

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

April 9, 2010
8:00 a.m.

MEMBERS PRESENT

Senator Kevin Meyer, Co-Chair
Senator Joe Thomas, Co-Chair
Senator Bettye Davis, Vice Chair
Senator Charlie Huggins
Senator Donald Olson
Senator Gary Stevens

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 313
"An Act relating to the Alaska Challenge Youth Academy."

- MOVED SB 313 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 313
SHORT TITLE: YOUTH ACADEMY FUNDING/REPORT
SPONSOR(S): EDUCATION

04/05/10	(S)	READ THE FIRST TIME - REFERRALS
04/05/10	(S)	EDC, FIN
04/09/10	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

JOMO STEWART, Staff
Senator Kevin Meyer
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Introduced SB 313.

BRIGADIER GENERAL THOMAS KATKAS, Commissioner
Department of Military and Veterans' Affairs
Fort Richardson, AK

POSITION STATEMENT: Testified in support of SB 313; the current level of state funding for the Alaska Challenge Youth Academy is adequate.

MCHUGH PIERRE, Deputy Commissioner
Department of Military & Veterans Affairs (DMVA)
Fort Richardson, AK

POSITION STATEMENT: Testified in support of SB 313; the current level of state funding for the Alaska Challenge Youth Academy is adequate.

EDDIE JEANS, Director
School Finance
Department of Education and Early Development
Juneau, AK

POSITION STATEMENT: Provided supporting testimony for SB 313.

ACTION NARRATIVE

[8:00:56 AM](#)

CO-CHAIR KEVIN MEYER called the Senate Education Standing Committee meeting to order at 8:00 a.m. Present at the call to order were Senators Olson, Huggins, Davis, Thomas, and Meyer. Senator Stevens arrived during the course of the meeting.

SB 313-YOUTH ACADEMY FUNDING/REPORT

[8:01:16 AM](#)

CO-CHAIR MEYER announced consideration of SB 313.

[8:01:51 AM](#)

JOMO STEWART, Staff to Senator Meyer, said that SB 313 changes the way the Alaska Challenge Youth Academy ("Youth Academy") is funded. He explained that this is a very successful residential high school for students who have withdrawn from school prior to graduating. Currently the Youth Academy receives funding that is equal to the base student allocation (BSA) multiplied by 7 for each residential student and the BSA multiplied by .6 for each nonresidential student, minus the amount received by the program in federal matching grant funds.

Under SB 313 the Youth Academy would receive a flat allocation of \$11,990 for each fulltime student, which effectively locks in the state funding at the current level. Federal funds are held harmless.

SENATOR HUGGINS referenced the sponsor statement that says, "However, as the BSA has grown over the years - to cover retirement costs and other increases in education - it has resulted in a windfall that is no longer reflective of the true cost of the program." and said at some point he'd like to know if this changes that.

[8:03:35 AM](#)

SENATOR OLSON asked how they justify funding a residential student at the same rate as a nonresidential student.

MR. STEWART deferred the question to the Department of Military & Veterans Affairs (DMVA) because the legislation was introduced at their request.

[8:04:11 AM](#)

BRIGADIER GENERAL THOMAS KATKAS, Commissioner, Department of Military and Veterans' Affairs, explained that the current state funding for the Youth Academy is adequate; this is simply an attempt to stabilize the method for getting that funding. He deferred to Mr. Pierre to explain the mechanics.

MCHUGH PIERRE, Deputy Commissioner, Department of Military & Veterans Affairs (DMVA), explained that as the BSA increased from about \$3,000 to almost \$6,000, the Youth Academy allocation was a 7X multiplier. When the Legislature added \$500 per student to the BSA, the Youth Academy received \$3,500 more per student. While this growth was unintentional, it did allow DMVA to expand the program. Mr. Pierre informed the committee that when DMVA received an additional \$1.5 million for the Youth Academy in FY05, they moved \$1 million to capital and used the remaining \$.5 million to pay the PERS costs for their employees.

MR. PIERRE said Eddie Jeans, the finance director for DEED, worked on the original formula for the Youth Academy and DMVA worked closely with him to develop this new formula to maintain the current level of state funding. For simplicity they decided to use just one formula to match the current budget. The intent was not to decrease the state funding because that's what has made this such a successful program. In fact, the State of Alaska funds the Youth Academy at a higher rate than any similar academy in the nation. He said the current rate is perfect, but if they do need more money in future years they want to be treated like other schools and be able to ask for it.

[8:08:27 AM](#)

CO-CHAIR MEYER asked how they arrived at the flat \$11,990 per student allocation.

MR. PIERRE replied the idea was to maintain the current funding level and this was a simple way to achieve that goal.

CO-CHAIR MEYER asked if he's comfortable that the current level of funding will provide sufficient funding for the program.

MR. PIERRE answered it's perfect to maintain the current program and allow comfortable growth.

[8:09:29 AM](#)

SENATOR HUGGINS mentioned the threshold number to be considered a site and asked what the site number is for the Youth Academy.

MR. PIERRE said replied they have to maintain different levels for the federal funding.

SENATOR HUGGINS asked what the number is to conform to the state BSA.

MR. PIERRE deferred the question to Mr. Jeans and continued to express confidence that enrollment won't fall below 265-270 cadets. Currently the Youth Academy has 186 beds and is getting ready to expand to 225 beds. The goal is to be able to graduate close to 500 cadets per year and this formula accommodates that goal. We really don't anticipate a drop off in enrollment, he said.

[8:11:09 AM](#)

SENATOR DAVIS asked what makes him think that moving away from the BSA and instead asking for flat funding of \$11,990 per student is going to be stabilizing, particularly in light of the push to increase enrollment from the pool of students who have dropped out of school. If your numbers doubled you'd have to return to the Legislature and ask for more money, she said.

MR. PIERRE replied they will still provide a student count each October and they will be funded for that number of students. As enrollment increases they'll receive more money, so the Youth Academy will be adequately funded to meet student needs. He reiterated that DMVA believes that \$11,990 per student is sufficient to deliver optimum services for residential and nonresidential students.

[8:14:04 AM](#)

SENATOR DAVIS clarified that it's the funding she's concerned about, not the program. She asked what the federal/state funding ratio is right now.

MR. PIERRE replied it's about 75 percent state and 25 percent federal.

SENATOR DAVIS asked if the federal money is based on a flat rate or a per student basis.

MR. PIERRE replied it's based on a per student basis and as the enrollment increases they anticipate that the ratio will approach 50/50.

[8:16:06 AM](#)

CO-CHAIR MEYER expressed concern about becoming more dependent on federal money and asked if this is a risk to the state.

GENERAL KATKAS said there's a lot of interest nationwide in keeping youth academies going so he doesn't see this as a risk. Compared to the programs in the other states and territories, the Alaska Challenge Youth Academy clearly enjoys the best state participation.

[8:17:22 AM](#)

SENATOR STEVENS joined the meeting.

CO-CHAIR MEYER admitted that the committee is uncomfortable agreeing to give less money to a program that is obviously a great success. Typically, a program would ask for and receive more, he said.

MR. PIERRE said he'd like to dispel the notion that capping funding prevents a program from growing and flourishing. The Youth Academy doesn't need to receive any more money per student than it currently receives. He reiterated that they've reached the optimum amount and as more students enroll they'll receive more money to address the needs of those students. "When we need more money we truly will need it and when we don't need more you understand that we're doing great and we won't need more money and we will be open and honest with you," he said.

CO-CHAIR THOMAS said you're smart enough to figure out what you do and don't need, but we're being redundant in expressing concern because this is a fairly unique request.

GENERAL KATKAS assured the committee that they have thought this through and believe they've reached equilibrium. We're reasonable people and it would be unreasonable to accept funding above the current level, he said.

8:21:09 AM

SENATOR HUGGINS asked what the pupil/teacher ratio is at the Youth Academy.

MR. PIERRE replied they have 10-12 teachers for each cadet and each class has 15-18 cadets. In total about 90 staff work at the academy.

SENATOR HUGGINS asked if the teachers are state certified.

MR. PIERRE said no; some of the teachers are certified, but that's not a requirement in private schools.

SENATOR HUGGINS asked if they have a continuing education program for teachers.

MR. PIERRE explained that they encourage their teachers to take advantage of the opportunity to take college courses and get reimbursed, but it is not the same as for state certified teachers working in public schools.

8:23:47 AM

SENATOR OLSON asked if the cadets have to pass the high school exit exam to graduate.

MR. PIERRE answered yes. They've partnered with local high schools in the Anchorage and Mat-Su school districts to offer the exit exam, but there's also a process for cadets to earn credits at the academy and then return to public school and work to receive their diploma.

8:25:13 AM

CO-CHAIR MEYER asked Mr. Jeans what he thinks about the new formula that is being suggested.

EDDIE JEANS, Director of School Finance, Department of Education and Early Development (DEED), said it's a wonderful formula.

CO-CHAIR MEYER asked how they arrived at the number.

MR. JEANS said he would first provide some context. The current funding formula, which was adopted in 2002, provides for the

Youth Academy to receive the BSA multiplied by 7 for resident students and the BSA multiplied by .6 for nonresident students. When this statutory formula was adopted, the BSA was \$3,940 and the Youth Academy received about \$27,000 per student in the residential program. Today the BSA is \$5,680 per student and the Youth Academy is receiving \$39,700 per student.

Over the years when the Legislature increased the BSA it was oftentimes to help school districts address their TRS liabilities. But the Youth Academy employees are hired under PERS so the increased funds were used to benefit the program rather than paying down a teacher retirement system (TRS) liability. What they're saying today is that they've reached a comfortable funding level for ongoing operations and they don't need more.

MR. JEANS explained that to arrive at \$11,990 they divided the total state aid that the Youth Academy receives today by the total number of students at the Youth Academy. He noted that the DEED budget this year reflected a \$600,000 reduction for the Youth Academy based on increased federal aid; as federal aid increases state aid decreases. What DMVA is proposing is to drop the BSA and freeze the per student state funding at the current level. Then if they receive more federal aid those additional resources can be used to expand their program.

MR. JEANS said he's talked about this with Deputy Commissioner Pierre a number of times and he firmly believes this amount is adequate to fund the program for possibly the next 5 years. If they believe at some point that they need additional funds they'll return to the Legislature to ask for more. For now they're comfortable, DEED is comfortable, and it simplifies the program.

[8:29:59 AM](#)

SENATOR OLSON suggested they re-appropriate the surplus to the general fund because relying on increasing federal funds is a volatile foundation.

MR. JEANS pointed out that they aren't asking to give anything back and they aren't asking for more. They are asking the Legislature to freeze their state funding at the current level and DEED is perfectly comfortable with the request.

SENATOR OLSON asked when the Youth Academy decided it had a stable foundation.

MR. JEANS replied he believes that this discussion has been ongoing for a number of years in this body; it's mainly centered on the fact that there isn't a direct relationship between increases in the foundation program and the 7X increases that the Youth Academy has received.

[8:32:33 AM](#)

SENATOR OLSON asked if he thinks the bill will make it through when it's so late in the session.

MR. JEANS replied that is in legislators' hands. Continuing, he offered the opinion that DMVA should be given credit for developing such a stable program that can continue to thrive at the current level of state funding. They're doing a great job and I applaud them for stepping forward, he said.

[8:34:15 AM](#)

CO-CHAIR MEYER noted that this bill moves to finance next and there's also has a companion bill in the other body.

[8:34:31 AM](#)

CO-CHAIR THOMAS asked if the statutory change would be specific to the Youth Academy or if it would impact other schools.

MR. PIERRE replied the Alaska Challenge Youth Academy has its own statutory funding scheme so this bill only affects the academy.

[8:35:28 AM](#)

CO-CHAIR MEYER closed public testimony.

[8:36:18 AM](#)

CO-CHAIR MEYER asked Mr. Jeans to explain the fiscal note.

[8:36:58 AM](#)

MR. JEANS said the fiscal note shows a \$300 increase in the current year over what's in the FY11 budget. In future years the Youth Academy will submit their student count and DEED will calculate the entitlement, which will be part of DEED future budgets that the Legislature considers on an annual basis.

CO-CHAIR MEYER commented that the \$300 fiscal note results in a finance committee referral.

[8:38:07 AM](#)

CO-CHAIR THOMAS moved to report SB 313 from committee with individual recommendations and attached fiscal note(s). There

being no objection, SB 313 moved from the Senate Education Standing Committee.

[8:38:22 AM](#)

There being no further business to come before the committee, Co-Chair Meyer adjourned the Senate Education Standing Committee hearing at 8:38 a.m.