

**ALASKA STATE LEGISLATURE**  
**SENATE SPECIAL COMMITTEE ON EDUCATION**

February 28, 2007

8:03 a.m.

**MEMBERS PRESENT**

Senator Gary Stevens, Chair  
Senator Charlie Huggins, Vice Chair  
Senator Bettye Davis  
Senator Donny Olson  
Senator Gary Wilken

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

Overview: Consideration of repeal of requirement that 70 percent of education funds be spent on instruction.

**PREVIOUS COMMITTEE ACTION**

No previous action to record.

**WITNESS REGISTER**

Eddy Jeans, Director of School Finance  
Department of Education &  
Early Development  
801 W 10<sup>th</sup> St.  
Juneau, AK 99801-1894

**POSITION STATEMENT:** Presented overview

PJ Ford Slack, Superintendent  
Delta-Greely School District  
Delta Junction, AK

**POSITION STATEMENT:** Participated in overview

**ACTION NARRATIVE**

**CHAIR GARY STEVENS** called the Senate Special Committee on Education meeting to order at [8:03:17 AM](#). Present at the call to order were Senators Olson, Huggins, Davis, Wilken, and Chair Stevens.

**CONSIDERATION: REPEAL OF REQUIREMENT THAT 70 PERCENT OF  
EDUCATION FUNDS BE SPENT ON INSTRUCTION**

[8:04:00 AM](#)

EDDY JEANS, Director of School Finance for the Department of Education & Early Development, said that the Board of Education has been struggling with the 70 percent requirement for many years. The requirement was put in place as an accountability measure, but the No Child Left Behind (NCLB) act's requirements take the place of this measure and are more appropriate.

He showed the committee a spreadsheet detailing size and student populations for different school districts, and said that the requirement has been implemented since 1999. He said that two types of failures have been identified over the years: schools with a budget of three million or less, and those with operation and maintenance budgets that take more than 20 percent of their funding, such as rural schools.

He referenced another page of the handout to show summaries of the percent of change by category, and said that the requirement has done some good for school districts and the state's progress, and this year 29 districts are meeting the requirement. However, very little change has been seen in the last few years, so the threshold has been reached in the effectiveness of this exercise.

[8:10:41 AM](#)

SENATOR OLSON asked for clarification on recent improvement numbers and the concept of a plateau.

MR. JEANS said that he believes that a certain number of schools will never achieve the 70 percent goal, and this is why the situation has reached a standstill.

[8:12:16 AM](#)

SENATOR HUGGINS said that the trend of meeting 70 percent appears to be rising still.

MR. JEANS said that the effort has been worthy, but he thinks the number of school districts to reach the requirement is at its maximum.

[8:14:23 AM](#)

CHAIR STEVENS said that the requirement has been an enormous success, and he asked if removing the requirement would make things worse.

MR. JEANS said that he can not guarantee continued success, but that the state wants to move into a new system where students meet standards without necessarily spending a certain amount of money.

CHAIR STEVENS said that the public may not be happy about doing away with the requirement and the ensuing possibility that less money may be spent on instruction.

8:17:00 AM

SENATOR OLSON asked if there was another factor that contributed to the schools' success.

MR. JEANS replied that additional staff led to improvement in the school finance reporting system, which accounts for some of the difference.

CHAIR STEVENS asked if changes in school district reporting have been made.

MR. JEANS said that any change in the chart of accounts would have been very minor. Over time the increased scrutiny of the school finance system led to the improvement.

He referenced a McDowell group study to explain that the analysis found that 70 percent of funding should go to schools, teachers, and the instructional program. He said that other costs, such as administration, vary widely in different areas. The way that the percentages were calculated was by using the adjusted membership, which was then averaged by district.

MR. JEANS said that he calculated the ratio of non-instructional to instructional costs state-wide, and only 23 percent of the Anchorage School District's budget is non-instructional. Because the state-wide requirement was an average, each district's individual costs vary and thus render the requirement ineffectual.

8:27:30 AM

SENATOR WILKEN said that in 1997, funds allocation to the classroom was dismal in many schools and there was no common chart of accounts. The 70 percent requirement was and remains a good number, and although the department says it's unneeded it remains an effectual guideline. His concern is that repealing the rule would allow schools to slip back into poor funding allocation; he understands the need for a different way of reporting, but the requirement should remain.

He referenced a newspaper article showing that other states have a similar problem with school funding allocation and have signed similar bills into law.

[8:33:24 AM](#)

CHAIR STEVENS said that he sensed a reluctance to do away with a rule that appears to be working, but the committee is not unwilling to consider a new approach.

He asked Mr. Jeans to comment on any connection between the requirement and the state employee retirement system.

MR. JEANS replied that retirement funding is generally unrelated to this requirement. In the next few years, however, there will be a spike in retirement funding, which counts as instructional funding, so some schools' spending levels may be inflated without any actually classroom improvement.

He added that there has always been a chart of accounts, but that prior to 1998 districts were not forced to follow the guidelines.

[8:38:07 AM](#)

SENATOR WILKEN said that he did not understand Mr. Jeans' comments regarding percentage allocation, and said that schools appear to have control over their own allocations.

MR. JEANS said that districts were missing the requirement not because of state allocation but because of the way they were spending their own funds. He referenced a paper showing how the 70 percent spending requirement is calculated, and commented that the process is not particularly difficult.

[8:40:29 AM](#)

SENATOR DAVIS said that the requirement has made a difference in funding allocations and she does not want to do away with it, but that it may need some adjusting. She said she has been hoping for other recommendations from the school district. The requirement can be suspended, she suggested, and then monitored to see how the districts respond. She asked Mr. Jeans for another way to implement the requirement.

MR. JEANS said that the state board is asking for the repeal of the resolution, and that they're frustrated with the demands for waivers from the same districts not meeting requirements every year. He said that he could develop a tiered system for systems with difficulties, or a cap could be set for administrative costs, but that wouldn't necessarily have the same efficacy.

SENATOR HUGGINS said that external budget factors and evaluations are two things that change a school district's process, and while he is willing to accept part of Mr. Jeans' explanation of the frustration with the requirement, he finds that ultimately it's more useful than not.

[8:47:36 AM](#)

CHAIR STEVENS said that frustration is apparent all around, and the issue should be revisited in another meeting.

PJ FORD-SLACK, Superintendent of the Delta-Greely School District, said that the NCLB act now provides an accountability system that can take the place of the requirement. She said that Alaska, as a largely rural state, has inherently high administrative and facility costs, and if the requirement is not to be eliminated, it should be adjusted.

SENATOR DAVIS said that she thinks further information is needed, and added that she has asked for a bill to be drafted to spur further discussion.

SENATOR OLSON asked Mr. Jeans what sort of action the DEED takes when schools do not meet the requirement.

MR. JEANS replied that interventions are only made when schools do not meet NCLB requirements.

SENATOR OLSON asked for the administrative costs of private schools.

MR. JEANS replied that he did not know.

CHAIR STEVENS said that the issue needs to be further considered, and thanked Mr. Jeans for his presentation. Seeing no further business before the committee, he adjourned the meeting at [8:54:34 AM](#).