

HOUSE FINANCE COMMITTEE
February 20, 2007
1:33 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:33:05 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Richard Foster
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

None

ALSO PRESENT

Representative Carl Gatto; Representative Anna Fairclough; Representative Bob Buch; Renee Limoge, Staff, Representative Anna Fairclough; Heath Hilyard, Staff, Representative Gatto; Pat Davidson, Legislative Auditor, Legislative Audit Division; Eddy Jeans, Director, Education Support Services, Department of Education and Early Development; Bill Bjork, President NEA-Alaska, Juneau; Mary Francis, Executive Director, Alaska Council of School Administrators, (ACSA); Margo Warning, Juneau School Board, Juneau; Mary Hakala, Great Alaska Schools, Juneau; Carl Rose, Executive Director, Association of Alaska School Boards; Peggy Cowan, Superintendent of Schools, Juneau Borough Schools, City & Borough of Juneau; Chris Ashenbrenner, Council on Domestic Violence and Sexual Assault

PRESENT VIA TELECONFERENCE

Jamie Stacks, Pribilof School District; Joe Banghart, Superintendent, Iditarod Area School District; Sue Hull, Fairbanks North Star Borough School Board, Fairbanks

SUMMARY

HB 1 An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date.

HB 1 was HEARD & HELD in Committee for further consideration.

HB 120 An Act extending the Council on Domestic Violence and Sexual Assault; and providing for an effective date.

CS HB 120 (FIN) was REPORTED OUT of Committee with a "do pass" recommendation and with two indeterminate notes by the House Finance Committee.

[1:34:23 PM](#)

#HB120

HOUSE BILL NO. 120

An Act extending the Council on Domestic Violence and Sexual Assault; and providing for an effective date.

REPRESENTATIVE ANNA FAIRCLOUGH, SPONSOR, explained that the same bill presented and passed by the House body in the last legislative session, but the Senate failed to take action.

The mission of the Council on Domestic Violence and Sexual Assault (CDVSA) is to "reduce the causes and incidents and to alleviate the effects of domestic violence and sexual assault."

Unfortunately Alaska has had the distinction of being in the top three states in the nation for incidents of domestic violence and sexual assault during the past decade.

Representative Fairclough advised that "time is of the essence" in order to ensure that CDVSA is reauthorized. Effective March 1st the Council begins a closeout process. Reauthorization of CDVSA would ensure that Alaska receives its share of federal funding to combat interpersonal violence and to continue to educate the State on issues of domestic violence and sexual assault, while coordinating prevention and response services.

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Vice Chair Stoltze asked to be a cosponsor on the bill.

Representative Hawker pointed out that during a previous legislative session, there had been a floor amendment moving the date to 2014. He believed that 2014 was the recommendation made by the Legislative Audit Committee. Representative Fairclough noted that 2011 had been a

compromise that she believed would be accepted on the Senate side.

Vice Chair Stoltze inquired if locations had been carefully checked to make sure that most recipients of the funding were outside of Juneau. He thought that a change to the current system would increase the hiring pool and provide more stability to that organization. Representative Fairclough informed members that she had served as the Executive Director of Standing Together Against Rape before being elected to the State House. She acknowledged that the issue was personal and was involved in working with victims of domestic violence and sexual assault for the past four years. There has been on going debate during that time regarding the Department of Public Safety versus Department of Health and Social Services.

Vice Chair Stoltze clarified his query regarding the choice to have the Council housed in Juneau rather than Anchorage. Representative Fairclough thought that should be a choice of the legislative body and admitted there would be future dialogue regarding the effectiveness of the location for implementation of a strategic plan. Vice Chair Stoltze wanted to know that the location had been considered in how best to serve victims needing services.

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Representative Fairclough advised that the Network on Domestic Violence and Sexual Assault is located in Juneau, which makes for good "cross pollination" of ideas. She agreed there is a larger pool for employment opportunities in other locations. The bill before the Committee is an opportunity to extend the Council's date to 2011. The intent is to guarantee that there is a Council in place for domestic violence victims.

Vice Chair Stoltze reiterated that the constituency of the Board is quite broad and believed that there is a much larger pool in areas outside of Juneau from which to find employees in a more competitive process. Representative Fairclough said the Commissioner is supportive of the program and that there has been discussions regarding how to make it better. Vice Chair Stoltze offered to help.

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Representative Hawker was concerned about the proposed extension date. He advised that the Senate had passed a bill with the 2014 date. He questioned if the bill would be "in trouble" with the extended date. Representative Fairclough thought that in the end, there could be a Senate argument with some of the legislative audit findings. She

stressed the need to get the legislation passed so that the Council does not go away.

Representative Hawker pointed out that the House has never hesitated to do battle with the Senate. He strongly supported confirmation with the recommendations made by the Legislative Auditor. Representative Fairclough supported the date of that determination.

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Vice Chair Stoltze mentioned certain existing problems and worried about not having a review for more than 5-years if the 2014 date was used.

Representative Fairclough advised that the Senate Affairs Committee had just amended their version of the bill to 2011. She noted that the bill had been streamlined in order to guarantee agreement for passage. There are issues needing to be addressed. She was encouraged to drop a bill, addressing those issues & offered to carry HB 120. She noted she would be speaking to the audit findings & and issues of location.

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Co-Chair Meyer agreed with Representative Hawker that the Committee should not be hamstrung by decisions in the Senate; however, he did prefer the 2011 date.

Representative Gara echoed sentiments that the Body not make choices because of what the Senate might do and that any legislation should be discussed on the matter of best policy. He questioned if there had been a reason for the audit findings. Representative Fairclough commented that the audit had found some points which she disagreed with and that is why she chose 2011 as the compromise date.

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Representative Joule inquired if there would be additional testimony.

CHRIS ASHENBRENNER, COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT (CDVSA), JUNEAU, offered to answer questions of the Committee.

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Representative Hawker MOVED to ADOPT Amendment #1, which would change the date from 2011 to 2014, consistent with the Legislative Audit findings. Representative Kelly OBJECTED.

Representative Hawker explained that he did not see anything that was a critical problem with the credible function or services provided by the Council and thought it should be a policy call of the Legislature.

Co-Chair Meyer interjected that he preferred the 2011 date.

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A roll call vote was taken on the motion.

IN FAVOR: Foster, Gara, Hawker, Joule, Thomas, Crawford
OPPOSED: Kelly, Stoltze, Meyer, Chenault

Representative Nelson was not present for the vote.

The MOTION PASSED (6-4).

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Co-Chair Meyer pointed out the two new indeterminate notes by the House Finance Committee replacing the ones by the Department of Public Safety.

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Representative Foster MOVED to REPORT CS HB 120 (FIN) out of Committee with individual recommendations and with the new fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 120 (FIN) was reported out of Committee with a "do pass" recommendation and with two new indeterminate notes by the House Finance Committee.

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#HB1

HOUSE BILL NO. 1

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

REPRESENTATIVE CARL GATTO, SPONSOR, explained that the bill, which in the current form, increases the base student allocation (BSA) by \$1 to \$5381 dollars. The version is not meant to represent the total increase needed, but rather, providing a number to serve as a placeholder for deliberation.

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Representative Gatto continued, including the Teachers Retirement System (TRS) shortfall in the formula allows

local districts to increase their portion of education funding by placing TRS in the formula and funding at least 70% of education money, then placing funds to the classroom becomes more difficult. Either way, there will be repercussions.

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Representative Hawker discussed whether to place retirement contributions into or out of the formula. If retirement contributions were placed inside the formula, funds will not be allocated in the same proportion as the existing liabilities.

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EDDY JEANS, DIRECTOR, EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, highlighted the Department's fiscal notes and offered to answer questions of the Committee.

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JAMIE STACKS, (TESTIFIED VIA TELECONFERENCE), PRIBILOF SCHOOL DISTRICT, stressed that the small-rural school districts need the Public Employees Retirement System (PERS) and TRS to be funded outside of the base student allocation (BSA). She requested that the BSA be increased a minimum of \$600 per student. A cost differential of 50% indicated in the Institute of Social and Economic Research (ISER) study would also be of benefit to small, rural districts. That funding would add no new staff or programs, maintaining the status quo.

Representative Gara understood that the amount proposed by Ms. Stacks would provide only 50% of the ISER study amounts and that the PERS/TRS would be outside of that, leaving the district at a "hold-even" point. Ms. Stacks replied correct.

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JOE BANGHART, (TESTIFIED VIA TELECONFERENCE), SUPERINTENDENT, IDITAROD AREA SCHOOL DISTRICT, MCGRATH, echoed sentiments of Ms. Stacks. He added that the Iditarod School District opposes rolling the unfunded liability of the PERS/TRS into the foundation formula. The impact of not receiving the increase and freezing the BSA at the present level would have a dangerous economic result. Lack of increased funding is of great concern. During the FY05/06 calendar year, the average fuel increase was 40% and is expected to continue up. It will affect all the communities because there will also be higher fuel costs for the pupil transportation & for heating facilities. He pointed out

that some families are moving from these areas because of the economy, but the buildings still must be maintained. The increase this year is estimated to be a 20% increase.

Mr. Banghart explained that viable intervention programs also increase the school districts budgets. He stated he could demonstrate that what the districts are doing is actually helping their children through those interventions. Some of these kids have demonstrated over a 30 point average increase. To maintain that level of student growth and extra classes, video conferencing has become essential.

Mr. Banghart recommended basic support for the teachers. The current starting teacher salary in their district is \$36 thousand dollars per year, which is embarrassing to offer a contract to someone when they could be getting a starting salary of \$42 thousand dollars a year in the lower 48 states. The district must have at least \$500 dollars added to the basic BSA in order to maintain current programs.

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SUE HULL, (TESTIFIED VIA TELECONFERENCE), FAIRBANKS NORTH STAR BOROUGH SCHOOL BOARD, FAIRBANKS, hoped to be able to eliminate the school district's current "cut-list" and be able to prepare children for the work that they will need to enter employment and college after school. In order to do that, technology areas must be expanded, career tech preps and drop-out prevention reform for the middle and high schools. She pointed out that Alaska schools need the opportunity to confront the challenges that are currently present; to do that, Ms. Hull urged that the dollar amount significantly be raised on the BSA and fund the PERS/TRS outside the formula.

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MARGO WARNING, JUNEAU SCHOOL BOARD, JUNEAU, commented on the concerns of the Juneau School District, resulting from low funding over the past few years. Most of the funds have gone into the retirement system, increased fuel costs and special education programs. She emphasized the importance of funding the retirement system outside the formula. The main priority for the Juneau District is increasing the BSA with combined full-funding of the area cost differential.

Since SB 36 was enacted, every dollar has been reduced, imposing vast restrictions on Juneau's ability to provide quality education for students. Ms. Warning urged full funding.

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BILL BJORK, PRESIDENT NEA-ALASKA, JUNEAU, noted he represents 13,000 members statewide. Mr. Bjork pleaded for a substantial increase to the BSA. The National Education Association (NEA) is confident that the 25th Legislature does have the necessary resources to address such concerns. He reviewed the numbers:

- 130,000 students in Alaska's K-12 schools
- The current BSA is \$5380
- Inflation rate is 3%, so to stay even with inflation, it will take about \$29 million dollars per year
- Alaska is about \$600 million dollars behind in funding schools
- He proposed funding the deficit over a period of seven years

Mr. Bjork urged that the PERS/TRS be funded outside the BSA. He mentioned concerns with pupil transportation, particularly in the urban districts & area cost differentials. He urged that legislators re-examine the way Alaskan schools are funded in order that the students can be prepared to meet the standards set forth through regulation.

Co-Chair Meyer asked if the PERS/TRS was funded out side of the formula, would NEA still propose the \$115 million dollar increment. Mr. Bjork said yes and added that the dilemma of funding it from inside the BSA mean the dollars do not necessarily go where the costs are incurred. He stated that the \$573 dollar increase on the BSA would be a "help" in closing that funding gap.

Vice Chair Stoltze commented on the many requests his office receives to repeal SB 141, which creates the new retirement system. He inquired the biggest issue for NEA members. Mr. Bjork replied that school funding is the biggest issue as that determines whether a child has the opportunity to learn. The PERS/TRS concern is another big concern. He noted that they do not support the defined contribution system, which is not in the best interest for the State of Alaska or the members of NEA.

Co-Chair Meyer clarified that SB 141 was the change from the defined benefit program to the defined contribution program.

Vice Chair Stoltze advised that the retirement issue is the number one concern brought forward by teachers.

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Representative Hawker mentioned exploring the TRS concern separate from the BSA, which he supports. He claimed it is the only solution for the situation, noting the consequence

of the 5% increase each year. Teacher's contributions this year are approximately 54%, consisting of two components:

- "Past sins" problem, and
- The cost of those now in the system to make a normal retirement.

Representative Hawker advised that 40%+ relates to paying off the past service liability. He noted the increase to the BSA over the past couple legislative sessions. A large portion of that increase was necessary from the increased contributions to the retirement system, driven by past service liability.

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Representative Hawker commented that if the State embarked on a path of taking full responsibility for funding the PERS/TRS outside the BSA that would place more funds in the classrooms. Mr. Bjork noted that regarding the TRS/PERS shortfall, his comments had been directed toward the FY07/08 portion and was not looking at the entire increase. Mr. Bjork acknowledged that it could free-up funding for instruction.

Representative Hawker believed it should reduce the base student allocation, assuming that all past service liability had been addressed.

Representative Hawker added, it is important to address how the money would flow to do the work. He hoped to see a reduction to the BSA, improving the school district position. Mr. Bjork agreed that every aspect of school funding should be on the table and discussed. Co-Chair Meyer agreed.

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Representative Gara voiced concerned just increasing the base student allocation rather than compensating for pupil transportation costs. He recommended possibly returning to a full reimbursement system. He asked how the school districts fare given the new system for student transportation costs. Mr. Bjork replied that the impact to pupil transportation has been in the urban school areas because of the extensive bus transportation patterns and that the impact has been substantial.

Co-Chair Meyer requested that Representative Gara not move toward a separate area of discussion, rather keeping the discussion on the foundation formula. Representative Gara stated that he was discussing "education" funding.

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Representative Gara hoped to see a budget, which could reduce class sizes & return cut programs. He asked if the \$573 dollar BSA proposal would leave schools at a status quo. Mr. Bjork stated that the \$573 dollar number was determined by adding 3% inflation to the current level and then looking at adequacy in school funding. The State is now approximately \$600 million dollars behind from the last two decades. He proposed that amount be addressed over seven years; 1/7th would be approximately \$86 million dollars. The \$29 million dollars allows a status quo budget.

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MARY FRANCIS, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, (ACSA), spoke in support of an increase to the BSA. She addressed termination concerns resulting from flat funding. School districts have been preparing multiple budgets because they do not know what the funding will be until very late in the school year. She observed that school programs are being eliminated due to a lack of funding.

The Association supports area cost adjustments as proposed by the ISER study. Ms. Francis emphasized that PERS, TRS and fuel costs have eaten away at classroom dollars. The Association has not taken a stand on a specific BSA amount, but supports numbers proposed by the [Senate].

MARY HAKALA, COORDINATOR, GREAT ALASKA SCHOOLS, JUNEAU, spoke in support of additional school funding. She pointed out that the Great Alaska Schools is made up of many people statewide. She stressed that equity in the cost differential is needed. There has been a growing gap in the minimum required local effort. Inflation and pupil transportation have also been a factor. There will be a \$200 million dollar deficient with the Governor's proposal; \$500 thousand will be used for pupil transportation. Ms. Hakala spoke to the cap and stressed the need for solutions to infuse money into the classroom.

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In response to a question by Representative Thomas, Ms. Hakala spoke to the change in statute altering the minimum required local contributions, varying from community to community. She observed that Juneau is at the cap of the maximum allowed to contribute; there are very few schools contributing at that cap. There is also a minimum local contribution, which she recommended be discussed. Ms. Hakala acknowledged that different communities have various purchasing power & that equity should be attempted.

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CARL ROSE, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, presented members with a list of six issues, which the Association believes are the big "rock" issues.

- BSA increase to \$5,810
- District cost factor, increasing it to the levels recommended by the 2005 ISER Report
- Retirement costs
- Vocational Education - recognizing the importance of a dependable funding stream for Voc-Ed outside the 20% block grant for special education
- Intensive Need Students, addressing the problems caused by inadequate formula funding, post-enrollment transfers and conflicting state regulations defining intensive needs
- Early or forward funding - appropriating foundation funds & PERS/TRS costs by March 16th (60th day) or setting aside sufficient funds in FY08 to forward fund FY09 education budget

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In response to a question by Representative Foster, Mr. Rose noted that in 1986, a Blue Ribbon Commission addressed the over identification of special education. The recommendation was for 18.5%, later increased to 20%.

Representative Foster mentioned the lack of vocational education programs in his area. Mr. Rose agreed.

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PEGGY COWAN, SUPERINTENDENT OF SCHOOLS, JUNEAU BOROUGH SCHOOLS, CITY & BOROUGH OF JUNEAU, discussed the increase in school funding. She observed that class sizes have decreased and there has been a lack of books and other necessary support aids. She provided members with a handout of the school's legislative priorities; she noted that PERS and TRS had not been included in the calculations. (Copy on File).

Superintendent Cowan urged full funding for district cost factors and that communities want additional funding to close the achievement gap, workforce development and reduced class sizes.

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Representative Gara inquired about the Juneau class size. Ms. Cowan responded that at the primary school level, class size averages 22 students, grades 3-5 averages 25, middle school at about 31 and high school average is in the low 30's. She pointed out that progress had been made in class size over the past two years. The Board had prioritized that issue. The funding formula is different than the actual class size.

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Representative Joule referred to the high statewide drop out rate. He asked if those students are counted back in when they return. Ms. Cowan stated that the school districts would "embrace" any student back in and acknowledged that they would generate additional funds, offset by the need for additional teachers. She observed that students tend to drop out as the school year progresses; some are lost during the summer and then again early in the first semester.

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In response to a question by Co-Chair Meyer regarding Alaska History, Mr. Jeans noted that the School Board had adopted a mandatory requirement for that course at the high school level.

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Representative Thomas reiterated questions regarding the local contribution cap. Mr. Jeans explained that the effects of SB 174 passed in 2001, requires that as property values of each community increase, the Department of Education and Early Development is only allowed to count 50% of that growth, which is not the full value as counted by the State assessor. The cap is 4 mills. The amount varies from 4 mills in many small, first class cities. In areas that are growing, only a portion of their increased property value is counted and they are required to contribute something less. The extreme would be the Mat-SU Borough, which is required to collect a 2.8 mill levy to support education.

Representative Bill Thomas asked was the State assessment or the Senate bill adjustment required.

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In response Mr. Jeans explained that the cap is 4 mills but the difference is in the calculated educational value. Prior to 2001, the full value was accounted, but now only the educational full value is calculated.

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Representative Gara questioned how much was being lost in pupil transportation. Mr. Jeans offered to provide that information, noting that statewide, expenses are exceeding the grant amount by a little over \$2 million dollars.

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Representative Gara observed that under the current system, some school districts get more for their student transportation needs than needed & some receive less than their actual expenses. Mr. Jeans replied that was a fair assumption.

Representative Gara thought that the Railbelt districts will not do well under the new contracts & would receive less than their expense. Mr. Jeans explained that the Railbelt districts being Anchorage, Fairbanks, & Kenai, all entered into the new contracts that took affect this year and have made money under the new program for the last three years, but will have to go into reserves for this current year. Some of those districts have reserves, but others have transferred savings into operations. He did not know the estimated amount for the current year.

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In response to Representative Nelson, Mr. Jeans explained that pupil funding is outside of the foundation program and that the affects of SB 174 were within the foundation formula.

HB 1 was HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 3:19 P.M.