

SENATE FINANCE COMMITTEE
February 15, 2008
9:08 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:08:12 AM](#).

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Gary Stevens; Tim Lamkin, staff to Senator Stevens; Eddy Jeans, Director, Education Support Services, Department of Education and Early development; Peggy Cowen, Superintendent, Juneau Schools; Colleen Jones, Juneau, Great Alaskan Schools; John Alcantra, Government Relations, National Education Associations (NEA); Carl Rose, Executive Director, Alaska Association of Alaska School Boards.

PRESENT VIA TELECONFERENCE

Rachael Livingston, Homer; Liz Downing, Vice President; Kiki Abrahamson, Homer; Leslie Hajdukovich, President Fairbanks School Board; Woody Wilson Superintendent, Wrangell Schools; Joe Banghart, Superintendent, Iditorod School District; Melody Douglas, CFO Kenai Peninsula Borough School District; Ladawn Bruce, President of Kenai Peninsula Education Association (KPEA); Anne Kilkenny, Matsu, Great Alaskan Schools.

SUMMARY

SB 240 "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."

SB 240 was heard and HELD in Committee for further consideration.

[9:08:20 AM](#)

SENATE BILL NO. 240

"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."

[9:08:28 AM](#)

SENATOR GARY STEVENS, gave an overview of the bill. He underlined accomplishments of the Joint Legislative Education Funding Task Force (JLEFT) that resulted in a consensus on priority recommendations reflected in the bill. He noted that though there are other pieces of legislation that address the recommendations of the Task Force; SB240 is the most important piece. He outlined the 4 pieces addressed in the bill:

The first section addresses decreased enrollment. Districts with a significant decrease in enrollment would have a 3 year "step down" transition for decreasing funds; adding 75% of the difference in Average Daily Membership (ADM) for the first year, 50% in the second year, and 25% in the third year. This helps school districts ratchet down their budgets over a reasonable period of time.

The second issue addresses funding for intensive need students. He acknowledged that the multiplier used over the years at 5 times the Base Student Allocation (BSA) has been inadequate. The multiplier is increased to 9, 11, and 13 times the BSA over the next three years.

The third area addresses the "District Cost Factor" (DCF) which would establish equitable funding for students in distant locations. The bill phases in the ISER study. In the first year DCF is 50% of the ISER study and then the remaining 50% is spread out over the next four years (12.5 percent a year for the next 4 years).

The final piece of the bill is the increases of the BSA by \$100 per student in each of the next 3 years.

[9:14:52 AM](#)

Senator Huggins asked about the transportation component.

Senator Stevens said though the issue was acknowledged by the Task force, it was not addressed due to time constraints.

Senator Stedman notified the Committee that Amendment 1 would be taken up to address the transportation issue.

TIM LAMKIN, STAFF TO SENATOR STEVENS, observed that the member's packets contained Amendment 1, which was adopted in the House. As a point of clarification, he noted that HB 273, companion legislation, was currently in the House Rules Committee waiting scheduling on the House floor.

AT EASE: [9:17:10 AM](#)

RECONVEINE: [9:18:56 AM](#)

Mr. Lamkin said the pupil transportation recalibrations were a priority of the Task Force but at the time of concluding business, contract negotiations were not entirely complete. The intention of the Task Force was to wait for actual figures for calendar year 2007. The figures have since come available and are reflected in the Amendment. The Amendment also proposes additional adjustments for inflation.

Co-Chair Stedman noted the two fiscal notes: DEED #1 appropriates \$112,075.00 for K-12 and DEED #2 appropriates \$161,840.00, for the Alaska Challenge Youth Academy.

Senator Hoffman MOVED to ADOPT Amendment 1. Senator Stedman OBJECTED for purposes of discussion.

Co-Chair Stedman explained that the Amendment adjusts pupil transportation costs. Senator Stedman WITHDREW his OBJECTION.

Senator Huggins OBJECTED and questioned the \$500,000 loss to Matsu.

EDDY JEANS, DIRECTOR, EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, addressed Senator Huggins concerns. He explained that the grant amounts were recalibrated based on FY 07 actual pupil transportation costs. When contracts were renegotiated in FY 06, the contract costs decreased for Matsu, which left a surplus in revenues over expenditures in their FY 07 financial statement. He elaborated explaining that the Anchorage cost price index (CPI) was built into the contracts. Additionally, because the FY 07 actual costs were used for the recalibration for FY 09 budget, adjustments were made for inflation for FY 08 and FY 09. The provision also adjusts the pupil transportation amount by the Anchorage CPI for FY 10 and FY 11 at which time contracts will be at the end of their 5 year period.

Senator Huggins assumed that there would not be a deficit due to the binding contract, which is in place.

Mr. Jeans said he could not guarantee there would not be a deficit and explained that the grant program is tied to student enrollment. Funds increase if enrollment increases, and decrease if there is a decrease in enrollment. He reiterated that the recalculation is based on actual costs for FY 2007, which is the first year of a 5-year contract.

Senator Huggins asked if funding would be adequate provided there are no changes in student enrollment.

Mr. Jeans responded that there is adequate funding as long as the district did not add routes. If the district added routes without any change in student population, then their contracts would increase with no adjustment in funding.

Senator Huggins clarified that he wanted to ensure there was a mechanism to address the transportation issues for new schools and those with increased enrollment.

Senator Huggins WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment 1 was adopted.

[9:25:15 AM](#)

RACHAEL LIVINGSTON, HOMER, thanked the Committee for their work. She emphasized the importance of a higher BSA as well as additional transportation funding and urged the Committee to pass the bill.

LIZ DOWNING, VICE PRESIDENT, KENAI PENINSULA SCHOOL BOARD thanked the Committee for establishing the Joint Legislative Education Funding Task Force (JLEFT) and spoke in support of the bill. She specifically supported municipal sharing and unfunded liability. She added her support for the consortium for digital learning and the creation of standing Committees in both the House and Senate, for education. She underlined that the increase in BSA is imperative and added that she would like to see a \$200 increase. She asserted that even if the BSA was at \$200 the funding for the initiatives would be underfunded by \$300,000.

KIKI ABRAHAMSON, HOMER testified with her 5th grade students. She supported an increase in the BSA at \$200. She underlined the importance of the funding need, stating that Charter Schools have been underfunded by \$200 per student for 11 years.

LESLIE HAJDUKOVICH, PRESIDENT FAIRBANKS SCHOOL BOARD, testified in supported of the JLEFT recommendations. She specifically noted the importance of forward funding

emphasizing that it allows for better planning. She supported an increase of the BSA to \$200 per student.

WOODY WILSON SUPERINTENDENT, WRANGELL SCHOOLS, testified in support of the recommendations of the JLEFT. He expressed concern over the potential shortfall in pupil transportation funding. He explained that approximately 20% of schools are negotiating pupil transportation contracts and the actual costs are not yet known. The formula is based on FY 07 calculations. He expected there would likely be a shortfall and as a result funds will need to be taken from the instructional budget to support contractual transportation obligations. He further commented that with the absence of student improvement grants, the increase of \$100 BSA only allows for the current budget. He maintained that it is not an actual increase in funds. He added that energy costs, salaries and insurance have increased. In conclusion, he urged an increase in the BSA to \$200.

JOE BANGHART, SUPERINTENDENT IDITOROD SCHOOL DISTRICT, addressed the Committee from his high school classroom. He thanked the Committee for the establishment of JLEFT. He commented on two areas of the bill: The step down funding and the increased BSA. He emphasized that the BSA is not enough even at \$200, due to the high cost of energy coupled with student decline. He further addressed maintenance costs. He asserted that the increase in the BSA will go to energy costs not to the classroom.

MELODY DOUGLAS, CFO KENAI PENINSULA BOROUGH SCHOOL DISTRICT, commended the JLEFT for their work and supported the recommendations. She encouraged the establishment of a special Committee for education. She felt the most significant action would be to effectuate the recommendations in statute.

LADAWN DRUCE, PRESIDENT OF KENAI PENINSULA EDUCATION ASSOCIATION (KPEA), concurred with the comments made by Melody Douglas regarding the creation of a separate Committee for education and the establishment of the JLEFT recommendations in statute. Her final comments urged the Committee to accept the governor's recommendation of the BSA at \$200.

ANNE KILKENNY, MATSU, GREAT ALASKAN SCHOOLS testified in support of the JLEFT recommendations. She provided examples of funding cuts to the Kenai School District and the impact on services. She emphasized that a \$100 BSA increase was not enough and supported the Governor's proposal of a \$200 BSA increase. She asked the Committee to apply the funds calculated for FY 09, to FY 10. She noted examples of how this would assist in serving the students of the Matsu district.

9:50:26 AM

Senator Stevens pointed out that the proposed funding results in a \$252 million increase for K-12. He expressed concern in attempting to increase the BSA to \$200 and stressed the degree of consensus and support for the recommendations outlined in the bill. He felt if parties were adamant about the increase, the entire bill may be compromised.

PEGGY COWEN, SUPERINTENDENT, JUNEAU SCHOOLS, testified in support of the bill. She underlined the importance of the increase for intensive need students noting that 3% of Juneau's students make up that population. She further pointed out that often funds allotted for the general student body are used to fund intensive student needs. She noted that currently Juneau is at half of one percent of the cost differential in statute. The adjustment from the ISER study would be 14.5 percent, which more closely reflects the difference in the cost of providing services in Juneau. The Juneau Board of Education supports an increase of \$100 in BSA along with the JLEFT recommendations. She echoed Mr. Wilson's comments regarding the timing and funding of pupil transportation negotiations. Though she supported the recalibration of transportation funds she maintained the amount would not offset costs. She concluded that all planning and expectations were based on the assumptions that the approach to PERS and TERS would be made permanent and urged the Committee's support.

COLLEEN JONES, JUNEAU, GREAT ALASKAN SCHOOLS, testified in support of the bill and acknowledged two important recommendations from the JLEFT: The increased costs of providing education in Alaska's unique geographic regions of the state with the recommended phase out factors; and the phase in of increased funding for intensive needs students. She noted the provision moves funding toward actual costs of serving high need students. She continued to stress the importance of forward funding of education for planning purposes. She urged the Committee to consider an additional increase in the BSA, or outside the formula, in learning grant opportunities. She reiterated previous speaker's comments regarding high energy costs and added that costs of materials are rising faster than inflation.

JOHN ALCANTRA, GOVERNMENT RELATIONS, NATIONAL EDUCATION ASSOCIATIONS (NEA), applauded the efforts of the Committee and JFELT. He acknowledged the delicate balance of negotiations and consensus regarding the recommendations outlined in the bill. He read from Fiscal Note #1: "The Legislature funded 50 percent of ISER in FY 2008 outside the formula for approximately \$50 million and the School Improvement Grant for approximately \$20 million. If the \$70 provided in FY 08 is taken into consideration, then the

actual increase in FY 09 over FY 08 is approximately \$42 million dollars". He elaborated saying that the real increase in new money for FY 09 is \$42 million. He asserted that if the BSA is increased to \$200 it would provide another \$22 million for K-12, increasing new money to approximately \$64 million. He acknowledged comments by Senator Stevens regarding the \$252 million increase, but maintained that \$70 million should be subtracted out of that number. He noted the significance of the Legislature dealing with educational funding early in the session.

[10:03:37 AM](#)

CARL ROSE, EXECUTIVE DIRECTOR, ALASKA ASSOCIATION OF ALASKA SCHOOL BOARDS, testified in support of the bill and said he was honored to have served on JLEFT. He noted the three major education issues left on the table from the last Legislative session: foundation formula, unfunded liability, and revenue sharing. He acknowledged that the AASB understands that SB 240 is part of a larger picture. There was a one time temporary fix in 2007. He underlined that the only statutory reference for public K-12 education with regarding foundation formula is FY 07. He said it is critically important to incorporate the entire package in statute.

In closing Mr. Rose emphasized that AASB supports the package contained in SB 240. The organization supports a \$200 increase to the Base Student Allocation and a three-year phase-in for the District Cost Factor, but not at the expense of the package. He maintained that SB 240 is the most important bill of the session addressing the education of Alaska's children.

[10:07:39 AM](#)

EDDY JEANS, DIRECTOR, EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, supported the bill with one modification to the bill: an increase of the BSA from \$100 to \$200, for three years.

Senator Stedman acknowledged the legislation would not be the "silver bullet" to solve all problems, but felt the legislation would be a forward step.

SB 240 was heard and HELD in Committee for further consideration.

AT EASE [10:14:02 AM](#)
RECONVENED: [10:14:20 AM](#)

#ADJOURNMENT

The meeting was adjourned at 10:14 AM

