

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON EDUCATION

February 6, 2003
11:00 a.m.

MEMBERS PRESENT

Representative Carl Gatto, Chair
Representative Paul Seaton, Vice Chair
Representative John Coghill
Representative Peggy Wilson
Representative Kelly Wolf
Representative Les Gara
Representative Mary Kapsner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 19

"An Act relating to appropriations for operating expenses for primary and secondary public education; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 26

"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 ACTION

BILL: HB 19

SHORT TITLE: EDUCATION FUNDING

SPONSOR(S): REPRESENTATIVE(S) STEVENS

Jrn-Date	Jrn-Page		Action
01/21/03	0036	(H)	PREFILE RELEASED (1/10/03)
01/21/03	0036	(H)	READ THE FIRST TIME - REFERRALS
01/21/03	0036	(H)	EDU, HES, FIN
01/21/03	0036	(H)	REFERRED TO EDUCATION

02/04/03 (H) EDU AT 11:00 AM CAPITOL 124
02/04/03 (H) -- Meeting Canceled --
02/06/03 (H) EDU AT 11:00 AM CAPITOL 124

BILL: HB 26

SHORT TITLE: INCREASE EDUCATION FUNDING

SPONSOR(S): REPRESENTATIVE(S) STEVENS

Jrn-Date	Jrn-Page		Action
01/21/03	0038	(H)	PROFILE RELEASED (1/10/03)
01/21/03	0038	(H)	READ THE FIRST TIME - REFERRALS
01/21/03	0038	(H)	EDU, HES, FIN
01/21/03	0038	(H)	REFERRED TO EDUCATION
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02/04/03		(H)	-- Meeting Canceled --
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WITNESS REGISTER

REPRESENTATIVE GARY STEVENS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As sponsor of HB 19 and HB 26, explained the purpose and intent of this legislation, and answered questions with respect to the merits of the bills.

EDDY JEANS, Manager

School Finance and Facilities Section

Education Support Services

Department of Education and Early Development

Juneau, Alaska

POSITION STATEMENT: Provided the Department of Education and Early Development's position and answered questions on HB 19 and HB 26.

LARRY WIGET, Executive Director

Public Affairs Division

Anchorage School District

Anchorage, Alaska

POSITION STATEMENT: Provided the Anchorage School District's position and answered questions on HB 19 and HB 26.

JENNIE HAMMOND

Nikiski, Alaska

POSITION STATEMENT: Testified in favor of HB 19 and HB 26.

CAROL HAKKINEN

Kenai, Alaska

POSITION STATEMENT: Testified in favor of HB 19 and HB 26.

DONNA PETERSON, Superintendent

Kenai Peninsula Borough School District

Kenai, Alaska

POSITION STATEMENT: Provided the Kenai School District's position and answered questions on HB 19 and HB 26.

MILDRED LINK

Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 26

ANNE KILKENNY

Wasilla, Alaska

POSITION STATEMENT: Testified in favor of HB 26

ROBERT DOYLE, Interim Chief School Administrator

Matanuska-Susitna School District

Wasilla, Alaska

POSITION STATEMENT: Provided the Matanuska-Susitna School District's position and answered questions on HB 26.

ACTION NARRATIVE

TAPE 03-5, SIDE A

Number 0001

CHAIR CARL GATTO called the House Special Committee on Education meeting to order at 11:00 a.m. Representatives Gatto, Seaton, Wolf, and Gara were present at the call to order. Representatives Coghill, Wilson, and Kapsner arrived as the meeting was in progress.

HB 19-EDUCATION FUNDING

[Contains discussion of HB 26]

Number 0108

CHAIR GATTO announced that the first order of business would be HOUSE BILL NO. 19, "An Act relating to appropriations for operating expenses for primary and secondary public education; and providing for an effective date."

CHAIR GATTO informed members that he expected to hear a number of bills on education funding because of the complexity of the issue.

Number 0192

CHAIR GATTO noted for the record that Representatives Kapsner, Coghill, and Wilson had joined the committee.

Number 0346

REPRESENTATIVE GARY STEVENS, Alaska State Legislature, sponsor of HB 19, explained that the primary goal of this legislation is to allow school districts to know how much funding they will receive for the next school year by April 1. He told the committee that school districts are required to submit funding requests to municipal governments by May 1 of each year. In many instances, the legislature has not yet passed the operating budget by then, and it is very difficult for school districts and municipal governments to put together a financial plan.

REPRESENTATIVE STEVENS shared his experience as the president of the Kodiak Island School District, where a reduction in state funding required the district to do serious cuts in the budget. As a result, the district was forced to give pink slips to all of the newly hired teachers. He said it was a terrible situation for the teachers and the district. While the district staff felt that in the fall there would be an adequate number of students necessary to justify rehiring them, the district could not guarantee employment.

REPRESENTATIVE STEVENS pointed out that this is a problem in many areas of the country. He shared his daughter's experience as a teacher in the Seattle School District, where the administration has misplaced \$30 million. In this case, all the new teachers have been told that they will be let go; however, they were also told if they waited around, on the first day of school they probably will have their jobs.

Number 0576

REPRESENTATIVE STEVENS went on to say that HB 19 solves these kinds of problems in two ways. Section 1 requires the governor to submit a separate appropriation bill to the legislature for public elementary and secondary schools before the fourth day of each regular session. It also requires the legislature to pass

and transmit to the governor a bill to fund education for the succeeding fiscal year.

Number 0599

REPRESENTATIVE STEVENS said Section 2 amends the provision in the Executive Budget Act to reflect that a separate appropriation bill for education funding must be submitted by the governor as part of the budget package. He noted that this bill in no way prevents the legislature from appropriating additional funding to the foundation formula after the April 1 deadline, and in no way discourages the funding of Learning Opportunity Grants (LOGs). Representative Stevens addressed the issue that the districts might fare better if the legislature waits until the end-of-session negotiations, when possible additional funding may be available from the Constitutional Budget Reserve (CBR) account. He told the committee that while that may be true, it is also true that the CBR has less and less funds available. He emphasized the importance of providing districts and municipalities with early funding information to assist them in their budget processes.

Number 0709

REPRESENTATIVE GARA thanked Representative Stevens for his efforts to provide a solution to school districts and municipalities in their budgetary planning. Representative Gara shared his concern about a problem with this plan in years when there are shortfalls in funding. He offered an example where school districts and municipalities have taken action based on information provided to them in April, only to find at the end of session that additional funding has been appropriated from the CBR. Since the districts have already taken action based on the information received in April, they now have to revisit the issue. He said he thinks this legislation may complicate the districts' budgetary process.

REPRESENTATIVE GARA said districts have told him they are more interested in adequate funding than timely funding. Once the adequate funding issue has been resolved, he believes the districts would be more comfortable having an appropriation deadline. He asked Representative Stevens for his thoughts.

Number 0906

REPRESENTATIVE STEVENS agreed with Representative Gara that adequate funding is important, and that the effect of additional

funds from the CBR [is to require the districts to revisit the budgetary process]. He pointed out how fortunate Alaska is to have another funding source, since many states like Oregon, for example, have no additional funding sources. Representative Stevens also mentioned the problem rural governments face when they are already at the cap in funding and cannot appropriate any more money to help fund education. He told the committee he thinks it is important to have a discussion about long-term financing of education when the CBR is gone. He stated that while it maybe be premature now, it may not be in a couple of years.

Number 1007

REPRESENTATIVE WILSON said that last year there were discussions about forward-funding education. While initially the districts showed an interest in seeing this legislation pass, they were more concerned with adequate funding, so the bill did not pass. She asked where the school districts stand on this legislation.

Number 1058

REPRESENTATIVE STEVENS replied that he does not think the school districts have changed their positions on adequate funding or early funding. He said he believes districts think if they wait until the end of session, they may have more funds appropriated. Representative Stevens said he does not dispute that premise at all, but considering the seriousness of the situation, he believes it is important to address the early funding issue.

Number 1090

REPRESENTATIVE WILSON told the committee that years ago there was a safeguard in place to assist districts when enrollment dropped between the time they made their budget and the beginning of the school year. In some cases the districts have signed contracts with tenured teachers, then have had no funds to continue employment even though the district must provide the same services. Representative Wilson asked if Representative Stevens would consider including a safety valve in this legislation for not only tenured teachers, but also newly hired teachers, when districts face a drop in enrollment.

Number 1197

REPRESENTATIVE SEATON said Kenai Peninsula School District is faced with a problem similar to what Representative Wilson

described. They just laid off 55 teachers, not only new teachers, but tenured teachers as well, and eliminated the language program. He asked Representative Stevens if he sees any other negative effects on the districts' budget process if early funding of education were provided, other than the hope that waiting until the end of session will result in greater funds.

Number 1340

REPRESENTATIVE STEVENS said he does not know of any downside in early funding of education, with the exception of the one Representative Seaton mention. He said he believes this legislation would provide districts with valuable information that would allow for careful planning, and it would be a real advantage for the boroughs as well. He told the committee the Department of Education and Early Development staff is available to address further questions on this issue.

Number 1390

REPRESENTATIVE SEATON said one suggestion he received that would address the districts' problem in providing their budgets to the municipal governments [on May 1] would be to change the statutory deadline. However, he noted that doing so would not address the teacher retention problem.

REPRESENTATIVE STEVENS agreed that he does not think it would solve the problem of teacher retention either.

Number 1446

REPRESENTATIVE GARA asked Representative Stevens to comment on his willingness to address inflation-proofing of the foundation formula first, and then follow that piece of legislation with his early funding of education bill. He pointed out that in two out of every three years the state falls behind the rate of inflation in education funding.

REPRESENTATIVE STEVENS replied that he would be supportive of inflation-proofing the foundation formula. He said the next bill on the calendar [HB 26] will deal with the foundation formula and the issue of moving money from Learning Opportunity Grants (LOGs) into the formula.

Number 1546

REPRESENTATIVE SEATON asked, if the legislature were to try to inflation-proof the fund every second year when there is an election, whether legislators would actually, by statute, be trying to "buy" the next legislature. He further questioned whether it might be necessary to have a constitutional amendment to inflation-proof the foundation formula by law.

Number 1575

REPRESENTATIVE STEVENS replied that Representative Seaton could be right about the process necessary to inflation-proof the foundation formula, but that is not the intent of his bill. Representative Stevens did comment that by inflation-proofing the formula, [this legislation] would be affecting future legislation.

Number 1598

CHAIR GATTO responded that legislatures always bind future legislation. It is impossible not to proceed that way, or the legislature would have to start funding from zero.

Number 1605

REPRESENTATIVE COGHILL asked what other variables come into play after the April deadline. He asked if the April 1 date was specifically selected to be in line with the districts.

Number 1644

REPRESENTATIVE STEVENS replied that the date was selected to allow time for legislation to be passed, for the districts and boroughs to be funded, and for communities to deal with the budget.

Number 1657

REPRESENTATIVE COGHILL commented that once a date is selected for required action, that will be the target date. He also said that he believes the legislature has stayed well within the levels of inflation in education funding. He said he believes he could make a case for that if the committee were to look at overall spending on education.

Number 1690

REPRESENTATIVE GATTO said over the years he has heard, through his service on the school board, a concern that funding is falling further behind. Districts' costs are going up faster than the amount of money received. Whether a district receives local contributions or not, all the districts are in agreement that they are falling behind and need some sort of relief. He told the committee there needs to be some discussion of whether to do it as inflation-proofing or, as suggested here, in an increased dollar amount [referring to HB 26]. If it is done that way, there certainly will be a lot of questions.

The committee took an at-ease from 11:25 a.m. to 11:40 a.m.

Number 1808

EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, testified in support of HB 19. He told the committee the purpose of this bill is to allow municipalities and school districts to know what their education foundation funding is going to be for the upcoming year, in a timely manner. He reiterated that school districts have to submit their operating budget to the municipalities by May 1st. Often the legislature has not passed the foundation funding at that point in time, and so districts are moving along without knowing what is going to happen. Mr. Jeans told the committee that the foundation-funding program has been fully funded since 1987. Districts have been able to move forward knowing that.

Number 1880

REPRESENTATIVE COGHILL noted that many education budget items dovetail with the Department of Health and Social services (DHSS) budget items. He asked Mr. Jeans if he sees any difficulty if the health and social services budget changes and how that might impact the education budget.

Number 1922

MR. JEANS replied that he prepares the education budget for schools. He said that what happens after the budget comes to the legislature, and is heard by various committees, is not something he could comment on.

Number 1935

REPRESENTATIVE COGHILL said he sees a real problem with possible budgetary impacts on the education budget based on what happens to the DHSS budget because of the many services provided through DHSS. Representative Coghill cautioned the committee that it could have a significant impact on programs such as childcare, or many of the other programs that dovetail with the education budget. Even if the impact is not felt the first year, it could be felt a year later. He asked Mr. Jeans if he saw this as a problem.

MR. JEANS replied that it would not be a problem.

Number 1969

CHAIR GATTO stated that this is a very complicated issue that impacts 53 school districts. He said all 53 school districts are asking for various things and he believes Mr. Jeans' understanding of the issues is credible and valued. He asked Mr. Jeans if he has anything he would like to bring to the committee's attention or a particular issue he thinks the committee should understand as a major question or major problem. Representative Gatto asked if he could tell the committee what is the least understood concept by the people who are not working on the budget, but who are simply the recipients of the budget.

Number 2025

MR. JEANS responded that there is not one particular issue that he could put his finger on; however, he told the committee he would be doing a presentation on the foundation formula. He said that it is scheduled for February 13, and that he hopes the committee will attend. Mr. Jeans said the presentation is very informational and he will have materials that the Representatives can take back to their offices which will assist them in answering just about any question from members' constituents. He explained that he has been doing this presentation for a while, so he knows the foundation formula inside and out. Mr. Jeans said he hopes he can help the committee review the process and answer questions.

Number 2072

CHAIR GATTO replied that he understands there are only two people who know the foundation formula inside and out, and that Mr. Jeans is one of those individuals. He said the committee will be relying on him to take them through the process.

Number 2096

REPRESENTATIVE COGHILL said that through this legislation, the committee is trying to solve a problem, but questioned if it really is that big of an issue. He asked Mr. Jeans if the department will be able to translate the budget information fast enough to actually address this problem.

Number 2117

MR. JEANS replied that this bill simply requires the legislature to make an appropriation for the foundation program earlier on in the session. He said the legislature will have these numbers well before this bill requires legislators to make a determination of what that funding level should be.

MR. JEANS did point out one problem with the question of notice of non-retention of teachers. He said under the current statute, districts are required to provide notice of non-retention to teachers by March 15. If for some reason the legislature underfunded the foundation program, this legislation's required date of funding, April 1, still comes after the cutoff date of notice of non-retention. He told the committee they should look at this issue more closely.

MR. JEANS told the committee when he worked with Representatives Stevens on this issue last year, it was understood that the legislation was simply an effort to assist local school districts and municipalities in their budgeting process by allowing them to know what the state intended to put forward through the foundation program.

Number 2189

REPRESENTATIVE KAPSNER asked if it is politically realistic to expect the legislature to put out a budget by March 15 or April 1.

Number 2215

MR. JEANS replied that he did not know if that is possible. He said he knows that if the date is moved to an earlier time, the implication would be that the legislature will make an appropriation for education within days or weeks of the time they walk in the door. He said he does not believe that is reasonable. He said he thinks it is important to have a

discussion about it. Mr. Jeans said he brought this issue up because he wanted the committee to be aware of the fact that this piece of legislation does not address the teacher non-retention issue. He said the committee may want to look at other mechanisms to address that issue.

Number 2233

CHAIR GATTO said the way he understands it, it is trading one set of problems for another. On the one hand, the finance personnel receiving the money are saying they would like to know how much they will be getting sooner, and on the other hand, the finance personnel on the other side are saying, " We cannot tell you until later because we do not know how much funding will be available." He asked Mr. Jeans if that is an accurate assessment of the problem.

MR. JEANS replied that what he believes Chair Gatto is referring to is the overall state budget process, and he is reluctant to comment on that.

Number 2299

REPRESENTATIVE GARA asked for Mr. Jeans to clarify the earlier comment he made concerning full funding of the foundation formula since the 1980s. He questioned whether full funding for the formula included the cost of inflation. Representative Gara asked if what he really meant was that the base numbers entered into the foundation program were fully funded.

MR. JEANS replied that Representative Gara is correct. He told the committee the state has fully funded the foundation program at the level of statutory requirement, and that level does not account for inflation during that time period.

Number 2347

REPRESENTATIVE SEATON asked when the numbers would be available for the finance subcommittee to work on the foundation formula.

Number 2366

MR. JEANS replied that the numbers are available the first day of session.

Number 2374

REPRESENTATIVE SEATON asked if Mr. Jeans knew of any potential problems in changing the statutory date of notice of teacher non-retention to April 1. He questioned whether there is any particular reason for the March 15 date.

MR. JEANS said he is not sure the why the March 15 date is in statute. He told the committee he would have to confer with the commissioner to see if there is a problem in changing the date.

Number 2408

CHAIR GATTO said moving the date has a spin-off effect on local contributions, since local contributions are entirely dependent upon the amount of money the districts get from the state.

Number 2419

REPRESENTATIVE WILSON asked Mr. Jeans if he sees a problem if appropriations to the foundation formula are provided a month earlier. She asked if he knew where the school districts would fall in this scenario. Representative Wilson told the committee she thinks they would be very happy to have that information earlier so they could go to the local community with their proposed budget. She said she believes the districts would be happy if there were more money appropriated at the end of session.

MR. JEANS responded that this piece of legislation is intended to assist local governments with their budgeting process. He explained to the committee that in some school districts there is a provision with local government that if they have increased state aid, their local contribution is reduced or adjusted, depending on the particular circumstances. This is a problem some communities will always have to deal with, but the benefit to early funding is that the communities can proceed in their budgeting process in good faith that this is a minimum of what they will be receiving for education.

Number 2223

LARRY WIGET, Executive Director, Public Affairs Division, Anchorage School District, testified concerning HB 19. He expressed his thanks to Representative Stevens for bringing forward the issue of early funding for education for discussion. He told the committee it is a topic of interest to many in school districts across the state that are trying to make decisions on staffing and programming for the next school year.

Number 2560

CHAIR GATTO interrupted Mr. Wiget because static on the teleconferencing equipment was impairing the reception of his testimony. He told Mr. Wiget the committee would come back to him for his testimony once the technical difficulties had been resolved.

Number 2630

JENNIE HAMMOND, parent of students in Nikiski, testified in favor of HB 19. She urged the committee to give school boards the opportunity to know what they are receiving every year at an earlier date to assist their planning efforts.

Number 2668

CAROL HAKKINEN, parent of two students at Kenai High School, testified that she wanted to speak on HB 26, but would also like to echo the previous testimony on HB 19. She said that it is easier to plan a budget if the school board has early notification of monies it will be receiving. She said if additional funds are made available down the road, the more the better. She urged the committee to address this issue soon.

Number 2711

MR. WIGET continued with his testimony, saying that the Anchorage School District appreciates Representative Stevens' bringing forth this bill. He said the Anchorage School District's concern is really not early funding, but adequate and equitable funding of K-12 education, including debt reimbursement on construction.

MR. WIGET told the committee the Anchorage district's budget process begins in October and November when schools and departments submit their proposed budget for the coming year. He explained that they use guidelines put forth by the superintendent and the board, with the board setting the upper limits of the budget in November. In late December and January, the superintendent and the administration spend a great deal of time looking at the schools' needs and preparing a balanced budget to go before the board in January. He used this year's schedule as an example, saying in January the district held two work sessions with the board, in which the administration laid out the proposed budget to the board. Two public hearings were

held, a first and second reading during which the board finalized the budget for the year in January. The board-adopted budget then goes before the municipal assembly for approval in March. He told the committee the district is aware of the fact that they will not know what monies will be received from the legislature until the end of session, and they may have to revise the budget. He shared his concern that early funding may result in less than adequate funding for schools. He cautioned that lawmakers will be forced to meet the deadline established by law, without having the time to fully consider other budget items that need to be addressed. He thanked the committee for the opportunity to testify on HB 19.

Number 2854

DONNA PETERSON, Superintendent, Kenai Peninsula Borough School District, testified that while her role prevents her from speaking directly on the bills that are being heard today, she would like to follow Mr. Wiget's example and ask the committee to remember that she represents approximately 9,500 students and 1,200 employees in 43 schools, with urban, rural, and remote sites. She said she has a strong belief in the public school system and believes if democracy is to be preserve in our communities, it is important to cherish and value our public schools.

MS. PETERSON said the State of Alaska is responsible for providing education for its citizenry, and with that charge is the need for appropriate and adequate funding. She told the committee that the Kenai Peninsula school district follows all of the rules by meeting the [70-to-30] criteria for instructional expenditures. Ms. Peterson said the district has less than 5 percent administration costs and yet, even with the local funding to the tune of one-third of its budget - \$25 million - seems to be punished for being competent, efficient, and frugal. The district is in crisis due to inadequate education funding, with absolutely no way to obtain addition dollars other than through state funding. As an example of what the district is facing [because of years of inadequate funding], she told the committee the status quo budget in FY 04, without a single additional program, is \$5.2 million dollars in the red. Reductions other school districts are beginning to make, the Kenai district made five to ten years ago. In order to have a balanced budget, the district is laying off 56 teachers and raising the pupil-teacher ratio by three students in classrooms throughout the district. In very small schools, the district is cutting entire programs, and next year there will not be a

single school on the peninsula, including the 13 high schools, that will have a full-time librarian. Music, physical education, and vocational education classes have been cut en masse. Ms. Peterson told the committee all books and curriculum purchases have been slashed from the budget. Extracurricular travel dollars have been eliminated, and the district's inadequate supply budget, which has been reduced for years, will take a 40 percent cut to balance the budget.

TAPE 03-5, SIDE B

Number 2951

MS. PETERSON asked for increased state funding. She said the district needs a minimum of \$4,500 per student to provide an education for Alaskans. She said with early, adequate funding of Alaskan public school children's needs, districts could fulfill the promise of the American dream. She said without it, the perilous future is upon us. She asked the committee what cost society is willing to pay for this shortsightedness. In closing, Ms. Peterson said she was in a room off-net because she was meeting with 24 representatives from the district's site councils to try to figure out a solution to this problem and asked for the committee's help.

Number 2876

REPRESENTATIVE GARA asked Ms. Peterson if the 29-to-1 teacher-to-pupil ratio was in all of Kenai's elementary schools or just the larger elementary schools.

CHAIR GATTO said that Ms. Peterson was already [offline]. He clarified that she was speaking of only the larger elementary schools.

Number 2838

REPRESENTATIVE WOLF commended the Kenai Peninsula school district for having the highest test scores of a charter school in Alaska, and noted that the district has the lowest administrative costs throughout the state. He said two of his children go to that charter school.

Number 2816

CHAIR GATTO asked if there were any more questions. He then told the committee that he would be talking to the governor's office and the department that deals with finance [Office of

Management & Budget], to provide some additional information. Chair Gatto announced that he will hold the bill until a later date.

The committee took an at-ease from 12:10 p.m. to 12:15 p.m.

HB 26-INCREASE EDUCATION FUNDING

[Contains discussion of HB 19]

CHAIR GATTO announced that the next order of business would be HOUSE BILL NO. 26 "An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

Number 2762

REPRESENTATIVE GARY STEVENS, Alaska State Legislature, sponsor of HB 26, testified that this legislation pertains to allocation of the foundation formula. He told the committee one of the most important things the legislature does is fund education. He said he appreciates the comments from the superintendent of schools from Kenai Peninsula [during the hearing on HB 19], because he believes she touched on many of the issues that this bill is intended to address.

REPRESENTATIVE STEVENS said he believes that despite increases in the foundation formula in the past two legislative sessions, public education has still taken a tremendous hit because of escalating expenses like salary increases, higher fuel prices, and rising insurance costs. He told the committee that inflation over the years has had a tremendous impact on public school funding and the purchasing power that districts once had has been eroded over time. Even if the legislature increases the state contribution to the 53 school districts, in many cases it will not be enough. He pointed out that there are more demands on the public education system, for example, the implementation of the high school graduation-qualifying exam, the federal government's "No Child Left Behind Act," and at the same time the state is encountering tremendous difficulties hiring and retaining teachers and administrators. He expressed concern that the state cannot keep asking school districts to meet all of these responsibilities with a budget that is dwindling, and said he believes additional funding is necessary.

REPRESENTATIVE STEVENS said HB 26 increases the per-student allocation by \$118, to \$4,128. He told the committee the

department has provided a fiscal note of about [\$24 million]. He said this effort is to match the amount appropriated to public education through the Learning Opportunity Grants [LOGs] for the fiscal year 2003, so that at the very least, school districts would receive similar funding in FY 04. Representative Stevens reiterated his statement that there are few things the legislature does that are more important than adequately funding education. He told the committee he does not have any illusions that this money, \$24 million, will solve all of Alaska's education problems, but he told the committee it won't hurt and will substantially help.

Number 2650

CHAIR GATTO said it is important to note that LOGs have often been available to the schools, and they are used each year; however, it is money that cannot be depended upon because it is a grant. He asked Representative Stevens if he is correct in that assumption.

REPRESENTATIVE STEVENS agreed that [LOGs] are grants, could not be depended upon, and did not go through the foundation formula itself. He said there is a question of equity in the granting process.

Number 2619

REPRESENTATIVE KAPSNER told the committee a good analogy that she has borrowed from Representative Croft is the difference between a raise and a bonus. The LOGs are a bonus that someone cannot really depend upon, whereas the increase to the foundation formula is a raise. A lot of the grants that came to the districts were one-year programs or short-term programs, and required hiring temporary staff to head those programs. They were not programs that the districts could have long-term reliance upon.

Number 2582

REPRESENTATIVE SEATON pointed out that the districts are not allowed to match that [LOG] money under the cap. He said that by handling LOGs this way, the legislature is basically reducing the money that local districts can fund by putting the money in LOGs instead of the foundation formula. Representative Seaton told the committee the Kenai Peninsula Borough is at the cap and has been at the cap for a number of years. The district has been searching for multiple ways to fund busing or other items

outside of the cap. He urged the committee to consider putting the LOGs within the formula, so that local school districts that want to can match more money for education.

Number 2486

CHAIR GATTO requested clarification on LOGs distribution. He asked if Representative Stevens would comment on an example of two students, one from the Anchorage School District and one the Yukon School District. Would the LOGs be administered with the same dollar amount for each student regardless of his or her location? Or does the dollar amount change through a formula based on differences in the communities?

Number 2474

REPRESENTATIVE STEVENS replied that it may be best to check with the Department of Education and Early Development on this; however, he said his understanding is that the LOGs do not go through the foundation formula, so the costs of distance, fuel, electricity, and hiring of teachers in the Bush are not included.

REPRESENTATIVE WILSON told the committee she believes LOGs are administered per pupil, so the schools with a lot of kids get a lot more money than the schools with fewer kids.

Number 2404

EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, responded that LOGs are distributed on a per-capita basis, so every child gets the same dollar amount.

Number 2393

CHAIR GATTO said that makes a very large difference when it is rolled into the formula, as it would then be allocated much differently. The amendment to simply roll the LOGs into the formula makes a huge difference to a Yukon school, and no difference to an Anchorage school, assuming the LOGs are distributed through the formula.

Number 2384

REPRESENTATIVE COGHILL asked Representative Stevens if the dollar amounts of the LOGs are the same.

REPRESENTATIVE STEVENS replied that is correct. The LOGs are the same dollar amount and there would be no increase. This would just roll the LOGs into the foundation formula.

Number 2345

REPRESENTATIVE COGHILL asked Representative Stevens if it is his intention to exclude the LOGs from the funding package [as required in Section 2 of the bill].

REPRESENTATIVE STEVENS answered in the affirmative.

REPRESENTATIVE COGHILL indicated there would be federal dollars coming to the state for education incentives through the No Child Left Behind Act. He said he believed the LOGs were part of an incentive program to assist in outcome-based education, and asked Representative Stevens if he believes if [the LOGs system] is a framework that the legislature wants to get rid of, since there will be more money coming from the federal government for educational incentives.

Number 2321

REPRESENTATIVE STEVENS replied that he believes LOGs are a framework the legislature needs to get rid of.

Number 2317

REPRESENTATIVE WILSON pointed out a chart in the bill packet that reflects how districts would be affected. She noted that some schools will gain, but many schools will remain the same.

REPRESENTATIVE SEATON restated his point that rolling the LOGs into the foundation formula allows districts to fund education at higher dollar amounts because municipalities can then match that amount.

Number 2245

MR. JEANS clarified that LOGs are supplemental funding, allocated to the Department of Education and Early Development, that are distributed to school districts outside the foundation funding formula. LOGs are distributed on a per-capita basis, so the funding is not adjusted for equalizing effects; however, there are adjustments within the foundation funding formula. He said, as Representative Seaton has pointed out, that putting

this money into the funding formula allows local municipalities to increase their ability to contribute locally.

MR. JEANS said the spreadsheet the Department of Education and Early Development prepared for the committee indicates all school districts would have an increase in the state foundation funding if this money [LOGs] is put into the state foundation funding formula. He said if [the committee is] looking at how the districts fare when the money is in the formula and outside the formula, that is a different comparison that would have to be prepared. Putting the money into the formula and running those adjustments results in a redistribution of that money.

Number 2161

CHAIR GATTO asked: Since each student gets the same amount now, if the legislature rolled the LOGs into the formula, would the number of dollars allocated need to be increased or could the same dollars be taken and simply be reallocated according to the formula?

MR. JEANS replied that the total dollar amount is the same; however, the per-pupil amount is different from what was actually allocated through the other mechanism. He believes the per-pupil allocation under the LOGs was \$186 per child, but as it is put into the funding formula, that amount is \$118 per pupil.

Number 2119

CHAIR GATTO asked, if the LOGs were moved into the formula, whether the amount of funds the Anchorage School District receives would be less.

MR. JEANS responded that by moving the money into the funding formula, Anchorage will receive less money than they are currently receiving through the allocation under LOGs.

Number 2054

CHAIR GATTO said he thinks that it is an important consideration for some districts since it is a reduction, while for others it is an increase.

MR. JEANS replied that Chair Gatto is correct. He told the committee one thing they need to consider is that this funding

is being allocated for instructional programs, and it should be distributed through the funding foundation formula.

Number 1987

REPRESENTATIVE GARA asked if he might offer his amendments into discussion before the committee hears public comment so the public can address his comments as well.

CHAIR GATTO stated that he would like to take testimony before entertaining amendments.

Number 1979

MILDRED LINK, concerned parent from Kenai, testified that she had never contacted her legislators about any topic. However, that all changed the first night she went to the Kenai Central High School meeting and received the news of the budget cuts implemented by the Kenai Peninsula school district. She told the committee since that time she has attended all of the meetings regarding the cuts. At the most recent meeting they faced the prospect of losing 56 teachers districtwide. She said the teacher-to-student ration has been raised from 21.5 to 25.5 students, which further dilutes the quality of education the children will receive. She told the committee her daughter attends Kenai Central High School, and her first and foremost priority has always been her education. Ms. Link said next year Kenai Central High School is slated to lose four teachers; while it still is not known all of the classes that will be lost, it is known that loss will be advanced English, advanced history, and calculus. Calculus is now a course required by many universities for entrance. If children are to attend good universities and become the next generation of leaders from Alaska, she believes the quality of education cannot continue to be reduced. She told the committee she supports raising the allowance per child to \$4,500 per student. She said she is in favor of whatever increase in the budget to maintain the current level or improved level of academic staffing possible. While HB 26 does assist her district, it does not meet and certainly does not exceed "our expectations or demands," she concluded.

Number 1775

JENNIE HAMMOND told the committee she currently has two small children in a special-education program in the district, which is a very fine program with small classrooms. However, because of all the budget cuts and loss of teachers, she is concerned

that all the hard work that is going into educating children will be lost as they get into their later years of their schooling. The increase of PTR [pupil-teacher ratio] and consolidations of schools are some of the ways the school district is trying to address the problem. She said the Nikiski community has pretty much agreed that two of the schools need to come together to help solve the funding problems in an effort to get some of the programs back. She asked the committee to please look at ways to fund education at \$4,500 per student.

Number 1700

CAROL HAKKINEN testified as a parent of two students of Kenai Central High School. She told the committee that her husband was born and raised in Kenai, and graduated from Kenai Central High School. She said they moved back to Kenai in 1994 on a trial basis, but what kept them there was the school district and small community. However, with all the budget cuts they are wondering what kind of an education the students will get. The headlines said the community is opposed to consolidation, but Ms. Hakkinen said she does not think that is representative of the community. She said she is willing to seek consolidation of schools to assure the best education for students. Ms. Hakkinen said she believes schools should provide the necessary and required classes that high school students need in order to pursue scholarships and further education at college, or if they prefer, to start their educational training for a career. She said she is worried about the enrollment numbers and hears various proposals about cutting the budget with academics and extracurricular activities being at the forefront. She explained that studies show extracurricular activities help a student have a good work ethic, be organized, work harder, and set goals. The school district meeting discussed another \$2.9 million being whittled away from the budget, which consists of custodians, counselors, nurses, and all travel for extracurricular [activities]. She asked why the administration is not being cut first.

Number 1498

LARRY WIGET, Executive Director, Public Affairs Division, Anchorage School District, stated that HB 26 put forth by Representative Stevens is a good first step toward adequate and equitable funding of K-12 education for the coming year. He thanked Representative Stevens for putting forth the bill and told the committee he knows it is challenging to come up with a final decision. School districts across the state are meeting

revenue shortfalls in their attempt to meet the needs of their students. In the weeks ahead, he said the committee will learn more about the needs of school districts, including the Anchorage School District, which will not be funded unless new monies are added to the foundation formula. This bill is a first step in a discussion [his district] hopes will not only result in taking existing and lapsed revenues and placing them into the foundation formula, but also will result in the addition of new monies to meet the educational challenges [the district] has before it. Mr. Wiget explained that in Anchorage and throughout Alaska, there are efforts to meet the goals of the "No Child Left Behind Act" and the quality schools initiatives. However, if districts are to succeed in these endeavors, they cannot rely merely on creativity or thinking outside the box. It will take new revenue. He said he applauds this first discussion about adequate and equitable funding of K-12 education.

Number 1387

ANNE KILKENNY, parent of a student, gave the committee the analogy that she wants her cake and ice cream, too, and she wants to eat it today. She said the cake she wants is an increase in the base student allocation, the ice cream would be the LOGs, and having it today would be to do so without gaining any weight or facing the fiscal reality. She said she knows this is an impossible request and that she believes it is important to have both. She told the committee that it is important to be realistic in addressing the educational funding needs, whether it is new revenue taxes or new revenue sources, which she told the committee she is willing to pay. She said she will not vote against somebody who takes the stand to address the fiscal problems of Alaska. She said she does not see this bill as an increase in funding for schools, since it does not meet the needs of the schools across the state unless an increase is implemented. Moving LOGs into the foundation formula is not adequate. She said she hopes the committee will increase funding and maintain the LOGs program.

Number 1241

ROBERT DOYLE, Interim Chief School Administrator, Matanuska-Susitna School District, testified on behalf of the 14,200 students that the district projects will attend school there this fall. He told the committee he agrees with Anne Kilkenney that merely moving the existing LOGs into the formula as a way to increase funding is not an increase in funding for schools.

He told the committee the spreadsheet he saw shows a net increase, but did not reflect the net decrease for LOGs in the Matanuska-Susitna district. He said the district is one of three in the state that has participated in a curriculum audit. He also told the committee that he believes that the result of adding the LOGs to the foundation formula would result in a net loss of at least \$200,000, and that figure is before the area cost differentials of an additional \$1.4 million that would be taken from a growing school district and moved to other school districts that are not growing in student numbers at all. He asked the committee to seriously take a look at new revenue sources for schools.

Number 1151

CHAIR GATTO asked Mr. Doyle, if the legislature were to move LOGs into the formula, whether that would result in a net increase or decrease for the Matanuska-Susitna district.

MR. DOYLE said he believed it would be a net decrease. He said the LOGs program is important and is meeting the students' needs, as well as the No Child Left Behind program. He told the committee the district also is planning a lot of instructionally valid research-based programs for students.

Number 1122

CHAIR GATTO asked Mr. Doyle if people in the district are commenting on additional revenue. Is that something people expect, or are they just hopeful?

MR. DOYLE said the people in the valley expect the state to stand and deliver. Education is a top priority for the state's newly elected governor, he opined, and he thinks the community expects additional revenue for education. He told the committee at the present time, the district is looking at serious cuts, maybe not as severe as the cuts facing Kenai. However, the district is looking at increasing class size by two across the district and possibly closing schools. He said the district has similar problems that Kenai is facing and he sympathizes with them, but asked the committee not to take money from one district and move it to another, or from one program and move it to another, without actually adding anything to the amount of funding for education.

Number 1020

REPRESENTATIVE GARA moved to adopt Amendment 1, which read [original punctuation provided]:

Page One, line 6: \$4,303 [\$4010].

REPRESENTATIVE GARA commended Representative Stevens for his many years of being a passionate voice for adequate and appropriate increases in school funding. He told the committee how he arrived at that number and provided some historical background on the base student allocation process. He said that in 1998, the legislature adopted the base student allocation process whereby education funding, in part, was determined by deciding how much each student should receive in state funding. The idea then was that Alaska had fallen behind in terms of real dollars for education funding. Almost every year [the legislature] would fund education less and less, and every year legislators would go out and campaign on how they believed in strongly funding Alaska's educational system. Yet when it came down to it, by the end of the budget cycle, when taking into account inflation, the legislature funded schools with less and less money. In 1998, the base student allocation was \$3,940 per student. If the state just kept up with the cost of inflation, and nothing more, the base student allocation today should be \$4,303. Representative Gara said he does not believe it is asking too much of parents, educators, and those interested in providing Alaskan kids with an adequate education. He said he believes the state should be putting as much into education this year as it did in 1998, and not less. He summarized that this is the basis for his amendment.

Number 0707

REPRESENTATIVE GARA told the committee that the legislature has to make priorities in funding. If education is to be funded the way education should be funded, [legislators] have to prioritize and decide not to fund things that are maybe not as important as education. He said there have been proposals over the last few months to engage in some sorts of corporate subsidies for roads to private mines, and to particular areas where businesses are located. Representative Gara encouraged the committee to look at whether those things get funded before Alaska's schools. He urged the committee to look at the plan to extend the railroad line or spend \$50 million toward the Anchorage and Kenai area intertie upgrades. He pointed out that in terms of cost, the intertie upgrade has proven to be far more expensive than the benefits that are produced. Representative Gara said he

believes that the people in all districts think education is a priority.

REPRESENTATIVE GARA offered to support another blue ribbon panel if members are not happy with the bipartisan A+ report produced several years ago by the Department of Education and Early Development. At a minimum, he urged the committee to keep up with the cost of inflation. He said the proposal that he is putting forth in the amendment to increase the base student allocation to \$4,303 he believes is supported by the members of his caucus and he hopes this will not be a partisan issue since both Democrats and Republicans have run on platforms that support better and stronger schools for Alaska's children.

Number 0614

REPRESENTATIVE COGHILL objected to the amendment.

CHAIR GATTO asked Representative Gara what the additional cost would be to the state budget if the amendment were adopted.

REPRESENTATIVE GARA replied that he thought it would be somewhere in the area of \$50 or \$60 million.

Number 0548

REPRESENTATIVE STEVENS stated that he appreciates the amendment by Representative Gara, but his concern is that this bill's purpose is to bring some equity to the situation, and to move the LOGs into the foundation formula. He told the committee that the district that would be most affected, Anchorage, supports moving the LOGs into the foundation formula. He reiterated Representative Seaton's point that this would increase the cap that municipalities can contribute to education funding. He told the committee he is opposed to the amendment because he believes it would be the "kiss of death" to the bill. It would never get through the legislature, because the fiscal note would increase from \$24 million to \$60 million. He said he hopes the committee will place any other major changes to the foundation formula in a separate bill.

Number 0427

REPRESENTATIVE SEATON stated that he is in favor of increasing funding to education; however, he wants to keep these issues separate and will be opposing the amendment for that reason. He

told the committee he would like to see the discussion about moving the LOGs into the foundation formula go forward.

Number 0368

REPRESENTATIVE WILSON said this is a difficult amendment, because everyone wants more funding for education; however, she agrees with the sponsor that this amendment would be the "kiss of death" for HB 26. Representative Wilson expressed her concern with LOGs because she believes they provide an unfair advantage to larger schools. She said the formula for schools is set in place so it is a fair way to distribute money to the schools. She told the committee her preference is to do away with LOGs and add increased funding to the districts on a year-by-year basis without any guarantees. However, she told the committee she does understand what Representative Stevens is trying to accomplish, and, therefore, will oppose this amendment.

Number 0254

REPRESENTATIVE GARA spoke on the point of LOGs, saying he agrees with most of the members of the committee that LOGs should be rolled into the base student allocation; however, he told the committee without this amendment the bill's results will be less state funding for schools this year. Representative Gara told the committee he believes it is essential to keep up with the cost of inflation. HB 26, as it is presently written, leaves education funding behind the cost of inflation. He also pointed out that comments by the Anchorage School District were that they did not mind rolling the LOGs into the base student allocation, but they also requested additional monies.

Number 0137

REPRESENTATIVE WOLF stated that he is also opposed to the proposed amendment, saying he wants the issues to be kept separate. He told the committee he believes everyone in the building supports funding education, but a \$60 million appropriation is too much.

Number 0032

A roll call vote was taken. Representatives Gara and Kapsner voted in favor of Amendment 1. Representatives Coghill, Wilson, Wolf, Seaton, and Gatto voted against it. Therefore, Amendment 1 failed by a vote of 2-5.

TAPE 03-6, SIDE A

The committee took an at-ease from 1:00 p.m. to 1:01 p.m.

Number 0036

REPRESENTATIVE GARA moved to adopt Amendment 2 as follows:

Page One, line 6: \$4,228 [\$4010].

REPRESENTATIVE GARA explained that a bipartisan panel familiar with educational issues came out with a report called the "A+ Report." That report looked at the shortcomings of [Alaska's] educational system, and recommended a base student allocation of \$4,228 for this fiscal year. Representative Gara told the committee the panel assumed a 1.5 percent rate of inflation; however, the state actually had 2 percent and 4 percent rates of inflation in the last two years. He offered Amendment 2 as an alternative to Amendment 1.

Number 0143

REPRESENTATIVE COGHILL objected to the amendment. He told the committee the sponsor of the amendment has provided this number to ensure "the LOGs number is taken care of." He reminded the committee that this [LOGs] is the first transitional issue and he thinks the committee should stay focused on that. He said there are other committees of referral where there will be more debate, especially when the legislation comes before the House Finance Committee. He told the committee he does not want to disregard what the sponsor of this amendment is bringing up, but that he thinks this legislation should offer better discretionary power "under the formula funding narrowly defined in the LOGs."

Number 0215

REPRESENTATIVE KAPSNER commented on Representative Coghill's statement, and told the committee she can understand his concerns. However, she feels that since this committee's primary concern is the education of Alaska's children, she believes when the bill moves out of the Special Committee on Education it should reflect what is best for kids in terms of their education, not necessarily what is best financially. Representative Kapsner said the House Finance Committee does have the ability to amend it [HB 26] or go back the sponsor's

original bill, but since she is not on the House Finance Committee, she is in full support of this amendment.

Number 0271

REPRESENTATIVE SEATON stated that he understands both sides of this issue; however, he asked the committee to deal with LOGs separately, since there will be other bills before the committee to deal with the base foundation formula increases. He said he will not be supporting the amendment.

Number 0381

A roll call vote was taken. Representatives Gara and Kapsner voted in favor of Amendment 2. Representatives Coghill, Wilson, Wolf, Seaton, and Gatto voted against it. Therefore, Amendment 2 failed by a vote of 2-5.

REPRESENTATIVE SEATON asked if Mr. Jeans from the Department of Education and Early Development could provide the committee with a breakdown of how districts would fare positively and negatively with respect to the LOGs' moving into the foundation formula.

CHAIR GATTO noted that his district would lose money if the LOGs were rolled into the foundation formula. Chair Gatto stated that the committee will hold the bill until a later date.

ADJOURNMENT

There being no further business before the committee, the Special Committee on Education meeting was adjourned at 1:10 p.m.