

MINUTES
SENATE FINANCE COMMITTEE
May 01, 2001
9:41 A.M.

TAPES

SFC-01 # 91, Side A
SFC 01 # 91, Side B

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:41 A.M.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Loren Leman
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson

Also Attending: REPRESENTATIVE FRED DYSON; REPRESENTATIVE PEGGY WILSON; WES KELLER, Staff, Representative Fred Dyson; EDDY JEANS, Manger, School Finance and Facilities Section, Department of Education and Early Development; DENNY DEWITT, Staff, Representative Eldon Mulder.

Attending via Teleconference: From Soldotna: LARRY SEMMENS, Chairman of the Academic Policy Committee, Aurora Borealis Charter School; From Kenai: GENE PALM, Aurora Borealis Charter School.

SUMMARY INFORMATION

HB 101-CHARTER SCHOOLS

Following discussion, HB 101 was HELD in Committee.

HB 203-SPECIAL APPROP: SCHOOL DIST. COST FACTORS

Following discussion, HB 203 was HELD in Committee.

HB 250-OPERATING BUDGET MISSIONS AND MEASURES

Following discussion, HB 250 was HELD in Committee.

#HB101

SENATE CS FOR CS FOR HOUSE BILL NO. 101(HES)
"An Act relating to charter schools; and providing for an effective date."

REPRESENTATIVE FRED DYSON noted that HB 101 was similar to previous legislation passed from the Senate Finance Committee, however, is accompanied by have a significant fiscal note. He acknowledged that there had been much discussion in the House regarding the fiscal note. HB 101 is intended to extend and strengthen the existing Alaska Charter School Law. The current law is scheduled to sunset on July 1, 2005, which means that any new charter school cannot be approved for the allowable five-year charter. Existing charter schools are having a difficult time securing facility purchase and lease agreements because their remaining contracts are less than 4.5 years and cannot be extended.

The legislation would make the following changes to the existing charter school law:

- Would eliminate the July, 2005 sunset clause;
- Would extend the allowable contract length from 5 to 10 years;
- Would eliminate the geographic distribution requirements;
- Would double the cap from 30 to 60 charter schools;
- Would clarify that charter schools are not exempt from competency testing;
- Would allow Charter Schools to be counted as separate a school if the ADM is over 150 (reference AS 14.17.905);
- Would provide a one-time "start-up" grant; and
- Would allow for charter school use of safe public buildings with District Superintendent approval.

Senator Wilken asked about the one-time startup of a \$6000 grant scheduled to be given to three cyber schools.

WES KELLER, Staff, Representative Fred Dyson, explained that establishing a charter school does cost a lot of money for computers and other start up essentials.

Senator Wilken referenced Page 3, Line 13, and the safety standards

applicable to public buildings. He suggested that the standards be lowered for the charter schools.

Senator Austerman assumed that all the existing charter schools would make the application for the start-up grant. He questioned why the one-time grant continued into the future.

Co-Chair Kelly explained that not all of the charter schools qualify for the grant.

Senator Austerman would expect to see a balloon payment in the first year for the current schools.

Representative Dyson explained that the fiscal note represents the Department's guess of what the costs would be. He believed that the fiscal note was optimistic.

Senator Austerman noticed that there were two fiscal notes which would further explain his query.

Representative Dyson noted that the on-going \$609,000 would be delegated for the schools that receive more money because the threshold was changed.

Senator Austerman understood that the grant program was for \$170,000 per year.

Representative Dyson explained that the Department would use the \$170,000 for a position and support staff to take care of the needs associated with the charter schools.

EDDY JEANS, Manger, School Finance and Facilities Section, Department of Education and Early Development, stated that the confusion results from the two fiscal notes. The \$609,000 note is the reoccurring cost from dropping the threshold from 200 students to 150 students. That is why that costs have been extended. The second fiscal note indicates the fiscal costs for that position, which the Department is requesting in order to adequately address the legislation. The legislation will institutionalize the charter school program. At this time, it is a pilot program slated to sunset in 2005. The grant program is indicated on that note in the amount of \$1.4 million dollars. There is no projection for fiscal costs in the out-years because the Department does not know how many new charter schools will be coming-on-board or the size of those schools.

AT EASE 9:55 AM/9:57AM

Co-Chair Kelly inquired the funding mechanism, which will be used for size determination.

Mr. Jeans advised that the section, which the bill affects, is AS 14.17.905, school size adjustment. Section B of that statute states that alternative programs serving less than 200 students would be counted. The legislation does allow for charter schools that serve up to 150 students be counted as a separate school.

Co-Chair Kelly questioned if those schools would receive the same amount per student.

Mr. Jeans explained that the legislation would allow the schools the funding for the school size adjustment table as an independent school.

Mr. Jeans added that there are three break points:

- Communities serving less than 100 count as one school;
- Communities serving students between 750 counting as two schools; and
- Beyond that 750 students, each school in the district counts as an independent school unless it is an alternative school. The Department has classified alternative schools are charter schools.

Senator Lemman asked about the start-up grants versus the \$500 dollars per student that some of the schools would be receiving.

Representative Dyson replied that all of the schools are financially "on the ropes". He emphasized that this issue was one of fairness.

Senator Lemman questioned what he would be able to say to those charter schools that have less than 150 students. He suggested that the bill does not reach far enough.

Representative Dyson reminded members that he had requested that the bill be pulled last year from the Senate floor because the extra financial help had been amended out. He understood that the federal government was undertaking measures that would also help the situation. He noted that he had been trying to make some strategic decisions regarding help to the charter schools to keep them alive and still address the fiscal note concerns.

Co-Chair Kelly understood that the intention of creating the charter schools would be that they could act as incubators for new methods of educating students and that the larger school districts would be able to then incorporate some of those techniques which work well. However, he commented that it appears that they are producing better students. Any time there is a situation in which there are fewer students and a requirement for a high level of parental participation, it is no surprise that there are better-educated students resulting from these schools. The public schools cannot mandate parental involvement nor can they drop the number of students in each classroom. He questioned if the charter schools were really providing a greater benefit.

Senator Green reminded Senator Kelly that the charter schools are public schools.

Representative Dyson commented that the passage of the bill would help the charter schools by providing them a little "financial breathing room" so that they could accomplish more than being in survival mode. He stressed that the private and charter schools are not sweeping the "cream" off the top of the student population.

Co-Chair Kelly interjected that the bill would be brought before the Committee at a later date.

Senator Austerman commented that the discussion had reinforced his concerns that the charter schools would eventually weaken the public school system. He noted that there exists a problem in the public schools that needs fixing and that the State should not be contributing other sources that drain the current public school system. He reiterated his reservations for the legislation.

Senator Green emphasized that charter schools are public schools and should be viewed as an adjunct to public education.

Senator Olson voiced support of the bill. He encouraged that action be taken sooner rather than later.

LARRY SEMMENS, Chairman of the Academic Policy Committee, Aurora Borealis Charter School, testified via teleconference from Soldotna that his school has a successful program and that they have a waiting list of over 200 students. He added that the school's test scores are the highest in the district.

Mr. Semmens emphasized that he hoped that the Committee's goals were like his own and that the concern was for better-educated students, and not with only saving money. He testified in complete support for HB 101. The charter schools are separate and yet they

are being penalized in their funding by the alternative school limit.

GENE PALM, Teacher, Aurora Borealis Charter School, testified via teleconference from Kenai in support for the legislation. He urged that the Legislature feed the programs that are meeting some students with success. He added that his school wants to further develop their programs, which currently is being done on the teachers off time. He reiterated the need for the "extra staff".

Co-Chair Kelly reported that HB 101 would be HELD in Committee.

#HB203

SENATE CS FOR CS FOR HOUSE BILL NO. 203(HES)

"An Act making an appropriation to the Legislative Budget and Audit Committee for a study of school district cost factors; and providing for an effective date."

REPRESENTATIVE PEGGY WILSON explained that Alaska has a constitutional obligation to provide a full education for all students. The challenge inherent in the mission is to account for diverse geographic, cultural, and economic conditions.

Representative Wilson stated the formula currently employed, while well intentioned, has unintentional consequences. HB 203 will provide factual answers and will propose an independent study of school cost differentials to be contracted by the Legislative Budget & Audit Committee at the cost of \$350,000 dollars.

Senator Austerman commented that in the past, there have been similar studies based on what is spent in schooling rather than on the actual costs. He questioned if it was the intent of the bill to include cost factors.

Representative Wilson referenced Page 1, Line 10: "The cost should be based on cost providing education in each school district". She continued, the cost should include the cost of classroom instruction and administrative support.

EDDY JEANS, Manger, School Finance and Facilities Section, Department of Education and Early Development, spoke on behalf of the Department in support of the proposed legislation. The Department is required to make recommended changes every other year to the cost differentials as passed in SB 36. The Department fulfilled its requirement this year and attempted to use the McDowell methodology, used in establishing the current cost

differentials. He noted that the Department found the methodology "flawed" and did not work for the updating. The Department request that there be funding provided for a study.

Senator Austerman asked about the changes made in the House Finance version of the legislation.

Senator Wilken replied that there has been an attempt to measure the cost of education as compared to the cost of living.

Senator Austerman stated that the cost of keeping a teacher in a remote area will differ from other places, which will have a direct cost link to the budget.

Senator Wilken understood that the study would take into consideration variable issues throughout the State.

Co-Chair Kelly suggested that the cost of the teacher's salary should be included in the cost of education.

Senator Wilken agreed. He provided a history of the process. Senator Wilken pointed out that there have only been two studies. One was undertaken in 1982, a cost of living study. Another study was done in 1987.

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Senator Wilken continued that the 1987 study adjusted the 1982 study. That information is what was used until SB 36 passed. At that time, there was not a uniform chart and accounts being done for the entire State. The McDowell study undertaken in 1997 & 1998 updated all the costs of education information for the State of Alaska. He hoped that within ten years, the State would have a "rolling model" which constituents could trust.

Co-Chair Donley noted that HB 203 would be HELD in Committee.

Representative Wilson pointed out that there are only five states in the lower 48 that use some kind of a cost differential study. Each one is different. She acknowledged that this is not an easy process. She added that the cost of living in some districts is important because some districts have to provide housing. Some districts have no electricity or water. No teacher would be willing to go to a school district like that without adequate housing needs being provided for them.

#HB250

CS FOR HOUSE BILL NO. 250(FIN)

"An Act relating to missions and measures to be applied to certain expenditures by the executive branch of state government and the University of Alaska from the state operating budget for the fiscal year ending June 30, 2002; and providing for an effective date."

DENNY DEWITT, Staff, Representative Eldon Mulder, explained that HB 250 was the missions and measures bill compiled by the subcommittees from both the House and Senate Finance Committees. The bill started with last year's missions and measures and has been worked through making the necessary adjustments. That information was compiled into a draft bill, which was distributed to each of the Senate Finance subcommittees.

Mr. DeWitt pointed out that the only significant amendment to the bill was in the initial draft on Page 2, Lines 15 and 16, "The average time taken to respond to complaints and questions that have been elevated to the Commissioner's office". That language was added to the final draft from the House Finance Committee version in order to determine how the departments were handling the consumer complaints and concerns. He noted that the Department of Revenue used it last year and that found it to be simple to respond to using the measure last year.

Senator Wilken asked if it was intended that the mission and measures would be consolidated at some point to a book-form for each department to have on hand.

Mr. Dewitt explained that last year; both the operating budget bill and the missions and measures bill were included together in one stapled edition. This year, the departmental order has been reorganized to mirror the operating budget bill.

Co-Chair Donley pointed out that the House has been working on the bill for nearly four months. He asked if there was anything essential which must be addressed this year, or would it be reasonable to undertake the concerns of the bill over the interim.

Mr. Dewitt stressed that it was important that the bill move this budget year, as these missions and measures match the operating budget for FY02.

Co-Chair Donley stated that HB 250 would be HELD in Committee for further consideration.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 10:40 A.M.