

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

February 23, 2005

5:33 p.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Representative Ralph Samuels, Vice Chair
Senator Bert Stedman
Senator Lyda Green
Representative Mike Chenault
Representative Beth Kerttula
Senator Gary Wilken, alternate
Representative Kevin Meyer, alternate

MEMBERS ABSENT

Senator Ben Stevens
Senator Lyman Hoffman
Representative Mike Hawker
Representative Pete Kott
Representative Reggie Joule, alternate

OTHER LEGISLATORS PRESENT

Senator Bettye Davis
Senator Gretchen Guess (via teleconference)
Representative Mary Kapsner
Representative Norman Rokeberg
Representative Mark Neuman

COMMITTEE CALENDAR

INFORMAL WORK SESSION ON THE ALASKA SCHOOL DISTRICT COST STUDY
BY ISER [INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH]

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

No witness to record

ACTION NARRATIVE

CHAIR GENE THERRIAULT called the Legislative Budget and Audit Committee meeting to order at [5:33:07 PM](#). Senators Therriault, Green, Wilken, and Stedman, and Representatives Samuels, Chenault, Kerttula, and Meyer were present at the call to order.

INFORMAL WORK SESSION ON THE ALASKA SCHOOL DISTRICT COST STUDY BY ISER [INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH]

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CHAIR THERRIAULT presented the Alaska School District Cost Study Update done by the Institute of Social and Economic Research (ISER). Chair Therriault referred to a handout, showing the schematic history of the bills procured for the studies on Alaskan school district cost factors, studies such as: the AIR [American Institutes for Research] school district cost factors, the ISER peer review, and the ISER update on the Alaska school district cost factors. The latest ISER study embodies a recommendation for the modification of the distribution of K-12 funds that the legislature appropriates on a yearly basis. However, the study does not suggest the level of funds that should be appropriated to change the foundation formula.

CHAIR THERRIAULT turned to the attachments prepared by the Department of Education and Early Development (DEED) on February 11, 2005. The first page shows the implications if the legislature were to "jump" to the new ISER cost factors and appropriated no increased funding. The aforementioned impact on the individual districts, through the distribution, would be that while some districts would get more money, other districts would have to give money up. The second attachment, shows the implications if the legislature were to "jump" to the new ISER distribution numbers, but holding all districts harmless so there would be no reduction in any districts funding level, and which would cost a total of \$82.5 million. The two distinct differences between the AIR study and the updated ISER study are the salary and the energy components. The AIR study suggested going to an "idea model," as opposed to actual costs, that analyzed the potential costs to run and heat schools in their climatic zones. The AIR studied the actual paid salaries per school district and concluded that statewide salaries are level. However, Chair Therriault related that the study found that the smaller school districts have to offer higher starting salaries because of the higher turnover rates, which don't allow employees to "step-up the salary ladder as much". The larger district employees start at a lower starting salary, but often they spend many years in one district and "work-up the seniority

ladder," he added. He reiterated that the salary studies across all the districts were fairly comparable. The AIR study analyzed the actuals allocated for salaries and estimated the potential cost of energy. In contrast, the ISER study analyzes the actuals spent on energy needs. Chair Therriault detailed the salary component analysis by ISER:

They [ISER] said if you are truly trying to equalize the purchasing power of the districts, and salaries being the largest portion of the expenditure for almost any district in the state, ... the fact that all districts are able to fill their spots and the smaller districts just have to offer a higher beginning salary is not enough to say that you [have] equalized purchasing power. They suggest that we [the legislature] go to more of an ideal for the salary component, and that ideal is based on the fact that you want all districts to be competing for the same teachers out of the same exact pool. So if Anchorage, being sort of the base, has 10 teachers that apply for every position, ... they are suggesting [a] salary level ... that if Tok were competing for a teacher, they would also have 10 people putting in a resume to fill every one position that they have. And while that might be the ultimate ideal, I am not sure that ... is achievable economically or that you can compensate with cash for all those things that make a person select one district over another. Certainly, people are motivated by salary when they make job decisions, but with [a] state as vast as ... Alaska they also make decisions based on the climate, and they may be making a decision on the type of school environment they want to teach in; if they're a music instructor, then they might want to teach in a setting where there is a district orchestra Individual teachers make those type of decisions for a variety of reasons and they are not all monetary. Just to point out, on page 6 [of the Alaska School District Cost Study Update] ... the second to the last paragraph, the last sentence ... says, "If this is the case, then estimating cost differentials based on the assumption that observed salaries -- so that is looking at what we are actually paying -- are market equilibrium prices -- that snapshot -- will produce erroneous results," according to this consultant Basically, saying that the salaries that we are able to pay right

now, although they are good enough to fill all the positions, that you really are not coming up with a market equilibrium as far as the districts are able to attract different people to fill the spots. In addition, on [page 7] second to the last paragraph it says, "Nevertheless, the existence of significant queues in some districts, but not others, results in a situation where observed salary differentials among districts do not measure the cost differential of hiring teachers of equivalent qualifications." So basically ... unless you put in enough money, that you are experiencing a similar level of queuing for each job that comes open, that you really don't have districts playing on an equal footing

CHAIR THERRIault related his belief that it is not an achievable goal to compensate individual preferences with salary. Furthermore, he related that the ISER study does not propose a change to the current distribution model, which assures that the money allocated would actually be used toward attracting those teachers. He added that all the districts are able to fill their open spots with the dollars allocated, and although there may be disagreement about the qualifications of those teachers, the ISER proposal doesn't suggest a method of "look back" to ensure the districts drive the monies to the suggested teacher's compensation. He related his belief that if the legislature were to use the ISER proposal and the monies were driven down to the teachers, it may have an impact on the current collective bargaining system. He suggested that the ISER study has no proposal for a methodology of tracking to ensure "the money flows through to the teachers."

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CHAIR THERRIault related that the consultant, Mr. Tuck, will be available at the February 25, 2005, Legislative Budget and Audit Committee meeting. He said that legislation reflecting the ISER cost factors will be introduced in both houses, although the introduction of the legislation " ... is not to be interpreted as blessing by myself or this committee on those numbers." The legislation process operates independently of any suggestion or direction from a consultant, so the outcome of the legislation depends on the committees, he noted. He said:

It has proven to be difficult any time the legislature has suggested actually going into the statutes and making modifications to the cost factors We're

only able to sort of get the momentum once every 10 to 15 years to do it, it's not to say that the time isn't right to take a look at it and make the policy call on whether we have ... the correct information to back a set of numbers and make those changes Independent legislative bodies operating through their committee structure will have to make that policy call, and ultimately make a decision whether to bring something to either floor for final action.

ADJOURNMENT

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There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 5:47 p.m.