

ALASKA STATE LEGISLATURE
HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE

January 22, 2008

3:07 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Bob Roses, Vice Chair
Representative Anna Fairclough
Representative Wes Keller
Representative Paul Seaton
Representative Sharon Cissna
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 273

"An Act relating to school funding, the base student allocation, district cost factors, and the adjustments for intensive services and average daily membership calculations; and providing for an effective date."

- MOVED HB 273 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 273

SHORT TITLE: EDUCATION FUNDING

SPONSOR(S): REPRESENTATIVE(S) HAWKER BY REQUEST OF JT LEG
EDUCATION FUNDING TASK FORCE

| | | |
|----------|-----|---------------------------------|
| 01/04/08 | (H) | PREFILE RELEASED 1/4/08 |
| 01/15/08 | (H) | READ THE FIRST TIME - REFERRALS |
| 01/15/08 | (H) | HES, FIN |
| 01/22/08 | (H) | HES AT 3:00 PM CAPITOL 106 |

WITNESS REGISTER

REPRESENTATIVE MIKE HAWKER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 273 as the prime sponsor.

EDDY JEANS, Director
School Finance and Facilities
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 273, answered questions.

PEGGY TUTTLE, Member
Kodiak Island Borough School Board
Kodiak, Alaska

POSITION STATEMENT: Expressed concerns with regard to the district cost factors timeline of implementation specified in HB 273.

DAVE JONES, Assistant Superintendent
Kenai Peninsula Borough School District
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 273.

KIKI ABRAHAMSON, Teacher
Fireweed Academy
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 273.

WOODY WILSON, Superintendent
Wrangell Public Schools
Wrangell, Alaska

POSITION STATEMENT: Testified in support of HB 273.

BETTY ODELL, President
Kodiak Island Borough School Board
Kodiak, Alaska

POSITION STATEMENT: Testified in support of HB 273.

LARRY LEDOUX, Superintendant
Kodiak Island Borough School District
Kodiak, Alaska

POSITION STATEMENT: Testified in support of HB 273.

STEWART MCDONALD, Assistant Superintendant
Kodiak Island Borough School District
Kodiak, Alaska

POSITION STATEMENT: During hearing of HB 273, testified in support of the recommendations [of the Joint Legislative Education Funding Task Force].

LUKE FULP, Director of Finance
Kodiak Island Borough School District
Kodiak, Alaska

POSITION STATEMENT: During hearing of HB 273, thanked the task force for its work.

JOHN ALCANTRA, Director
Government Relations
NEA-Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 273.

MARY FRANCIS, Executive Director
Alaska Council of School Administrators (ACSA)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 273.

CARL ROSE, Executive Director
Alaska Association of School Boards (AASB)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 273.

ACTION NARRATIVE

CHAIR PEGGY WILSON called the House Health, Education and Social Services Standing Committee meeting to order at [3:07:19 PM](#). Representatives Wilson, Roses, Gardner, and Cissna were present at the call to order. Representatives Keller, Fairclough, and Seaton arrived as the meeting was in progress.

HB 273 - EDUCATION FUNDING

[3:08:17 PM](#)

CHAIR WILSON announced that the only order of business would be HOUSE BILL NO. 273, "An Act relating to school funding, the base student allocation, district cost factors, and the adjustments for intensive services and average daily membership calculations; and providing for an effective date."

[3:09:39 PM](#)

REPRESENTATIVE MIKE HAWKER, Alaska State Legislature, speaking as the prime sponsor, informed the committee that HB 273 is the result of much work by many legislators over the past several

years. School funding issues have often faced an impasse during the final budget process and ultimately stop-gap agreements have resulted in the past several years. He reviewed the process by which the Joint Legislative Education Funding Task Force, which he chaired over the summer, came into existence. The task force was charged with evaluating proposals based on available facts and conclusions pertaining to school district cost factors and the foundation formula, recommending improvements or additions to the laws providing for education funding, and taking public comments on education funding and school district cost factors. He then acknowledged the members of the task force and thanked them for their participation. Representative Hawker related his belief that the task force developed a proposal that provides a foundation to stabilize school funding in the state and allow the focus to turn to achieving academic excellence.

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REPRESENTATIVE HAWKER explained that HB 273 includes the increased funding components recommended by the task force. He characterized HB 273 as the core funding legislation for education. He then noted that the proposals the task force brought forward in legislation were approved by a consensus of the task force. He mentioned that some of the members of the task force dissented with the conclusions and the record of dissent is included in the report the task force provided to the legislature.

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CHAIR WILSON commended Representative Hawker on the process the task force followed and the progress that was made.

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REPRESENTATIVE HAWKER reiterated that the legislation requested by the task force is the result of a collaborative effort, which included a great deal of public process. This legislation addresses the major funding component recommendations that came out of the task force process. Representative Hawker explained that HB 273 is a three-year plan that includes a \$100 increase in the base student allocation each year. He noted that the task force's report recommended a minimum increase of \$100 annually. Historically, increases in the base student allocation has been the only new money coming into the state's schools. At this time, school districts have experienced very significant inflation in the cost of their retirement systems.

Therefore, a great deal of the funds the legislature has put in the base student allocation has went to paying the unfunded past service liability of the retirement systems. With the aforementioned in mind, the task force's proposals are predicated on the passage of SB 25, which involves the state taking direct responsibility for a material portion of those retirement liabilities, he explained. If SB 25 fails, the \$100 increase in the base student allocation is sufficient.

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REPRESENTATIVE HAWKER then turned the committee's attention to the district cost factors and the intensive needs students factors provisions in HB 273. The district cost factors are those factors in the school funding formula that recognize that it costs more money to do business in certain communities. The district cost factors have been a concern since the adoption of the current school funding formula in 1998. The district cost factor has never been resolved satisfactorily to those communities most impacted. This legislation proposes the adoption and phasing in of the Institute of Social and Economic Research (ISER) cost factors. He acknowledged that there are concerns with regard to the methodology of the ISER cost factors and that the numbers are somewhat dated, but it's the best information available at this time. The district cost factors are a huge issue for the rural school districts, he noted.

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REPRESENTATIVE HAWKER moved on to the intensive needs students funding, which is a huge issue for the urban school districts. During the hearings of the task force it became apparent that the current funding of those needs has fallen behind what it costs to provide them. In the past, a base multiplier of five times the base student allocation for a qualifying student was used. The task force reached a proposal by which it would progressively increase that multiplier such that it increased to 9 times, then 11 times, and ultimately to 13 times. The aforementioned would reach a more appropriate level for the current environment of the schools.

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REPRESENTATIVE HAWKER addressed the last factor of HB 273, which he characterized as a protective measure. He informed the committee that Alaska uses an enrollment based system. Therefore, if there's suddenly a decline in enrollment, it's

funding is abruptly cut via the formula. "Schools are parts of our community that don't really change as abruptly as an external factor causing an enrollment shift might imply," he remarked. For example, the closure of a military base might substantially reduce a school's population. To suddenly truncate funding is a huge and inappropriate disruption in that school as it compromises the quality of education in that community. The aforementioned has been on the Department of Education and Early Development's plate for some time. The department had a proposal, which the committee adopted. The language, as included in HB 273, would provide for a step-down in funding in the case of abrupt student enrollment changes.

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REPRESENTATIVE HAWKER opined that blending those four components is the crux of the increased financial aid, support, and commitment to Alaska's schools statewide. He acknowledged that HB 273 isn't a perfect solution and there could be arguments for other implementations. However, he highlighted that it was a very thorough, thoughtful, and well-received public process. Therefore, he opined that the consensus the task force reached is a consensus that can be accepted by the state's school system. He concluded by reminding the committee that HB 273 is part of a package that includes two other pieces of legislation, one of which proposes a continual reevaluation of the district cost factors and the other proposes to establish a standing committee on education in both bodies.

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CHAIR WILSON summarized the four provisions of HB 273.

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REPRESENTATIVE GARDNER opined that the process of the task force was fairly flawless and the results of that process show a lot of promise. Therefore, she related that she would be disinclined to support any significant changes. She then inquired as to why, with regard to the average daily membership (ADM), there's a count date for most students, but an enrollment date for special needs children.

REPRESENTATIVE HAWKER related that there's a fixed measurement date when each school's population is determined and after which the school's funding isn't changed due to any population changes. Although some would argue that the aforementioned is a

fallacy in the system, the department would argue that it's a matter of practicality that some of these fixed dates are adopted. Likewise, the funding for special needs students is a fixed measurement and doesn't follow the student if he/she were to move to another district. This is a matter for which the task force didn't find a solution.

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REPRESENTATIVE GARDNER asked if there is any knowledge with regard to whether students are coming from smaller districts to larger districts or vice versa. "Who's mostly impacted by the fact that the funding doesn't follow the kid," she asked.

REPRESENTATIVE HAWKER, recalling public testimony and departmental testimony, related his understanding that if any trend was identified it was that this issue was predominant in the Fairbanks, Anchorage, and Juneau school districts as these areas have the medical and support facilities for these students. The testimony related that specific instances can be identified, however none of the school districts testifying identified it as a priority concern.

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REPRESENTATIVE SEATON, speaking as a member of the task force, recalled that there was testimony that although the predominant trend is that over time more [intensive needs students] move from [smaller school districts to larger school districts], in any year they may move back to [smaller school districts]. Therefore, it's not something that could be identified as something one district experienced but another did not.

REPRESENTATIVE HAWKER clarified that this is not just an urban issue. In fact, the impact of a special needs student is more profound in a smaller school district. He emphasized that the funding for [intensive needs students] doesn't just benefit the larger school districts, because it's truly "a material component of school funding across the state."

[3:39:49 PM](#)

REPRESENTATIVE KELLER inquired as to the definition of an intensive needs student and the average cost for such a student.

REPRESENTATIVE HAWKER related that the most thorough information regarding the average cost of intensive needs students was from

the Kenai Peninsula Borough School District and the Anchorage School District. He recalled that the average cost was about \$70,000-\$80,000. However, some intensive needs students may cost as much as \$250,000 and skew the average cost. The school districts related that they wanted a multiplier of 15-17, he related.

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REPRESENTATIVE KELLER reminded the committee that the governor has stated that forward funding of education will provide the opportunity for innovation and improvement of the outcome of the state's education system. He then requested that Representative Hawker explain explicitly how [what's proposed in HB 273] addresses the aforementioned. He asked if the task force heard from alternative schools such as charter schools because the legislation doesn't address the funding related to correspondence programs or charter schools.

REPRESENTATIVE HAWKER, regarding the structure of the budget for this year and future years, said that's in its genesis. Although the governor has proposed a funding structure that is somewhat divergent from the course the legislature has undertaken in past years, that's "being worked out," he said. He speculated that ultimately, the legislature will continue to utilize the education fund and continue to forward fund education. Forward funding will continue to be a priority, he emphasized. However, the exact mechanism and structure will be worked out as the budget process proceeds. Although the task force did hear testimony regarding charter schools and home schooling, the task force decided not to include increments for small charter schools. The task force commended the aforementioned to the proposed standing committee of education to take up as a separate issue.

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REPRESENTATIVE GARDNER pointed out that one of the elements of education funding is local contributions. She relayed that some communities don't provide local cash contributions for education. She asked if the task force addressed the aforementioned.

REPRESENTATIVE HAWKER confirmed that those issues were broached. He noted his own concern with regard to the lack of some element of local contribution and ownership in the community school. He then acknowledged the concerns of those in the hinterlands with

regard to the mill rate, which may be viewed as benefitting larger communities with an increasing property tax valuation base. As the chair of the task force, Representative Hawker related his belief that if the task force "were to go very far on either one of those ... we would've gotten into a policy call so difficult that we would not have been able to reach consensus on those items," he opined. Therefore, the committee didn't make recommendations on those matters other than to commend them to the proposed standing committee on education.

REPRESENTATIVE ROSES confirmed Representative Hawker's statement and related that the task force took those items that had been single-source funded through other mechanisms with the understanding that they needed to be worked on further. No one on the task force wanted to totally ignore charter schools, correspondence schools, or the local contribution. Therefore, the proposal to create a standing committee on education resulted in order to have discussion regarding how to really implement changes in education. In response to how forward funding will improve education, Representative Roses opined that taking the money issues off the table allows [the legislature] to concentrate on the substantive issues of how to do things differently or better to improve student outcome.

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REPRESENTATIVE SEATON interjected that another reason why those matters weren't addressed by the task force was that they require a lot of data and analysis. He then related that he's been asked and would like an answer as to how the step-down provision applies to small schools that drop below 10 students.

REPRESENTATIVE HAWKER deferred to Department of Education and Early Development (EED).

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REPRESENTATIVE KELLER expressed his difficulty in understanding how the financial recommendations improve the outcome of the educational process. Representative Keller said that although he is supportive of the funding and education of the state's children, he said he would like for the forward funding to be tied to incentives that get students excited about school.

[3:54:16 PM](#)

EDDY JEANS, Director, School Finance and Facilities, Department of Education and Early Development (EED), thanked Representative Hawker for his leadership with the Joint Legislative Education Funding Task Force. In response to Chair Wilson, Mr. Jeans related that the definition of an intensive needs student is set in regulation and specifies that a student must receive seven criteria of services in order to qualify for intensive needs funding. The criteria are as follows: 1) receipt of direct daily instruction from a certified special education teacher; 2) require multiple services, including related services such as speech services; 3) all services are not required to be provided by a special education teacher, but must be supervised; 4) receipt of continuous special education programming; 5) require assistance in two or more basic self-help, daily living, or adaptive skills; 6) assigned a special education aide to provide individual care and services throughout the school day; and 7) require transportation services. Mr. Jeans noted that originally the requirement for an aide was one aide, full-time all day. However, the State Board of Education relaxed that regulation such that in situations in which a district can demonstrate that it can provide the required services, an aide can have up to three children under his/her supervision at one time. He opined that the aforementioned needs to be revisited by the department, especially in light of the level of funding being considered. The average annual salary of these aides is about \$40,000. At the \$80,000 funding level that leaves almost \$40,000 that could be used for equipment and specialized services.

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REPRESENTATIVE GARDNER asked, "Are you saying that if currently one aide is deemed acceptable for three special needs kids, because we're putting more money in we'll require each child to have their own aide?"

MR. JEANS confirmed that has been the standard until this past year. "It was because of the level of funding being at the \$26,000 level that districts were saying, 'Look, you don't even pay for a full-time aide, but that's the requirement.'"

[3:58:37 PM](#)

REPRESENTATIVE GARDNER asked if there are any adverse impacts on the students who once had one aide who now share an aide with two other students.

MR. JEANS replied, "Not yet." He then reminded the committee that these are severely multi-handicapped, medically fragile children. He indicated the difficulty in a situation in which there's a fire and the aide has to choose which of the three children to move out of the building first. Mr. Jeans highlighted that there are 1,800 [intensive needs] students statewide and they deserve one-on-one attention.

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REPRESENTATIVE ROSES, recalling his time as a high school teacher, assured the committee that during a fire alarm the intensive needs students were taken care of very well. He informed the committee that his job was to be the first responder to help with the intensive needs students. Fourteen adults would be helping with the seven intensive needs students within thirty seconds, he related. Therefore, Representative Roses said he didn't believe the concern regarding a fire situation is valid. He said that he felt that the increase in funding shouldn't automatically go toward increasing the number of aides, but rather there should be study on the matter.

CHAIR WILSON and REPRESENTATIVE GARDNER noted their agreement.

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REPRESENTATIVE KELLER inquired as to how many of the 1,800 intensive needs students would qualify for federal funding. He questioned whether the funding for these students should be education funding. He then asked if there's funding available through other avenues.

MR. JEANS related his understanding that for certain service providers, school districts can bill directly to Medicaid. However, he noted that not all school districts are participating in that program.

REPRESENTATIVE KELLER remarked that perhaps increasing the educational funding may remove the incentive for school districts to seek alternative funding.

REPRESENTATIVE HAWKER informed the committee that the federal government is in a significant push back of all Medicaid refinancing efforts. In fact, in this year the budget for Department of Health and Social Services (DHSS) includes about \$130 million worth of Medicaid refinancing push backs.

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MR. JEANS noted that DHSS has provided two fiscal notes for HB 273, one of which is for the foundation program and the other for the military youth academy. In further response to an earlier question, Mr. Jeans clarified that the ADM count for intensive needs students is performed on the last day of the [ADM] count period in order to allow the development of students' individual education plans (IEPs) and to ensure that they meet the seven criteria to qualify for funding. In further response, Mr. Jeans clarified that the base student count and the intensive needs student count is based on enrollment, not attendance. The base count is a 20-day count that ends the fourth Friday in October and is based on enrollment. The intensive needs count, he reiterated, is performed on the last day of the count period and is based on enrollment.

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PEGGY TUTTLE, Member, Kodiak Island Borough School Board, began by thanking the Joint Legislative Education Funding Task Force for the time it spent working on these issues and expressing her appreciation for this legislation. However, she expressed concern for the five-year district cost factor timeline as the timelines for other needs are on a three-year timeline. The district cost factors really impact Kodiak in terms of the high cost of fuel, electricity, and transportation. With regard to transportation, there will be increased costs for transportation for sports teams due to the reduction in ferry service. Furthermore, the Kodiak Island Borough School District has a \$700,000 deficit for extra expenses this year due to the higher cost of fuel. In fact, fuel had to be flown into Karluk, which increased the cost by \$3.00 a gallon merely to get the fuel to the location. The aforementioned resulted in the fuel to Karluk costing over \$6.00 per gallon.

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DAVE JONES, Assistant Superintendent, Kenai Peninsula Borough School District, began by thanking the committee for its increased support for education over the last few years as they have allowed the district to maintain levels of service in spite of inflationary costs while providing some additional services. The aforementioned has resulted in substantial increased student achievement in the district. He also recognized the significant amount of time and effort spent by the Joint Legislative Education Funding Task Force and its staff. The task force's

recommendations will well serve the students of Alaska, he opined. Mr. Jones related that the Kenai Peninsula Borough School District fully supports the declining enrollment protection and the intensive needs students increments specified in HB 273. Under HB 273, the trend of money being pulled from general student funding to cover the costs for intensive needs students will no longer occur, and therefore general education funding will remain in that area to help increase the assessment results of the general students. The Kenai Peninsula Borough School District also supports the implementation of the district cost factor recommendations. Although the Kenai Peninsula Borough School District would like for it to occur faster than five years, it will accept the proposed timeline, he said. The base student allocation increases over three years will help to make long-term innovative plans in the districts. Although Mr. Jones related appreciation of the governor adopting the recommendations of the Joint Legislative Education Funding Task Force as well as the \$100 increase, which was the minimum suggested.

MR. JONES commented that there are two recommendations not included in HB 273 that shouldn't be forgotten. As mentioned earlier by Representative Hawker, this legislation is based on the assumption that SB 125 will pass in a form substantially similar to the version in existence at adjournment of the last session. Without the protection and funding of SB 125, districts across the state won't be able to fund the retirement costs. The second recommendation not included in HB 273 is for EED to recalibrate pupil transportation funding levels for fiscal year 2009 utilizing the most recent actual audited costs for the school districts. He related his understanding that EED has those numbers.

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REPRESENTATIVE ROSES, regarding the comments in support of the area cost differential being implemented faster, related that at the onset of the task force's meetings there was almost unanimous agreement to implement 50 percent. There was no conversation regarding 100 percent. The task force also discussed a 9 or 11 multiplier for intensive needs students. As more school districts testified, the task force began the process of discussing how it would implement 100 percent of the area cost differential while realizing that a number of committee members weren't pleased with the data being used. Therefore, the decision was to implement the 50 percent and phase-in the remainder over a three- to five-year period. The

aforementioned would allow the proposed education standing committee to establish a Blue Ribbon task force to develop better studies and numbers. As a result, the task force decided to move down from an intensive needs multiplier of 11 to a multiplier of 9 and phase it in over a three-year period as well.

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REPRESENTATIVE HAWKER turned to the recalibration of the pupil transportation rates, which is included in the task force's recommendations. That recommendation required EED to sort through audits and finalize specific numbers. He related that his office has just been provided those numbers. He further related that he fully intends to incorporate that additional spending prior to HB 273 reaching the House floor.

[4:18:25 PM](#)

KIKI ABRAHAMSON, Teacher, Fireweed Academy, began relating she was pleasantly impressed with the quality and ease of the entire process of the task force. Ms. Abrahamson opined that some of the problems discussed [in the task force] are magnified in small underfunded charter schools. Although she said she understood the reasons to commend the charter school funding issues to the proposed education standing committee, she emphasized the need to not forget charter schools. Ms. Abrahamson said that she's an advocate for HB 273, and opined that funding all students with an increased base allocation, providing the districts with more reasonable funds for intensive needs, and adjusting district cost factors is a huge step in the right direction for all of Alaska's students.

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WOODY WILSON, Superintendent, Wrangell Public Schools, also thanked the task force for its hard work. Mr. Wilson praised the declining enrollment aspect of HB 273. Had this aspect been in place a few years ago when he was the superintendent in Haines, [the Haines School District] probably wouldn't have been sued by the union. Further, the intensive needs students, and district cost factors are crucial aspects of the legislation as well. He noted that the area cost differential has been a significant issue for Wrangell as it has been funded at the same rate as Anchorage for a number of years, although it costs more money to run schools in Wrangell than Anchorage. Mr. Wilson then expressed concern with fully funding intensive needs

students in 2011 while the cost study won't be completely funded until 2013. He expressed the need to have an increase [in the cost factors] this year, particularly because of energy costs. Funding the base student allocation in advance will make a huge difference in the operation of each school and provide a stabilizing effect, he opined. He then informed the committee that \$30,000-\$40,000 a year has to be taken out of classroom instructional funds to pay for transportation, and therefore he said he was pleased that the transportation costs will be reviewed. Mr. Wilson concluded by relating his support for HB 273.

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CHAIR WILSON noted, for the record, that Mr. Wilson is her husband.

[4:26:13 PM](#)

BETTY ODELL, President, Kodiak Island Borough School Board, thanked everyone for their work to analyze and stabilize education funding. Ms. Odell informed the committee that this is her sixth year on the school board and every year there's a \$2 million increase in the budget due to increases in the cost of health insurance, salary, and fuel. In fact, the [Kodiak Island Borough School District] is looking at a deficit this year. She related that [the Kodiak Island Borough School Board] is in favor of HB 273 and is counting on the \$200 increase to the base student allocation, as proposed by the governor.

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LARRY LEDOUX, Superintendent, Kodiak Island Borough School District, stated that one of the most important aspects of the passage of HB 273 is the ability to perform effective planning, which will help focus attention on every child. He also noted his support of the increase in funding for intensive needs students. This will allow the focus to be on the needs of the individual child rather than the cost to educate that child. Mr. LeDoux opined that under the school district's mission, his responsibility is to ensure that every child reaches his/her full potential. He then noted that he shares the concerns outlined by Mr. Jones and Mr. Wilson. He informed the committee that this year alone, the Kodiak Island Borough School District has a transportation deficit of \$242,000. Although it's not included in HB 273, Mr. LeDoux expressed concern with the hold harmless for small schools. The Kodiak Island Borough School

District had four schools with enrollment [fluctuating] from 10 to 14 students during the ADM count, which meant considering the possibility of closing these schools. Mr. LeDoux highlighted that despite these increases, severe financial shortfalls will still be experienced as he estimated that the fuel and electricity increases alone will total over \$700,000. He concluded by expressing the hope that the committee will do what it can to move closer to full funding of cost differentials, intensive needs students, and other areas in HB 273.

[4:32:14 PM](#)

CHAIR WILSON asked if any of the schools in the Kodiak Island Borough School District had to close.

MR. LEDOUX replied no, but added that next year the district does plan on closing two schools. He noted that the facilities of the closed schools will still have to be maintained [in order to be prepared in the case of reopening], although no funding will be received for that.

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REPRESENTATIVE GARDNER asked whether Mr. LeDoux supports the state having a minimum school size. If so, she asked if Mr. LeDoux has any recommendations as to a mechanism for making the determination that a school should be closed due to declining numbers.

MR. LEDOUX said that practically speaking there has to be a minimum school size and 10 "is as good a number as any." However, there needs to be a mechanism for the process of enrollment moving below 10. The mechanism needs to be flexible enough to address the needs of the children. He said that he doesn't know what that mechanism is, although he supported a phase-in of the closure of a school in order to avoid shocking the community.

[4:33:53 PM](#)

REPRESENTATIVE SEATON inquired as to the increase in health care costs for the Kodiak Island Borough School District.

MR. LEDOUX specified that this year the district's health care costs will increase 21 percent and the estimated increase for next year is between 9 and 15 percent. These are costs that the district can't control as the district is self-insured.

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CHAIR WILSON inquired as to what Mr. LeDoux specifically means when he refers to "health insurance."

4:34:51 PM

MR. LEDOUX specified that he's referring to the district's employee health plans, which increase every year and place an incredible strain on the district's budget. In fact, the district's fuel and electricity increases, estimated health increases, and step and column increases for classified and certified staff total over \$2 million. Therefore, the challenge before the district is to get every dollar it can to meet the needs of individual children.

4:35:45 PM

REPRESENTATIVE ROSES remarked that although the increases in medical costs can't be controlled, the way in which the district handles these increases are. He highlighted that there are other options that can be explored.

4:36:30 PM

STEWART MCDONALD, Assistant Superintendent, Kodiak Island Borough School District, emphasized that if the recommendations [of the Joint Legislative Education Funding Task Force] don't go through, the Kodiak Island Borough School District would be facing an immense crisis. He expressed particular support for the \$200 increase in the governor's proposal. With regard to the increase for the intensive needs students, Mr. McDonald pointed out that the costs to provide the services to such a student in a small school are even higher than if that student attended an urban school. Mr. McDonald relayed that the public is really excited about the potential funding increases and the possibilities it offers. Therefore, the district has been engaged in much planning.

4:40:06 PM

REPRESENTATIVE FAIRCLOUGH stated that although she plans on supporting HB 273, she cautioned those who have testified that they are counting on the governor's budget as that's a gamble. She expressed the hope that folks are being prudent in their planning processes.

[4:41:07 PM](#)

LUKE FULP, Director of Finance, Kodiak Island Borough School District, thanked the Joint Legislative Education Funding Task Force for taking the time to address school districts' needs throughout the state and creating legislation that moves in the right direction.

[4:41:32 PM](#)

JOHN ALCANTRA, Director, Government Relations, NEA-Alaska, began by informing the committee that he represents 12,500 plus public school employee members of NEA-Alaska. He then applauded the efforts of the Joint Legislative Education Task Force and echoed Ms. Abrahamson's comments regarding the task force. He opined that for the intensive needs student funding to begin to approach the actual cost is a great step. With regard to the base student allocation, Mr. Alcantra highlighted that the \$100 increase to a \$5,380 base falls short. Therefore, NEA-Alaska will work to increase the base student allocation, he related.

[4:45:35 PM](#)

MARY FRANCIS, Executive Director, Alaska Council of School Administrators (ACSA), related that she is speaking on behalf of all the school principals, superintendents, and finance officers in the state. She noted that the committee should have a resolution from ACSA in support of the recommendations brought forth by the Joint Legislative Education Task Force. She commended Representative Hawker and the task force for its work. Ms. Francis related that ACSA supports a \$200 base student allocation as well as a three-year implementation of the district cost factors. At a minimum, ACSA supports the recommendations of the task force moving forward and would hope that the work of the task force isn't second-guessed, she stated. Ms. Francis concluded by stating support for HB 273.

[4:48:28 PM](#)

CARL ROSE, Executive Director, Alaska Association of School Boards (AASB), testified in support of HB 273. Mr. Rose highlighted that the committee has the opportunity to implement some changes to Senate Bill 36. He, too, commented on the task force process and how it was able to obtain a full view of the impact of various matters on education and come to a level of consensus. Mr. Rose pointed out that the \$100 base student

allocation proposed in HB 273 may be a deal breaker because [districts] are looking for \$200 a year as it would ultimately amount to \$1,200 in 2011 rather than \$600 under the \$100 base student allocation. He related that his greatest fear is that there will be a grant-cash process because no agreement can be achieved, and therefore the process starts at ground level. Mr. Rose then turned to the five-year phase-in of the cost differential, which many would prefer to be a three-year phase-in. However, he emphasized that the important thing is that HB 273 is the best product that [the task force] could develop. Mr. Rose concluded by relating his full support for HB 273 and moving on to the House Finance Committee.

[4:53:06 PM](#)

MR. ROSE, in response to Representative Gardner, explained that the \$100 base student allocation compounds each year to result in a \$600 increase overall. For every \$100 increase, that increase is on top of the total base student allocation of the prior year. He reminded the committee that this is a three-year phase-in. Mr. Rose pointed out that the cost differential amounts to about \$148 million and for intensive needs it amounts to about \$42 million. Although Mr. Rose said that he would like to see more, he didn't want to do anything that craters the public policy providing the mechanism to move forward.

[4:55:05 PM](#)

REPRESENTATIVE ROSES thanked Mr. Rose for his years in service to education. He inquired as to how many years Mr. Rose has worked on school issues.

MR. ROSE informed the committee that he was first elected to the school board in Skagway in 1974 and there were discussions of forward funding then.

[4:55:59 PM](#)

CHAIR WILSON, upon determining no one else wished to testify, closed public testimony.

[4:56:11 PM](#)

REPRESENTATIVE SEATON asked if the step-down procedure was answered for schools falling below an enrollment of 10.

MR. JEANS explained that the hold harmless for declining enrollment will be calculated on the school size adjusted ADM for the district as a whole. Therefore, schools that fall below 10 students are funded with the largest school in the district, which means that the adjustment is substantially smaller. The adjustment may or may not be enough to trigger the hold harmless, it depends on the size of the district. If it's a situation in which there are a number of schools, as was described for the Kodiak Island Borough, then the hold harmless would likely be triggered and phased-down over a three-year period.

[4:57:18 PM](#)

REPRESENTATIVE FAIRCLOUGH posed a situation in which there are multiple years of decline that exceed 5 percent. In such a situation would [the school district] continue to qualify in the first year for the 75 percent or is it held to the cycle of where the decline started.

MR. JEANS answered that in the past he has ran it both ways and whatever benefitted the district was given.

[4:57:49 PM](#)

REPRESENTATIVE FAIRCLOUGH related her belief that a school district that bases its future funding on last year's allocation is appropriate and schools should be held harmless on that point. However, she expressed concern with regard to the long-term implications of increasing school funding by almost \$100 million and how that funding will be sustained in an environment of declining oil revenue.

MR. JEANS said that he hasn't had those discussions with the Department of Revenue, and noted that the legislature has the power of appropriation.

[4:58:55 PM](#)

REPRESENTATIVE SEATON praised the work on the task force, and emphasized that all of the issues were fully, publicly vetted. He remarked that he was very pleased with the results of the task force.

[5:00:26 PM](#)

REPRESENTATIVE FAIRCLOUGH expressed concern with regard to the sustainability of the increases proposed in the legislation. She acknowledged that [the appropriations] are up to the legislature. However, she said she looked to the administration to lead because it's the one making the recommendation. She then expressed concern that the discussion has been about adding aides without knowing the quantitative benefit versus smaller classroom sizes or other options. Although she said she fully supported the funding going into the classroom, she related her hope that the funding wouldn't get used up with the bureaucracy at the top.

[5:01:33 PM](#)

CHAIR WILSON recalled the budget cuts when she first entered the legislature and the work that went into cutting without impacting education, which was accomplished.

[5:02:23 PM](#)

REPRESENTATIVE FAIRCLOUGH identified other legislation that is critical to the [success] of this discussion. In Senate Finance, there is legislation related to fiscal planning for the administration in order to see long-term resources. There is also legislation related to pension obligation bonds as well as legislation that would return to the old retirement system, which she characterized as negatively impacting this discussion.

[5:03:52 PM](#)

REPRESENTATIVE GARDNER commented that although she had contemplated an amendment, she maintains her confidence in the process and thus will support HB 273. She explained that she had contemplated the notion of having two [intensive needs students] per aide and placing the remaining funds into alcohol treatment. She pondered how the aforementioned would impact the numbers of the severely disabled.

[5:05:04 PM](#)

REPRESENTATIVE ROSES moved to report HB 273 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

[5:05:46 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at 5:06 p.m.