

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

March 5, 2008

8:02 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.

MOVED CSSCR 16(SED) OUT OF COMMITTEE

**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)
02/20/08	(S)	SED AT 8:00 AM BUTROVICH 205
02/20/08	(S)	Heard & Held
02/20/08	(S)	MINUTE(SED)
03/05/08	(S)	SED AT 8:00 AM BUTROVICH 205

**WITNESS REGISTER**

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

**POSITION STATEMENT:** Commented on CSSCR 16(SED) version K.

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

**POSITION STATEMENT:** Supported CSSCR 16(SED).

PAT DAVIDSON, Legislative Auditor  
Division of Legislative Audit  
Juneau, AK

**POSITION STATEMENT:** Spoke to two concerns with CSSCR 16(SED).

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

**POSITION STATEMENT:** Supported CSSCR 16(SED).

#### **ACTION NARRATIVE**

**CHAIR GARY STEVENS** called the Senate Special Committee on Education meeting to order at [8:02:42 AM](#). Present at the call to order were Senators Bettye Davis, Gary Wilken, Donald Olson, and Gary Stevens.

#### **SCR 16-EDUCATION FUNDING/COST FACTOR COMMISSION**

[8:02:46 AM](#)

CHAIR STEVENS announced the consideration of SCR 16.

SENATOR OLSON moved to adopt CSSCR 16(SED), version K, for discussion purposes. There being no objections it was so ordered.

[8:03:18 AM](#)

TIM LAMKIN, staff to Senator Stevens, explained the proposed committee substitute (CS) to SCR 16 that is the result of concerns raised at the prior hearing. On page 1, line 11, the dates of 1983-85 and 1999 were added to more accurately reflect the historical analyses that took place. On page 1, line 16, the timeline for starting this project was shifted to approximately eight months into the future so it would start at the beginning of session next year, January 20, 2009.

On page 2, line 1, "relative" was added to "cost differentials." From lines 4-7, the composition of the commission was changed from 10 legislators and 1 governor's appointee to 3 members from the Senate, 3 from the House and 5 governor's appointees. Language on line 12 referenced a person appointed to this commission who was then no longer a legislator who could continue to serve because of the shifting timeline. Language was inserted on line 13 saying that a model "may" include consideration of socio-economic and geographical components rather than "shall" include them. He reminded the committee that socio-economic geography is a field of study and it was referenced in "Moore versus Alaska" in terms of at-risk students. So, it seemed right to include it in the resolution, at least as an option. Reference to "cultural" was deleted.

On page 2, line 16, "Legislative Budget and Audit Committee" was changed to "the Division of Legislative Audit". On line 20, the CS specified a "draft model" rather than preliminary reports and draft legislation to include the district cost factors to be due before April 21, 2010. On line 22, the 120-day public comment period was scaled back to 60 days. That would make the final report due before August 1, 2010.

Language on line 27 gave it teeth and says the legislation must include a repeal of the existing cost factor index to be effective at the end of the following legislation session. Meanwhile, the proposed legislation would replace the index with a new one. Finally, on page 3, line 1, the commission would be terminated on July 31, the day it issues its final report.

SENATOR OLSON asked why use the date of April 21, 2010.

MR. LAMKIN replied that April 20 is the last day of the first session of the 26<sup>th</sup> Legislature.

CHAIR STEVENS asked Mr. Lamkin to review the arguments about establishing this when a legislature is on the way out rather than when members of a new legislature are convening.

MR. LAMKIN replied Senator Davis was concerned about setting this commission up now because some legislators might not be serving next year and wouldn't necessarily have a vested interest in developing a new model, which could jeopardize the commission's perceived consensus-building.

CHAIR STEVENS asked him to comment on the reason behind the change in the commission's makeup.

MR. LAMKIN replied that it was an attempt to bring some balance to the politics that will no doubt arise in addressing this project.

8:09:43 AM

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (DEED), said all the changes in the CS seemed reasonable and workable to him.

SENATOR OLSON asked if using "relative" cost differentials made the model more workable, because it seems like that would add an element of ambiguity.

MR. JEANS answered this wording is very reasonable because the cost differentials are intended to measure the relative cost differences between Anchorage and the individual school districts.

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, said she has two issues with the CS. One is the change in the commission's membership to include five appointments by the governor, and having the Division of Legislative Audit provide the staff and possibly enter into contracts. She explained that it is critical to auditors to be independent from those whom they audit. Her involvement with legislative committees is no problem because they don't audit the legislature; but she does audit the executive branch. She said she can't be sure who the governor would appoint, but if the governor appointed executive branch agency staff it could raise some potential problems for them in terms of maintaining that independence. If the division is ever asked to audit the agency's compliance with this area, she is not sure they would meet the independence standards of their profession to do that.

MS. DAVIDSON said her agency, as well as Legislative Finance report to Legislative Budget and Audit Committee (LB&A). She suggested that, when they see what they are really being asked to do, if it does impair their independence with regard to audits, perhaps they could work with Legislative Finance or somewhere else to give the commission a broader pool of people to pull from.

CHAIR STEVENS asked if her concern is if the five members appointed by the governor may create difficulty for her in auditing.

MS. DAVIDSON replied that it could. It depends on what the involvement is with the decision process that happens within the commission. Her suggestion was to expand the pool to the Legislative Finance Division; but if the subject doesn't impair her division's independence, Legislative Audit could be the first people they go to.

CHAIR STEVENS asked Mr. Jeans how he would anticipate the administration would appoint those five individuals.

8:15:27 AM

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (DEED), responded that he imagined some appointments would represent the School Administrator's Association and definitely the school business officials. He could possibly be appointed and that might be part of Ms. Davidson's concern. Some independent CPAs would be appointed, and he would recommend appointing someone from the Department of Labor and Workforce Development (DOLWD) who is good at statistical analysis.

CHAIR STEVENS commented that he didn't want the legislature designating who could be appointed.

SENATOR WILKEN said he appreciates Ms. Davidson's concerns but an audit looks backward and they are really just asking for her department's expertise prospectively. They are not asking her for an audit, but for her expertise.

MS. DAVIDSON agreed that Senator Wilken is right, but it isn't their involvement with the commission that she is concerned about, but the ramification afterwards of not auditing their own work; not auditing activities they had taken part in. So although their work with the commission does not present and independence issue because they are not auditing; the question is whether the next year they are doing the financial audit or they get a request from the LB&A Committee. Without knowing who would be appointed by the governor and whether they would be members of the executive branch, she said she was just raising a flag of caution.

8:19:23 AM

CHAIR STEVENS thanked Ms. Davidson for her caution.

MS. DAVIDSON added that, just to make sure the committee understands the procurement process, any professional services contract in excess of \$25,000 must be approved by LB&A

Committee. Her division does not have independent procurement authority.

CHAIR STEVENS asked if she was still more comfortable having the Division of Legislative Audit instead of the LB&A Committee doing that, or if she was suggesting the committee should be doing it.

MS. DAVIDSON replied that her consideration of taking the Audit Division specifically out and readdressing it to the LB&A Committee was, if the people assigned to the commission compromised her independence, LB&A could turn to the staff of the Legislative Finance Division and ask for their assistance. That would be a way to negotiate around the independence problem.

SENATOR WILKEN thanked the committee for making this a better bill.

CHAIR STEVENS said he thought all the concerns have been addressed.

[8:24:37 AM](#)

SENATOR OLSON moved to report CSSCR 16(SED), version K, from committee with individual recommendations and accompanying fiscal notes.

CHAIR STEVENS noted that version K didn't have a fiscal note, but version M had one; so he asked Mr. Lamkin to explain the difference.

MR. LAMKIN explained that they were working so hard to get a clean CS that they didn't put as much time and effort into the fiscal note. One of the current fiscal notes was based on Version A and the other on Version M. He pointed out that the dollar amount of the Version M fiscal note arguably could be kept the same, but the analysis section would need to be modified to reflect the new membership. He said that was a fairly easy fix if they wanted to do it now, and they could call it Version K.

Chair Stevens found no objection to doing that. There were no further objections to moving CSSCR 16(SED) from committee and it was so ordered.

There being no further business to come before the committee, CHAIR STEVENS adjourned the meeting at [8:24:49 AM](#).