

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE

March 28, 2001

1:58 p.m.

MEMBERS PRESENT

Senator Lyda Green, Chair
Senator Loren Leman, Vice Chair
Senator Gary Wilken
Senator Bettye Davis

MEMBERS ABSENT

Senator Jerry Ward

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 21

Urging the United States Congress to extend the authorization date for supplemental block grants to the State of Alaska under the Federal Temporary Assistance to Needy Families Program.

MOVED CSSJR 21 (HES) OUT OF COMMITTEE

SENATE BILL NO. 154

"An Act relating to mental health treatment facilities; repealing the termination date of the mental health treatment assistance program; and providing for an effective date."

MOVED SB 154 OUT OF COMMITTEE

SENATE BILL NO. 1

"An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

SJR 21 - No previous Senate committee action.

SB 154 - No previous Senate committee action.

SB 1 - See Community and Regional Affairs minutes dated 3/19/01.

WITNESS REGISTER

SENATE HES COMMITTEE

-1-

March 28, 2001

Mr. Darroll Hargraves
Executive Director
Alaska Council of School Administrators
326 4th, Suite 404
Juneau, AK 99801

POSITION STATEMENT:

Mr. Jim Nordlund
Division of Public Assistance
Department of Health &
Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Supports SJR 21

Ms. Wendy Hall
Staff to Senator Pete Kelly
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Presented SB 154 for the sponsor

Mr. Elmer Lindstrom
Special Assistant
Department of Health &
Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Supports SB 154

Mr. Mike Powers
Administrator
Fairbanks Memorial Hospital
1650 Cowles
Fairbanks, AK

POSITION STATEMENT: Supports SB 154

Mr. Carl Sanford
Assistant Administrator
Fairbanks Memorial Hospital
1650 Cowles
Fairbanks, AK

POSITION STATEMENT: Supports SB 154

Ms. Liz Lazaria (ph)
Mental Health Unit
Fairbanks Memorial Hospital
1650 Cowles
Fairbanks, AK

POSITION STATEMENT: Supports SB 154

Dr. Hopson
Fairbanks Memorial Hospital
1650 Cowles
Fairbanks, AK

POSITION STATEMENT: Supports SB 154

Mr. Garth Hamlin
Chief Financial Officer
Bartlett Regional Hospital
Juneau, AK

POSITION STATEMENT: Supports SB 154

Senator Robin Taylor
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Presented SB 94

Mr. Jim Holt
Superintendent
Fairbanks School District
PO Box 71267
Fairbanks, AK 99707

POSITION STATEMENT: Supports SB 1

Mr. Jeff Walters
Fairbanks School District
PO Box 71267
Fairbanks, AK 99707

POSITION STATEMENT: Supports SB 1

Mr. David Jones
Finance Director
Kodiak Island Borough School District
710 Mill Bay Rd.
Kodiak, AK 99615

POSITION STATEMENT: Supports SB 1

Mr. Eddy Jeans
School Finance and Facilities Section
Department of Education &
Early Development
801 W 10th St.
Juneau, AK 99801-1894

POSITION STATEMENT: Supports SB 1

ACTION NARRATIVE

TAPE 01-28, SIDE A

Number 001

CHAIRWOMAN LYDA GREEN called the Senate Health, Education & Social Services Committee meeting to order at 1:58 p.m. Present were Senators Leman, Wilken, Davis and Green. Chairwoman Green asked Mr. Darroll Hargraves to present to the committee.

UPDATE ON LEGISLATIVE PRIORITIES OF
THE ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

MR. DARROLL HARGRAVES, Executive Director of the Council of School Administrators, informed the committee that school superintendents from around the state gathered in Juneau over the weekend to discuss various pieces of legislation and education policies. He stated the [Governor's] task force on funding had asked the Department of Education and Early Development (DOEED) to come up with factors in statute or from the state level that would assure accountability in Alaskan schools. As a result, DOEED produced a two-page document entitled "School Accountability in Alaska" that describes the accountability measures that rest upon school administrators. In addition, school administrators, teachers, and parents want their schools to be accountable. Most people feel their local schools are doing a good job.

MR. HARGRAVES informed the committee that the superintendents didn't take formal actions during their meeting but they dealt with three broad topics: the exit exam; teacher recruitment and retention; and funding. The superintendents came to the consensus that SB 133 is the appropriate vehicle to carry concerns about the exit exam, specifically a delay and waivers. Peripheral issues surrounding the exit exam are curriculum and instruction. The superintendents would like to commend the Alaskan history education curriculum bill, HB 171, to the committee. HB 171 has been thoughtfully put together with the input of a lot of business people in Anchorage. Some superintendents believe it could help the rural-urban divide in the state.

CHAIRWOMAN GREEN asked if legislation would be required to implement an Alaska history curriculum.

MR. HARGRAVES said it would not require legislation; however, the two larger school districts in the state have been limping along trying to get it started and both superintendents felt legislation would help. He noted that critics might feel that school superintendents are asking for an unfunded mandate, but

teaching a state's history is fairly standard and often required.

CHAIRWOMAN GREEN remarked, "Don't we already have that?"

MR. HARGRAVES said it is not required in statute. School districts have had trouble with Alaskan materials and Alaskan texts. The Staff Development Network now has a teacher preparatory course for Alaska history. DOEED has indicated that it could take this specific statute, set up standards and put the material into existing courses.

MR. HARGRAVES said AASA, after serious concerns in past years, has endorsed the charter school legislation before the Legislature.

MR. HARGRAVES said the topic of teacher recruitment and retention was discussed by the superintendents. Alaska has been experiencing a tremendous problem with teacher recruitment and, regarding the argument that the shortage is site-specific, he met with the superintendent of the Anchorage School District who expects 200 teachers to retire in Anchorage next year, aside from 15 other vacancies. That number doesn't take into consideration the normal attrition rate. Principals have told him that they can go through three-page lists of teacher candidates and not find one available candidate.

MR. HARGRAVES said a teacher shortage does exist. Some measures under consideration by the Legislature that might help are loan or interest forgiveness for teachers. The [Governor's] task force on education funding suggested providing loan forgiveness for teachers who are not even Alaskans. He pointed out that one of the businessmen on that task force observed that when private industry has a shortage of workers, it raises the salary and announces that raise. However, teachers have fixed salary schedules.

MR. HARGRAVES informed committee members that the superintendents spent a substantial amount of time discussing funding issues. It is his belief that superintendents, principals, and teachers are a beleaguered group of people in Alaska, simply because of programs and benefits that have been lost over the years. Two decades ago, Alaska had the best teacher retirement system in the nation. Today, that is not true. When potential candidates look into Alaska's current teacher retirement system, they invariably find out that other states are better. In addition, schools are working with fewer staff.

MR. HARGRAVES told the committee that the AASA recommends

increasing the per student allocation in the foundation formula by \$200 this year and an additional \$200 for the next five years.

CHAIRWOMAN GREEN asked if they are recommending the per student allotment be increased by \$1,000 over five years.

MR. HARGRAVES said that is correct. He continued by telling the committee that accountability factors have been established in statute. When one takes into account that teachers work for parents and locally-elected boards, the AASA believes the high number of accountability measures will require some money. This year, Alaska school districts have had the largest fuel increase costs in many years. The AASA has calculated that a \$200 increase will exceed inflation by a little bit. Regarding the debate about funding the foundation formula and other specified funds separate from the foundation formula, AASA strongly favors putting all funding in the foundation formula.

There being no questions for Mr. Hargraves, CHAIRWOMAN GREEN thanked him and announced the committee would hear SJR 21.

#SJR 21

SJR 21-URGE EXTENSION OF FEDERAL TANF GRANTS

MR. JIM NORDLUND, Director of the Division of Public Assistance, Department of Health and Social Services (DHSS), stated support for SJR 21. This resolution supports continuation of supplemental grants through the state's Temporary Assistance for Needy Families (TANF) program, established with the creation of the federal welfare reform law that passed in 1996. That law replaced open-ended entitlements to states for the AFDC program with a block grant program for states. The amount of the block grant was based on the amount of money each state had received for their AFDC programs in FY 1994, amounting to \$63.6 million for Alaska. The federal law also provided that relatively poor and rapidly growing states would receive a 2.5 percent annual increase to their block grants amounts. Alaska is considered to be a high growth state.

MR. NORDLUND explained that states received the supplemental increases for four years. Alaska's first block grant in 1998 amounted to \$68 million; that amount has increased to \$70 million but it will decrease to \$63 million in October, the start of the federal fiscal year [FY 02]. DHSS obligated \$70 million and more for cash assistance, child care and other programs and now faces a \$15 million deficit. Calculated into that deficit is the \$6.9 million that will be lost from federal sources. SJR 21 requests Congress to continue the supplemental amount at the current

year's level for at least one more year. He informed committee members that this approach has received a great deal of support from the National Governors' Association, the National Council of State Legislatures, and other organizations.

CHAIRWOMAN GREEN asked if other state legislatures have passed similar resolutions.

MR. NORDLUND nodded affirmatively.

CHAIRWOMAN GREEN asked if a copy of the resolution should also be sent to President Bush.

MR. NORDLUND said he believes the omission of the President as a recipient was an oversight.

CHAIRWOMAN GREEN offered to accept a conceptual amendment to add the President of the United States and the U.S. Secretary of Health and Human Services to the list of recipients [Amendment 1].

SENATOR LEMAN so moved and, with no objection, the motion carried.

CHAIRWOMAN GREEN asked if anyone expected to use the TANF funds when welfare reform was initiated.

MR. NORDLUND said he does not believe any of the states expected welfare reform to be as successful as it has been. Caseloads have dropped by over 50 percent. In the initial years, the block grant balances built up and DHSS was advised by members of Congress that the state should spend those funds. Caseloads had dropped so quickly that the states had not had sufficient time to gear up and use the funds to build up programs. Alaska has built up its programs and is now dependent on that money. He noted SJR 21 asks for a one-year extension but the whole TANF program is up for reauthorization by Congress.

Number 1431

CHAIRWOMAN GREEN asked if the Legislature will know anything by next session.

MR. NORDLUND said it should because the law has to be reauthorized by October.

CHAIRWOMAN GREEN said she questions whether the state is doing things it shouldn't be with this money. She said sometimes good

things happen when people are forced to find new ways to run programs.

MR. NORDLUND said the TANF program is in the process of being audited and it is possible the audit will determine that a program, similar to the Head Start program, should not be funded with TANF money. He suggested amending SJR 21 by removing "the Head Start Program," on page 2, line 12, and changing \$6,900,000 to \$6,887,800 on page 1 line 15 [Amendment 2}. He explained that \$6,887,800 is the exact number, while \$6,900,000 was an estimate.

SENATOR DAVIS moved to adopt Amendment 2.

There being no objection, CHAIRWOMAN GREEN announced that Amendment 2 was adopted.

SENATOR LEMAN moved CSSJR 21(HES) from committee with individual recommendations and its zero fiscal note. There being no objection, the motion carried.

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The committee took up SB 154.

#SB154

SB 154-REPEAL SUNSET OF MENTAL HEALTH ASSISTANCE

MS. WENDY HALL, staff to Senator Pete Kelly, sponsor of SB 154, informed the committee that representatives from the Department of Health and Social Services (DHSS) were available to answer questions about the bill. She then read the following statement.

The designated evaluation and treatment program [DET] is a critical component in a continuum of mental health services in Alaska, particularly for indigent persons with mental illnesses who are being civilly committed or met the criteria for civil commitment. Through this program many poor people with mental illnesses, who do not qualify for Medicaid, are able to receive services in community hospitals across the state, closer to their families and local support systems. Without the DET program, it would be necessary to transport many consumers in crises to the Alaska Psychiatric Institute [API] to receive evaluation and treatment sources.

MS. HALL explained that SB 154 repeals the sunset clause in statute.

CHAIRWOMAN GREEN clarified that Version A was before the

committee and said this concept is part of an ongoing discussion about API, which she believes is a great idea.

Number 1668

SENATOR LEMAN asked why the legislature put a sunset date on the bill in 1999.

CHAIRWOMAN GREEN thought it was done for financial reasons.

MR. ELMER LINDSTROM, Special Assistant to the Commissioner of DHSS, recalled the sunset date was included because the state had received a federal grant that was non-continuing. A portion of that grant was earmarked for DET costs, but the Legislature was aware that the federal funds would not be available in 2002. In the meantime, DHSS has located another funding source to continue the program.

CHAIRWOMAN GREEN asked Mr. Lindstrom to review the fiscal note.

Number 1735

MR. LINDSTROM said the rules for fiscal notes have changed so that the cost of an entire program is to be shown, even though the funds might be included in the Governor's, House or Senate budget. He thought, as of yesterday, the DET program was fully funded in the Senate version of the operating budget.

CHAIRWOMAN GREEN asked for verification that SB 154 will have no additional fiscal impact, other than the amount included in the operating budget.

MR. LINDSTROM said it will not.

Number 1833

MR. MIKE POWERS, administrator of the Fairbanks Memorial Hospital Denali Center, told the committee that three years ago the hospital completed a strategic plan, of which a major platform was community accountability. Hospital staff, public safety officials, and social service workers attended planning sessions and, as a community, identified psychiatric program excellence as a key effort. The DET funds were instrumental to the hospital's ability to offer its psychiatric program. About the same time, Senator Kelly introduced legislation allowing limited state dollars to four communities to help protect one of the most vulnerable segments, the working-poor mentally ill. That funding mechanism has proven to be very cost effective - it has minimized the cost borne by multiple state agencies. He urged committee members to support SB 154.

MR. CARL SANFORD, assistant administrator at Fairbanks Memorial Hospital, informed the committee that two years ago he was very involved in the mental health infrastructure at the hospital and around the state, particularly the transfer of mentally ill patients from the Fairbanks community to API for treatment. At that point in time, the predominant issue was open funding. In 1999, 70 patients were transported out of Fairbanks. In 2000, 5 to 7 individuals were transferred to API for care, providing dollar savings to the public safety and correctional sectors and allowing troopers to remain in the community. In addition, patients receive timely access to care and do not delay the decision to seek care as often.

MS. LIZ LAZARIA (ph), nurse manager on the Mental Health Unit at Fairbanks Memorial Hospital, told the committee she would like to speak to the personal side of the benefits of the DET program. One patient in the mental health unit is a 23 year old with schizophrenia. It is very important for the family to be involved with the treatment and follow-up of this patient. This patient is likely to be hospitalized several times during his lifetime. The unit has developed a treatment plan with family members that provides family support. She urged committee members to support SB 154.

CHAIRWOMAN GREEN asked Ms. Lazaria whether that patient would have been transported if the DET program was not available in Fairbanks.

MS. LAZARIA said it is highly likely the patient would have been transferred to API as the patient is on a 30-day commitment. The DET program supports keeping the patient in the community.

DR. HOPSON, a psychiatrist from Fairbanks, stated support for SB 154. As a member of the medical staff at Fairbanks Memorial Hospital and the medical director of Mental Health, one of his goals is to support and direct the development of an acute care mental health system, which provides the highest level of care to its patients and support to their families.

DR. HOPSON said when treatment is delayed or a mental illness is untreated, the patient may decompensate to the point that involuntary treatment through court commitment is required. That process not only adds costs but may require a longer length of treatment due to the fact that he or she may be seriously decompensated. He believes that passage of SB 154 will allow for earlier interventions, earlier hospitalizations, shorter lengths of stay, and less cost to the patient, family and taxpayers. Earlier treatment of patients, from a physician's standpoint, is the ultimate goal and will provide the highest quality of mental health care in the Interior.

MR. GARTH HAMLIN, Chief Financial Officer at Bartlett Memorial Hospital, stated support for SB 154.

SENATOR LEMAN moved to pass SB 154 from committee with individual recommendations.

CHAIRWOMAN GREEN announced that with no objection, SB 154 would move to its next committee of referral. The committee took a brief at-ease and then Chairwoman Green handed the gavel to Vice-Chair Lemman and the committee took up SB 94.

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#SB 94

SB 94-EDUCATION FUNDING

SENATOR ROBIN TAYLOR, prime sponsor of SB 94, thanked Chairwoman Green for her help on SB 94 and on education issues in general. He noted a committee substitute to SB 94 was prepared that makes major changes to accommodate concerns expressed at the last hearing.

SENATOR DAVIS moved to adopt Version 0 as the working document before the committee. There being no objection, the motion carried.

SENATOR TAYLOR explained that Section 1 of Version 0 changes the federal impact aid deduction from 100 to 95 percent. It adds a provision for a specific allocation for school nurses so that those districts without a school nurse will have one in the future. It also adds funding for vocational education but changes it from 3 percent of specific allocation multiplied against the formula to 2 percent, with the other 1 percent allocated for school nurses. He stated he has no objection to changing those numbers, but he believes that vocational education has been on the short end of the stick and needs to be emphasized and improved. In addition, he pointed out none of the schools within his Senate district have a school nurse.

Number 2334

VICE-CHAIR LEMAN referred to page 3, line 3, and asked about the special needs factor change from 1.20 to .20.

SENATOR TAYLOR deferred to the drafters for an explanation. He said that Section 2 merely makes the language changes necessary to encompass Section 1. A portion of Section 1 that was of concern to many is that it would require the North Slope Borough to pay the same four mil minimum level that other school districts in the state currently pay before they receive any funding from the State of Alaska. This would have allowed for significant additional revenues to be redistributed throughout

the formula to assist other districts. Based on conversations and testimony, he reduced that from a four mil levy maximum requirement to four mils or 100 percent of the local cost of education, whichever is less. Existing law provides that the local community would have to pay 45 percent of the total cost of education. He stated:

So we've changed it from 45 to the full 100 percent, but not taken any additional funds that would have been generated. This leaves you short on the numbers within these bills for education funding by about \$21 million of additional funding that would have been available to help make sure no children were left behind any place else in the state. As I said, Section 2 makes the changes necessary to comply with Section 1. Section 3 merely adds the changes necessary to provide for a specific allocation for nurses. Section 4 accommodates both the nursing and vocational education and changes the words from 'product' to 'number.' I assume that's a linguistic change that was necessary for the computation...

Section 5 requires a biennial study by the Department of Education that will be submitted to the legislature and establishes parameters from which the study must be done. It says the Department of Education already has significant auditing and numbers before it on what the cost of education is and that they should use then specific aspects of consumer price indexes and it lists four or five different methods of determining that information.

In other words, do you have to go out and find out what it costs to do business in that district? What is the cost of living, the cost of food, utilities, transportation? Once they have done that and achieved those objective numbers, they then establish the amount of area cost differential for each community using Anchorage as the base. It's the way our current formula works but our current formula's never been adjusted in 14 years so, as a consequence, even though prices may change, go up or go down in a given community, we have no way of tracking that and every time we're told they're going to do something about it - we've sat now as a legislature for three years waiting for an adequacy study to be completed. Well they completed the adequacy study and the Governor's Task Force reported to this committee at a very recent hearing -

and all of the comments on area cost differential were, we can't figure it out and we don't know what it is, but the current system is totally broke on area cost differential and, as a consequence, we should do another study. That will be the fifth study since I've been in the legislature with no changes."

CHAIRWOMAN GREEN asked Senator Taylor if the kind of study he envisions can be derived at by gathering information that is currently available.

SENATOR TAYLOR said that is correct. He noted that most of the information is available through Alaska's Department of Labor and is currently used for labor contracts and other state government areas that require a level of objectivity in the way funds are allocated for geographic differentials.

SENATOR LEMAN pointed out the Consumer Price Index (CPI) is not referenced in the bill and that he prefers the replacement language because the CPI tends to overstate the actual increase in costs by as much as 1.1 percent, according to the Michael Boskin (ph) study. Part of the reason is that it does not account for changes in the way people live that are more efficient. He felt if the CPI is used, that increase will be institutionalized.

SENATOR TAYLOR said DOEED has very good numbers; it audits every single school district every year. It also has, through the Department of Labor and federal entities, significant objective evidence to turn to. He agreed that the CPI can overstate the increase, but it is only 1 percent. If that is balanced against the actual expenditures, he believes DOEED can come up with a truer number of the actual cost that would not require an increase in general funds but, instead, would require a reallocation of funds. He felt the shifts would be subtle, depending on the costs in each community, and would be readjusted every two years. He pointed out that he selected two year intervals to provide stability for budgeting purposes in case dramatic shifts occurred. He stated this approach is better than one that was politically set 14 years ago and has not been changed since.

Number 2075

SENATOR WILKEN disagreed that the area cost differentials (ACD) have not been changed in 14 years. He stated:

Senator Taylor now, twice, has discussed the fact that the DCF - ACDs haven't been changed in 14 years. That's not correct. They were changed under SB 36,

under the McDowell study. The McDowell study was brought about by the fact that the prior ACDs that Senator Taylor is speaking of were built in 1984. They were done for a Department of Labor study. They sampled 19 of our 40 election districts. That 1984 study - the Legislature was then under pressure in '85, '86, and '87, and when the Legislature in '87 came up with the formula that we changed three years ago, they needed - what Senator Taylor is talking about - and that was some sort of differential of living - cost of living across Alaska. It took that Labor study in 1984 and they brought it to the bill that changed the formula and made it an instruction unit formula in 1987. They then went further than that and they made another adjustment at the committee table, politically, to gerrymander the ACDs to the benefit of certain areas of the state and then we lived under that system until we changed the formula in 1997 or 1998.

So, to suggest that we haven't done anything in 14 years is not quite correct. When the Department went out, under the McDowell study, the Department went out to study the cost of living. What they found was that across our 53 school districts there simply was a basic requirement of accounting missing and that was a chart of accounts that's uniform across the state of Alaska. That surprised the McDowell study and they expressed their surprise in the study and that has since launched an effort over the last three years for the Department to go out and, under regulation now, to have in place a chart of accounts so that we can start to compare across districts so that we can do what the Senator wants, and that is to figure out what is the cost of education so we can fairly compare 53 districts across the state. That process isn't ongoing and I certainly support that and I know Senator Taylor does too. I want to make sure that - we haven't forsaken this issue of ACDs but we have certainly found that we couldn't rely on the data we had, nor could we rely on the accounting system that was in place since 1987 and we're certainly trying to correct that.

SENATOR TAYLOR said he agrees with Senator Wilken except that he disagrees that this was a beneficial change to every district in the state. He believes that with a new chart of accounts that will be audited annually and plowing in the additional factors, DOEED can determine what the numbers should be.

SENATOR WILKEN said, as everyone knows from what was done with SB 36, that this isn't that big of a project but it has to be valid. He reminded Senator Taylor that the McDowell study verified that 80 percent of the budgets of school districts across the state was used for wages, salaries, and benefits so that it is the 20 percent that has to be quantified. He pointed out there is a difference between the cost of living and providing education in an area. For example, some towns have 30 miles of road so gas costs are low compared to a town with 4,000 miles of road.

SENATOR TAYLOR responded:

And I think all we're really talking about is providing within the formula a mechanized way of accomplishing this and having it done by the professionals and not done by the politicians. It shouldn't wait for us to make a decision here and then have that decision get structured politically. These are kids. They shouldn't be left behind and they're going to continue to be left behind if we leave it up to the legislature to do this. That's why my suggestion is, de-politicize this. Give us some objective numbers. And I really don't care what the formula is as long as it's a fair formula, and [indisc.] accordingly. That's what we've provided in this bill....

Number 1838

CHAIRWOMAN GREEN asked, "...are both of these ideas - the part that went on in SB 36 and this type of (indisc.) - are they both impacted by the same idea that we're not measuring necessarily what it costs to live there but we're measuring what we have to spend when we're there?"

SENATOR TAYLOR said it is both and that, in essence, they have to look at what is truly the cost of education within that community. He pointed out there are costs that are unique to education and they need to be tracked. He informed the committee that Commissioner of Education Marshall Lind ordered all school districts to use the same chart of accounts in 1978 but we are just now getting there.

SENATOR LEMAN asked how to compare what is being delivered in one district with another because different districts do things differently. He pointed out that some districts offer smaller class sizes while others offer a computer station for each student. He asked Senator Taylor if it is his intent that when comparing from area to area, equivalent delivery of education is compared.

SENATOR TAYLOR said it is. He repeated that he firmly believes DOEED has the expertise to do that today because the department has specialists who know what it should cost in a given community. He said he has worked with the Department of Labor and DOEED to try to come up with a series of qualifiers that would provide objective numbers from which to create a worksheet.

Number 1623

SENATOR LEMAN pointed out another concern is that one school district may have a different policy when it comes to negotiating employee contracts. For example, if employee contracts account for 80 to 85 percent of district costs, would there be some standardization or oversight of that percentage. He cautioned that if a district wanted to increase its area cost differential, it could just negotiate higher contracts.

SENATOR TAYLOR said he has not attempted to address that because those decisions are left to local control.

SENATOR TAYLOR continued describing SB 94. Section 6 provides for a declining fund adjustment to allow for a gentle slope to compensate for declining enrollments in school districts that are suffering from a reduction in student population. He maintained that the foundation formula provides well for increases in student population but districts "fall off of cliffs" if their enrollment declines. The legislature attempted to set percentiles - a school had to lose more than 10 percent of its population before it got help. That number was then reduced to five or seven percent. He replaced the percentage with language that says if school enrollment is declining, the school will receive 75 percent for that phantom child the first year, 50 percent the second year, and 25 percent the third. That would provide three full years to adjust contracts with educators. He indicated that he is flexible on those numbers but his goal is to make a gentler transition for schools.

Number 1450

SENATOR LEMAN asked if that mechanism will kick in if any decline in enrollment occurs because the bill says the decline must be 4 percent or more.

SENATOR TAYLOR said his preference is to go to zero percent. He continued explaining the bill. Section 7 sets the base student allocation. His original bill included a \$210 increase. Because Senator Wilken, in SB 1, had a \$145 increase he inserted \$145 in the committee substitute, but at one point he was going to leave it blank and let the committee decide the best number. The Governor's bill increases the allocation by \$115. He added that the fiscal notes increase the cost by \$30 million if no revenues

are collected by requiring a higher percentage of pay from the rich tax-base districts. He explained that if the federal aid impact deduction was at 100 percent, about \$12 to \$13 million would be added back into the formula and reduce the fiscal note to about \$20 million. He hoped for a \$50 million increase but because of the emotion surrounding the North Slope Borough issue, he modified that amount for the sake of agreement.

SENATOR TAYLOR then explained that Section 8 contains the same language. It changes the threshold level on what was called the single site argument - it only impacts two districts, Wrangell and Petersburg. He noted that is an arbitrary number and there should probably be a better way of handling declining enrollments.

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#SB1

SB 1-FOUNDATION FORMULA INCREASE

CHAIRWOMAN GREEN thanked Senator Taylor and asked Senator Wilken to present SB 1.

SENATOR WILKEN, sponsor of SB 1, said that SB 1 is the most efficient bill regarding school funding. It simply increases the student dollar amount. He feels the case has been made by constituents that increased funding is needed for many good reasons. He asked that Jim Holt come forward and testify.

MR. JIM HOLT, Superintendent of the Fairbanks School District, informed the committee that he has been with that school district for 30 years. He said he understands the reluctance of the Legislature to open up the formula in SB 36. The complexities described by Senator Taylor make that obvious. He also understands the Legislature's reluctance to tie the student dollar to a permanent inflation factor because the question of what inflation factor to use continues. He noted that grant funding allows the Legislature to target specific educational issues, hold school districts accountable, and not worry that the additional funding is being spent on salaries rather than students but it has become critical that additional funding be placed in the student dollar.

MR. HOLT said no matter what numbers one believes, the bottom line is that inflation has eaten away at the educational dollar. If it cannot be tied to some kind of factor that takes that into consideration, the Legislature will periodically need to adjust that amount. For example, Fairbanks has had the second warmest winter on record. Even under those conditions, the fuel oil bill for the school district cost \$200,000 more this year than last, purely due to inflation. He cannot use grant funds to pay that bill. He pointed out that raising property taxes to pay for

school bonds is not a well received idea by retirees on fixed incomes. Likewise, all school superintendents in this state have been running their districts on a fixed income for almost all of the last 12 years. Every time there is an increase in inflation, fuel bills or teacher salaries increase and districts can spend less on the students. He asked legislators, when considering additional funding for education, that all of that money not be put into quality schools grants and learning opportunity grants, but to consider increasing the student dollar.

Number 963

SENATOR LEMAN said he disagrees that the \$200,000 increase in the fuel bill was due to inflation. Rather, it was an increase in the price of fuel. He noted both have the same effect on spending power.

SENATOR WILKEN asked Mr. Holt to describe to the committee what the learning opportunity grants fund.

MR. HOLT said the quality school grant that the Fairbanks School District received first was used to offer summer school for the first time in Fairbanks in about 20 years. The learning opportunity grants have allowed the Fairbanks district to fund special programs, particularly in reading, and hopefully next year in math, for elementary students who are unable to keep up.

MR. JEFF WALTERS stated support for SB 1 and increases in funding for education. The Legislature must acknowledge losses due to inflation over the last 10 years. He said employees in his district are being squeezed by inflation, rising health costs, expectations of student performance on the high school qualifying exam and more. If districts do not get an increase, they will lose safety monitors on school buses, supplies and equipment, and the pupil-teacher ratio will have to be raised in grades 4 through 12. That seems counterproductive in light of state mandated exams. In addition, attracting and retaining high quality teachers is critically important across the state. He feels districts need a long range solution to funding, not a stop gap measure.

Number 806

SENATOR LEMAN informed Mr. Walters that the Legislature fully funded pupil transportation so to draw any link between SB 1 and pupil transportation is a misrepresentation.

CHAIRWOMAN GREEN noted that crossover on budgets can cause confusion.

MR. DAVE JONES, Kodiak Island Borough School District Director of

Finance, stated support for SB 1. He has calculated the amount of state revenue per student for each year since 1989. With quality schools initiative funds and the learning opportunity grants included, the Kodiak school district is receiving \$30 less per student than it did in 1989. Over that same time period, inflation has increased over 30 percent. In addition, fuel costs have increased 56 percent since 1990. The lack of inflation proofing has resulted in severe cuts in Kodiak. Over \$1 million has been cut in the last two fiscal years and Kodiak is facing another \$500,000 next year if it receives no additional revenues. Passage of SB 1 will eliminate the need for further cuts and might allow the district to reinstate some of the programs cut in recent years.

Number 677

CHAIRWOMAN GREEN announced that both SB 94 and SB 1 will be scheduled in committee again next week. She pointed out that the issue of supplemental equalization has been discussed at the Mat-Su school district. She plans to review that issue at the next meeting also.

MR. EDDY JEANS, School Finance and Facilities Section, DOEED, stated support of SB 1. However, he suggested the committee consider rolling the learning opportunity grants into SB 1 as part of the ongoing funding formula so that school districts do not have to lobby for that money every year.

CHAIRWOMAN GREEN asked if that creates a lot of work.

MR. JEANS replied, "It keeps it interesting, Madame Chairman. I think you would remember the single site issues that we debated - single site funding on an annual basis for about 10 years." He pointed out that money is being allocated to districts at the same time quality school grants are allocated. The allocation methods are a little bit different but the monies are being targeted for the same purposes. If the money is going to be allocated to DOEED, it would prefer to have the money in the formula.

MR. JEANS said that SB 1 and the learning opportunity grants are very close to the funding level recommended by the [Governor's] funding task force. The only thing missing is about a 1.5 percent annual increase for the next five years, also recommended by the task force.

CHAIRWOMAN GREEN announced both bills will be heard on Monday and that next Wednesday, the committee will begin discussing the State of Alaska's reliance on Medicaid.

SENATOR WILKEN asked if the committee will be discussing the

competency exam again.

CHAIRWOMAN GREEN said it would not. She then adjourned the meeting at 3:28 p.m.

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