

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 3, 2007

3:37 p.m.

MEMBERS PRESENT

Senator Donny Olson, Chair
Senator Joe Thomas
Senator Gary Stevens

MEMBERS ABSENT

Senator Albert Kookesh, Vice Chair
Senator Thomas Wagoner

COMMITTEE CALENDAR

SENATE 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."

MOVED SB 1 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 1

SHORT TITLE: INCREASE AMT OF BASE STUDENT ALLOCATION

SPONSOR(S): SENATOR(S) WILKEN

01/16/07	(S)	PREFILE RELEASED 1/5/07
01/16/07	(S)	READ THE FIRST TIME - REFERRALS
01/16/07	(S)	SED, CRA, FIN
02/09/07	(S)	SED AT 8:00 AM BUTROVICH 205
02/09/07	(S)	Heard & Held
02/09/07	(S)	MINUTE(SED)
03/28/07	(S)	SED RPT 2DP 3NR
03/28/07	(S)	DP: WILKEN, DAVIS
03/28/07	(S)	NR: STEVENS, HUGGINS, OLSON
03/28/07	(S)	SED AT 8:00 AM BUTROVICH 205
03/28/07	(S)	Moved SB 1 Out of Committee
03/28/07	(S)	MINUTE(SED)
04/03/07	(S)	CRA AT 3:30 PM BELTZ 211

WITNESS REGISTER

SENATOR GARY WILKEN

Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented SB 1 as sponsor.

CARL ROSE, Executive Director
Association of Alaska School Boards
Juneau, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

MARY FRANCIS, Executive Director
Alaska Association of School Administrators
Juneau, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

MELODY DOUGLAS, Chief Financial Officer
Kenai Peninsula Borough School District
Soldotna, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

DEBRA MULLINS, Member
Board of Education
Nikiski, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

GINNY ESPENSHADE
Homer, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

DEBRA KIRK, Member
Parent Teacher Association (PTA)
Kodiak, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

STAN LUJAN, Superintendent
Nome Public Schools
Nome, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

LYDIA GARCIA, Interim Executive Director
National Education Association-Alaska (NEA-Alaska)
Anchorage, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

KATHY CARROW, President
Kenai Peninsula Educational Association
Kenai, Alaska
POSITION STATEMENT: Spoke in support of SB 1.

ACTION NARRATIVE

CHAIR DONNY OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at [3:37:02 PM](#). Senators Olson, Stevens, and Thomas were present at the call to order. Senators Kookesh and Wagoner were excused.

SB 1-INCREASE AMT OF BASE STUDENT ALLOCATION

SENATOR GARY WILKEN, Alaska State Legislature, said, since 1998, the K-12 public school funding formula has distributed state education dollars based on a per-student allocation [BSA]. SB 1 increases this allocation by \$430, establishing a per-student total of \$5,810. SB 1 recognizes that day-to-day educational costs continue to increase, causing a financial strain on the school budgets in all 53 school districts. The eight percent proposed increase will help mitigate these rising cost, allowing local school boards to direct more education dollars into the classroom. This legislation does not address the major cost increases facing each school district this year. The rise in TRS is over \$200 million statewide. To cover that increase, the allocation will go up \$1,000 per student. An alternative bill will address the other.

SENATOR WILKEN said SB 1 covers inflation and provides funds to help reduce class size. The fiscal note is about \$88.9 million. The inflation rate in Anchorage was about 4.2 percent for the first half of 2006, so he used that and added another 2 percent. It takes care of inflation, but there are rising costs of all sorts. Last year the amount was about \$145 million with \$90 million of it for the classroom and the rest for PERS and TRS. He decided to do the same this year. A lot of school districts were very appreciative last year, and they reduced class size and brought back programs and personnel. The state has a surplus of \$1.3 billion. "Let's put it to where we all campaigned and say it's one of our top priorities."

SENATOR WILKEN referred to a chart showing that education funding has increased 47 percent since 1999, and it includes PERS and TRS. This year there are 129,900 students in Alaska, fewer than in 1999.

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SENATOR WILKEN said there is double digit growth in the student dollar, and Alaska is educating about 2.5 percent fewer students. He said the bill won't pass but it's a number to talk

about, and it will make people comfortable with the \$90 million going to the classroom. He expects the school districts to put it to good use with lower class sizes and adding vital services.

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SENATOR THOMAS asked about the inflation rate.

SENATOR WILKEN said a Department of Labor analyst calculated it. The actual CPI for Anchorage for fy06 was 3.2 percent.

SENATOR THOMAS said the bill doubles it, taking two years into consideration.

SENATOR WILKEN said the number gets footballed all over the place at the end. "We're not far from where we were last year; let's just do what we did last year and we certainly have as much money in the bank, if not more."

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CHAIR OLSON asked if the ISER [Institute of Social and Economic Research] cost-differential study is incorporated into the bill.

SENATOR WILKEN said cost differentials have no place in the bill. The only way the legislature can get at the public education fund is with the student dollar. He said it doesn't touch the district cost factors, but it runs the student dollar through the foundation.

CHAIR OLSON asked about the PERS and TRS issue and about keeping it within the BSA or outside the allocation.

SENATOR WILKEN said the number is so large this year that the student dollar would have to be increased by \$1,000. As the PERS and TRS monster gets tamed, people will lose track of that if it is put in the student dollar. PERS and TRS should be paid with a check that doesn't go through the student dollar.

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CHAIR OLSON asked, "So, the general thought process is to put it outside the base student allocation?" Senator Wilken concurred.

CARL ROSE, Executive Director, Alaska Association of School Boards, said his association has six priorities. The largest is the retirement issue and the second is the BSA, "and we adopted the figure of [\$5,810]." He said he would like to see SB 1 move today. Of great concern for equity is the district cost factors that haven't been revisited for a long time. "Intensive needs"

is a large issue for the association, he said. There has been testimony that "currently we're at five times the BSA. We have testimony showing that expenses are anywhere from eight to ten times the BSA, so intensive needs is a critical issue for some of our larger school districts." Vocational education and work force development are others that are mentioned in the 20 percent block grant, "but we really don't have the capacity to address it because that block grant is taken up completely by special education. And a bi-product of that is that within that 20 percent block grant you've got special education, bilingual education, and vocational education. With the state of immigration in America today, bilingual education is really difficult for us to address. Most of our efforts are coming from general funds, so there is a lot of pressure on the general fund." Another concern is for early or forward funding. He wants investment into the education fund to build up enough money to forward fund. He said the association supports SB 1 and wants it moved to the finance committee where some of the other issues in his testimony can be addressed.

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SENATOR THOMAS said a recent poll shows that the gasline ranks number one because it pays for everything, and number two is K through 12 education. He said he has looked at the funding, and it amounts to a lack of funding. "What can we do because there seems to be little movement towards actually fully funding education...not only in K through 12, but pre-schooling and higher education?" He asked Mr. Rose how the legislature and governor should fund education, because the resource money is not going to cover it, and it is only declining. Revenue projections decline for 2010. He asked for suggestions.

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MR. ROSE said he just laid out six buckets and there is not enough water to fill them all. Retirement liability looms huge for the future. The way the schools are funded is through the BSA, "so that's a critical issue." He spoke of reviewing the cost differential with two studies, which hasn't been revisited, "so it's been eight years since that was put in place." If there were any disparities, they have been exacerbated by now, he added. It threatens the integrity of the foundation formula, he opined. He said the issue of "intensive needs" has come along recently, and the costs are huge. There isn't enough money to address all the needs, so the legislature will set priorities, "and I think many of the things I've just mentioned here are going to receive some consideration, but I don't think we have enough money to do it all."

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MARY FRANCIS, Executive Director, Alaska Association of School Administrators, said her association supports the increase to the BSA. Her members are superintendents, principals, and school finance officers, and they also support "the other 'addressments' that have been previously mentioned." She added that the association supports a long-term fiscal plan that includes sources of financing other than declining gas revenues to support education. She urged the committee to move the bill.

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MELODY DOUGLAS, Chief Financial Officer, Kenai Peninsula Borough School District, said, "We're in support of any additional funding coming to schools." The increase to her budget by SB 1 would be \$6 million, and that would allow reinstating the staffing formula to the current year. In the budget process she ended up increasing class sizes by four students per class. "You can imagine how unpalatable that situation is." She said her board approved the preliminary budget last night, "and we are moving our budget with an increase to our class sizes on to our borough assembly." She said she supported the previous comments and wants the bill moved to finance committee to talk about full implementation of the ISER district cost factors and a reproducible method for updating the district cost factors periodically as outlined in SB 36. The PERS and TRS issues have been well stated. The Kenai Peninsula School District has been a good steward of educational funding and has closed one school with another slated for closing. She said she has not heard of any other school district in Alaska trying to close schools, "so we are very well aware that we are over capacity and we're working to address that matter."

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SENATOR STEVENS said her district doesn't fair well because of the area cost differential. He asked her to compare her district to Anchorage's district, and noted she has schools that are off the road system. He asked about the loss of students.

MS. DOUGLAS said the district has realized an ongoing two percent decline in enrollment for the last ten years. It has created a significant challenge. She said the in-place district cost factor is 1.004, although they are discussing maintaining the one-quarter implementation of ISER that was enacted by the legislature for this year. Anchorage is at 1.000. Kenai has four schools that are off the road system. "They are, quite frankly, on par with nearly all of our totally remote rural schools in

Alaska." Because the district cost factor has not been adjusted as mandated by SB 36, "we feel that we have been harmed significantly and we're looking for that matter to be addressed by the legislature this year."

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SENATOR THOMAS asked if other things need to be adjusted.

MS. DOUGLAS listed retirement issues, the district cost factor, intensive needs, vocational education, the bilingual program, and pupil transportation costs. They will transfer approximately \$500,000 to operate the pupil transportation program, she said.

DEBRA MULLINS, Member, Board of Education, Nikiski, said she is speaking for herself. She asked the committee to support SB 1 and take the increase in the BSA into consideration. The financial situation on the Kenai Peninsula has been suffering for years. It is a far-flung school district, but it has "quite a status with regards to the state of education of our students amongst school districts in the state." She said she is proud to represent the schools in her district, especially in Nikiski. Her three children came from Nikiski schools and are quite successful. She said she would like to continue to see the students' progress, and it concerns her to see the programs dismantled. The boost in the BSA could maintain the current program, she stated. Another boost might reestablish further programs. She encouraged the committee to pass SB 1.

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GINNY ESPENSHADE, Homer, said she fully supports any increase in the BSA to help with class size and the programs that have been lost, like auto mechanics and foreign language. For some students it is too late to recapture those opportunities. Increasing the BSA makes it easier to be fair to districts, like hers, that have been shortchanged for so many years, and it can be done without impacting other districts.

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CHAIR OLSON asked if she has children in the schools.

MS. ESPENSHADE said she has a senior at Homer High School.

SENATOR STEVENS said he hopes she will continue to be an advocate for schools even when her children leave the system.

DEBRA KIRK, Member, PTA, said her kids entered the school system when state funding declined. She has watched the programs being

pulled away. There is a limited learning program, and she thinks that extended learning is essential. All Alaskans have a vested interest and "our future will only be as good as our children's education." She said counselor and nurse times were cut back. The school hasn't had an elementary music program for the last five years. "For some reason our money got put elsewhere." She said she is on the arts curriculum committee, and the arts programs are not a frill and have been denied to the students.

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STAN LUJAN, Superintendent, Nome Public Schools, said he supports the bill. The state needs to feed more money into the [BSA], other than just raising it. "By spending down our TRS and our [PERS] down to percents that could pour more money back into the student-based assessments--the allocations that we have--is going to be really important, because that's two ways we can feed money back into the [BSA]." The cost of living--the ISER--needs to be addressed for Nome and all rural communities. Shipping costs have doubled due to fuel costs. It depletes the teacher core. He wants teachers trained in order to increase student achievement and reduce student/teacher ratios. With TRS costs going up, "we want to keep our teachers longer and longer, but that is costly to us." To improve teacher quality, those teachers should stay. "We used to be top salary across the nation, and now we're down anywhere from 10 percent to 50 percent ... if you compare salary schedules." He added, "We've been working hard at busting our budget to get our teachers up to the 40th, 50th percentile so at least we're appealing enough to new recruits." That means more money has to go into TRS, which takes funds from teacher training. It is a quandary on how to increase the academic quality of the programs, especially in the bush. It needs a combination of raising the ISER, increasing the student allocation, buying down PERS and TRS, and that's only a beginning. There could be some compromise so everyone wins.

CHAIR OLSON asked what Mr. Lujan sees happening in a year, in five years, and in ten years to attract teachers.

MR. LUJAN said a lot of people considering moving to Nome or Dillingham base decisions on the quality of the schools. He spoke of recruiting people to work at the hospital, and "we have to provide pre-engineering programs, and pre-calculus programs and an ROTC program, and art, and music, and those kinds of things, because if we don't, I can't attract people to our community." He said people might come up without their family for only a year or two, and the tax base declines. It becomes a

domino effect. The municipality is stretched for funds because of lack of revenue sharing. It becomes a tug of war, he said.

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LYDIA GARCIA, Executive Director, NEA-Alaska, Anchorage, said the BSA increase is good. NEA-Alaska is happy about the bill, but would like to see an increase to [\$5,953]. The state has about 132,000 students in K-12 public schools, and the BSA is \$5,380 per student, which costs \$932 million annually. The inflation rate is calculated at 3 percent annually, she said, which means \$29 million to address the FY08 inflation costs. Every dollar increased to the BSA costs about \$208,000. "In rough terms, 1 million produces a \$5.00 increase to the BSA" She noted that \$1.00 on the price per barrel of crude yields approximately \$60 million in revenue for the general fund. The education funding gap created by inflation from 1983 to 2002 is estimated at \$600 million. To fund just one seventh of the gap would require \$115 million or a BSA of \$5,953—an increase of \$573. It is not realistic to fill the gap of two decades in just one year. If every year inflation and retirement obligations are covered, and \$85 million is added, by the year 2014 Alaska's schools will be back up to adequate funding levels, she said. It is about the future of the educators and students. She agrees with Mr. Lujan's testimony. Adequate funding leads to class size reduction, more individual attention, safe schools, early intervention, materials, vocational training, and technology.

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CHAIR OLSON said Alaska has an alarming 30 percent dropout rate, and he asked how that would be affected by raising the BSA.

MS. GARCIA said that amount of funding would allow the institutions to provide better resources and more individual attention. That provides better potential for success.

CHAIR OLSON asked about studies from other parts of the country.

MS. GARCIA said each state has unique challenges.

SENATOR THOMAS asked if curriculum changes have an impact on retaining students.

MS. GARCIA said more money, time, and staff would provide closer attention and greater curriculum, which would greatly impact student performance and success in the learning environment.

SENATOR THOMAS asked if funding from different agencies for vocational education will be helpful to identify students and give them the opportunity to pursue something that is more to their interest than the traditional curriculum.

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MS. GARCIA said she is an advocate for providing the basic learning for all students. Having vocational opportunities is also important. Students have different needs, so to address that diversity, "we certainly can't lose."

SENATOR THOMAS asked for data on school funding of other states.

KATHY CARROW, President, Kenai Peninsula Education Association, with 600 members, said she echoes Ms. Garcia's testimony. "The \$5,810 does bring us within \$150 of the NEA target number, which is \$5,953." The Kenai borough school district passed its budget with a 12 percent cut of certified teachers. The remaining teachers need to pick up for those leaving. Teachers serve on a number of different committees, including staff development planning, student interventions, and curriculum development. "Having these professionals in the building to provide these services is a benefit to all of the students, but as we lose teachers, then those remaining teachers need to pick up...additional committee work." The large class size demands more time and impacts effectiveness. There have been class sizes of 30 to 35, and that isn't the best for kids. She is concerned about having the financial resources to provide good education to the community's benefit. She appreciates the legislation and would like members to be open to increasing the BSA amount.

[4:26:37 PM](#)

MARY HAKALA, Great Alaska Schools Citizen's Coalition, a grassroots advocacy network, said members invest time and energy by volunteering in schools. "We urge you to invest in the classroom." Go beyond PERS/TRS and inflation, and go to where the funding makes a difference at the classroom level. She noted that the 600-student middle school in Juneau has nine working microscopes. She asked for money beyond maintenance funding that brings a breath of fresh air into the classroom.

SENATOR THOMAS moved SB 1 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

The committee adjourned at [4:29:27 PM](#).