and Learning Support

Department of Education and Early Development

801 West Tenth Street, Suite 200

Juneau, Alaska 99801-1894

POSITION STATEMENT: Testified in favor of expanding the issue of retention and recruitment beyond mentorship.

#### **ACTION NARRATIVE**

TAPE 02-2, SIDE A

Number 0001

CHAIR CON BUNDE called the House Special Committee on Education meeting to order at 8:04 a.m. Representatives Bunde, Porter, Green, Wilson, Stevens, and Guess were present at the call to order. Representative Joule arrived as the meeting was in progress.

HB 312-SUPPLEMENTARY PUBLIC SCHOOL FUNDING

CHAIR BUNDE announced the first order of business would be HOUSE BILL NO. 312, "An Act relating to the delay of the reduction of supplementary public school funding; and providing for an effective date."

Number 0183

RANDY RUARO, Staff to Representative William K. "Bill" Williams, Alaska State Legislature, presented HB 312 on behalf of its sponsor, Representative Williams. He distributed a letter of support for HB 312 from the Dillingham [City School District]. This legislation, he pointed out, suspends the erosion effect of the supplemental funding floor that was established as part of SB 36 in the 20th legislature. This suspension would be in effect for FY 03 only, pending a study of areawide district cost factors. This study, he offered, would be available to legislators when determining school funding for FY 04.

Number 0329

MR. RUARO said HB 312 primarily benefits rural school districts. He referred to U.S. Senator Stevens' recent address to the legislature in which Senator Stevens expressed his belief that "there are entire school districts in the rural areas where not one student can pass the high school graduation exam." These additional funds, provided in HB 312, will assist rural districts in hiring and retaining quality teachers, he added. Mr. Ruaro also noted that Senator Stevens mentioned that funding education is an investment; a dollar [spent] in education [today] can save more than a dollar later in incarceration and other services which need not be provided. "Accountability for school districts," Mr. Ruaro said, "is on the way with the federal legislation that requires testing in Alaska's pending high school exit exam." Districts receiving HB 312 funds will not be able to "point to the erosion of the funding floor as a reason for not having a good performance," he concluded.

Number 0443

CHAIR BUNDE questioned how an additional \$20,000 to \$30,000 allocated to individual districts would assist them in hiring teachers.

MR. RUARO responded that each district would determine how this money would be spent; for example, if a district was \$10,000 or

\$15,000 short of hiring an additional teacher, these funds would allow that hire and "maybe some other things."

Number 0495

CHAIR BUNDE requested proof that "more money will improve education" or increase the number of students passing the exit exam.

MR. RUARO replied that he wasn't familiar with statistics that would answer Chair Bunde's request.

Number 0620

SENATOR GARY WILKEN testified in opposition to HB 312. He offered that he thought SB 36 was "some of the best legislation that I've seen in my five years here"; the legislature and governor should be proud of the work done on it. In spite of [some negative responses], it has proven, he noted, to be "better than what we had." He remarked, "The bill before you today is ... a repudiation of those efforts." He added that if committee members accepted this bill, they would be [affirming] that the old formula is better than the new [funding formula]. "I am here to defend the new formula," he said. This is the first committee referral, and he stated that he thought it "important [to] lay a record ... for the path of this bill as it winds its way through the legislature."

Number 0697

SENATOR WILKEN stated that in 1985 the legislature was "under pressure from school districts" to create a new funding formula. A California company was slated to do a "resource cost model," which "didn't come to pass," he added. A "one-year, stopgap scheme" was passed, he recounted. Also in 1985, the legislature conducted a McDowell [Group] cost-of-living survey. The old funding formula was based on that survey. The survey, he pointed out, was based on household costs - "essentially a loaf of bread," and was conducted in only 19 of 40 election districts. In 1986 the legislature was under pressure from school districts and the federal government to address the education [funding] formula. Senate Bill 408 was passed as a "stopgap measure."

Number 0777

SENATOR WILKEN said, "In 1987 things really got hot." He reported that the federal government fined Alaska \$11 million because of a "flawed formula." Governor Cowper responded by suggesting "what amounted to the instructional unit formula," said Senator Wilken. That legislation was the inception of the old formula's funding of public schools, which was addressed in 1997 by the legislature. The old formula created the four mill [tax levy] contribution and the "concept of funding communities." He noted that the old formula went to the House Finance Committee where 29 cost differentials were adjusted at the table. "In my opinion," he said, "they took ... flawed data, ... the 1985 cost-of-living survey, that didn't even survey half the state, and then adjusted it as they wished at the House Finance [Committee] table." He suggested that this created a situation in which school districts were asking, "If the ... increase in the rate of funding has doubled the increase in the rate of students, where's the money?"

Number 0890

SENATOR WILKEN referred to the January 1996 Alaska Education Survey conducted by the governor. He highlighted three findings of the survey. He first noted a question which reads, "If state funding of education was increased significantly tomorrow, do you think the quality of education in the state would increase?" He said, "The answer came back two to one, 'No.'" Second, he pointed out that 81 percent of people surveyed believed that the funding mechanism should be simplified. And third, 73 percent believed that funding should be based on an amount per student, he cited. He stated that the governor said in the survey that the school funding formula was a "convoluted method of calculations, exclusions, exemptions, and differentials." Senator Wilken went on to note that this survey was "the source of SB 85, the governor's bill to fix the foundation [formula]; subsequently, ... parts of that were rolled into SB 146, parts of that were then rolled into SB 36, and in March of 1998, the Senate passed to the House SB 36." He indicated that there was a two-year transition period [provided] in SB 36.

Number 0967

SENATOR WILKEN mentioned that Senator Therriault [then a Representative] "shepherded" SB 36 through the House. He then read excerpts from "Think Transition School Funding; A Summary of the Supplementary Public School Funding Floor," prepared by his office. The summary reads:

#### Historical Review

Why was a new school funding formula adopted in 1998? Why was the "supplementary public school funding floor" added to the school funding formula? A historical review helps answers these questions.

SENATOR WILKEN omitted the remaining paragraph of the Historical Review; he had already summarized its contents. He continued to read:

#### SB 36 Funding Formula

The new Student Dollar K-12 funding formula allocates state general fund dollars to school districts based on the number of students enrolled, with appropriate consideration and adjustments for the size of the school and its location in Alaska. The public school funding formula recognizes that differences do indeed exist between our large, urban school districts and Alaska's isolated rural districts and funds them accordingly. For example, a student in Pelican receives more than four times the amount per student from the state than a youngster enrolled in Anchorage.

Number 1083

SENATOR WILKEN continued to read:

#### A Fair Transition

During the discussion of implementing the new formula, the legislature, not wanting to negatively impact any school district, wrestled with how to transition the school districts from the old formula to the new. The results of this effort provided that no district would lose funding under the new formula even if the district may have financially benefited from the loopholes in the prior funding plan.

The Department of Education calculated each district's funding entitlement under both the old and new formula. The difference between the plans was the "supplementary public school funding floor" or the "transition dollar amount." The Transition Dollar supplements the school district's state support.

#### 100 Percent of Increase

If a school district's student enrollment grows, the district's state aid is increased based on the number of students, adjusted for size and location. Or if

the Student Dollar is increased, each student gets 100 percent of the added revenue. In either instance, the school district receives 100 percent of its full entitlement under the education funding formula. In addition to this full formula funding, 32 districts also receive an additional supplementary funding floor or transition dollar amount. Since FY99, this transition amount has totaled over \$59 million.

Number 1113

SENATOR WILKEN referred to a graph entitled "LKSD School District Funding FY 99 - FY 02. " The graph presents state funding of the Lower Kuskokwim School District's student dollars and transition dollars from FY 99 to FY 02. He continued to read from the summary, which states:

#### Gradual Reduction

However, in order to act as a true transition, this dollar amount must be gradually reduced. Annually the Department of Education compares each district's formula funding to the previous year. Using this information, the department calculates the amount of additional state support each district receives as a transition between formulas. For many school districts, this transition mechanism will provide additional state funding for many years to come, ensuring that each school district can plan and provide for an excellent education program for its students.

Number 1195

SENATOR WILKEN concluded the summary by reading:

#### Conclusion

It is important to remember that the supplementary transition money is given to school districts over and above what each district receives under the current funding formula. The reduction to the Transition Dollars has been very gradual. In spite of what we might have heard about draconian cuts between FY99 and FY02, the total transition dollar amount distributed to school districts has been reduced by just 8.7 percent. This added state support is a very generous and stable transition between two different funding mechanisms and must be maintained.

SENATOR WILKEN concluded by stating that he was opposed to HB 312 because he believes SB 36 "was good." "When and if we get the new report with better data, then we'll take a look at it," he said, "but this is not the time to change SB 36 and its effect."

Number 1252

CHAIR BUNDE asked Senator Wilken to respond to the argument that HB 312 is a temporary suspension of the funding floor.

SENATOR WILKEN responded that while he realizes it is temporary and "only a million dollars," HB 312 indicates to him that "the old data was better data." He said he could not accept this premise.

Number 1290

REPRESENTATIVE GUESS asked whether supporting HB 312 was really accepting that the old formula was better than the new or affirming that the new formula has some problems that need to be worked out. "Is saying we need to temporarily suspend it for a year really making a such a drastic statement?" she asked. "Or is it really just recognizing - and ... I think there are some positive things that happened, but I think there are some mathematical flaws in it currently - ... we still need to work on it, [and] until we do, maybe we should suspend it."

Number 1315

SENATOR WILKEN concurred that SB 36 was not perfect and work needs to be done on it. It was, however, a "quantum leap," he said, "ahead of where we were." The transition was put in place to allow for a "soft landing" for [districts] negatively affected. He reiterated that the data upon which SB 36 was structured was "far better" than that upon which the old formula was based. "If you accept the fact [that] there was no need for transition, then you accept the fact that the old data was the better data," he emphasized.

Number 1370

REPRESENTATIVE GUESS pointed out that HB 312 suspends [the reduction of the funding floor] for a year.

SENATOR WILKEN responded, "What you're saying, for at least one year, [is] that there's no need for a transition." He suggested that there was a need for transition from the old formula to the new. The change was an improvement, he noted, and it has "shown itself to be a very gradual reduction" into the new formula. He stated that was "the deal" that was made [in SB 36] by both parties and the governor.

Number 1407

REPRESENTATIVE WILSON stated that high school seniors in her district received less state funding last year than they did when they were first graders. She said it is very difficult for a school [district] to "go backwards" in state funding and still meet the ever-increasing mandates and responsibilities placed on it. She noted that [the City of Wrangell] funds its schools well above the mandated four mill rate.

Number 1466

SENATOR WILKEN responded that he couldn't address particular issues regarding the [Wrangell City School District]. He noted that Representative Wilson had broached a "global K-12 funding issue." He added that HB 312 doesn't "help or hurt" that funding matter.

REPRESENTATIVE WILSON observed that from her perspective, the new formula is more complicated than the old one.

Number 1530

CHAIR BUNDE asked whether Wrangell [City School District] would receive more or less money as a result of HB 312. He noted his impression that Wrangell would not be impacted by this bill in any way.

Number 1543

REPRESENTATIVE STEVENS expressed his appreciation to Senator Wilken for all his work over the years on SB 36. He asked him to respond to the [perception] that the present funding formula values rural, primarily Native, students less than students from larger communities.

SENATOR WILKEN responded that a deal was struck to pass SB 36; however, this deal has since been "tarnished" and "rolled into" something called an urban-rural divide. He added, "People seem

to forget that ... of the 14 ... or 15 school districts that received ... [a] 5 percent or greater increase in their budget, 7 of those were rural school districts." Since SB 36, Senator Wilken offered, state funding for K-12 education has increased over 8.5 percent; it is beating inflation. He said that he had heard from constituents a lack of trust in the [old] formula and that he thinks more legislators trust this [new] formula. Now K-12 funding, he suggested, can be discussed "on the basis of its need for Alaska and not how it plays into a flawed formula that was put together under rather dubious circumstances under pressure some ten years earlier."

Number 1650

CHAIR BUNDE commented that a \$20 million increase to the Foundation Formula was included in SB 36.

Number 1675

REPRESENTATIVE STEVENS said, "Well, that was a ... political answer; ... what I was looking for was a clear statement. I believe that you believe, Senator Wilken, that we are not valuing a[n] ... urban, Caucasian student greater than we value a rural, Native student."

Number 1695

SENATOR WILKEN replied:

That ... conversation has no place at this table; that's not part of this whole thing. ... What I've suggested to you today is that all students, ... depending on size of school, location, and either student dollar increase or population increase, receive the full dollar. This 60/40 is political spin. ... The fact is, ... everybody gets the full dollar, the full increase, and the transition dollar is the dollar that is being taken away, eroded by 40 percent a year. ... Some school districts will be on the old formula with [the] transition dollar for ... somewhere [around] 20 years. Out of the 32 that started, I think 7 have now fallen off.

Number 1739

CHAIR BUNDE said:

Some people have "demagogued" this. ... In my view of the formula, ... every student, everywhere in Alaska gets 100 percent. The old floor, the artificial support, slowly erodes as those districts grow. That's how I choose to look at it. Other people have chosen to say in the headlines, "Well, Native students are only worth 60 percent of what a white student is." ... That is just demagoguery, I think. But I grant other people ... the right to a different view.

Number 1772

EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, testified in support of HB 312. He offered that HB 312 is "directly in line with what the Education Funding Task Force has recommended to the governor." He pointed out that the task force was recommending suspension of the erosion of the funding floor because of the [pending] district cost factor study. He affirmed that SB 36 is not perfect; the area of cost differentials is one component this legislature is looking at. The cost study will be submitted to the legislature next year. The desire to suspend the erosion of the funding floor is based on the forthcoming study, he stated. "The Education Funding Task Force and the department [do] not believe that it's correct to continue to erode a school district's floor when we don't know if that floor was established using the right cost differentials," he concluded.

Number 1856

CHAIR BUNDE emphasized that some districts' funding might be reduced as a result of the new cost differential study.

MR. JEANS agreed. He added that until [new cost differentials] are known, the Department of Education and Early Development (EED) and the Education Funding Task Force recommend the suspension of that erosion.

Number 1873

REPRESENTATIVE WILSON noted her perception that for rural districts, the funding formula takes into account such cost factors as distance from urban centers, school size, and other factors. She asked Mr. Jeans to comment on the impact the funding formula had made on rural districts.

Number 1929

MR. JEANS acknowledged that Representative Wilson was "hitting right on" the district cost factors. Cost factors created under SB 36 and those previously used were based on expenditure data of the school districts, he stated. A cost differential based on an expenditure pattern results in a replication of the expenditure pattern, he stated. Actual costs, on the other hand, will be determined in the new study by calculating the cost of contracted services from Anchorage provided to rural districts. He offered that he had "a lot of hope for the outcome of the new cost study."

Number 1965

REPRESENTATIVE WILSON asked if it was the department's position that it would like to wait for the cost differential study data so that fiscal impact on a district would be lessened until "we know where we're actually at."

MR. JEANS responded, "That would be an accurate statement."

Number 1982

CHAIR BUNDE asked if Mr. Jeans foresaw a problem if "we temporarily suspend that and then try to go back and reinstate it - sort of like the arguments I've heard, 'If we hadn't eliminated the income tax, but only suspended it, it [would have] been easier [to reinstate it].'" He asked, "Are we going to have the same arguments that 'brown children are worth 60 percent of white children' if this is put back in, in a year?"

Number 2000

MR. JEANS answered that he thought this would always be a "perception issue." He observed that some districts' floors will take a long time to erode. Others, by contrast, are "on the edge" and about to lose the funding floor. And some districts have already lost it entirely. He stated that EED believes that it is appropriate to wait for the results of the cost study before further damage is done.

Number 2065

BRUCE JOHNSON, Director, Quality Schools/Quality Students, Association of Alaska School Boards (AASB), testified that much of what he had planned to say was outlined by Mr. Jeans. The

Association of Alaska School Boards is in support of HB 312, he noted; a suspension makes sense due to the forthcoming cost study.

Number 2090

CHAIR BUNDE asked if AASB would support HB 312 if the \$1 million had to come from the Foundation Formula.

MR. JOHNSON stated that AASB's position was that the floor should be suspended now; it has not discussed from where the money would come.

Number 2119

REPRESENTATIVE GREEN said he wondered why this question was being raised now, rather than letting it go one more year and then making necessary adjustments.

MR. JOHNSON replied that it was important to see the impact the formula has had on districts, now that it has been in place. He also noted that no formula is perfect and that the legislature attempted, in the waning hours of the session, to put "something together that [was] in the best interest of everyone." He added that this may or may not have happened. He offered that basing a cost differential on actual costs is a flawed approach; a poor district will [be allocated less] in its differential. He commended the legislature for committing to the new study; it will give a true cost of doing business because the study will give a "much stronger platform." He acknowledged that any formula will have a "mix of numbers, ... studies, and ... political realities."

Number 2182

REPRESENTATIVE GREEN clarified that he wanted to know why it took two years to raise this issue.

MR. JOHNSON stated that the issue was studied last year by the Education Funding Task Force, which made a recommendation, but no action was taken. He said that AASB agrees with Senator Wilken's premise that the new formula is "a vast improvement" over the old; it just needs some additional work.

Number 2220

REPRESENTATIVE JOULE pointed out that since the passage of SB 36, attempts have been made in each session, through the amendment or budget process, to change it. This is the first attempt through a piece of legislation.

Number 2245

DAVE JONES, Director of Finance, Kodiak Island Borough School District, testified via teleconference. He stated that the Kodiak district was a "slight winner" in SB 36, and will not be affected by HB 312. He indicated that Kodiak could have "easily been on the other side of [SB 36] in dealing with the funding floor." He said that the McDowell Group study, upon which SB 36 was based, "by its own words, admitted it was not a complete study, ... and it should not be used to base a new Foundation Formula on." Mr. Jones also supported the study currently being conducted and thought it would be "more complete ... and [would] more truly reflect the costs that are out there." He expressed his opinion that the distribution of funds allowed for in SB 36 was "not equitable." He concluded by saying that the Kodiak district supports the removal of "this floor" pending the cost study currently underway. This study, he noted, can correct the inherent problems in SB 36, and will result in "better treatment of schools statewide."

Number 2360

JIM SMITH, Principal, Galena City High School, Galena City School District, testified via teleconference in support of HB 312. He said that rural school districts, in order to maintain "an adequate program" for small numbers of students, have experienced increased costs. The Galena district, he noted, supports 70 boarding school students; the boarding costs are not "rewarded with any particular funding."

Number 2408

VERNON MARSHALL, Former Executive Director, NEA-Alaska, testified in support of HB 312. He said that NEA-Alaska has, since the passage of SB 36, supported "moving the benefit of the supplemental floor into these districts that are losing." He continued:

The million dollars [removed from the funding floor] that we're talking about this year ... - it'd be nice to say that that million dollars [removed] is being replowed back into K-12. And as I understand the

effects of the floor, that million dollars [removed] is basically subsidizing the general fund, because that million is not going to K-12. So, at some point, where we had a floor that was valued at ... 16 to 18 million [dollars], that loss, down to where we are today, at about \$12 million, is a loss to K-12 public schools.

MR. MARSHALL continued:

I also understand that the floor operates on a premise that we look at prior-year cost and calculate the value of the floor. And I guess we as teachers have a problem - and support personnel - with the issue of costs, or should we be looking at what is the aim of schools; what have we set as goals for public schools? Because during this decade of the '90s ... we have supported efforts to improve standards for both teachers and for students. We have supported the idea that we ought to test [students] at grades 3, ... 6, ... 8, ... 10, and establish variables for kids that graduate at grade 12. Those are goals, and those goals have costs that ... have never really been determined. We have never set down and costed exactly what standards are valued at in terms of people, time, and money.

TAPE 02-2, SIDE B  
Number 2492

MR. MARSHALL acknowledged that \$1 million might not be "a lot of money," but he noted it could add \$24,000 to a small, rural school district. He said that money might be used for curriculum or materials directed at remediation to improve student performance on standards and tests. He stated that NEA-Alaska believes that inflation is impacting schools annually. In spite of increases to the formula, NEA-Alaska believes there is an "inflationary impact that does hurt our opportunity to deliver ... what's best for our kids," he noted. "Inflation is the cruelest tax of all," he said. "Every one of our children in Alaska is being taxed by inflation, and the only relief we're seeming to get now is a slowing economy."

Number 2440

MR. MARSHALL pointed to the "law of large numbers." He noted that monies slated for school districts and calculated on an

amount-per-student basis have the potential to more greatly benefit larger districts such as Anchorage than smaller ones such as Pelican. "At some point the law of large numbers does work for you, and smaller units of kids tend to work against you," he said. He concluded by noting that [HB 312] provides for a "transitional phase-out" while the area cost study is completed. He commended the legislature for "stepping to the plate and dealing with that."

Number 2380

CHAIR BUNDE referred to an illustration provided by Mr. Marshall. He stated that the Anchorage [School District] receives local support from local taxpayers; he offered his opinion that Pelican is one of the districts which does not receive local support. He said that "half the schools that will be impacted by this bill" do not receive local funding. He asked Mr. Marshall, "If we gave the schools the entire state budget, would you give back what you don't need?"

Number 2348

MR. MARSHALL replied, "Yes, I think we would. We've learned through the years not to be greedy." He stated, "I do believe the money that we invest in our most precious resource, our children, is probably our greatest economic edge." He added that he believes that money invested in children will generate positive [results].

Number 2330

CHAIR BUNDE asked Mr. Marshall to respond to the governor's study which indicated that the "vast majority of Alaskans don't think just pouring more money in is going to make that much difference."

Number 2320

MR. MARSHALL stated that NEA-Alaska conducts polls itself. People in Alaska, these polls have found, are concerned about and willing to contribute to schools. He stated that Juneau residents contribute to schools through taxes "at the cap." He suggested that Juneau is a better place as a result of those taxes. He added that he believes Alaska is constitutionally mandated to ensure all students are educated, and "it shouldn't depend on whether you live in Juneau or ... Anchorage or ... Pelican ... or Wrangell or wherever." He commended the

committee for attempting to "make sure that we have a first-rate system throughout Alaska." He concluded by saying, "I think my child in Juneau, even though I do believe there are shortages, has greater opportunities through the curriculum than my child might have if we lived in a much more rural district."

Number 2252

REPRESENTATIVE GUESS stressed the importance of clarifying the issue of state funding relative to the existence of a local contribution. She noted that in districts where there is no local contribution, the state pays the same percentage, on average, as it does in districts where a local contribution exists. She stated that the federal government, through "impact aid," pays a "great deal of that." She concluded, "It's incorrect to say, 'It's only out of the state pocket,' because it's not. It's correct to say, 'There's not a local contribution.' ... I ... wish we would refine that argument."

Number 2197

REPRESENTATIVE GREEN asked Mr. Marshall, "If [the funding formula] is better than it was, and we're waiting for a, perhaps, change in the distribution, ... wouldn't it still be better ... to stay with [this plan]? ... Why would you want to go back to a poorer [system of] allocation of funds?"

Number 2150

MR. MARSHALL stated that he thought there are "some good things in SB 36." Nevertheless, he thought that there were "some very good things in the instructional unit, too," he said. He indicated he thought the legislature's initiation of the area cost factor study "impacted SB 36." House Bill 312 is addressing those adjustments to SB 36 [made as a result of the cost factor study] which will significantly impact rural districts. He reiterated that HB 312 suspends, for one year, the erosion of the supplemental [funding] floor.

Number 2106

REPRESENTATIVE GREEN contrasted that the [school funding] system [provided for] in SB 36 will remain the same, while the numbers will be "tweaked." He acknowledged that there will be changes to the system in the future, but said, "I don't understand why you just suspend operations until you get new numbers; you could do that forever."

Number 2065

MR. MARSHALL offered that he didn't know if SB 36 provided a funding formula "geared to [the] standards-based educational movement in Alaska." He pointed out that this was his concern about SB 36 and would have been his concern with the instructional unit formula as well. He suggested that the state might need to revisit the school funding [mechanism] "in light of the definite state expectations that we have now set in areas of reading, writing, and math." He noted that expectations now exist in "virtually every area of learning." He queried, does the formula drive districts' efforts to reach those standards?

Number 2023

CHAIR BUNDE closed public testimony on HB 312.

Number 2008

REPRESENTATIVE PORTER said, "It is really unfortunate that we have to have a discussion at this table about the perception ... that exists in some people's eyes ... that SB 36 was an attempt to take money away from one set of people and give it to another." He stated that he would support HB 312; he has the utmost respect for Senators Wilken and Therriault and their courage in addressing the challenge [of school funding]. The result, he said, is a formula that is "90 percent the best formula that this state has ever had." He noted that HB 312 addresses a "very small part" of SB 36; it is not a repudiation of SB 36. He added that the cost basis data used to calculate the funding floor was the only data available at the time.

Number 1901

REPRESENTATIVE PORTER noted that this data was based not on what the actual costs were, but on what districts were actually spending. Some districts, both rural and urban, weren't spending enough, he stated; some districts, both rural and urban, were spending more than necessary. He confirmed that seven rural districts' funding increased. Representative Porter concluded, "I think this is an appropriate thing to do for a year, but please don't ... misunderstand: ... after an appropriate cost differential study is in place, the chips are going to fall where they may."

Number 1850

REPRESENTATIVE GUESS thanked Representative Porter for a "very good summary." She referenced a recent article from the Rand Corporation and said, "The accumulation [of] evidence is certainly sufficient ... to replace the 'money doesn't matter' hypothesis with one that states that additional money matters for students from less advantaged backgrounds and minority students, but may not for students from more highly advantaged backgrounds." She noted that she keeps a collection of articles on educational finance and these are available to members who are interested.

Number 1794

REPRESENTATIVE WILSON noted her agreement with Representative Porter's preceding statements. She added that legislators like herself who were not present during the passage SB 36 don't have an appreciation for that courageous struggle. She offered that some communities are unable to contribute to their schools because they lack resources and basic infrastructure; the state has an obligation to areas such as these. This lack of local contribution is compensated for by the federal government, she added. She countered the argument, "They're not giving their fair share," with the idea that some places simply cannot contribute.

Number 1712

REPRESENTATIVE STEVENS requested information about the cost differential study's timeline for completion.

Number 1685

CHAIR BUNDE stated his recollection that it will be completed in November 2002. He observed Representative Porter and Mr. Jeans signaling their agreement with this date.

Number 1666

REPRESENTATIVE JOULE stated that he voted against SB 36 because of "this provision." He said that the House dealt with many [problematic] provisions in SB 36 when it came over from the Senate. The funding floor, however, was not addressed to his satisfaction, he indicated, and he was unable to support SB 36. He noted that he was glad to see HB 312 "attempt to fix" SB 36.

Number 1576

CHAIR BUNDE stated that he strongly supports local contributions to schools, and that any contribution, regardless of amount, would give ownership [to residents]. He noted Senator Wilken's study which shows a "significant number of communities that could but choose not to" contribute to local schools. He expressed his opinion that the funding floor exists because "some districts could not justify the amount of funding that they previously received," when compared to student enrollment. He stated his preference to put the \$1 million into the Foundation Formula "for the betterment of all of Alaska's students." He noted that he would vote against HB 312.

Number 1407

REPRESENTATIVE PORTER moved to report HB 312 out of committee with individual recommendations and the accompanying fiscal notes.

Number 1405

CHAIR BUNDE objected.

A roll call vote was taken. Representatives Porter, Wilson, Stevens, Joule, and Guess voted to report HB 312 from committee. Representatives Green and Bunde voted against it. Therefore, HB 312 moved from the House Special Committee on Education by a vote of 5-2.

WORK SESSION ON TEACHER SHORTAGE

Rehiring of Retired Teachers [What Will Become HB 416]

Number 1286

CHAIR BUNDE turned the committee's attention to the subject of teacher recruitment and retention. He began with the matter of rehiring retired teachers, which he had researched. The Division of Retirement & Benefits does not have any actuarial problems with rehiring retired teachers, he reported. Teachers who took early retirement, he said, had to "pay ahead" their retirement; there is no actuarial impact on the retirement system. Some legislation was drafted to address teachers who received a bonus for retiring. The Anchorage School District is giving \$10,000 bonuses as [service recognition] to retiring teachers, and then rehiring them at a beginning teacher's salary; he noted this is a "win-win" situation for teachers and the district.

Number 1184

GUY BELL, Director, Division of Retirement & Benefits, Department of Administration, testified that last year's HB 242 allowed retired teachers to be rehired by districts declaring a shortage. These teachers retain retirement benefits but do not accrue a second retirement benefit. He said that teachers who retired under the Retirement Incentive Program (RIP) are excluded from HB 242. Mr. Bell noted that 21 retired teachers had been rehired under the new law. There were 919 teachers who retired between the years of 1996 and 2000 under the RIP. He noted the division's actuarial firm's position stated that there is no actuarial difference between rehiring RIP retirees and normal retirees. The impact would be cost-neutral to the retirement fund were RIP retirees allowed to be rehired.

Number 1017

CHAIR BUNDE asked if legislation is necessary to repeal the RIP retirees' exclusion from the rehiring eligibility provided in HB 242.

MR. BELL responded that this was correct.

Number 0982

LARRY WIGET, Executive Director, Public Affairs, Anchorage School District, testified in support of expanding the rehiring eligibility to RIP retirees. This would be another tool for the superintendent to use when addressing shortage issues, he noted. The Anchorage School District (ASD) has a service recognition program that offers a \$10,000 bonus to teachers [at the top of the pay scale] who leave the system. He said he anticipates that 40 teachers receiving this bonus may return to teaching in the ASD. He estimated that the ASD has rehired 5 to 7 teachers under the new law.

Number 0893

CHAIR BUNDE questioned whether teachers retiring under the service recognition program would be eligible to receive retirement benefits and be reemployed with minimum impact to salary.

MR. WIGET replied that the salary impact would be significant because teachers are rehired at a beginning teacher's salary.

Mr. Wiget recounted the story of a teacher who had retired under RIP and subsequently wished to return to teaching; this teacher discovered that returning to teaching in Alaska was cost-prohibitive, so he left the state.

Number 0834

REPRESENTATIVE STEVENS pointed out that some teachers took the RIP, left the state, and returned to teaching; this is a loss for Alaska. He asked if a teacher who took the RIP and returned to teaching at a beginning teacher's salary would continue to receive retirement benefits.

Number 0757

MR. WIDGET differentiated between the state RIP and the ASD's service recognition program. A teacher in Anchorage's recognition program would continue to receive retirement benefits; RIP teachers are currently unable to be rehired and retain retirement benefits.

Number 0738

REPRESENTATIVE GREEN noted a case in his district where a principal was unable to rehire a special education teacher. He acknowledged the need for change. If a "seasoned" teacher is rehired at \$20,000 less in salary in exchange for a \$10,000 bonus, a "win-win" situation would result, he observed. This would especially provide relief in specialty areas.

Number 0690

MR. WIDGET acknowledged that this would provide an extra hiring tool for districts.

REPRESENTATIVE PORTER asked how long ago the 20-year requirement for retirement was [lengthened].

Number 0643

MR. BELL responded that the 20-year retirement is still in place. House Bill 242 changed the number of years required for eligibility in the retiree medical plan; this changed from 20 years to 25. The pension benefit is available after 20 years.

Number 0600

REPRESENTATIVE PORTER queried whether a returning teacher could continue to receive a retirement annuity and the reduced wage.

CHAIR BUNDE confirmed that this was true.

Number 0571

REPRESENTATIVE WILSON asked if the RIP package differed from district to district.

MR. BELL responded that the only difference between districts was whether a determination of savings had been made. If a school district could show savings, it could participate; if a district could not show savings, it was unable to participate in the RIP.

Number 0505

REPRESENTATIVE WILSON inquired what the [range of bonuses] was [between districts].

MR. BELL replied that the Division of Retirement & Benefits did not have those figures because the bonuses were not under the division's control. The division simply calculated benefits based on the bonuses given to teachers.

Number 0450

REPRESENTATIVE STEVENS noted that his recollection was that cash bonuses were not given to teachers; rather, the bonus was used to add to the number of [service] years. For example, a teacher with 17 years of service would have 3 years added to reach the 20 required for retirement benefits, he added.

Number 0380

MR. BELL replied that Representative Stevens was correct, according to the division's perspective; the RIP was administered by the division and did not provide cash bonuses.

Number 0350

MR. WIGET stated that the ASD has been administering its service recognition program, which includes a cash bonus, since 1993. Some teachers in the ASD, he noted, had participated in the state's RIP by paying all the costs themselves.

Number 0301

BRUCE JOHNSON, Director, Quality Schools/Quality Students, Association of Alaska School Boards (AASB), returned to testify on behalf of AASB in support of the rehire of RIP teachers. He agreed that this would be another tool for districts. This is a short-term, stopgap measure; the longer-term issue [of teacher shortage] needs to be addressed, and he noted that AASB would like to "participate in that conversation."

Number 0242

MARK JONES, UniServe Director, NEA-Alaska, testified against the rehiring of RIP teachers on behalf of NEA-Alaska. He indicated that NEA-Alaska considers this to be a "short-term fix for what is really a long-term problem." The impact on the retirement system, he noted, would be that fewer positions would be contributing to the retirement system to stabilize it. He predicted that if this became a widespread practice, it would have a "negative impact on the health of the retirement fund."

Number 0145

CHAIR BUNDE asked committee members to consider sponsoring legislation to repeal the prohibition of districts' rehiring of RIP teachers.

Number 0086

REPRESENTATIVE WILSON asked if teachers returning to work with retirement benefits would affect the morale of other teachers.

CHAIR BUNDE pointed out that no guarantee of rehire exists for retired teachers.

Number 0025

REPRESENTATIVE STEVENS asked Mr. Bell to respond to the concern about the lack of contributions to the retirement fund as a result of filling positions with retired teachers.

TAPE 02-3, SIDE A

Number 0001

MR. BELL noted that the provision allowing for the rehire of retired teachers expires in 2005. This, coupled with a reporting requirement [to the legislature] on the actuarial and

other impacts of HB 242, addresses that concern raised by Representative Stevens.

Number 0071

REPRESENTATIVE GREEN asked Mr. Bell for his opinion of the longevity of teachers who return after retirement. He noted that a 3- to 5-year rehire might get the state through a "critical period" [of teacher shortage]. He also asked whether Mr. Bell would suggest a "sunset provision" in any new legislation addressing this matter.

Number 0185

MR. BELL responded that this is "clearly ... a stopgap measure." He added that a provision in legislation allowing RIP retirees to be included [with HB 242 provisions] would sunset in 2005 and subsequently would be reevaluated by the legislature.

Number 0226

REPRESENTATIVE GREEN asked if the state would incur any liability when rehired teachers were terminated in 2005 as a result of the sunset clause.

MR. BELL answered that teachers rehired under the provisions in HB 242 would not be terminated. The sunset clause applies only to new hires after 2005.

Number 0300

PAULA HARRISON, Director of Human Resources and Labor Relations, Matanuska-Susitna Borough School District ("Mat-Su District"), testified via teleconference in favor of expanding the pool of teachers that districts may rehire. She noted that the Mat-Su District participated in the RIP and that many of the teachers who retired under the RIP still live in the area. She stated her disappointment with NEA-Alaska for not supporting this [potential expansion of provisions in HB 242]. Such an effort would allow for growth in mentoring programs and other areas in which a retired teacher's experience is "invaluable." She stated that this was "not necessarily a Band-Aid approach." Returning teachers could assist new teachers and those who have become teachers through "alternative routes."

Number 0448

JUDY NORTON, Principal, Curriculum Director and Testing Coordinator, Copper River School District, testified via teleconference. She asked why a district would be prohibited from rehiring retired teachers on a contract basis. She noted that hiring retired teachers on contract could serve to fill specific needs in rural districts.

Number 0517

CHAIR BUNDE responded that he didn't believe the committee could answer that question yet. He added that the committee would be unable to address individual districts' [negotiated agreement] issues.

Number 0547

MS. NORTON indicated that the Copper River School District has hired [retired teachers] under short-term contracts. She noted the lack of qualified [teachers] available to rural districts. Hiring these teachers on contract is a cost savings to districts, she added.

Number 0590

CHAIR BUNDE pointed out that the university system hires people back on contract.

Number 0627

REPRESENTATIVE GREEN asked if this proposed legislation would "run afoul" of union [agreements] if districts chose to rehire one teacher but not another.

MR. BELL responded that a teacher terminates employment upon retirement. The rehiring decision would be made by the school district.

#### Teacher and Principal Mentoring

Number 0679

CHAIR BUNDE announced the next order of business would be Teacher and Principal Mentoring.

REPRESENTATIVE STEVENS reported that the subcommittee on mentoring included Representatives Green, Guess, and himself,

with input from the Department of Education and Early Development (EED) and NEA-Alaska. He referred to the subcommittee's report and noted that the subcommittee hearings focused attention on the need for teacher mentoring. The department has a half-time position assigned to recruitment and retention; mentoring is an aspect of this assignment. The subcommittee explored the idea of making this a full-time position, he noted.

Number 0780

REPRESENTATIVE STEVENS offered that the subcommittee struggled with the question of "Where do we fit in this whole picture?" He noted hesitation at interfering in areas of responsibility within EED or individual districts. He suggested that the [legislature's ability to effect change in this issue] might be limited to its "responsibility of giving money away."

Number 0823

REPRESENTATIVE STEVENS offered that a [mentoring] pilot program involving up to 100 first-year teachers would also require funding; measurements would [be a component of the pilot program] to ascertain impact on retention and student achievement. The subcommittee discussed creating a summit meeting that would include districts, teachers, and others to address a mentoring program. In conclusion, he indicated that the University of Alaska Anchorage is looking at a certification program for mentors.

Number 0884

CHAIR BUNDE noted that if the university had a certificate-in-mentoring program, a school district could choose this certificated person as a mentor and offer a financial incentive. He asked Representative Stevens if this had been discussed by the subcommittee.

REPRESENTATIVE STEVENS responded that it had been discussed. He indicated that some teachers would be interested in such a certification as a "professional mentor." Nonetheless, there are teachers who will want to remain in the classroom and volunteer as a mentor. He expressed his opinion that not "all of the best mentors are going to want to take classes from the university." He concluded that a university program is not the only answer.

CHAIR BUNDE agreed that mandating certification for mentors would exclude those who wished to remain primarily in the classroom and mentor occasionally, and it would be an unfunded mandate.

Number 1006

REPRESENTATIVE STEVENS said he thought the ideal answer would address both teachers who wish to volunteer and those who wish to obtain a certificate. He stressed the importance of recognition of those who are mentoring by giving release time, additional classroom budgets, "a pat on the back," or another thing, that shows appreciation.

Number 1047

REPRESENTATIVE GREEN referred to the subcommittee's identification of pilot programs in rural sites. He suggested that the nonacademic mentoring should come from the community. Rural positions are difficult to fill with good teachers, he noted. He said he thought rural communities should engage in "welcoming ... the teacher like they would a doctor." The adding of communities as mentoring [partners] should be a supplement to the subcommittee's idea of a pilot program, he concluded.

Number 1123

REPRESENTATIVE STEVENS pointed out that several types of mentoring exist that include cultural mentoring. The mentoring of a junior teacher by a senior one is another facet of mentoring, he stated.

Number 1152

CHAIR BUNDE said this would be discussed further by the committee. He apologized to witnesses who were unable to testify due to time constraints. He outlined the agenda for the next committee meeting. He asked EED personnel to discuss concerns about the lack of inclusion of the department in the Administrative Procedure Act.

Number 1299

PJ FORD SLACK, Director, Teaching and Learning Support, Department of Education and Early Development, testified that she appreciates the time the subcommittee spent on the issue of

mentoring. She noted that this topic has been "circulating in education" for many years. She suggested the topic be broadened; mentorship is one strategy in addressing recruitment and retention of teachers in Alaska. She said that she has an extensive background with tribes in Minnesota and North Dakota where she worked with strategies to address teacher recruitment and retention. She stated, "Mentorship, even defined in four or five different ways, is still only one strategy." She pointed out that EED made its first attempt to address retention and recruitment "in a broader sense" through a grant written last year. She said, "I like the idea of getting up in the morning and thinking how we can keep our teachers here, or our principals here."

#### **ADJOURNMENT**

Number 1383

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at 10:00 a.m.