

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 9, 2005**  
**9:06 a.m.**

**CALL TO ORDER**

Co-Chair Wilken convened the meeting at approximately [9:06:43 AM](#).

**PRESENT**

Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice Chair  
Senator Bert Stedman  
Senator Donny Olson

**Also Attending:** REPRESENTATIVE MIKE HAWKER; SENATOR BEN STEVENS; REPRESENTATIVE CARL GATTO; REPRESENTATIVE MARK NEUMAN; NONA WILSON, Legislative Liaison, Department of Transportation and Public Facilities; LAURIE ROBERTS SCANDLING, Principal/Teacher, Yaakoosge Daakahidi Alternative High School; public testimony on HB 1 was presented in the order reflected in the minutes.

**Attending via Teleconference:** From Homer: STEVE TAROLA, Chair, Alaska Board of Public Accountancy; teleconferenced public testimony on HB 1 was presented in the order reflected in the minutes.

**SUMMARY INFORMATION**

**HB 64-EXTEND BOARD OF PUBLIC ACCOUNTANCY**

The Committee heard from the bill's sponsor and reported the bill from Committee.

**SB 63-USE SEAT BELT ROAD SIGNS**

The Committee heard from the bill's sponsor and the Department of Transportation and Public Facilities. The bill was held in Committee.

**HB 1-INCREASE AMT OF BASE STUDENT ALLOCATION**

The Committee heard from the sponsor and took public testimony. The bill was held in Committee.

Co-Chair Wilken acknowledged the presence of the government class from the City and Borough of Juneau Yaakoosge Daakahidi Alternative High School.

LAURIE ROBERTS SCANDLING, Principal/Teacher, Yaakoosge Daakahidi Alternative High School explained that students were in attendance "to see government in action".

#hb64

HOUSE BILL NO. 64

"An Act extending the termination date for the Board of Public Accountancy; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken reminded that the bill had been held in order to provide time for further review.

REPRESENTATIVE MIKE HAWKER, the bill's sponsor, informed the Committee that the President of the Alaska Board of Public Accountancy was available for questions.

STEVE TAROLA, Chair, Alaska Board of Public Accountancy, testified via teleconference from Homer, urged the Committee to support the legislation and report it from Committee.

Senator Bunde moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, HB 64 was REPORTED from Committee with zero Fiscal Note #1, dated January 21, 2005, from the Department of Commerce, Community and Economic Development.

#sb63

CS FOR SENATE BILL NO. 63(TRA)

"An Act relating to road signs encouraging the use of safety belts."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken noted that the original version of the bill, Version 24-LS0363\G, is before the Committee for consideration.

SENATOR BEN STEVENS, the bill's sponsor, expressed that this "simple bill" was developed in response to a constituent's desire to erect a memorial sign near the site of an automobile accident in which a family member's life had been lost. While the Department of Transportation and Public Facilities (DOT) has a Memorial Sign Program, its funding is limited to "Don't Drink and Drive" and "Please Drive Safely" signs, and would not accommodate the constituent's desire to erect a sign stating "Buckle Up for Safety". This bill would expand the program to accommodate such wording and allow signs to be placed in the State's right-of-way, "near the location of a traffic fatality that occurred as the result of not wearing a seatbelt".

Co-Chair Wilken understood that the family member whose life was lost in the aforementioned traffic accident was a young man named Nathan Kampen.

Senator B. Stevens affirmed and noted that he, rather than the family, is requesting that the program be referred to as the Nathan Kampen Act.

Co-Chair Wilken clarified that although there is a Senate Transportation Committee committee substitute, the sponsor is requesting that the original version of the bill, Version 24-LS0363\G, be considered. The difference between the two versions is that the Senate Transportation Committee committee substitute removed language in Section 1, page one, line five, that reads as follows.

SHORT TITLE. This Act shall be known as the Nathan Kampen Act.

Senator B. Stevens affirmed. He noted that although this language was removed in the Senate Transportation committee substitute due to policy issue concerns about Legislative intent and uncodified law, that committee has advised that they would not take issue were this Committee to reinstate that language.

Senator Olson observed that the bill is accompanied by a zero fiscal note even though each sign would cost approximately \$500. In addition, he inquired to the process through which a sign would be erected.

Senator B. Stevens deferred to DOT to respond to the fiscal note question. The memorial signs would be "by request" to the Department, which would determine whether a sign could be placed in the right of way "without obstructing either traffic or other types of equipment and not to jeopardize the safety of the flow of

traffic".

Senator Olson asked whether regarding the number of signs that might be placed and how they would be financed.

NONA WILSON, Legislative Liaison, Department of Transportation and Public Facilities, explained that the application process for requesting a sign would allow for a 30-day Department review period in which the Department would determine whether a sign could be placed at the requested location. Were the request approved, the Department would place the sign in an appropriate place near or at the location of the accident. While the number of signs that might be requested is unknown, funding for the signs would be provided through the existing Memorial Sign Program.

Senator Stedman pointed out that the Transportation Committee committee substitute also removed the words "at or near" from the bill in Section 2, page one, line eight. Continuing, he shared that the Department has erected memorials and safety reminder signs at dangerous intersections in his community. That signage has not generated negative public feedback. He also noted that, in his experience, it has been difficult at times to get the Department of Transportation and Public Facilities to make improvements to dangerous intersections.

Co-Chair Wilken noted that another difference between the versions is that the Senate Transportation Committee committee substitute included the language "at or near the site" in Section 1, page one, line five as compared to language in the original version that specifies "at the site".

Senator B. Stevens characterized the language differences as a "grammatical choice" as the bill drafter's usage of the words "at the site" would be defined to allow the signs to be erected at or near the site rather than the more specific "at the exact location of." The objective is to provide the Department "the discretion" to erect the signs where deemed fit.

Co-Chair Wilken stated that the bill would be held to reconcile the differences between the two versions.

Senator Stedman opined that the Department should "locate the signs as close to the proximity of the accident as possible", as this would be more meaningful.

Co-Chair Wilken ordered the bill HELD in Committee.

#hb1

CS FOR HOUSE BILL NO. 1(HES)

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

9:21:50 AM

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE CARL GATTO, the bill's sponsor, voiced appreciation for the fact that such "an important bill" as this has advanced so swiftly through the committee hearing process. This bill would increase to the FY 06 base student allocation (BSA) by \$70,100,000 over the FY 05 allocation.

Senator Bunde inquired to the justification for this proposed BSA amount as compared to the amounts proposed in Governor Frank Murkowski's budget or by education organizations.

Representative Gatto stated that the traditional process of contacting each school district was conducted in the development of this BSA proposal. Questions regarding what BSA amount would be deemed appropriate were asked in order to determine whether a "certain percent increase" might be agreeable throughout the districts. Consistency in this regard would provide comfort that the amount of money being requested is not being "exaggerated". The Governor's proposal was for a \$61,100,000 increase and the Education Committee recommended a \$65,400,000 increase. He had questioned the adequacy of these amounts relative to fact that the schools had requested more. The House of Representatives Finance Committee supported the \$70,100,000 amount recommended by the House Health, Education & Social Services Committee.

Senator Bunde opined therefore that the BSA being requested is, "like we've done in the past: a combination of our best guesses and our wish lists."

Representative Gatto agreed. "We can say without hesitation how much money we would have to allocate to meet somebody's wish, but the wishes vary so much" as exemplified by the \$152,000,000 increase proposed by the National Education Association (NEA), the \$111,000,000 proposed by Alaska Kids Count!, the \$85,800,000 proposed by the Alaska Association of School Boards (AASB), the \$70,100,000 amount proposed in this legislation, and the \$61,100,000 increase proposed by the Governor. "If we all agreed,

that would be wonderful, but we can't, we use different numbers". The amount provided for education is balanced by other factors in addition to the BSA.

Senator Bunde pointed out that the BSA money would fund a variety of education needs. To that point, he asked how much of the proposed amount "would actually go to the classroom".

Representative Gatto replied that of the \$70,100,000 amount, \$38 million would be provided to the Public Employees Retirement System and the Teachers Retirement System (PERS/TRS).

Senator Bunde declared therefore, that \$38 million should be removed from the equation; as the focus should be on the amount provided to the classroom. State law requires that the maximum amount of money be provided to the classroom and the minimum amount be provided for administration. Because a number of school districts are unable to accomplish this, the amount being provided to classrooms "gets ratcheted down even more".

Representative Gatto agreed. The Mat-Su School District allocates 90-percent of its BSA to the classroom; however, small districts might only be able to allocate 65-percent to the classroom due to higher operating costs experienced in smaller communities. This might be "the reason that the State allocates more money to Rural districts than to urban districts". Efforts are being exerted to reach the correct number.

Senator Bunde commented "that many demands" are placed on the State's budget. The windfall the State is experiencing as a result of increased North Slope crude oil market prices "does not really exist" due to the fact that the State has a six billion dollar PERS/TRS debt and "owes" the Constitutional Budget Reserve (CBR) account approximately five billion dollars. The State has "huge debts, many demands, many interests, many needs, many wants". He asked the total K-12 education funding being proposed for FY 06.

Representative Gatto responded that after subtracting the \$38 million PERS/TRS obligation, this legislation would provide a \$32 million increase to education over FY 05.

Senator Bunde clarified that the question pertains to the total education budget proposed for FY 06.

Co-Chair Wilken stated that the total FY 06 education funding would equate to \$854 million.

Senator Bunde stated that other than the Permanent Fund Dividend

program, education is the largest component funded by State government. He asked whether a funding mechanism for the \$854 million has been identified.

Representative Gatto replied that this is the reason there is a general fund. Such things as resource development revenues would continue to fund education into the future. He asked whether Senator Bunde is anticipating that, at some point, such funding would be unavailable.

Senator Bunde responded that he was "suggesting" that we have a finite budget and that ... as the demands and the population" continue to grow, reductions to other programs would be required in order to fund education. He requested that school districts convey which other programs should be reduced in order to fund education or that they "join" the Legislature in promoting access to the earnings of the Permanent Fund in order to provide new funds to support State services. He voiced being "frustrated" with school districts that "demand money without being willing to be part of the solution". He becomes "extremely frustrated when there are some school districts that make no local contribution" and furthermore, of those school districts that make a local contribution, only four contribute "100 percent of what they could pay". His own community's school "district could balance their budget tomorrow if they just paid 100 percent of what they're allowed to pay".

Senator Stedman commented that the proposed BSA is a 7.5 percent increase over the FY 05 BSA allocation and the FY 05 BSA was a 9.6 percent increase over FY 04. This is a two-year total of approximately 18-percent. While he supported the momentum that is underway to increase education funding, he opined that communities should share in this responsibility so that "the burden" is not entirely shifted to the State.

Co-Chair Wilken asked that those presenting public testimony on the bill limit their remarks to no more than three minutes in order to accommodate the 37 individuals who have signed up to testify.

PEGGY COWAN, Superintendent, Juneau School District, testified via teleconference from an offnet site and expressed that "education is the best way to contribute" to the future of the State. The City & Borough of Juneau {CBJ} "prioritizes education" as is reflected by the fact that the community traditionally funds education to the allowable State limit. Property taxes were recently increased in order to fund to the new limit adopted by the State. "That increase stopped devastating cuts but it did not provide resources to do more". The District continues to reallocate resources in order to provide the best education opportunities it can. Even at the

proposed \$4,919 BSA, the District would be forced to reduce its FY 06 budget by \$300,000. This reduction might affect secondary counseling, textbook budgets, buses, or custodial services. The local Community Budget Advisory Committee recommended a \$5,433 BSA, and the Juneau School Board requested "a more modest ... \$5,120 to eliminate cuts and to improve student achievement" in the community. "The future of the State is in our students and the future of our students depends on public education". She urged the Committee to increase the BSA level being proposed.

[9:34:16 AM](#)

Co-Chair Wilken noted that people are encouraged to submit written comments to the Committee regarding HB 1.

BILL BJORK, President, NEA Alaska, testified via teleconference from Anchorage and summarized his written testimony [copy on file] that reads as follows.

Good Morning Co-Chair Wilken, Co-Chair Green and members of the Senate Finance Committee. For the record my name is Bill Bjork and I serve as President for the more than 12,500 members of NEA-Alaska.

To begin, let me say a hearty thank you and acknowledge the committee's efforts last year in providing our schools with funds to cover inflation, pay for the increases in the TRS/PERS contributions and \$27 million for instructional programs. The entire \$82 million was appreciated as it avoided the vast majority of proposed cuts to education in FY '05. Last year under a fragile budget situation, when there was an expected draw on the Constitutional Budget Reserve (CBR) you still found the courage to make a historic increase to K-12 education.

I also applaud the committee for allowing testimony from across Alaska to determine the needs of K-12 education across Alaska and the level of state funding to meet those needs. I am not going to spend a lot of time describing the funding needs. I will leave that to the parents, teachers, school employees, administrators and citizens, who have ably described those needs to other legislative bodies to date. Let it suffice to say that CSHB 1(HESS) with a Base Student Allocation (BSA) of \$4,919 DOES NOT meet the needs of a single school district in Alaska.

As a matter of fact the statements by legislators to date have all acknowledged that \$4,919 IS NOT ADEQUATE and does not meet

the needs of our schools for FY '06. It does cover the costs of the increase in TRS/PERS contributions. It does cover the cost of inflation. It does provide \$9 million for the classroom. It does not avoid the PINK SLIPS being issued, which will result in the loss of gifted, young teachers to our classrooms. Thus, it does simply let us know early this year how bad the pain is going to be.

Rather than talking about the needs of our schools, I will take the time to talk about the means to adequately fund our schools. To date the primary reason provided by legislators as to why CSHB 1 (HESS) is less than last year's efforts is that there is no revenue source. Such rationale bewilders me. It makes no sense to me that in a year in which will have a surplus of over \$300 million and will not draw a penny from the CBR, we are saying we cannot do as well as we did last year when, in March, we were expecting to have at least a \$150 million draw on the CBR.

As Sen. Wilken has stated many times, every other state in the nation would be happy to have our "problem." We are the richest state in the nation. A more accurate statement might be that there is no political will to utilize the revenue resources we do have.

As a matter of fact several proposals for revenue sources are already in bill form and before this legislature. SB 88 and HB 143 provide the opportunity to draw from the CBR and the Earnings Reserve Account (ERA), which total over \$4.2 billion. To add an additional \$50 million to CSHB 1(HESS) would only require a little over 1% of these reserves. Another option is the POMV approach contained in HJR 11 and SJR 8. This approach could generate monies far in excess of the \$78 million additional funds needed to reach NEA-Alaska's BSA recommendation of \$5,315. A third option is to use a portion of the FY '05 windfall funds. With Alaska North Slope crude a mere six cents from \$50.00 per barrel on March 7, the surplus is conservatively estimated at \$300 million with no draw from the CBR.

You are the experts as to the finances of the state and I am sure know of many other options available to establish a long-term fiscal plan for Alaska, which contains a funding solution to meet Alaska's constitutional mandate to K-12.

On behalf of 133,000 students and 12,500 teachers and education support professionals I implore you to look at the healthy financial situation and make a real commitment to

address adequate funding in this budget. NEA-Alaska is recommending a BSA number of \$5,315. This level of funding would put about \$85 million into the classroom after meeting PERS/TRS and inflation.

Thank you for your time today and I would be happy to attempt to answer any questions.

TIM STEELE, President, Anchorage School Board, testified via teleconference from Anchorage and stated that the BSA amount proposed in HB 1 is inadequate. The Board discussed this issue and determined that for status quo funding, the District's breakeven point would be \$5,027 per student. The District's budget currently reflects reductions in teachers, administrators, staff positions and supplies. The District has submitted a Resolution that requests a FY 06 BSA amount of \$5,120. This amount would allow for growth, some reversal in this year's reductions, would allow for an investment in student data systems, textbooks, and computers as well as a reduction in classroom student numbers. He asked the Committee to reconsider the BSA being proposed in this legislation. A BSA of \$5,120 would adequately fund the Anchorage School District and most districts in the State.

Senator Bunde stated that of the 34 Districts that provide local funding support for education, Juneau is one of four that provides 100-percent of the local funds allowable under State law. He asked Mr. Steele whether he "would support a resolution asking all local school districts to fund up to 100-percent of what they are allowed to fund under State law". This would generate approximately \$50 million dollars.

Mr. Steele responded that, while the Anchorage School Board has not developed a formal position in this regard, he considered it appropriate that communities fund what they could. The Municipality of Anchorage provides funds up to its local allowable limit. "The interpretation of the State cap as being where every local government ought to fund, is wrong. That cap is there to implement State law to minimize disparity between the haves and the have-nots in this State". Were everyone required to fund to the maximum, it would result in "maximizing the disparity between the haves and the have-nots". That would be inappropriate.

Co-Chair Wilken communicated that while this is a good discussion, it must continue at another time; attention should focus on the bill at hand.

CARL ROSE, Executive Director, Association of Alaska School Boards (AASB) testified in Juneau and commented that while much discussion

has occurred on education funding, "the Senate has not been engaged in much of the active discussion". He referenced the "Base Student Allocation 1999-2007" chart that was included in the material titled "Statement by the Association of Alaska School Boards on Foundation Formula Funding" [copy on file] dated February 8, 2005 that he had presented to the House Special Committee on Education. The chart reflects that the BSA funding was relatively flat from 1999 through 2003. The \$159 increase in FY 04 was the first sizable increase. The FY 05 increase was "considerable". He stressed that the recent upward trend was not the result of "guesswork," but was rather the result of efforts exerted to recover from years of flat funding. However, the inflation-proofing factor included in the FY 05 budget was inappropriate as education entities were not polled in FY 05. Education funding in FY 05 was just beginning to recover and the application of the three-year average of the Anchorage Consumer Price Index (CPI) "to a figure that is not whole" was inappropriate. This discussion is approaching its last stages, and were the proposed \$70,100,000 BSA funding level not increased by March 15, 2005, layoff notices would be forthcoming. This would "curtail opportunities" for students. The Association is requesting a BSA amount of \$4,995 in FY 06. This would be an increase of \$23 million over the Governor's proposed budget. He reminded that while the Governor's FY 04 budget proposal would have resulted in a \$40 million reduction to education, education funding was increased by \$159 per student. The FY 05 budget specified that education would be funded on a hold-harmless level to FY 04 and a total of \$82 million was provided: \$36 million of that provided for PERS/TRS obligations and \$46 million was provided for operating and instructional expenses. The \$4,995 BSA requested by the Association would total \$85 million: \$38 million for PERS/TRS and \$47 million to support operation and instruction. The incline reflected on the aforementioned chart reflects these funding levels. The challenge would continue in FY 07 and the issue of re-occurring revenue is one that must be addressed. He "challenged the Senate" to improve the BSA amount.

Senator Bunde noted that people living in Rural Education Attendance Areas (REAA) have communicated that while "they would like to contribute something to their schools", there is no mechanism established through which to support this endeavor. He asked how AASB would view legislation that would establish such a mechanism. In addition, he noted, "that it is difficult to ask those communities that do make local contributions to continue" to do so when there are communities that choose not to.

Mr. Rose commented that this question would relate to SB 112-TAX ON REAA RESIDENTS. He shared that many residents of Rural areas view the Legislature as acting as the "oversight assembly for the

unorganized borough". They "have asked to be taxed and not to be mandatorially boroughed". While AASB does not have a formal position on this matter, there is rising concern among members of AASB who provide local contributions about not addressing the issues of consolidation and mandatorially boroughing, as mechanisms through which to get people to contribute. People would prefer to be taxed as opposed to being forced "to have another level of government". "There is a growing awareness" that the organized boroughs and municipalities do contribute and "there is some concern about how do we deal with this in unorganized areas".

Co-Chair Wilken asked that this discussion to held for another time, as it addresses a separate issue.

LAURI ROBERTS SCANDLING, Principal, City & Borough of Juneau Yaakoosge Daakahidi Alternative High School, testified in Juneau and shared that she was born and raised in Alaska, and worked for 25 years in both the public and private sector before becoming an educator. The alternative high school serves approximately 100 students who have dropped out of school and are at least 16-years of age. The proposed \$4,919 BSA would incur a \$300,000 reduction to the Juneau School District. She reviewed the negative consequences that reduction would have on the alternative high school program, and in conclusion, stated that the State's Constitution requires that students get a free public education and absent the appropriate funding, students on the program's wait list would not be delivered this promise.

Ms. Scandling remarked that the State has "\$30 billion in the bank" and when the Permanent Fund was established, "the dividend program was not even in the conversation", and now there is discussion that a portion of the earnings of the Permanent Fund might be utilized to support efforts to develop a gas pipeline. She voiced that she would be willing to pay an income tax.

PATTY PICHA, Fairbanks Council of Parent Teacher Association (PTA), testified via teleconference from Fairbanks, and stressed that annual progress of education could not be accomplished without establishing "the resources to accomplish that end". She voiced support for a BSA amount of \$5,120. Current needs of the North Star School District include improving technology and teacher training in that regard, and smaller class sizes. [NOTE: Due to telecommunications difficulties, the testifier was disconnected. The telecommunications problem was corrected and her testimony was continued later in the hearing.]

DR. DONNA PETERSON, Superintendent, Kenai Peninsula Borough School District, testified via teleconference from Kenai and stated that

the BSA proposed in HB 1 would allow the school to pay its fixed obligations such as increased fuel expenses as well as the retirement obligations for current employees. However, due to previous years' funding shortfalls, the district had to eliminate 70 staffing positions over the past three years. While no further staff reductions might occur at the proposed BSA level, the District would be unable to decrease large class sizes or replace art, vocational, music, physical education, and other programs that were previously cut. "The amount proposed in HB 1 simply won't do it". Course offerings have been downsized for approximately five years despite District efforts to operate "smarter and more efficiently" through such means as shared services and administration. Such things as nursing, counseling, and other support staff have been downsized and schools have been closed. While State graduation requirements have increased, classrooms have suffered due to a lack of textbooks, desks, and "a rich array of opportunities traditionally associated with schools". Students have had to pay quite "a price" due to the lack of investment. Discussions regarding the cost differential study have been ongoing for six years; the District has followed the rules and funded to the cap. Legislators have told them "to be patient ... and to wait." The Statutory requirements adopted in SB 36 required the cost differential review: "it's late, but it's right. There's no other district in this State as under-funded as the Kenai Peninsula Borough". The 44 schools on the Kenai Peninsula "need immediate and substantial financial help well beyond" what is proposed in HB 1. "The bleeding and hemorrhaging of the District can no longer be contained by the band-aide fixes being applied in the area of funding". She asked why the 9,500 students in the District are "less valuable" than students in other areas of the State.

REPRESENTATIVE MARK NEUMAN, Member, House of Representatives Special Committee on Education, observed that it must be recognized that further increases in the BSA funding might "cripple" the State's ability to address other education funding needs such as early funding for education, special allocations for schools, deferred maintenance, and school construction bond package proposals in addition to addressing the recently revised district cost factors.

MARGARET GILMAN, Parent and School Board Member, Kenai Peninsula School Board, testified via teleconference from Kenai and stated that she "took offense" to the use of the term "wish list" to characterize districts requests. On the contrary, essential needs include the hiring of more teachers so that class sizes could be reduced. The Kenai Peninsula Borough School District's request for a BSA of \$5,200 is higher than other school districts' requests because the District is not being funded equability, according to

the Area Cost Study. As a Board member she has lobbied the Legislature on behalf of the needs of students, and in response to the requests to adequately fund the Kenai District, they were told "to be patient and to wait for the Area Cost Study to be completed". Reports conducted as far back as 1984 reflect that the District is under-funded. Now that the Area Cost Study is completed, the "patience is over". "The students in the Kenai Peninsula have been losing ground rapidly" and have missed opportunities in "instruction, exploration, and care" due to inadequate funding that has resulted in overcrowded classrooms, course offerings limited to core classes, un-staffed libraries, and reduced administration and nursing positions. She implored the Committee to fund the Area Cost Study, which would provide an equitable education for all of Alaska students and to fund the BSA at an adequate level.

Ms. Picah continued her earlier testimony by stressing that Alaska, being resource rich and strategically located, attracts a variety of advanced technology to the State. Please provide students the opportunity to compete for those jobs by offering them a quality education. "Please continue to explore funding options through which to support the state's greatest resource... its children".

SUE HULL, Member, Fairbanks School Board, testified via teleconference from Fairbanks, and asked the Committee to support a BSA of a minimum of \$4,995 per student and to continue the upward funding trend referenced by Mr. Rose of AASB. Things that have impacted student learning include: outdated math books which have contributed to the district's math testing scores to be below those of other schools; large core class sizes; and budget restraints that are not allowing the district to address its high drop out rates. Even though the State has competing funding challenges, it should be recognized that the State "is in an enviable position in terms of options" that are unavailable to other states. A BSA of \$4,995 per student would assist in getting schools back on track.

NORM WOOTEN, Representative, Kodiak Island Borough School District Board of Education, testified via teleconference from Kodiak and urged support for a BSA of \$4,995 per student. This level would allow the District to maintain its current program levels. The Borough has been contributing to the allowable State limit. He invited the Members to visit the District to review how the money is being spent.

DAVE JONES, Finance Director, Kodiak Island Borough School District (KIBSD), testified via teleconference from Kodiak and voiced appreciation for last year's funding level as it allowed teachers to concentrate on teaching kids rather than worrying about losing

their jobs. The District's largest expenses are fuel and health insurance obligations. While the District has been contributing to the allowable State limit, the proposed higher limit would allow the Borough to contribute an additional \$500,000. However, the Borough does not have that amount of money available. Therefore, a BSA of \$4,995 would allow the District to continue its current program this year and provide time to further address means through which to fund to the new limit.

KATIE GAVENUS, Senior, Homer High School, testified via teleconference from Homer, and spoke to "the irony of having this meeting during the school day" when those affected are unable to attend. During her 12-years of education in Homer, she has "been blessed with having many amazing teachers and staff" to work with. However, budget reductions have negatively affected the education offerings on the Kenai Peninsula, and she wondered how her high school education would have differed had adequate funding been available. The differences might have included a fulltime language teacher or nurse, lab tables in the advanced science classes, an array of elective courses, or an adequate number of counselors, more custodians, and adequately funded extracurricular activities. These "basic needs have not been met" even though the Borough funds education to the allowable local limit. She "feels robbed" of receiving a "quality well-rounded education". While "it is too late" for her, actions to provide adequate and equitable funding to districts should be taken that would benefit younger students. This is "a simple request, not a wish list".

GINNY ESPENSHADE, Parent, testified via teleconference from Homer and urged for adequate and equitable funding of the BSA. The recently completed Area Cost Study provides evidence that the Homer School District "and others has been consistently and seriously shortchanged year after year". Education funding must be addressed now. Raising the BSA and phasing in cost differentials would be good steps. The Alaska Constitution stated that all persons are equal and entitled to equal education opportunities. The Legislature is required to establish and maintain a public education system for all students in the State. She referenced several education lawsuits to that point. She also noted that Homer is one of four communities in the State that provides the maximum local contribution to education, yet the District "is the one most shortchanged by your cost differential system".

[10:16:28 AM](#)

RICK SMERIGLIO, Resident of Moose Pass, testified via teleconference from Seward and voiced being worried that the State's quality of education has been declining. Local civic groups

were recently required to raise funds to provide new math and physics books and computer software for the schools. Funding for such items should be provided, as these items should not be viewed as "extras". Education funding decisions should be non-partisan and the focus should be on increasing overall funding rather than focusing on "non-productive squabbles" about which communities are or are not providing adequate local contributions or cost differentials. A seven-percent increase is inadequate because the State is still making up "for decades of decline". Student/teacher ratios are increasing. The revenues generated by the escalating price of North Slope oil could be used to increase school funding. Public money is always tight and there are always competing priorities; but public education should be the highest priority.

[10:18:55 AM](#)

SANDY WASSILIE, Vice President, Kenai Peninsula Borough School Board, testified via teleconference from Seward and voiced appreciation for the Members' attention to providing "equitable, adequate, and early funding for education. Ideally it should be in that order". Cost differentials for her area have led to serious inadequacies of funding; a BSA of \$4,919 would be helpful but inadequate "to meet education mandates and achievement gaps" as there are too few teachers and course offerings. She urged that the BSA be increased to \$5,200 based on the current Area Cost Differential. The recently completed Area Cost Differential update is encouraging as it does take into account the operating costs experienced in Rural areas. Adequate education funding should not be viewed as a cost, but as an investment. Students should be being prepared now for any natural resource development employment opportunities that might be forthcoming.

SAMMY CRAWFORD, President, Kenai Peninsula Borough School Board, testified via teleconference from Kenai and stressed that the proposed funding level is inadequate and would result in increased class sizes, curriculum offering and textbook reductions, and further reductions in teacher and administrative staff positions. Vocational, music, arts and other programs have already been reduced. She reviewed administrative staff reductions that have already occurred. The local borough has consistently funded to the maximum allowable limit. School funding is carefully monitored and while stipends are paid, such things as travel are not. People are leaving the district as they are feeling "helpless and hopeless about the quality of our schools". She urged that the BSA be increased and that consideration be given to the Area Cost differentials.

PETE SWANSON, Principal, McNeil Canyon Elementary School in Homer,

testified in Juneau and spoke to his concern about the percent of the BSA that would be provided to the classroom. Teaching positions have been reduced from seven to five at his school, and he has watched the staff "continue to do with less". This school and two other schools in the State were selected as 2004 national Blue Ribbon Schools; however it is doubtful that the school would be able to repeat that performance. He reviewed his administrative history and noted that due to funding reductions he also teaches classes. An increase in the BSA would allow schools to provide programs that are needed.

LESLIE CAMPBELL, Principal, Anne Wein Elementary School in Fairbanks and President-Elect of the Fairbanks Principals' Association, testified in Juneau and shared that in her 28 years of being an educator in the State, she has watched school funding "ebb and flow".

[10:29:04 AM](#)

Ms. Campbell voiced concern about the overall funding process; specifically that sustainability is an issue, as no long-range plans are being developed to adequately fund education needs in the future. "There is a great disparity of need" between districts. Her Title 1 School has approximately 414 kids, and when she first became principal, the student population spoke 19 different languages. The school is "courageously" meeting the guidelines of the federal No Child Left Behind Act, and has made adequate yearly progress for the past two years while doing it with less. Math and replacing textbooks that are falling apart are the school's focus this year. 25-percent of the student population is Special Education and a high percentage of students have limited English proficiency. The school has an excellent staff but staff retention is a concern. Increasing student/teacher ratios is also a concern. Corporation managers develop long-range plans and maintaining sustainability should be the Legislature's challenge. A BSA of \$4,919 is insufficient. Teachers strive to create productive members of society.

[10:32:43 AM](#)

DEB GERMANO testified via teleconference from Homer and voiced being frustrated by the fact that some communities do not contribute to education funding. She is proud of the Kenai Borough's local contribution to education. People on the Peninsula have been waiting for the Area Cost Differentials to change. Were the Area Cost Differentials taken into account, the BSA proposed in HB 1 could be tolerated. Districts around the State have experienced cost increases. However, "there is no reason why a

child on the Kenai Peninsula is funded at a lesser level than children in the Mat Su Valley". "It is time to address this issue".

[10:36:16 AM](#)

HEATHER LINGQUIST, Parent and former Teacher, Moose Pass School on the Kenai Peninsula testified via teleconference from an offnet site and informed the Committee that since three area schools share one administrator, that administrator is onsite at each school only one day a week. Teacher positions at the school have been reduced from three to two; however, student counts are increasing and Kindergarten through fourth grade students are in one class. "This is ridiculous", and the situation would worsen the next school year as the school is slated for only one-and-a-half teaching positions. The area high school in Seward has been forced to eliminate its entire music and drama program, and depends on the local community for "survival". There is no excuse for not providing our children "the best education possible". Not investing in our children "will come back to haunt us". They are "a priceless commodity". The State expends more than \$60,000 a year to house a prisoner; therefore, the State should be able to spend \$5,200 per student for education. She suggested adding \$38 million to the BSA to replace the \$38 million that would fund the Public Employees Retirement System/Teachers Retirement System (PERS/TRS).

[10:39:44 AM](#)

{NOTE: The following testifiers presented their remarks in Juneau.]

MARY HAKALA, Parent and Coordinator of Alaska Kids Count!, spoke to an issue of class size, as it is of "great importance to parents". "Class size matters"; large class sizes negatively affect a student's ability "to get the help they need when they need it", and students must "be challenged". She referenced written testimony [copy on file] from Carol Pratt, an English Teacher at Juneau Douglas High School, who could not present the testimony in person as she was teaching. The testimony depicted the magnitude of the job, including the fact that while she has seats for 31 students, there are 38 students in her Senior English class. Also enclosed in Ms. Pratt's packet was an example of an essay rubric and two student essays for that assignment. She challenged the Committee to read them and think about how long it would take a teacher to read and grade 99 student essays.

Ms. Hakala urged the Committee to consider the Alaska Kids Count! recommendation that the BSA be increased to \$5,120 per student. This would assist in providing "improvements in our children's classrooms".

Co-Chair Wilken acknowledged the efforts of volunteers such as Ms. Hakala.

MIKE FORD, Member, Alaska Kids Count!, spoke to the organization's recommendation for a per student BSA of \$5,120. While the Legislature overviews the entire State budget, Alaska Kids Count!, in contrast, is at "the opposite end", as they see the affects of education funding at the classroom level: its affects on the teachers, the students, and the challenge of satisfying State and federal education requirements with the resources they have. Those resources are inadequate. In a recent nationwide study on education funding and support, Alaska is ranked 30 out of 50 states. Were this placement graded it would earn a C-. This grade must be improved to at least a B or a C+. This would require additional funding. Classroom improvements are the Organization's goal. The State's public school system is an economic block for the State, and providing a quality education to students would, in the long run, produce "immeasurable benefits" to the State. "The public school system pays dividends far beyond the Permanent Fund".

[10:45:06 AM](#)

PJ FORD SLACKT, Principal, North Pole High School, characterized her school, the third largest high school in the Fairbanks School District, as being one of its "last comprehensive high schools" as it provides basic classes, in-house vocational programs, and Advanced Placement classes. The funding "cuts have been severe". She voiced appreciation for the Legislature's action last year in attempting to minimize the funding reductions in the FY 05 budget. None-the-less, North Pole High School did receive less funding while at the same time, experiencing an increase in student enrollment. Due to FY 05 funding constraints, the school lost an assistant principal, an activities director, and four teachers. The school has one of the largest student/teacher ratios in the district: one Spanish class has 40 students, and a core English class has 38 students, every period. Staff is exhausted. The time of year that the Legislature is addressing school funding is stressful, as the end result to her might be additional staffing reductions. The School's student body includes college bound kids as well as vocational students: they are the future of the State. She hoped that the array of course offerings that are available today would continue to be available to students in the future.

Co-Chair Wilken thanked the testifier for her comments and commitment to education. He also noted that the North Pole High School Football Team won the State Championship.

10:49:29 AM

ERICA KLUDT-PAINTER, Principal, Stedman Elementary School in Petersburg, stated that the Petersburg School District encompasses Petersburg and Mitkof Island and provides K-12 education programs to approximately 630 students. The schools meet the adequate yearly progress standards. While the District is proud of its program offerings, it is concerned that years of flat funding have eroded programs. The District is "in a crisis right now". Areas of concern that must be addressed include: the development of a long term stable fiscal plan for funding education in the State and a plan to address the increasing fixed costs of such as insurance, retirement plans, maintenance, and fuel costs. These fixed costs must be addressed in order to allow the District to continue an adequate level of service. At the proposed per student BSA of \$4,919, the District would be required to use a minimum of \$300,000 of its reserves, and would still have an \$84,000 program shortfall. She stated that currently the District's library is either staffed by volunteers or is closed; counselor positions have been eliminated; course offerings have diminished; and special education students needs continue to challenge the District. As an educator, community member, and a parent, she is concerned about future school program offerings.

Senator Bunde noted that Senator Wilken has proposed legislation, SB 88-POLICY ON GENERAL FUND REVENUE SHORTFALL, that would provide, if adopted, a bridge until a long-term fiscal plan for the State is developed.

LISA PRINCE SMITH, Principal, Wonder Park Elementary School in Anchorage, informed the Committee that this 400-plus students school is a Title I school in the South Mountainview section of Anchorage. Approximately 70-percent of the school's students qualify for free or reduced school lunches. She noted that the Anchorage School District did not fund the educators' travel to Juneau. The Anchorage School District would require more than the proposed per student BSA of \$4,919 to maintain status quo. Her Title I school has experienced "tremendous decreases in our school". One second-grade classroom students' ethnicity is comprised of six bi-racial, five Asian, four Alaska Native, three Black, two Hispanic, and one White student; nine do not speak English and four are in Special Education services. The well-qualified teacher of that class requested help at the beginning of this school year. This is an example of future problems the school would be encountering as more foreign borne children are anticipated. On behalf of the principals of the twelve Title I schools in Anchorage, she is requesting an increase in the BSA, especially to benefit those students who do not speak English.

School must comply with the federal No Child Left Behind Act and ensure that non-English speaking students move forward. This is a daunting task as more foreign language speaking children arrive. The school recently lost \$70,000 in funding due to non-compliance. Overall Title I funding, which is established by federal mandate, has diminished approximately 13-percent over the last three years. The funding levels and allocations are established by federal mandate with 60-percent of the funds going to the school, 20-percent supporting school improvements, five percent designated for highly qualified status, ten percent for professional development, and five percent allocated for administration. Funding is diminishing while the school's diversity is increasing. Therefore, an increase in the BSA would be appreciated.

[10:56:46 AM](#)

SHEILA JUDGE HALL, Principal, Campbell Elementary School in Anchorage expressed that, while the school is not a Title I school, it could be characterized "as a Title I type school because of the needs in the community". Prior full-time employee position reductions have increased fourth through sixth grade classroom sizes to between 29 and 30 students. Teachers continue their efforts to conduct individual student assessments and to teach data driven curriculum; however, this would require an increase in staff development and interventions for students who are non-proficient. The school also has a high population of special education needs students. More support to assist these students is required. The school utilizes the Safe & Drug Free Schools funds and there is an increasing need for anti-bullying curriculum and assets building. Teachers have been trained in these areas; however, absent an increase in teacher positions and a reduction in student/teacher ratios, the need for these programs would continue to grow. She asked that the BSA be increased.

[10:59:18 AM](#)

Senator Bunde asked whether the school's population has increased.

Ms. Hall responded that the "very transient" student population has ranged between 490 and 500 students. The fact that there has been an increase in the number of out-of-state students this year has additionally challenged the school.

BARBARA NAGENGAST, President, Alaska Association of Principals and Principal, Spring Hill Elementary School in Anchorage, and Alaska Association of Elementary School Principals expressed that teachers are working hard to meet federal and State education requirements. Principals accept responsibility for raising student achievement

and work hard to use available funds efficiently and effectively. Other resources are also used. The Legislature, parents, and communities "expect that". Parents and principals want their children taught in a safe environment; it "takes money to create" that environment. Parents desire that their child's individual needs be met: this "requires smaller class sizes". 29 children in a third grade classroom is too many. Implementing the recommendations of current research about effective instruction for core classes is very expensive. Keeping an adequate technology base has made tracking students progress easier; however, it is important that the technology be upgraded, both for the administration of the programs but also in delivering instruction to children. "All of these things help children succeed academically". However, the most important element is hiring and retaining "highly qualified staff". This also requires funding. In the 22-years since she first enrolled her own children in the Alaska school system, she has watched the system be negatively affected by declining revenues. Legislative support is needed to keep education a priority in the State. We do not "have a wish list, we have a reality of need. We can't afford to continue to cut teachers" and reduce intervention programs. Without an increase in funding, the educational system decline "would have long term affects on the economy of this State".

[11:04:36 AM](#)

JOHN POTHAST, Principal, Sky View High School in Soldotna, and President-Elect, Alaska Association of Secondary School Principals, spoke on behalf of the 550 students in his high school and on behalf of the Association's 319 school administrators. He voiced appreciation of the efforts to address education funding early in the Legislative Session. A BSA of \$4,919 per student "is a good start; however, it's not quite enough". In his six years as the high school principal, the number of teachers has been reduced from 40 to 28 teachers, home economics, vocational education, library, music, art, counselors, and other programs have been cut. While some of this is due to declining enrollment, declining revenue is also a factor. In his position as President-Elect of the Principals Association, he has worked with colleagues across the nation. He attested that not one administrator is "afraid of accountability", for such things as money that is provided and for student test scores. However, sufficient funding must be provided to accomplish these mandates. Schools have continued to do more and more "with less and less". However, "the sustainability of that cannot continue". He likened it to putting enough gas in one's car to get from point A to point B but never changing the oil, checking transmission fluid, doing tune-ups or other maintenance needs. Education has not been funded to the appropriate level, and

continuing the current trend would not allow for "the oil to be changed". Extra help is required. He urged that a higher BSA be considered. Schools on the Kenai Peninsula would require approximately \$5,000 per student to maintain status quo.

DENISE GREEN-WILKINSON, Principal, Polaris K-12 School in Anchorage; State Coordinator, Alaska Association of Secondary School Principals; and Co-Chair on the National No Child Left Behind Task Force, commented that the increase proposed in this bill would "simply hold us from going backwards". Class sizes would be impacted; the ability to adequately provide supplies and equipment would be negatively affected; the federal No Child Left Behind requirements would further burden schools; and professional development of staff would be difficult to maintain and carry forward into the classroom. Continuous training is required. The Anchorage School District is recommending a BSA of \$5,120.

[11:10:29 AM](#)

ANDREA (ANDI) STOREY, Parent and Member, Juneau School Board and Member, Alaska Kids Count!, recounted her written testimony [copy on file] as follows.

My name is Andrea Story, I am a Mother of two in the Alaska Public School system. I am a Member of the Juneau School Board and I am a Member of Alaska Kids Count!.

I am testifying today in support of increasing the Student Base Allocation to \$5,120. The current amount of the Student Base Allocation is \$4,919, that means 300,000 dollars in cuts to the Juneau School district. This also assumes the City will fund to the new CAP, which is a \$900,000 increase. If they do not, it will mean more cuts. Juneau traditionally funds to the Cap. 43 percent of our education budget is paid by the City.

As a School Board member I watch closely your decision on what to appropriate to public education .As you know the Legislature appropriates, the School Board allocates. I can tell you that as a School Board member I find this to be made up of difficult decisions. For instance in Juneau, since I've been on the Board parents are advocating for lower class sizes, that was one of the main reasons I ran for the Board, to lower class sizes. In the budget process last year the Board to balance the budget planned to cut three bus routes whose students live 1.5 miles or closer to school. The Board listened to parents testifying about safety concerns and how they worry for their 5, 6, 7 year olds safety as they walk 1.5 miles to school. We received 2 petitions signed by over 140

parents requesting that their bus service not be cut. We funded the buses at the expense of being able to lower class sizes in three primary classrooms. I see how there are tough choices to make. Right now the budget shows a 300,000 in cut, which we passed by reducing the 3 school bus routes that we funded last year and reducing the 3 Dropout Counselor positions.

As a new Board Member, I hear that education does receive a huge amount of money, it is the 2nd largest expenditure for our state. So I ask myself, "Are School Boards asking too much money for our schools?" I went looking for sources comparing what other state are doing. I know it is a big expense to all states. I know children are expensive to educate. I went to Education Week, which is a non-profit organization based in Washington, D.C. who's purpose is to raise the level of the public and professionals information on issues concerning education. For the last nine years they have done a State-by-State Report card. This year's report card, which is adjusted for regional cost differences rates Alaska 30th out of 50 in the amount of money spent on education ([www.edweek.org](http://www.edweek.org)). This tells me that Alaska is below average in the amount of money our state spends on education. It tells me that it is not unreasonable for School Boards and principals and parents to be asking for more money in the Student Base Allocation.

In Juneau our school site councils have put an unfunded critical needs list together for if we had increased funding. It shows what is wanted, the amount it costs, and the additional foundation formula amount needed to get that service. For example to enhance graduation success which helps meet NCLB requirements, an English as a Second Language Teacher costs 61,000 [dollars], that is an increase of 8 dollars. Summer School Support is 75,000 dollars, an increase of 10 dollars to the foundation, the 3 Dropout Counselors cost 172,000 [dollars] an increase of 23 dollars to the foundation. To reinstate the buses it would be 33 dollars.

Funds are also needed to enrich the basic educational program. Lowering class size in Juneau to Board policy costs 978,000 dollars or 128 dollars in additional foundation formula. My point is, every dollar amount that the Legislature increases the foundation formula, that has a direct benefit to resources available to the school districts you represent across the state. My point is also that School Boards struggle with what to fund as there are many unfunded critical needs.

I urge you to appropriate a Student Base Allocation of 5,120

dollars. Thank you for listening.

[11:14:18 AM](#)

KRISTEN ROMANOFF, Parent, Member of Alaska Kids Count!, and an educator, noted that many have spoken to the importance of the classroom experience for children and the affect of class size on that experience. To further that issue, she shared being personally "alarmed" about the number of families who have relocated or plan to relocate to other states or are reluctant to return to Alaska because of the condition of the State's education program. Student/teacher ratios, the student allocation, and education qualities are issues of concern. "It is ironic" that the State has spent tremendous resources attracting people to the State, providing Permanent Fund Dividends, and attractive retirement benefits, yet has insufficiently funded education for the last decade. The consequences are disturbing. "The State's economy depends on working, dedicated families" staying in the State. The Education system should be a priority and an "equitable and high quality education" should be provided. She urged an increase beyond what is proposed.

[11:17:13 AM](#)

AMY SKILLBRED, Parent, voiced appreciation for the testimony provided by school administrators "to change, incrementally, a trend, over time, to increase the funding". However, as a parent of children currently in the school system, the need to change now is more imperative. Her child's high school classes are overcrowded and there is a shortage of textbooks. "Basic things are missing". Her middle school child also has large class sizes. "That's not good enough". As a parent, she is asking that legislators "make a positive difference in the classrooms next year" rather than implementing an upward trend over the next five years. If the State could use the Permanent Fund to develop its resources, funding should be available to support the education needs of the State's "most valuable resources", its children. The money could be found.

Senator Bunde noted, for clarification purposes, that the earnings of the Permanent Fund are used for resource development purposes.

Ms. Skillbred affirmed that she was aware that the earnings rather than the principal of the Permanent Fund are utilized.

There being no further testifiers, Co-Chair Wilken announced that public testimony on this bill has concluded. The bill was HELD in Committee.

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**ADJOURNMENT**

Co-Chair Wilken adjourned the meeting at 11:19 AM.