

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE

March 1, 2004

1:35 p.m.

TAPE(S) 04-10

MEMBERS PRESENT

Senator Fred Dyson, Chair
Senator Lyda Green, Vice Chair
Senator Gretchen Guess

MEMBERS ABSENT

Senator Gary Wilken
Senator Bettye Davis

COMMITTEE CALENDAR

SENATE BILL NO. 301

"An Act relating to the Alaska Pioneers' Home, and the Alaska Veterans' Home; relating to eligibility for admission to the Alaska Pioneers' Home and Alaska Veterans' Home; relating to state veterans' home facilities; making conforming amendments; and providing for an effective date."

MOVED CSSB 301(HES) OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR 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."

MOVED SSSB 1 OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 14

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

MOVED SSSB 14 OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 91

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

MOVED SSSB 91 OUT OF COMMITTEE

SENATE BILL NO. 90

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

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 301

SHORT TITLE: PIONEERS' HOMES/VETERANS' HOMES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/06/04	(S)	READ THE FIRST TIME - REFERRALS
02/06/04	(S)	HES, FIN
02/20/04	(S)	HES AT 1:30 PM BUTROVICH 205
02/20/04	(S)	-- Meeting Canceled --
02/25/04	(S)	HES AT 1:30 PM BUTROVICH 205
02/25/04	(S)	Heard & Held
02/25/04	(S)	MINUTE(HES)
03/01/04	(S)	HES AT 1:30 PM BUTROVICH 205

BILL: SB 1

SHORT TITLE: INCREASE AMT OF BASE STUDENT ALLOCATION

SPONSOR(s): SENATOR(s) WILKEN

01/21/03	(S)	PREFILE RELEASED 1/10/03
01/21/03	(S)	READ THE FIRST TIME - REFERRALS
01/21/03	(S)	HES, FIN
01/12/04	(S)	SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
01/12/04	(S)	HES, FIN
03/01/04	(S)	HES AT 1:30 PM BUTROVICH 205

BILL: SB 14

SHORT TITLE: EDUCATION FUNDING INCREASE

SPONSOR(s): SENATOR(s) WAGONER

01/21/03	(S)	PREFILE RELEASED 1/10/03
01/21/03	(S)	READ THE FIRST TIME - REFERRALS
01/21/03	(S)	HES, FIN
01/16/04	(S)	SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
01/16/04	(S)	HES, FIN
03/01/04	(S)	HES AT 1:30 PM BUTROVICH 205

BILL: SB 91

SHORT TITLE: INCREASE AMT OF BASE STUDENT ALLOCATION

SPONSOR(S): SENATOR(S) DAVIS

02/28/03 (S) READ THE FIRST TIME - REFERRALS
02/28/03 (S) HES, FIN
03/01/04 (S) HES AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

MR. DENNY DeWITT

Special Staff Assistant to Governor Murkowski
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Explained the changes made to SB 301, version I.

MR. HARRY JENKINS

Fairbanks, Alaska

POSITION STATEMENT: Testified on SB 301, asking about the viability of using the hospital building in Wasilla.

MS. PATTI SKONDOVITCH

Pioneers of Alaska

Fairbanks, Alaska

POSITION STATEMENT: Regarding SB 301, asked why Alaska was the only state that doesn't have a Veterans' Home paid for by the U.S. government.

MS. PAT FLEMMING

Pioneers of Alaska

Wasilla, Alaska

POSITION STATEMENT: Testified on SB 301 and expressed concern about letting Pioneers' Homes deteriorate.

MS. SHEILA PETERSON

Staff to Senator Gary Wilken

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Presented SSSB 1 on behalf of the sponsor.

SENATOR THOMAS WAGONER

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SSSB 14.

MR. RICHARD BENAVIDES

Staff to Senator Bettye Davis
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Presented SSSB 91 on behalf of the sponsor.

MR. EDDY JEANS
Manager, School Finance & Facilities Section
Department of Education &
Early Development
801 W 10th St.
Juneau, AK 99801-1894

POSITION STATEMENT: Testified there are fiscal notes for SSSB 1, SSSB 14, and SSSB 91.

MS. ANDI STORY, parent
Juneau School Board
Juneau, Alaska

POSITION STATEMENT: Testified on SSSB1, SSSB14, and SSSB 91, emphasizing the importance of putting dollars into providing for quality education.

MS. MELODY DOUGLAS
Kenai Peninsula Borough School District
Soldotna, Alaska

POSITION STATEMENT: Spoke in support of SSSB 14.

MR. MIKE FORD, parent
Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, saying if the Legislature reflects public priorities, those priorities are to increase funding for public education.

MS. KATEY MANGELSDORF, parent
Palmer, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, emphasizing the importance of asking, "What can we do right here today to ensure the children of the state of Alaska will have a good, sound education?"

MS. MARY HAKALA, parent
Alaska Kids Count
Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, asking that the Legislature say, "Yes, we support education."

MR. CARL ROSE
Association of Alaska School Boards (AASB)

Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, saying that it matters whether the TRS/PERS issue is addressed from inside a formula.

MR. DAVE JONES, parent
Finance Director
Kodiak Island Borough School District
Kodiak, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, saying that SSSB 1 provides for about half the money needed for the desired cost increases.

MR. GERRY DONOHOE, parent
Alaska Kids Count
Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, and said, "If you want to attract people to Alaska, if you want to show progress in the state, you've got to increase state education funding."

MS. MARY FRANCIS
Alaska Council of School Administrators (ACSA)
Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, saying the school districts would be grateful for any support.

MS. AMY LUJAN
Nome School District
Nome, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, testifying that a \$200 increase would help with PERS/TRS and increases such as insurance and inflation.

MR. STUART COHEN, parent
Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, explaining that class size is of real concern, urging members to give money to the schools.

MS. SELINA EVERSON
Alaska Native Sisterhood
Juneau, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, emphasizing the importance of cultural understanding.

MR. TIM STEELE

Anchorage School District School Board
Anchorage, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, saying, "Just making it is not sufficient; adequacy and sustainability need to be addressed."

MS. CHRIS MOORE, parent
Valley Voices for Children
Mat-Su Valley, Alaska

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, advocating for an inflation-proofing component in the foundation formula.

MR. BOB DOYLE
Chief School Administrator
Mat-Su Valley School District

POSITION STATEMENT: Spoke to SSSB 1, SSSB 14, and SSSB 91, suggesting an increase of \$210 to the base student allocation, TRS/PERS increases, and additional local support.

ACTION NARRATIVE

TAPE 04-10, SIDE A

CHAIR FRED DYSON called the Senate Health, Education and Social Services Standing Committee meeting to order at 1:35 p.m. Present at the call to order were Senators Green, Guess, and Chair Dyson. Senators Wilken and Davis were excused. Also present was Senator Wagoner. Chair Dyson announced that after addressing SB 301 and moving it out of committee, he would take public testimony on SSSB 1, SSSB 14, and SSSB 91 at the same time, since the bills are similar. In light of the number of people wanting to testify, testimony would be limited to 1 or 2 minutes. He said it was his intention to move one or more of the foundation formula funding bills to Senate Finance where decisions about availability and allocation of resources would be made.

SB 301-PIONEERS' HOMES/VETERANS' HOMES

The committee took up SB 301.

CHAIR DYSON stated there is a proposed committee substitute (CS), version I.

SENATOR LYDA GREEN moved to adopt version I, the proposed CS for SB 301, for discussion purposes.

CHAIR DYSON asked if there was any objection.

SENATOR GRETCHEN GUESS objected and asked a procedural question. She noted that she has four objections on record to Amendments 1 through 4, and questioned whether this CS addressed those objections and whether she needed to remove her objection.

CHAIR DYSON said if she concludes those are not addressed, the CS would be withdrawn to allow her the chance to address those amendments.

SENATOR GUESS said Amendments 1 - 4 were Senator Green's amendments. She withdrew her objections to those four amendments so that the CS could be adopted.

CHAIR DYSON announced version I [labeled 23-GS2085\I, Mischel, 3/1/04] was the working document before the committee.

MR. DENNY DeWITT, Staff Assistant to Governor Murkowski explained the changes made to version I as follows: Page 6, line 29, "may" was changed to "shall." Page 7, lines 1 - 3, the additional language, "The only Pioneers' Home that may be maintained as a Veterans' Home is the Pioneers' Home located in Palmer, Alaska." Page 8, line 6, the word "sale" was removed. Page 9, after line 19, the section relative to veteran's benefits and 38 U.S.C. 1110 was removed, at the recommendation of veterans' organizations. Page 12, lines 20 - 23, in checking with the Veterans' Administration (VA), the new definition of veteran is a person who has been discharged from the armed forces of the U.S., including the Alaska National Guard or the Alaska Territorial Guard so "the discharge from the armed forces must be other than dishonorable" was added. Also, sections pertaining to AS 47.55.035 indicate a resident of 30 years could go outside and maintain his/her place on the waiting list. The administration recommends this remain in statute and that it be addressed in another venue. AS 44.29.400 was put together in 1992 to try and build a self-sustaining Veterans' Home in Alaska, and it didn't work. Therefore, this bill involves state participation in the cost of care to the Veterans' Home. Regarding Sec. 25 (b) and (c), in 2002, the Legislature passed legislation regarding a pilot project to use the Pioneers' Homes collectively as a Veterans' Home. This has not been - and it is unlikely that it will be - acceptable to the Veterans' Administration.

SENATOR GUESS referred to Sec. 25 and asked, "Why not keep those on the record? Would repealing these mean that we couldn't, without coming back to this body, build a self-sustaining Veterans' Home and/or have a pilot?"

MR. DeWITT responded he doubts that either of those would be the case. In the first instance, language on page 6, line 31, allows for the operation of one or more Veterans' Homes. Regarding the envisioned pilot program, it would take additional congressional action, but it could be taken advantage of because Sec. 15 is broad enough. He said they are cleaning the books of things that are extremely unlikely to ever be used. Regarding AS 44.29.400, there is a conflict between what SB 301 allows and what this section requires, so it's important to repeal that section. He explained that in 1992 when this was added, the directive to the department/administration was to develop a process where state funding would not be [indisc.] to the Veterans' Home. The operations would be fully carried by folks in the home. There are explanations as to why it fiscally won't work, he added.

SENATOR GUESS confirmed that under the CS, nothing prohibits having a self-sustaining facility or a pilot program.

SENATOR LYDA GREEN asked if "020" was the pilot project.

MR. DeWITT replied it was in the original bill, and referenced the Department of Health and Social Service (DH&SS).

CHAIR DYSON said the legal department advised that making this specific to the Palmer Pioneer Home might be challenged constitutionally because of being single purpose legislation; he asked if this issue has been analyzed.

MR. DeWITT said the administration had a slightly different opinion and it's important to articulate the reasons for conversion of the Palmer Pioneer Home. He explained it would become a state Veterans' Home, working with the U.S. Department of Veterans' Affairs. There is a change in the operational nature of that home because they will support only a limited number of beds as a Veterans' Home; there is a limitation of 79 beds, and a waiver of 3 beds. Changing from a Pioneers' to a Veterans' Home - although it will be operated almost identically to a Pioneers' Home, and by the same division - creates a defensible difference. Palmer has been articulated in the bill because changing a physical home to another use is a public policy issue that needs to be debated by the Legislature.

According to their attorney general, there is significant public policy that would be upheld by any court of law.

SENATOR GREEN inquired about which department would operate the Home, and the significance of that.

1:52 p.m.

MR. DeWITT said Marian Harmon's (ph) administering of the Palmer Pioneers' Home would continue for as long as she would like. The Pioneers' Homes are operated by the DHSS, and the Veterans' Home will also be operated through the same division. The intent is to operate the Palmer Pioneers' Home - soon to be the Palmer Veterans' Home - similarly to operating the other Pioneers' Homes. VA regulations require that 75 percent of the residents are veterans, while 25 percent need not be veterans. The existing Pioneer Home waiting list will be used to fill that other 25 percent. It will be difficult to detect differences in the operation of the Palmer Home from other homes in the system because those differences will be slight. The social model developed in the early '90s will be used, as it's been extremely successful. The VA observed our operations and returned to Washington D.C. interested in what we've demonstrated regarding appropriate care for the geriatric population. "We think they are more likely to move towards us than we'll have to move towards them," he said.

CHAIR DYSON asked if the attorney general would offer counsel in writing on the single purpose challenge.

MR. DeWITT said this could be received in writing by the time SB 301 was in Senate Finance.

CHAIR DYSON said he would appreciate this, but wouldn't hold the bill up. He said he understood if "general purpose" law could do the job, there shouldn't be a special purpose law.

MR. DeWITT noted that although the administration didn't bring that amendment, they could defend it. That's a choice for the committee and the Legislature to take.

CHAIR DYSON said the amendment was to give comfort that this specific remedy wouldn't spread to other facilities without due consideration.

MR. DeWITT said the assistant attorney general views this similarly to building another facility in a specified place in

Alaska. For example, if the Legislature decided to construct a Veterans' Home it wouldn't be considered as special legislation any more than changing the function of a specific Pioneers' Home.

CHAIR DYSON wondered if the attorney general considered it wise to amend and include severability language in the bill so that progress on the bill wouldn't be negated in case particular wording is challenged.

SENATOR GREEN moved to adopt the SB 301 Letter of Intent, entitled "Health, Education, and Social Services Committee Alaska State Senate Letter of Intent."

CHAIR DYSON asked if there was any objection. Seeing none, it was so ordered.

MR. HARRY JENKINS testified via teleconference and asked about bringing the abandoned hospital in Wasilla up to code rather than putting money into the Palmer Pioneers' Home.

CHAIR DYSON said various experts felt this option would not be suitable and it would be far more expensive to bring the building up to code.

MS. PATTI SKONDOVITCH testified via teleconference, and asked why Alaska is the only state that doesn't have a Veterans' Home that is paid for by the U.S. Government.

MS. PAT FLEMMING, Pioneers of Alaska, testified from Wasilla, expressing concern about letting Pioneers' Homes deteriorate. She suggested legislative oversight of leasing or renting that might take place within the Pioneers' Home System. She wondered if the federal VA system recognizes the Alaska Pioneers' System as being unique.

2:00 p.m.

MR. DeWITT responded VA representatives were in Alaska last August and visited the Palmer Valley Hospital in Palmer, and concluded that the cost would be prohibitive; it would be more difficult and the likelihood of the hospital being successful was not as probable as the Palmer Home. It was partially economics and partially construction issues. He responded it isn't accurate that Alaska is the only state without a Veterans' Home paid for by the U.S. government. The federal government assists in the building of state Veterans' Homes, participating

in 65 percent of the capital costs while the states provide the other 35 percent. Alaska will get that same cost sharing. Currently there are three states without Veterans' Homes - Delaware, Hawaii, and Alaska - Hawaii is a bit ahead of Alaska in constructing a Home. Delaware is also applying and is a bit behind Alaska. Mr. DeWitt said soon all 50 states would have homes.

SENATOR GREEN moved to report version I, CSSB 301 (HES), out of committee with the accompanying fiscal notes and the Letter of Intent.

CHAIR DYSON asked if there was any objection. Seeing and hearing none, it was so ordered.

2:07 p.m.

SB 1-INCREASE AMT OF BASE STUDENT ALLOCATION

CHAIR DYSON announced that he would hear all three bills together - SSSB 1, SSSB 14, and SSSB 91 - since the bills are very similar. Public testimony would be limited to 1 minute and would be closed shortly after 3:00 p.m. If members were willing, he would like to move one or more of the bills out of committee.

MS. SHEILA PETERSON, staff to Senator Gary Wilken, presented SSSB 1. She said it increases the student dollar \$94, raising it to \$4,263. The proposed increase was based on the estimated inflation rate for calendar year 2003, which at the time the bill was drafted was estimated as a 2.25 percent increase. Unfortunately, in addition to the impacts of inflation, school districts this year are faced with additional costs. Senator Wilken recognizes this and sees SSSB 1 as opening discussions about increasing school funding.

CHAIR DYSON said he understood from Senator Wilken if sponsors of the other bills were interested, he would gladly include them as co-sponsors; he asked if this were true, and received confirmation from Ms. Peterson that it was correct.

SENATOR GUESS asked if Senator Wilken had determined what the appropriate numbers should be, noting that this deals with inflation and, based on PERS/TRS, every district would lose money.

MS. PETERSON said he is looking at additional dollars, but wants to hear testimony from the various school districts.

[The following action was taken at the end of the meeting: SENATOR GREEN moved to report SSSB 1 out of committee with individual recommendations and attached fiscal note.

CHAIR DYSON asked if there was any objection. There being none, it was so ordered.]

SB 14-EDUCATION FUNDING INCREASE

SENATOR WAGONER, sponsor of SSSB 14, testified that he introduced this bill last year because over the past 12 years, the Kenai Peninsula Borough School District (KPBSD) has cut its budget every year. Without going into particulars, KPBSD determined \$4,500 as the minimum amount needed to meet educational requirements. He read a letter from a constituent from his district regarding how badly things are going in his district:

I believe it is time to increase school funding. At Kenai Middle School where both my sons will attend school next year, budget cuts have already exceeded acceptable levels. Anticipated cuts for next year will severely limit the ability of teachers and staff to educate our youth. Kenai Middle School administrators have already eliminated shop and art classes. The librarian only works half time. The school counselor spends two thirds of her day as a classroom teacher. There are some classes with 35 students and one teacher. This is at a time when the teachers are responsible for meeting the requirements of the No Child Left Behind (NCLB) act and I mean the teachers. Students and their parents are no longer held responsible for learning. Teachers in schools are now responsible. Next year's anticipated cuts include the loss of Quest, the loss of our librarian, a reduction in the hours worked by the school nurse, and the elimination of more teaching positions. The situation is abysmal. I currently spend 10.5 hours each week volunteering in the public schools. We're cutting school budgets when we need to be increasing them.

SENATOR WAGONER continued reading:

The current funding levels will destroy public education. I realize that my request will require taxation or at least a reduction of the Permanent Fund Dividend program. It is about time. I do not believe that it is realistic to expect the state of Alaska to pay for my family and me more in Permanent [Fund] Dividend checks than we pay in taxes. We are getting paid to receive state services. The situation is absurd. It is no wonder that we are having trouble with students in our schools. They are learning from the example of the permanent fund dividend program that you can get something for nothing, that life requires no effort. This is not true. This is a horrendous example of public policy gone berserk. Thank you for serving in our Legislature. I realize that this is a difficult time for our state; however, I'm tired of those people whose only request is to cut state spending while sparing their favorite program. I am not involved in most aspects of the state budget so I can't say if further cuts can still be made. But I know because of my involvement in public education that cuts here have been too deep.

SENATOR GUESS acknowledged that the Kenai area expressed the needed amount of \$4,500 and asked if Senator Wagoner had looked at other districts.

SENATOR WAGONER replied that Kenai was probably as bad off if not worse off, than most districts in the state, and that \$4,500 was just about a break-even number.

SENATOR GUESS said from her analysis there are about four districts that wouldn't make the PERS/TRS cut-off at \$4,500. She asked if it was the case in the Kenai that about half the cuts were from PERS/TRS.

SENATOR WAGONER said this amount came in last year, prior to the PERS/TRS discussion.

SENATOR GUESS asked if this meant that for the Kenai, an additional PERS/TRS amount of \$2.2 million was needed.

SENATOR WAGONER confirmed this was the case.

SENATOR LYDA GREEN mentioned that the Kenai's problems are different from the Mat-Su or other growing districts, because of a declining enrollment.

SENATOR WAGONER confirmed there was a declining enrollment and an inability to close or consolidate schools without a major penalty, saying that several things have gone "kinda sideways."

[The following action was taken at the end of the meeting: SENATOR GUESS moved to report SSSB 14 out of committee with individual recommendations and attached fiscal note.

CHAIR DYSON asked if there was any objection. Seeing none, it was so ordered.]

SB 91-INCREASE AMT OF BASE STUDENT ALLOCATION

MR. RICHARD BENAVIDES, staff to Senator Bettye Davis, presented SSSB 91 on behalf of the sponsor. He said originally SSSB 91 was introduced last February. SSSB 91 brings the base student allocation to \$4,600 and includes an inflation-proofing provision and an annual increase for class size reduction and compliance with the NCLB act. He said he wanted to echo statements of the previous two speakers that the time has come to look into changing the base student allocation.

CHAIR DYSON asked if the department wanted to testify on the three bills.

MR. EDDY JEANS, Manager of the School Finance and Facilities Section, Department of Education and Early Development (DEED), testified that fiscal notes have been prepared for each of the three bills. Analysis includes additional local contributions or local caps that will be increased by each district. The department believes the increase in state support goes hand-in-hand with increased local support, and wanted to show the impacts of those dollar amounts on districts' abilities to contribute additional local revenue. He mentioned looking forward to working further on this issue in Senate Finance.

CHAIR DYSON then took public testimony.

MS. ANDI STORY, a parent of three children in the Juneau School district and also a Juneau School Board member, testified as follows:

I became interested in running for the school board because the class sizes were getting high in Juneau and I felt that public education was going down. I ran and now I'm seeing the realities of what the school board members are facing across the state.

The increase to the PERS/TRS contribution is \$1 million to the Juneau School District alone, and much more to the bigger school districts. Eighty-eight percent of the Juneau School District budget is salaries and benefits and we cannot absorb a cost of this size without negatively impacting class sizes.

The current ratio in our high school in Juneau is 31 students per classroom teacher, 31 in the middle school, and about 25 in elementary. This is not quality in my opinion. Quality is eroding across Alaska without a long-term plan for providing for adequate education. Without increases in cost for living expenses, students hurt. In Juneau alone, increases in property taxes, property insurance, liability insurance, and workers' comp [indisc.] will be \$202,000, next year. Just flat funding is not enough to retain quality. In order to pay the \$202,000 it comes out of programs or class sizes. The requirements of NCLB and the exit exams, again, we see pockets of students who aren't performing, so we need to provide extra math teachers, tutors; we have to pull those teachers out of teaching other classes, so then the class sizes go up again. And so students are hurting because of all these factors.

I had signed up to testify under all three [bills] and I will say to you that SB 1 is too little - SB 14 and SB 91 - SB 91 actually provides for this cost of living, and to make us be more than mediocre schools. I believe we are mediocre schools and people are not going to stay here, we are not going to attract people unless we invest in putting dollars into providing quality education and programs.

2:22 p.m.

MS. MELODY DOUGLAS testified via teleconference that she supports additional funding to public education but wanted to speak specifically in support of SSSB 14. She said that \$4,500 has been the needed figure in the Kenai Peninsula for several

years, and as the chief financial officer, when she calculated the numbers for the Kenai School District, \$4,570 would hold them on par with FY 04. This includes an accounting for the PERS/TRS rate; if that were not factored in, \$4,392 would be needed to hold them equal to FY 04. She recalled that 10 percent of the classroom staff was cut last year, so they are well in excess of \$4,500 and [indisc.] to try to give back to some level of normalcy from an educational classroom standpoint.

MR. MIKE FORD, parent of a second grader in the Juneau School System, said he spends time in the classroom and also in Juneau School District budget negotiations. He said the system is stressed because there aren't resources to meet the standards the Legislature has created, and the system won't work unless there are resources to meet those standards. The state is obsessed with the PFD, but he submits there is no system that pays better dividends than the public school system. By investing in that system, dividends pay off for years. He said if the Legislature is truly a reflection of public priorities, the priorities are to increase funding for public education. Juneau has a \$2 million budget gap. That means fewer teachers and larger class sizes. That trend needs to be reversed.

MS. KATEY MANGELSDORF, parent of three children, testified via teleconference and said she would support using part of the earnings from the Permanent Fund.

TAPE 04-10, SIDE B

MS. MANGELSDORF continued as follows:

My main reason for speaking today is to encourage you to put aside differences of opinion, don't look at what has been done or what has not been done, but answer this question with clarity of thought. "What can we do right here today to ensure the children of the state of Alaska will have a good, sound education?" I know you know every school in the state is hurting terribly. You also know how to work with the finances to find a solution. The funding formula needs to be increased in a significant way. What is proposed will not meet the needs of the schools in Alaska. Of one thing I am sure: There is a solution. I know you can find it if you focus on the one question I stated. Ideas are beginning to grow. Build on these ideas. Forget the past and look at the legacy you can set in place for our children. Please

do what is right and good. I want to trust your good judgment. And I will support what is necessary to guarantee my children and the children in Alaska to get the solid, well-rounded education they deserve and need.

MS. MARY HAKALA, a parent of three children and coordinator for "Alaska Kids Count," noted there were quite a few members of that organization in the room. She said a month ago there were a handful of parents, whereas now "Alaska Kids Count" is a statewide network of 400 parents, community members, and grandparents. She told members parents were seeing the damage and the regression that has occurred and will occur if "you don't act." She said membership consists of volunteers, both in and out of the classroom. Members see the system is strapped with the current level of funding. She expressed appreciation for anything that can be done to prevent dire consequences from happening if action is not taken regarding cuts due to the PERS/TRS issue and escalating costs due to inflation. She stated that merely putting a band-aid on doesn't address the systemic issue. She said they were asking not only for impending cutbacks to be taken care of, but also to rejuvenate the schools and to take the discussion to "Yes, we support education."

MR. CARL ROSE testified that there are problems with PERS/TRS, and with depleted resources available for maintenance and operation of schools. He stated it matters whether the PERS/TRS issue is addressed from inside a formula or not. He said regarding monies distributed inside a formula, because of calculations and the eroding floor, dollars directed toward a specific issue might not reach there because it is impacted by the distribution of funds and the foundation formula.

SENATOR GUESS commented that from her calculations, \$4,590 was needed to hold districts harmless on PERS/TRS, if it goes inside the formula.

MR. DAVE JONES, Director of Finance for the Kodiak Island Borough School District, and father of several children, testified as follows:

Kodiak is in the same condition as districts across the state. To just maintain our current programs, we're facing a \$2,047,000 revenue deficit. Roughly half a million of that is related to declining enrollments, so I'm not going to come to you and ask

for that; we need to deal with that internally. This leaves us with \$1.5 million deficit of that. Approximately \$700,000 is related to retirement system increases. I'm going to be an optimist and believe that you [indisc.] solve that problem as a separate issue. This leaves us with a little over \$800,000 deficit that's related to increases in salaries, benefits, fuel, costs, freight costs, etc. We're at the cap in Kodiak and we can't look locally for any additional help. The solution for us has to come at the state level. That's why I want to thank you for considering the bills that are before you today. I think it's imperative that the bills that come out of your committee that are brought forward with the substantial increases to the base student allocation, [indisc.] for the fixed cost increases we incur.

If you set the retirement issue aside, SB 1 gives us about half the money we need to get to the cost increases we're looking at. A \$200 increase, with the corresponding ability to increase local support would let us continue the programs that we have today.

I'm going to take five seconds to tell you that I'm throwing my 'dad hat on' and tell you that I want you to tax me. I want to pay an income tax. I want to use the permanent fund earnings. And I want you to let me help pay for my children's education by doing that.

2:33 p.m.

MR. GERRY DONOHOE, parent of two children in the Juneau School District, said he and his family could have moved anywhere in the world, but they chose to move back to Juneau because of the quality of life and the great community. One of the only compromises was the declining state of the educational system. He said they were lucky in Pennsylvania because the kids had 18 - 20 students in their public school classrooms. That school district spent \$8,500 on each enrollee. He stated, "If you want to attract people to Alaska, if you want to show progress in the state, you've got to increase state education funding."

MS. MARY FRANCIS, Executive Director of Alaska Council of School Administrators (ACSA), testified that all of the school districts support the additional base student allocation and would be grateful for any support, the higher the better to keep

pace. As a former superintendent, she said it was incredible how erosion can occur in a year or two, and it might take eight to ten years to reinstate some programs; good people providing services will not be there and it's very hard to build programs back. She supports consideration of these bills.

MS. AMY LUJAN, Business Manager in the Nome School District, testified that Nome needs a \$200 increase in basic needs to keep on par with FY 04. She explained that about two thirds, or \$134 would be for PERS/TRS, and about one third would be for insurance and other increases encountered in planning for next year. This still doesn't take into account cuts in programs in the past few years. There are fewer junior and senior high school offerings. There are larger class sizes, which is especially problematic for elementary school. The nurse, social worker, elementary assistant principal, and one of the two counselor positions have been cut. There are fewer aides, some large deferred maintenance needs, and professional development is not paid for out of the school district general fund; professional development is from grants. This is difficult when trying to implement state and federal requirements for quality schools. The \$200 increase in basic needs won't bring back the cuts just mentioned, but would help with PERS/TRS and basic cost increases such as insurance and inflation.

MR. STUART COHEN, parent of two children in the Juneau School District, reflected that his own third grade class had 34 students, but class composition didn't include students with behavioral or learning problems. He pointed out that our society has chosen to no longer place those children in separate classrooms, condemning them to a lifetime of limited economic possibilities. He also noted that if one has taught school or worked with groups of kids, the reality is that one or two kids who have difficulty learning or focusing can make the class 20 percent or 30 percent harder and limit what the other kids can learn. He said it was important to realize that talk about class size is of real concern, and he urged members to give as much money as possible to the schools.

MS. SELINA EVERSON, representing the Alaska Native Sisterhood, said she has four grandchildren in the school system, and expressed concern for adequate funding, especially in the village areas where "her people reside." She said, "Our history should be taught in the school system and I can't believe that it has been this long. Because when you understand another race, you understand and can tolerate that person. You understand where they're coming from." She said the teachers

called her dyslexic grandchild "stupid" and this was hurtful. In short, the funding should not be cut. She said her parents used to pay a school tax, and she would be willing to pay a school tax for her grandchildren and her great grandchildren. And she would be willing to pay an income tax.

MR. TIM STEELE testified from Anchorage and mentioned 332 jobs, program cuts, increase in class size, and so forth. Regarding solutions, he said the state is at a breaking point, and additional funding is necessary. The superintendent has indicated that about \$238 will hold us harmless, assuming PERS/TRS is outside. Just making it is not sufficient; adequacy and sustainability need to be addressed. These Senate bills don't have HB 471's two percent cost of living. We need some way to not be back in this same fix, year after year. Legislative research shows that \$252 in purchasing power has been lost since 1999.

2:45 p.m.

SENATOR GUESS said since Senator Davis wasn't there to speak to her bill, she offered that SSSB 91 inflation-proofs the foundation formula for future years.

MS. CHRIS MOORE, mother of four children and representing Valley Voices for Children, an organization from the Mat-Su, testified that children's needs are not being met. Children are not receiving an adequate education and deserve a quality education. Although she loves living in Alaska, the education issue is looming like a dark cloud. She said she advocates for an inflation-proofing component in the foundation formula.

MR. BOB DOYLE, Chief School Administrator for the Mat-Su Valley School District, representing about 14,000 children and their parents, suggested a three-prong approach. This includes an increase to the base student allocation of \$210, which would be sufficient as long as TRS/PERS cost increases from this year were also dealt with, and it could be either inside or outside the formula. Also, as the base student allocation is moved up, we're able to get additional support from the local assembly to get full support for the schools, as well. With that approach, we would be held harmless this year and the focus could be on improving student learning and getting on with efforts in curriculum alignment.

CHAIR DYSON asked if anybody wanted to add to his/her testimony.

MR. COHEN addressed the issue of taxes, saying that he was already taxed so to speak, because he writes checks to the school, as do other parents. In his 20 years in business, traveling to countries such as Mongolia or Argentina, he has observed different philosophies of taxation, ranging from communist China to Bolivia. In some countries, people in charge have a philosophy of not re-distributing wealth through taxation and because they have been "too successful" in implementing that philosophy, educational systems are such that the wealthy children go to excellent private schools. However, if you're of the middle class, your child probably goes to a church-run Catholic school and gets an O.K. education, whereas if you're living in poverty as 60 to 95 percent of the country's population does, your child probably has to share a pencil at school. Those countries have lost much of their human capital, as represented by their children, and for other reasons also, they'll never get out of the situations they're in. He asked members to consider, "A little bit of taxation can be a good thing."

CHAIR DYSON closed public testimony.

SENATOR WAGONER mentioned that \$4,500 would hold the district harmless for 2004, and PERS would be outside of that. He wanted to reiterate for the record, that for the year prior to that, Kenai Peninsula Borough School District cut an additional 56 positions, amounting to about \$2.5 million. He said the discrepancy was due to his thinking of 2003, not 2004. He said they have been cutting for a long time, and that "I stick pretty tight to the \$4,500 without the PERS being in it. That would heal a little bit of the problems they've got on student numbers and classroom numbers."

SENATOR GREEN said the discussion has been on whether these funding pieces were handled separately, and questioned if it would be better for funds to go directly to retirement and benefits - a portion of it - and not accrue to the school district. Or, would it be necessary to send it directly to the district and, in turn, pay for a portion of PERS/TRS? She said this information was still important, and the conversation was continuing.

SENATOR GREEN moved to report SSSB 1 out of committee with individual recommendations and attached fiscal note.

CHAIR DYSON asked if there was any objection. There being none, it was so ordered.

SENATOR GUESS moved to report SSSB 91 out of committee with individual recommendation and attached fiscal note.

CHAIR DYSON asked if there was any objection. Seeing none, it was so ordered.

SENATOR GUESS moved to report SSSB 14 out of committee with individual recommendations and attached fiscal note.

CHAIR DYSON asked if there was any objection. Seeing none, it was so ordered.

SENATOR GUESS said since others in committee were in Senate Finance while she wasn't, she told members that PERS/TRS is not a one-time hit, and that serious consideration needs to be given to putting it in the foundation formula. She said this issue would need to be dealt with in multiple years, and we don't know what will happen with the market, which caused this problem to begin with. She suggested that as a policy matter, one-time money sometimes does more harm than good over the long run, although this isn't a one-time problem. Anchorage looks at \$22 million as part of PERS/TRS. Every district is going to deal with this next year. She recommended putting it in, and keeping all districts harmless.

SENATOR GUESS told members that because the minority has been recently criticized for not making policy intentions clear [enough], that Democrats believe SSSB 91 is the best policy for education funding. Democrats will be offering amendments on the Floor if they're not in the final bill. She said, "I don't want to surprise anyone, since we got criticized for some reason for not giving you guys enough heads-up, so I'm just on the record, stating that."

SENATOR GREEN said she believed there was still more information to follow on the PERS/TRS issue, particularly because of the board meeting scheduled for the third week in March. She noted that the numbers continue to float, so there needs to be sensitivity to that.

There being no further business to come before the committee, Chair Dyson adjourned the meeting at 2:58 p.m.