

HOUSE FINANCE COMMITTEE
April 19, 2006
9:42 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [9:42:13 AM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

PRESENT VIA TELECONFERENCE

SUMMARY

HB 362 "An Act increasing the base student allocation used in the formula for state financing of public education; and providing for an effective date."

CS HB 362 (FIN) was REPORTED OUT of Committee with two new fiscal notes and individual recommendations.

#hb362

HOUSE BILL NO. 362

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

Co-Chair Meyer noted that public testimony had concluded in the previous week, on April 7. He noted that since there

had been a considerable amount of testimony, no further information would be taken.

Representative Chenault MOVED Amendment #1, 24-GH2038\A.2, Mischel, 4/5/06. Representative Stoltze OBJECTED.

Representative Chenault spoke to the amendment. He noted that area cost factors had been a major issue for a number of years in his school district, as well as Statewide. He discussed the impact of SB 36, and noted that the numbers may have been speculative at the time the bill was introduced. He pointed out that over the past ten years, studies had been completed by the Department of Education. The results of these studies seem to indicate that initial calculations were in fact flawed from various perspectives. He proposed that the time had come to take right action. He noted that the amendment was based on a portion of the Eischer study. He expressed his discomfort with the accuracy of the study, but pointed out that districts Statewide had been hurt by SB 36. He stated that over the past two years, he had discussed this problem with various legislators, and stressed that it must be addressed at this time. He commented that to add more foundation funding did not address the problem, but rather widened the discrepancies between cost differential numbers and thereby exacerbated the problem.

[9:46:48 AM](#)

Representative Chenault stated his intention to promote contention with the cost differential. He WITHDREW the amendment, citing the current ongoing negotiations toward an appropriate compromise. He reiterated his belief that simply placing more money into schools would not ultimately remedy the cost differential. He noted that all options had drawbacks, and that discussions were ongoing. He expressed that he did not wish to hold up the bill, but to address this issue through another avenue, creating a remedy that would ultimately solve the problem. He stated his belief that the amendment would pass on the House Floor, but noted that it depended in the long run on support from the Senate as well. He stressed the importance of efforts to reach a compromise that would be acceptable to both the House and Senate.

[9:48:51 AM](#)

Representative Chenault suggested that legislators have the courage to address the cost differential, which he commended as right action.

Representative Kelly suggested that if in the negotiations a compromise was reached to address all districts, a cap should also be implemented, as well as a hold harmless

clause for certain areas. He suggested that the underlying issues were less clear than simply the numbers.

Representative Foster thanked the Co-Chair for his work on the amendment, and expressed support.

Representative Joule also expressed his support and thanked the Co-Chair for raising important issues. He noted that the issues facing schools since SB 36 were not always raised and discussed on the Floor. He acknowledged that the court system might ultimately solve the question, but suggested that discussion of the issues was necessary.

[9:52:15 AM](#)

Co-Chair Meyer commented that his office had worked with Representative Chenault for two years to create a solution for all districts Statewide, and had reached a point of exhaustion. He acknowledged that Representative Chenault's district had lost students, and therefore lost money. However, he stressed that a long-term solution was needed, and expressed a desire to resolve this legislatively and not through the courts.

[9:53:20 AM](#)

Co-Chair Meyer MOVED Conceptual Amendment #2a (Meyer). Representative Chenault OBJECTED.

Co-Chair Meyer discussed the amendment. He expressed the desire to address not only the cost differential, but also to add to the foundation formula. He pointed out that even with the Governor's proposed \$90 million increase in funding, most schools were falling short. He noted that his own district was currently \$2 million short of meeting basic needs. He explained that the Amendment would result in an overall increase of \$6 million, increasing the Governor's proposed amount to \$96 million. The Amendment changes the foundation formula amount from \$5,352 to \$5,380. Co-Chair Meyer proposed that it would benefit all districts with an increase.

[9:54:56 AM](#)

Representative Chenault REMOVED his OBJECTION.

[9:56:12 AM](#)

Representative Kelly MAINTAINED an OBJECTION. He expressed concern over the significant increases in the State budget. While he acknowledged the legitimate need of schools, he pointed out Committee concern over escalating costs, and suggested that the State budget could not support continued increases.

Co-Chair Meyer pointed out that the University had received a fifteen percent increase, and suggested that parity was needed between higher education and K-12 education. He proposed that K-12 education should be the first funding priority.

[9:57:19 AM](#)

Representative Foster expressed support of the amendment, and pointed out that, between the expense of the retirement system and increased energy costs, the Governor's \$90 million did not actually represent much of a budget increase for schools.

Representative Stoltze stated that his school districts needed an increase to meet their shortfalls, and noted that the proposed increase was still not adequate.

Representative Joule stated that he would support the amendment, but did not find it adequate. He stressed the need to support all districts, and expressed that to take care of just one district when others were in similar need was unsettling. He acknowledged the Amendment as a small, positive step forward.

[9:59:18 AM](#)

Representative Kerttula commented that with smaller districts such as Juneau, the gap that needed to be filled was more significant. She expressed support for the Amendment.

A ROLL CALL VOTE was taken on the MOTION:

FAVOR: Joule, Kertulla, Moses, Stoltze, Weyrauch, Foster, Hawker, Meyer.

OPPOSE: Kelly, Holm, Chemault.

The Amendment PASSED on a Vote of 3 to 8.

[10:01:18 AM](#)

Representative Weyhrauch MOVED Amendment #2, 24-GH2038\A.4, Mischel, 4/5/06. Co-Chair Meyer OBJECTED.

Representative Weyhrauch referred to the need for incremental adjustments. He recalled earlier discussions surrounding long-term solutions and commented on overcrowding in classrooms. He proposed that the amount in Amendment #2 was identical to the amount contained in Amendment #1 if one were to add the changes to the funding

formula. He pointed out that the funds needed for larger metropolitan areas were being addressed, but not for smaller areas.

Representative Chenault for clarification on the total dollar amount of the increase proposed by the amendment. Representative Weyrauch stated that it totaled \$24 million over the current proposed budget.

[10:02:57 AM](#)

Representative Hawker expressed that he had been prepared to support Amendment #1, and stated that he would support Amendment #2.

Co-Chair Meyer called an AT EASE.

[10:03:48 AM](#)

[10:11:25 AM](#)

Co-Chair Meyer RECONVENED the Committee.

Representative Weyrauch explained that his calculations were inaccurate, and would have led to an increase of \$370 million and not \$24 million. He MOVED TO AMEND his amendment to the amount of \$5,474. Responding to a question by Co-Chair Meyer, Representative Weyrauch confirmed that the revised Amendment would result in an aggregate increase of \$24 million.

There being NO OBJECTION, the Amendment was changed to reflect the new amount. Co-Chair Meyer MAINTAINED his OBJECTION to the Amendment.

Representative Hawker maintained his previous support of the amendment, but noted that he was not privy to all executive discussions between bodies. He strongly urged the Committee to add some amount to address costs and equities.

Co-Chair Meyer expressed support of the amendment, but also stated his concern that passage may hurt the chances of a change to cost differential. He stated he would vote against the amendment.

Representative Kelly noted that he was still against the amendment.

[10:14:22 AM](#)

Representative Joule stated that the amendment was the only increment under discussion, but compared it to the process over the PPT and gas pipeline. He expressed uncertainty over the end result, but a desire for a positive outcome. He understood concern over the Co chairs not implementing

the cost differential, but suggested that a simple amendment would remedy the problem. He stated that at this point, with negotiations underway, he might support the current steps being made, in the hope that the ultimate goals would be accomplished.

[10:16:14 AM](#)

Representative Joule acknowledged the pressure for all legislators to find a common ground, and in the interest of allowing negotiations, he might defer to that process.

Co-Chair Meyer assured the Committee that the Co-chair would be undeterred in his efforts.

A ROLL CALL VOTE was taken on Amendment #2.

FAVOR: Kertulla; Moses; Weyrauch.

OPPOSE: Kelly; Stoltze; Foster; Hawker; Holm; Joule; Meyer; Chemault.

The AMENDMENT FAILED on a VOTE of 3 to 8.

[10:18:56 AM](#)

Representative Chenault commented that the process was ongoing and would be arduous. He restated the issue of the cost differential, and the desire of some to formulate a new study. He proposed that this would continue the equity problem in the State, and that at some point there would need to be right action. He stated that waiting for a perfect formula did not help school districts, and proposed that now was the time for action.

[10:20:12 AM](#)

Representative Kelly reiterated the idea of a budget cap, and requested that if an adjustment such as in Amendment #1 occurred, that it not be in addition to the cap. He raised the issue of sustainability.

Representative Foster MOVED TO REPORT HB 362 out of Committee as Amended, with individual recommendations and two new fiscal notes: DEED, Component #141; DEED, Component 2735. There being NO OBJECTIONS it was SO ORDERED.

#

ADJOURNMENT

The meeting was adjourned at 10:21 AM