

HOUSE FINANCE COMMITTEE
January 13, 2005
3:01 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at 3:01:50 PM.

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Carl Moses

ALSO PRESENT

Representative Bob Lynn; Roger Sampson, Commissioner, Department of Education and Early Development; Eddy Jeans, Manger, School Finance and Facilities Section, Department of Education and Early Development

GENERAL SUBJECT(S):

INFORMAL PRESENTATION ON FORMULA FUNDING FOR EDUCATIONAL PURPOSES

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 24th Legislative Session, contact 465-6814. After the 24th Legislative Session they will be available through the Legislative Library at 465-3808.

TIME	SPEAKER	DISCUSSION
<u>3:02:07 PM</u>	Co-Chair Chenault	Co-Chair Chenault introduced the committee members and Eddy Jeans from the Department of Education.
<u>3:03:14 PM</u>	EDDY JEANS, MANGER, SCHOOL FINANCE AND	Presented a power point presentation, an Alaska Public School Funding Formula Overview (copy on file.) He explained

	FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT	that SB 36 established the current public school funding formula and reviewed the five components of the funding formula: Calculation of Adjusted Average Daily Membership (ADM), Calculations of Basic Need (Entitlement), Components of Basic Need (Who Pays), Additional Funds above Basic Need, and Components of State Aid.
3:05:41 PM	Mr. Jeans	Mr. Jeans discussed ADM Reporting Requirements contained in the power point presentation. He explained that school districts are required to report student information through the Online Alaska School Information System (OASIS), and reviewed student eligibility requirements for state foundation funding. He described the five steps used to calculate entitlement.
3:08:47 PM	Representative Weyhrauch	Asked if the charter school authority passed after SB 36 had been adopted. Mr. Jeans replied that he thought they were passed concurrently. Representative Weyhrauch inquired how charter schools factor in the ADM adjustment.
3:09:25 PM	Mr. Jeans	Discussed charter school requirements. In response to a question by Representative Weyhrauch, Mr. Jeans explained that charter schools operations are governed by statute. He noted that the statutes were passed in 1998 and revised a few years later.
3:10:29 PM	Mr. Jeans	Listed the steps used to adjust the ADM for school size. He spoke about the requirements for alternative schools and charter schools.
3:11:48 PM	Representative Weyhrauch	Asked why alternative schools are counted as a part of the largest school in the district rather than the smallest. Mr. Jeans observed that the calculations were set out in SB 36.
3:12:16 PM	Vice-Chair Stoltze	Asked what the Department of Education's position was during the drafting of SB 36. Mr. Jeans explained that the Department's concern, at the time, was to try to prevent smaller schools from popping up in larger communities for the purpose of size adjustment.
3:13:08 PM	Mr. Jeans	Explained the number and types of

		schools and their programs, including correspondence schools, in Alaska.
3:14:08 PM	Mr. Jeans	Reviewed school size adjustments, using Nome City Schools as an example.
3:16:35 PM	Vice-Chair Stoltze	Asked if the statutes require a strict adherence regarding school size variance. Mr. Jeans answered that there is no variance requirement through regulation.
3:17:15 PM	Mr. Jeans	Explained Nome City Schools' adjusted ADM.
3:17:29 PM	Representative Croft	Asked if there is a provision for adding a small alternative school's numbers to a smaller regular school's numbers. Mr. Jeans replied that there is a provision in the statute for a school with fewer than ten students to be added to the smallest school.
3:18:08 PM	Mr. Jeans	Explained the district cost factors and how they are determined. He explained special needs funding.
3:18:57 PM	REPRESENTATIVE BOB LYNN	Inquired how the cost factors are determined and what the incentive is to reduce costs. Mr. Jeans answered that it wasn't just that higher costs produce a higher cost factor, but that the higher cost to do business in a region produces a higher cost factor. He pointed out that the foundation statute requires the Department of Education to renew and update the district cost factors. The McDowell Group's model was intended to be used for this purpose, but was not used. Instead, a report by the American Institute of Research was used, but not yet adopted by the legislature. Institution of Social and Economic Research (ISER) is doing a peer review of that report now, Mr. Jeans explained. He added that the cost factors should be reviewed and updated on a periodic basis, but have not been since 1999.
3:21:10 PM	Mr. Jeans	Continued to explain how the Department of Education was planning to provide special needs funding. He noted that school districts must file a plan with the department. Using Nome schools as an example he explained special needs funding.
3:22:01 PM	Mr. Jeans	Outlined the intensive services funding and used Nome as an example.

3:23:07 PM	Mr. Jeans	Highlighted correspondence program funding.
3:24:18 PM	Mr. Jeans	Reviewed spreadsheets contained in the handout: Public School Funding Program Overview (copy on file.) He discussed page 7, which dealt with Nome's adjusted ADM and basic needs and talked about who pays for basic need.
3:25:35 PM	Mr. Jeans	Reviewed requirements under SB 174 and explained Nome's full and true value. He discussed the required local contribution, for Title VIII Federal Impact Aid Payments and how they are calculated. He referred to the impact AID percent contained on page 9, column E, of the spreadsheet and explained how the percentages are derived.
3:30:19 PM	Mr. Jeans	Referenced column G on page 9 to explain state aid. He also discussed funds above basic need (including additional local contribution), quality schools grant, and the supplemental funding floor.
3:32:01 PM	Representative Croft	In response to a question by Representative Croft, Mr. Jeans explained federal law as it applies to the cap on what local municipalities can contribute. Representative Croft asked about federal funding to the school districts. Mr. Jeans replied that the formula could be adjusted and explained state aid and how it was derived.
3:33:59 PM	Mr. Jeans	Provided details about the quality schools grant. He explained how the supplemental funding floor was established specific to Nome's school district. Nome's transition to the new formula was clarified. Mr. Jeans gave several examples of supplementary funding floor adjustments.
3:36:49 PM	Representative Weyhrauch	Asked if the McDowell Group model allowed for inflation. Mr. Jeans said that it did not. He added that it only addressed "need". How the state pays for that need is left up to legislative discussion. Representative Weyhrauch asked what the annual rate of inflation was in 1998. Mr. Jeans replied that he could get that information.
3:38:07 PM	Mr. Jeans	Explained how Nome City School's "floor" was established.
3:39:11 PM	Mr. Jeans	Reviewed the components of state aid

		and how it is prorated.
3:40:17 PM	Representative Foster	Asked about district cost factors. Mr. Jeans referred him to page 8, column P of the handout. He indicated that Commissioner Sampson would continue with the slide presentation.
3:41:00 PM	ROGER SAMPSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT	Shared information about Governor Murkowski's educational funding proposal by highlighting a national trend regarding a shortage of teachers. He referred to a graph showing the number of teachers who attended a recent Alaskan job fair, which was a smaller number than ever before. He emphasized the importance of timing in regards to funding education, so as not to lose more teachers. He emphasized the need to keep the teachers that we have and pointed out that this is a national issue, not just Alaskan. He encouraged early and forward funding of education because of the shortage.
3:44:46 PM	Representative Joule	Asked if all jobs would be able to be filled in all districts, given the shortage.
3:45:38 PM	Commissioner Sampson	Replied no. He observed that districts are often unable to fill particular kinds of positions with candidates who hold the qualifications needed. He pointed out that current and past legislatures have taken action to broaden the pool potential to fill those positions.
3:46:06 PM	Representative Joule	Asked what the dropout rate is and if there would be enough classrooms if there were no dropout rate.
3:46:33 PM	Commissioner Sampson	Replied that he needed to look at the numbers in order to answer that question. He added that Alaska fits a national pattern in turnover; in the first 5 years of teaching, 50 percent of teachers choose to leave the profession.
3:47:16 PM	Representative Joule	Asked if there would be enough classroom space and qualified teachers if the dropout rate decreased.
3:47:40 PM	Commissioner Sampson	Emphasized that providing a known level of funding is one part of solving the problem.
3:48:13 PM	Representative Croft	Agreed that it was a disturbing trend and suggested that a good retirement package is an important component of attracting and retaining teachers. .

		He questioned whether it is a good time for the Administration to add a tier three level to the retirement package.
3:48:56 PM	Commissioner Sampson	Replied that national data indicates that salary and benefits are not the main reasons teachers leave. The top two reasons are because teachers do not feel supported and lack feedback about their competence. He mentioned the Alaska teacher mentor program as a possible solution to retaining more teachers.
3:51:03 PM	Representative Joule	Asked if Commissioner Sampson was suggesting that teachers could be paid less and given fewer benefits and be encouraged to stay in teaching through other mechanisms.
3:51:28 PM	Commissioner Sampson	Replied there is a need to provide more incentives than dollars and benefits. Representative Joule asked if Alaska now pays less for salaries and benefits. Commissioner Sampson replied that Alaska used to rank very high in salaries compared to other states but that some other states are paying more now and that inflation is a factor. He pointed out that Alaska is still in the top 5 percent for beginning teacher salaries.
3:52:29 PM	Co-Chair Chenault	Mentioned that the trend is not new and not only an Alaskan problem.
3:53:14 PM	Co-Chair Meyer	Asked if there was a graph that showed the projection of student growth in the next five years.
3:53:28 PM	Commissioner Sampson	Replied that student growth in Alaska is quite stable now with the exception of a few areas. Co-Chair Meyer asked if the number of home-schooled students is about 5 percent and if that number is also steady. Commissioner Sampson said that number was on the increase until a year ago. In 2004, there was a decline in enrollment. He added that he has no data on home-schooled students that do not receive funding from the state. Co-Chair Meyer asked how student money is transferred from one district to another. Commissioner Sampson explained that the count period establishes where the dollars go. Co-Chair Meyer asked Mr. Jeans whether a cost study was being done. Mr. Jeans referred to the ISER study and the

		corrections being made to it.
3:56:49 PM	Representative Holm	Related that his wife retired from teaching because of a lack of district support regarding class size. He noted that class size is a big issue for teachers. He asked what the university system was doing to support the numbers of teachers needed in Alaskan school districts.
3:58:18 PM	Commissioner Sampson	Replied that the state and the university systems are working closely together to try to increase numbers in the teacher preparation programs, but are still falling short of numbers. Only 20 percent of needed teachers are being produced, he added.
3:59:17 PM	Representative Lynn	Asked what lack of support means. Commissioner Sampson clarified that it indicates lack of support from the district, community, parents, and principal; a combination of actions by others as well as needs not met.
4:01:26 PM	Representative Lynn	Said that as a teacher he noted that some problems such as inclusion go beyond the local level and need to be solved on the federal level. He emphasized that class size and special education issues are a national problem.
4:04:17 PM	Commissioner Sampson	Agreed that teachers become frustrated with these problems.
4:04:56 PM	Representative Weyhrauch	Observed that the Governor wants to have educational funding addressed early in the legislature and pointed out that it is the first subject before the Committee.
4:05:49 PM	Co-Chair Chenault	Agreed with the importance of education funding.
4:06:06 PM	Vice-Chair Stoltze	Referred to home school issues and questioned the Administration's position regarding home schooling and additional regulations.
4:06:56 PM	Commissioner Sampson	Pointed out that the Administration is pro-choice in regards to education options. He added the caveat that the Governor wants levels of accountability.
4:07:42 PM	Vice-Chair Stoltze	Asked if new regulations were being considered.
4:08:31 PM	Commissioner Sampson	In response to a question by Vice-Chair Stoltze, explained that regulations for monitoring of statewide correspondence

		classes have been enacted.
4:09:32 PM	Representative Hawker	Noted the level of commitment, but questioned the level of accountability in regards to the Governor's K-12 funding plan.
4:10:35 PM	Commissioner Sampson	Noted that the federal government has required accountability through the No Child Left Behind program. The department is working on a growth model. Performance will be reported yearly.
4:11:35 PM	Representative Hawker	Summarized that testing is part of the accountability factor. He stressed that there needs to be a demonstration of what is being paid for.
4:12:17 PM	Representative Joule	Asked if FY05 increases would be compared to FY06 in terms of accountability.
4:12:48 PM	Commissioner Sampson	Pointed out that Alaska is a local control state and districts show different levels of accountability. Different districts have different priorities.
4:13:40 PM	Representative Kelly	Referred to special student categories and questioned the percentage of students in each compared to the cost for each. He added a personal story of a teacher that left the profession. He noted that discipline is also a factor.
4:15:04 PM	Mr. Jeans	Noted that special education funding is provided as a block grant. He said that part of it has to do with the state allocation of the funding. He said it made sense to go to a block allocation.
4:16:39 PM	Co-Chair Meyer	Gave a heads up about showing up front the needs for budget purposes. Mr. Jeans replied that Co-Chair Meyer would be happy when he sees the budget.
		<u>ADJOURNMENT</u> The meeting was adjourned at 4:19 PM