

HOUSE FINANCE COMMITTEE
May 06, 2001
5:33 PM

TAPE HFC 01 - 118, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 5:33 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Carl Moses
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Eddy Jeans, Manger, School Finance and Facilities Section, Department of Education and Early Development; Kurt Parkan, Deputy Commissioner, Department of Transportation and Public Facilities; Mike Tibbles, Staff, Representative Williams.

SUMMARY

CS SB 174(FIN)

An Act relating to education funding; and providing for an effective date.

CS SB 174(FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal impact note (#1) by the Department of Revenue.

CSSB 218(TRA) AM

An Act relating to international airports revenue bonds and requiring that the spending plan for the International Airports Construction Fund include information about the amounts spent during the previous fiscal year for cost overruns on certain projects and the identification of time delays on

certain projects; relating to customer facility charges to fund facilities in airports to be constructed without using international airport revenue bonds; and providing for an effective date.

HCS SB 218 (TRA)am was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal impact note (#2) by the Department of Revenue.

#sb174

CS FOR SENATE BILL NO. 174(FIN)

An Act relating to education funding; and providing for an effective date.

EDDY JEANS, MANGER, SCHOOL FINANCE AND FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT provided information on the legislation. He observed that there is an \$18,385.3 million dollar fiscal note from the Department of Education and Early Development attached to the legislation. He reviewed the legislation. The first section increases the base student allocation from \$3,940 to \$4,010 thousand dollars. This is a \$70 dollar increase and generates \$14 million dollars. The second section changes the required local effort provision of the foundation formula statute. It establishes the required local effort in FY 01 as the base year. If the assessed value increases in a municipality, only 50 percent of the increase is used in the calculation assessing an additional 4-mil local effort in the subsequent year. A new base would be reestablished each year.

Representative Croft questioned if the base year would be 1999. Mr. Jeans explained that the assessed value uses 1999, which is what was used to calculate the required local effort for FY01. There is a two-year lag time.

Representative Croft questioned the cost and who would benefit. He summarized that the beneficiaries would be municipalities with fast growing assessed values. Mr. Jeans agreed. He noted that the FY02 impact would be \$3.825 million dollars. The spreadsheet attached to the fiscal note has a detailed analysis.

Mr. Jeans noted that section 3 amends statute dealing with facilities, which constitute a school for school size adjustments. The threshold was lowered from 750 to 424 students. This would impact two school districts: Petersburg and Wrangell. Costs are projected at \$560 thousand dollars. The total cost of the legislation is approximately \$18,385.3 million dollars.

In response to a question by Vice-Chair Bunde, Mr. Jeans reviewed the spreadsheet attached to the department's fiscal

note. The first column shows basic need with a \$70 dollar student allocation increase. The second column shows the impact on the supplemental funding floor. The Alaska Gateway School District would receive an additional \$7,832 thousand dollars if there were no funding floor. The third column shows the net increase in section one [column one minus column 2]. The floor goes down if there is a supplemental funding as the basic need goes up.

Mr. Jeans observed that Petersburg's state aid and basic need would go up by \$71,552 thousand dollars. There is not a supplemental funding floor so they would receive the benefit of the full increase. The required local effort for Petersburg has increased by \$41 thousand dollars, but under section 2 they would only pay half. Because the threshold was lowered in section 3, Petersburg would go through the funding formula three times, as opposed to two, for an additional \$341,007 thousand dollars. Their total increase would be \$433,333 thousand dollars.

Representative Croft questioned what schools are below the school size of 400. Mr. Jeans noted that the original version of SB 174 had a threshold of 400. Hoover Bay in the Lower Yukon School District would be picked up at a 400-student threshold. Hopper Bay would have gone through the formula once at the 400 student threshold. They currently go through the formula twice. A 400-student threshold would have lowered their funding.

Representative John Davies referred to section 2. He noted that it is a benefit in the form of a reduced reduction. Mr. Jeans explained that there is an increase cost to the state because it is a reduction in the required local area, which is deducted from basic need to calculate state aid. Representative Davies observed that school districts do not receive any additional funding. Mr. Jeans agreed and explained that municipalities do not have to contribute as much as they would without the provision. State aid replaces the reduced local effort. There are some districts at the top of the local contribution cap. The provision would reduce the municipalities' ability to contribute more money. If the funding were placed in the base the cap would go up. School districts would have the benefit of increased school aid and municipalities would have the opportunity to contribute more money locally.

Co-Chair Mulder stated that the net affect is better than an increase in the tax base, in terms of contribution. He added that in Anchorage's case and increased tax cap would be more than offset by the increased contribution. Mr. Jeans agreed but pointed out that Anchorage is not at the cap. In areas where the cap is reached the funding is shifted from local to state funding without changing their position. There is

no new money. State aid is increased, while local contribution is decreased.

Representative Croft provided members with Amendment 1 (copy on file).

Co-Chair Mulder provided members with Amendment 2:

It is the intent of the legislature that any increase to the Foundation Formula will provide an opportunity to move Alaskan schools towards standards-based education. The Legislature intends that any increase in funding will pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system.

Co-Chair Mulder explained that the amendment adds intent to account for standards-based education from the allocation. The Department of Education and Early Development would not be required to provide an additional report.

Co-Chair Mulder MOVED to ADOPT Amendment 2. Representative Croft OBJECTED. He argued that the increase would help with the impacts of inflation. He did not think the intent should apply to foundation formula increases.

Co-Chair Mulder disagreed and stressed that education needs to be directed towards standards-based education. He stated that his support is not directed toward inflationary increases. His support is directed toward trying to improve output and performance.

Representative John Davies disagreed with Co-Chair Mulder's remarks. He observed that the calculations were based on inflationary increases. He maintained that many members are looking at increasing the base amount due to inflationary costs. He spoke in support of intent language, which would state that the Department of Education and Early Development and school districts use their entire budget as best they see fit to move towards standards-based education. He summarized that every increased dollar would have to be attached to some specific effort that was aimed at the curriculum instead of hiring good teachers. He stressed that an argument could be made that hiring good teachers adds in delivering the goal, but it is not specific to the activity.

Co-Chair Mulder disagreed and maintained that performance can be tied to better teachers. He stated that there is a combination of factors: better teachers, utilization of new techniques or more exams. He observed that studies show that

putting more money into education, for the sake of putting more money in, does not correlate to improved output or performance. He wanted to state that "we are putting new money and we have expectations when we put the new money in and that is that performance is going to improve."

Representative Whitaker pointed out that the amendment is intent language and that school districts will spend funds in the manner they feel is appropriate.

Co-Chair Mulder stated that he discussed the issue with school boards and that no one opposed the language.

Representative Croft argued that although no one has a problem in seeking to increase performance though the addition, that school districts would take the intent language seriously. He felt that school districts would attempt to follow the intent and that the legislature would hold them accountable. The intent language states that: "any increase in funding will pay for costs associated with improving student performance..." He observed that the intent language specifies the means of achieving his end: "by developing standards-based programs, including implementation of standards, aligning student assessment to standards, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system." He observed that the language does not include the hiring of new teachers.

Representative John Davies MOVED to AMEND Amendment 2 to delete "any" and add "the":

It is the intent of the legislature that [any] increase to the Foundation Formula will provide an opportunity to move Alaskan schools towards standards-based education. The Legislature intends that the [any] increase in funding will pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system.

There being NO OBJECTION, the amendment to Amendment 2 was adopted. There being NO OBJECTION, Amendment 2 was adopted.

Representative Whitaker felt that it would hard to argue against the hiring of new teachers.

Representative Croft MOVED to ADOPT Amendment 1. He explained that the amendment would delete sections 2 and 3 and increase the base amount. The base amount would increase by \$30 million dollars and \$10 million dollars would be

added for quality school funding. The amendment would add a total of \$40 million dollars. He argued that the 50 percent provision comes "out of no where and has ramifications that I don't yet fully understand." He noted that SB 174 [with the amendment] would put in about the same [amount of school funding] as HB 105. He stressed that there are dramatic differences in winners and losers. He provided members with a spreadsheet demonstrating the effect of Amendment 1 and pointed out that Petersburg and Wrangell are the main beneficiaries of SB 174.

Co-Chair Mulder spoke against the amendment and observed that the amendment would add an additional \$20 million dollars.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Davies, Moses

OPPOSED: Bunde, Foster, Harris, Hudson, Lancaster,
Whitaker, Mulder, Williams

The MOTION FAILED (3-8).

Representative Croft MOVED to delete "425" and add "400" on page 2, lines 16 and 22. Mr. Jeans explained that the 400 threshold adversely affect Hopper Bay. The Senate change was made to protect Hopper Bay. Any school that serves between 10 and 100 students gets counted as one school. A community with an ADM of 101 to 750 gets counted as two schools. He explained that Petersburg and Wrangell have three schools but they have been counted as if there are only two schools. Hopper Bay has a single facility in rural Alaska serving 400 students. Since the language states that each facility that is administered as a separate school shall be counted as one school under the section, which would be changed to 400, Hopper Bay would be reduced from two to one school.

Representative Croft WITHDREW his Amendment.

Representative John Davies asked the intent of the 50 percent provision. Mr. Jeans noted that the amendment was added in the Senate Finance Committee. He did not know the intent.

Representative Foster MOVED to report CS 174 (RLS) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

#sb218

CS FOR SENATE BILL 218(TRA) AM

An Act relating to international airports revenue bonds and requiring that the spending plan for the International Airports Construction Fund include information about the amounts spent during the previous

fiscal year for cost overruns on certain projects and the identification of time delays on certain projects; relating to customer facility charges to fund facilities in airports to be constructed without using international airport revenue bonds; and providing for an effective date.

KURT PARKAN, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES testified in support of the legislation. He explained that the legislation authorizes revenue bonds for financing capital improvement projects at the international airport systems: Fairbanks and Anchorage. The airlines requested a new method of financing the annual capital improvement program at the airports. The state of Alaska agreed and the legislation would debt finance the annual capital improvements project (CIP) for the two airports. He clarified that the annual CIP's have been cash funded through the International Airport Revenue Fund. The airlines have requested debt financing to allow the cost to be paid overtime. Debt financing authorization would be increased. There are two years of CIP included in the bill. The airlines that use the system pay for projects.

Representative Foster MOVED to report CSSB 218 (TRA)am out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS SB 218 (TRA)am was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal impact note (#2) by the Department of Revenue.

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ADJOURNMENT

The meeting was adjourned at 6:20 p.m.