

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON EDUCATION

February 20, 2008

8:04 a.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Bettye Davis
Senator Donald Olson
Senator Gary Wilken

MEMBERS ABSENT

Senator Charlie Huggins, Vice Chair

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 16
Establishing and relating to the Education Funding District Cost
Factor Commission.

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SCR 16

SHORT TITLE: EDUCATION FUNDING/COST FACTOR COMMISSION

SPONSOR(S): SENATOR(S) STEVENS BY REQUEST OF JT LEG EDUCATION
FUNDING TASK FORCE

01/18/08	(S)	READ THE FIRST TIME - REFERRALS
01/18/08	(S)	SED
02/01/08	(S)	SED AT 8:00 AM BUTROVICH 205
02/01/08	(S)	<Bill Hearing Postponed to 2/6/08>
02/06/08	(S)	SED AT 8:00 AM BUTROVICH 205
02/06/08	(S)	Heard & Held
02/06/08	(S)	MINUTE(SED)

WITNESS REGISTER

TIM LAMKIN
Staff to Senator Stevens
Alaska State Capitol
Juneau, AK

POSITION STATEMENT: Commented on SCR 16 for the sponsor.

PAT DAVIDSON, Legislative Auditor

Legislative Audit Division
Juneau AK

POSITION STATEMENT: Commented on SCR 16.

EDDY JEANS, Director
School Finance and Facilities Section
Department of Education and Early Development (DEED)
Juneau AK

POSITION STATEMENT: Commented on SCR 16.

ACTION NARRATIVE

CHAIR GARY STEVENS called the Senate Special Committee on Education meeting to order at [8:04:29 AM](#). Present at call to order were Senators Olson, Wilken, Davis and Stevens.

SCR 16-EDUCATION FUNDING/COST FACTOR COMMISSION

[8:05:44 AM](#)

CHAIR GARY STEVENS announced consideration of SCR 16.

SENATOR DONALD OLSON, moved to adopt the proposed committee substitute (CS) to SCR 16, labeled 25-LS1347, Mischel, Version M, as the working document. There being no objection, the motion carried.

TIM LAMKIN, staff to Senator Stevens, sponsor of SCR 16, said the CS related to providing some direction for the Cost Factor Commission. It has the following substantive changes: it provides that the Legislative Budget and Audit Committee (LB&A) may contract for professional services to help conduct the study on page 2, line 20. It provides for a preliminary report by August 31, 2009 on lines 23-26. A 120-day public comment period is provided for on lines 30-31 and the timeline is changed on page 3, lines 1-4. It issues the final report and sunsets the commission just prior to the start of the second session of the 26th legislature, January 12, 2010.

Also backing up a bit on page 2, Mr. Lamkin said, lines 27-29 provide for a new district cost factor index. And on page 2, lines 15-17, provide for "actual and relative costs per classroom." The intent behind that was to be able to reach into the classroom if that becomes necessary.

[8:08:23 AM](#)

On lines 18-19, the CS calls for the model to give some consideration to cultural, socio-economic and other geographical

components that might be relevant to delivering education in the classrooms.

MR. LAMKIN said for the sake of discussion, the common reference to geographical differences in considering education costs and the science of geography is very broad in the CS. It refers not just to physical geography as some school districts are off the road system, over the mountains and by the sea, but also a human geography that allows for different ways of learning outside of the western way. These include cultural differences like elders teaching children how to make a fish trap and the logistics of throwing a seal party after the hunt and the historical and economic value of traditional dog mushing.

[8:11:21 AM](#)

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, explained that the LB&A Committee has the authority to enter into contracts with professional services at the request of the commission on page 2, line 20. That phrase also provides the necessary staff to the commission. She said the LB&A Committee, itself, usually has about two committee aides; however it also directs the work of two of the divisions that report through it - one of them being the Budget and Audit Committee and the other one being the Legislative Finance Division. So, providing necessary staff to the LB&A Committee means the commission, as it deems necessary, picks out of either division the staff that it needs to assist the tax courts in this area.

She said both she and David Teal, Legislative Fiscal Analyst, were part of the evaluation committee when the American Institute of Research (AIR) study was conducted.

CHAIR STEVENS asked if this is the way she would have expected this commission to evolve through the LB&A Committee. Is it the standard way of doing things and are there other options?

[8:14:30 AM](#)

MS. DAVIDSON replied that typically within the structure of the legislature things either fall under the purview of the Legislative Council or Legislative Budget and Audit Committee. The LB&A Committee is dominated by members on the Finance Committee and is tasked with fiscal analysis, audit and budgetary reviews. So, to the extent that the task force is driving to statutes that are going to have a budgetary effect that would be under LB&A; but task forces, in general, get aligned more traditionally with the Legislative Council. She suggested looking at the makeup of both committees for staff and

asking whether one is more conducive to what they are trying to accomplish.

SENATOR WILKEN said this commission is a "terribly political body." He asked her to comment on how her audit division could help in removing some of the politics from this model and asked if it was capable of taking this project on.

MS. DAVIDSON answered that the audit division's workload comes from two main areas; some are statutorily-driven responsibilities such as auditing the state's financial statements and doing sunset reviews of various boards and commissions. She said that the LB&A Committee also requests audits and just about every piece of work she does is governed by or done as an audit in accordance with professional auditing standards. She said the law provides the she can prepare memorandums or conduct studies at the request of the LB&A Committee; so that would allow her to take on this project.

[8:18:10 AM](#)

MS. DAVIDSON related that she was very naïve about the goals of the American Institute of Research (AIR) study that the LB&A Committee authorized and how they would be accomplished. As she looked at the resolves and thought more about it, she realized the goals of the study were ambiguous and that made it more likely they would not get something acceptable. On this issue, she advised them to let the issues that belong to the legislature stay in the political arena, because a contractor can't solve something that the legislature doesn't have a consensus on. For instance, they might understand what including considerations of social, cultural and other geographic components means, but in reality this language provides for putting out a contract and asking the contractor to report back to the legislature and if the goals aren't clear, the contractor can't give them the answers they are looking for. Giving the Audit Division clear objectives is most important, Ms. Davidson said. She can set up the audit procedures necessary to reach a conclusion about those objectives because that is where her expertise lies.

SENATOR WILKEN said it seems to him that the Audit Division has the tools and expertise to craft exactly what she said without the help of the LB&A Committee.

[8:22:22 AM](#)

CHAIR STEVENS asked if he had any more suggestions about how politics could be left out of this issue.

SENATOR WILKEN replied that the original concept was to have 7 or 8 technicians working on this model and not 11 legislators.

SENATOR OLSON said you can't take politics out of any study and the most aggressive politics he has seen have been within the school districts. For instance, he just got a phone call from someone who wanted him to step in because his kid wasn't playing enough on the basketball team. He thought taking the legislature out was a good step.

SENATOR WILKEN explained that they were trying to do a model here, not the report. The model should be put together and vetted first; then the numbers should come out. That is when politics would come in and he said "there will be losers." He explained how some people didn't like the McDowell study that dealt with real the numbers up front. He said 11 legislators sitting down to come together with some sort of district cost factors that benefits all couldn't happen; there was no way to levelize the way districts are treated and some districts would be losers in the process.

CHAIR STEVENS said he appreciated what Senator Wilken was saying.

[8:27:56 AM](#)

SENATOR DAVIS asked if Senator Wilken thought it was totally unacceptable to have 7 people come up with a solution rather than legislators.

SENATOR WILKEN replied that you can't do both; so the concept in July was to put together a technical group, not a legislative group, that would go out and do one or two separate studies. Then one would be chosen over the other or they would be melded together. The task force decided on this organization and the chairman decided to march ahead with the 11 legislators doing what they have already done before. He recollected that the task force comprised someone from the Anchorage School District, one legislator from each body, one person trained in statistics, one member of the Association of School Business Officials, one from the Governor, one CPA and one member from the general public with some background in mathematics. He said the task force decided to march ahead with the legislative body and he has great concern about it, but is trying to do the best he can to "dress this thing up."

[8:31:09 AM](#)

SENATOR DAVIS said she appreciated Senator Wilken's' concern and reminded him that the task force recommendations would have to be approved by the legislature and the legislature doesn't have to do what the task force recommends. She admitted she liked the other model better.

CHAIR STEVENS said he had no intention to push this in a direction Senator Davis didn't approve; but he thought this was the perfect venue for discussing this issue and was perfectly willing to accept whatever the committee says. He pointed out that, even if they create the commission outside the political realm, it has to come back to politics.

8:32:54 AM

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (DEED), said his body has many battle wounds over this particular issue. He said the study that was done by AIR and then updated by the Institute of Social and Economic Research (ISER) was not done by a legislative panel; it was the LB&A Committee with Senator Therriault, Representative Fate, David Teal, Pat Davidson and himself. They decided what components needed to be measured and addressed through a cost differential study. Then they put out an RFP, got numerous proposals and selected the best one. He said the problem with the AIR study was they didn't go back and validate the adjustments they proposed in their study. So, when AIR submitted its report to the legislature, everyone had a hard time understanding what they had done and they asked ISER to do a peer review.

ISER said the model works, but some areas needed adjustment. For example, the AIR group developed a model in the area of energy, but it didn't use actual costs. When they ran the model against actual costs, they were so far apart that ISER said they needed to go back to actual costs.

MR. JEANS continued, explaining that ISER suggested using a different approach on the personnel; that's when it became contentious. While he thought the legislature had done good work in the past in directing professionals to develop a working model. One thing he learned though, is that even with a working model you can't just drop new data in and expect it to update. Both the AIR group and the ISER group told them that they actually have to go back and recalculate the whole personnel component and then drop it back into the model. So, he said whatever working model the department ends up using, the DEED would still require additional contractual services for updates

because the Department of Education doesn't have the expertise to dive into that personnel component. Mr. Jeans admitted he didn't have the answer and as much as they would like to take politics out of the picture, it would always play a major role.

SENATOR WILKEN asked Mr. Jeans to refresh his memory. He thought that the legislature had asked AIR to update the parts of the model they thought were inadequate and that AIR asked for more money because it wasn't part of the original request. LB&A said no and instead contracted with ISER.

8:36:55 AM

MR. JEANS replied that he couldn't remember whether they had actually asked for an update. He thought AIR asked for more money to come back to Juneau again and explain their model a second and third time. The legislature said no.

SENATOR WILKEN said he wanted to emphasize what Ms. Davidson just said, if you don't define what you want "it" to look like, you're going to struggle later on and that's what they did with AIR.

MR. JEANS said you can only define this so much. When AIR told them what components they were going to use in the model, like climate zones and age of facilities, it sounded good - until they saw the results, which were so far out of whack compared to what districts were actually spending it wasn't acceptable.

He said when they put out the Request for Proposal (RFP) they got 5 proposals that looked good to him. AIR had a lot of experts in the field; they had done work for the National Center for Educational Statistics; they had created differentials for school districts for the entire United States so it made sense to go with them. He maintained that this will be a hot issue no matter what they do; the Department of Education is prepared to support whatever proposal the committee puts forward and will make recommendations on who to bring in. Even under this proposal, he said, he assumed they wouldn't have 10 legislators sitting in a room deciding what the components are, but will have experts come in to determine what components should be measured in this model and develop an RFP from that. But in the end, they'll have to rely on the experts who do this kind of work.

8:42:04 AM

MR. JEANS suggested that the new amendment on page 2, lines 15-16, "for the classrooms of each public school" was probably

unnecessary because when he reads that, the first thing he thinks of is the school level adjustment and to him that's the matrix that is in the foundation formula for school size adjustment. He explained that each public school goes through the size-adjustment table which is intended to adjust for economies of scale. Cost differentials are intended to adjust for the cost of doing business relative to the base, which is Anchorage.

SENATOR OLSON said what caught his attention about that line was how cumbersome it would be.

MR. JEANS said any study has to look at all 500 schools in the state, but this statement is talking about the school size-adjustment table which is a rewrite to the formula, not an adjustment of cost factors.

8:44:33 AM

SENATOR WILKEN said he had asked at the prior meeting (page 1, lines 11-12) that they reference the work that was done in 1983-1985 and he wanted to reiterate that that is very important history to show how the legislature struggled with district cost factors. In frustration they adopted a model that wasn't complete and then adjusted it. What happened isn't as important as when it happened; this has been a problem since the early 80's.

CHAIR STEVENS found no objections to expanding that history in another CS and it was so ordered.

SENATOR WILKEN said he was also concerned about the timeline mentioned on page 2, line 23 through page 3, line 2. As he sees it working, the group will get together and get organized, then review and research data and come out with district cost factors and legislation (page 2, line 24). They will submit a preliminary report, findings and proposed legislation on August 31. Then there is a four-month period for review and discussion about why those district cost factors are either really good or really bad. That would mean a four-month period of turbulence. He opined that what they really want to do is develop the model and come out with a report on the model itself, then put it out for a couple of months for people to comment on. When the public comment period is over, the model will be decided upon and that will produce the legislation that is then discussed in this building. He concluded that he thought the timeline should be moved around so the model is the subject of public discussion and then the district cost factors come out under legislation.

SENATOR OLSON asked if he had hard dates for that.

SENATOR WILKEN replied no.

CHAIR STEVENS asked him to think about that and come back with an amendment for the committee to consider.

SENATOR WILKEN asked Mr. Jeans what he thought about his sequence.

8:49:41 AM

MR. JEANS answered that the sequence laid out by Senator Wilken makes sense to him. He has experience in this area too, and explained that his department developed a model that did exactly what Senator Wilken proposed. Unfortunately, the results were the same at the end of the day, so they still didn't have consensus on the model.

MR. JEANS said he thought the word "cultural" on page 2, line 18, should be deleted because it went a little overboard in talking about socio-economic and geographic components for the cost differential.

SENATOR WILKEN suggested deleting "and may make any additional reports related to the costs of delivering public education in the state it considers advisable;" on page 2, lines 24-26, because it opened up what this commission could report on and could go down all sorts of rabbit trails that have nothing to do with district cost factors.

CHAIR STEVENS said they would give that a little thought and asked him to make an amendment at the next meeting.

SENATOR OLSON asked why that was put in in the first place.

SENATOR DAVIS said she was concerned with the "Further Resolved" on page 2, line 8, that says "the president of the senate and the speaker of the house of representative shall jointly appoint the chair and vice-chair of the commission;" and asked if those appointments would be made during this session.

CHAIR STEVENS said he thought so; it terminates in January 2010.

SENATOR DAVIS said she was concerned about taking this on at the end of the second part of the session because there will be elections after they make the appointments and new people will

be coming in. She thought it would be cumbersome with a new Senate President and Speaker of the House. She thought they should consider waiting until the 2009 legislative session.

8:55:20 AM

CHAIR STEVENS also pointed out that they are working with the January 12, 2010 deadline.

SENATOR DAVIS said that could be adjusted too.

SENATOR WILKEN opined that this legislation does not force the legislature to make a decision; it could just roll depending on who is in the building. So he suggested providing a repeal of the district cost factors (DCF) on a date-certain. Then the legislature could do one of two things; it could repeal the repealer or it could use that as a deadline to march ahead knowing that a decision has to be made to validate the work the commission has put in. He reminded them that the AIR study languished for two years before it got picked up again.

CHAIR STEVENS said he thought using a deadline to repeal DCF might be good.

SENATOR WILKEN said lastly, the LB&A Committee is involved through this legislation, but he thought they should consider going with Ms. Davidson's suggestion of assigning it to Legislative Audit or go with language in the House version on page 2, lines 20-22, that says "Further Resolved that the commission may enter into contracts for research services, consulting services or expert advice to assist the commission in creating a valid and durable model."

He also appreciated Mr. Jeans' suggestion to remove "cultural". He didn't know if "socio-economic" had a definition anywhere, but it would help to define what that means.

CHAIR STEVENS said he has really appreciated this discussion and he would hold SCR 16 for further work. There being no further business to come before the committee, he adjourned the meeting at 9:00:35 AM.