

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 17, 2012

8:08 a.m.

MEMBERS PRESENT

Representative Alan Dick, Chair
Representative Lance Pruitt, Vice Chair
Representative Eric Feige
Representative Paul Seaton
Representative Peggy Wilson
Representative Sharon Cissna
Representative Scott Kawasaki

MEMBERS ABSENT

OTHER LEGISLATORS PRESENT

Representative Craig Johnson

COMMITTEE CALENDAR

PRESENTATION: FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT

- HEARD

HOUSE BILL NO. 313

"An Act relating to student counts and estimates for public school funding; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 313

SHORT TITLE: STUDENT COUNT ESTIMATES

SPONSOR(S): REPRESENTATIVE(S) FEIGE

02/03/12	(H)	READ THE FIRST TIME - REFERRALS
02/03/12	(H)	EDC, FIN
02/17/12	(H)	EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

PETE LEWIS, Superintendent
Fairbanks North Star Borough School District
Fairbanks, Alaska

POSITION STATEMENT: Provided the presentation of the Fairbanks North Star Borough School District.

REPRESENTATIVE ERIC FEIGE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 313, as Prime Sponsor.

MICHAEL PASCAL, Staff
Representative Eric Feige
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 313 on behalf of Representative Feige, Prime Sponsor.

DUNCAN WARE, Superintendent
Delta Greely School District
Delta Junction, Alaska

POSITION STATEMENT: Testified in support of HB 313, and responded to questions.

ACTION NARRATIVE

[8:08:24 AM](#)

CHAIR ALAN DICK called the House Education Standing Committee meeting to order at 8:08 a.m. Representatives Dick, Feige, Seaton, and Pruitt were present at the call to order. Representatives Cissna, Kawasaki, and P. Wilson arrived as the meeting was in progress.

Superintendent Presentation - Fairbanks North Star Borough School District

[8:08:50 AM](#)

CHAIR DICK announced that the first order of business would be a presentation by the superintendent of the Fairbanks North Star Borough School District.

[8:09:19 AM](#)

PETE LEWIS, Superintendent, Fairbanks North Star Borough School District, provided a presentation of the Fairbanks North Star Borough School District, beginning with the demographics of the area, which includes 35 schools, serving a minimally growing

population of approximately 14,267 students, with an ethnic mix that is predominantly white, but with a fast growing multi-ethnic category. He reviewed other facts regarding the district, which include: 44 spoken languages, 365 homeless students, 31 percent of students eligible for free or reduced lunches, special education services encompassing 14 handicap conditions, and 145 bus routes, accumulating over one million miles being driven annually to transport 7,000 students. The buses are housed in two heated bus barn locations; Fairbanks and Moose Creek. Transportation is subsidized from the district's operating fund, and represents an area of economic concern. Moving on to student performance, he reported a steady graduation rate improvement from 54 percent in 2007, to 71 percent in 2011, a gain of 17 percent. The 5 year cohort is 75.5 percent. The dropout rate has decreased, from 7.3 percent in 2005, to 3.9 percent in 2001, and is at 0.6 percent for students under 16 years of age. He added that, during the same timeframe, the dropout rate for Native Alaskans has been reduced by half.

[8:14:23 AM](#)

MR. LEWIS provided a series of published news articles, to emphasize student achievements. The stories focused on the performance of the students in community and regional activities, as well as participation and recognition on the national level. He characterized academic performance in general as high, with Fairbanks students outperforming others in the state and nation, as indicated by standardized test assessments. The standard based assessment (SBA) scores indicate that many of the schools have met the proficiency targets for language arts and math, but, he said: "We're all going to be in AYP [average yearly progress] jail, here very soon." The requirement is for 100 percent of students to meet the required federal standard by FY 14, and he provided a graphic to indicate AYP targets that may prove elusive leading up to FY 14. He suggested that the means for measuring student performance may need to be reconsidered and broadened to be multi-faceted in order to ensure a well-rounded education.

[8:19:39 AM](#)

MR. LEWIS paraphrased graduation statistics, which read: 80 percent graduating seniors gave schools an "A" or "B"; 868 graduates; 46 dropouts; 50 percent enrolled in college immediately following; and 70 percent enrolled in college any time during first two years. He pointed out that the district

has 92 students who are past the graduation year with their cohorts but are on to complete the high school requirements. A review of the Scholastic Achievement Test (SAT) and American College Testing (ACT) scores indicates that Fairbanks leads the state, and the nation, in all areas; English, math, reading, science reasoning, and composite. Further, he reported 63 percent of students score a three or higher on advanced placement tests; the national average is 58 percent. Career technical education (CTE) is also an area of focus and of the graduating seniors 53 percent enrolled in a CTE course and, further, 85 percent of those who attended said that it influenced their educational goals. The district has entered into apprenticeship agreements with four labor groups in the area, and is also offering internship opportunities at Eielson Air Force Base.

[8:23:17 AM](#)

MR. LEWIS discussed the Alaska Performance Scholarship (APS) pointing out the number of students qualifying for each of the three levels: 98, level 1 Honors; 73, level 2 Achievement, and 112, level 3 Opportunity. Two students also qualified for the newly introduced WorkKeys Career/Technical scholarships. Scholarship information, as well as an imbedded tracking mechanism, is accessible via the district's website, he said, and provided an illustration of the home page.

[8:24:52 AM](#)

MR. LEWIS continued, stating that innovation is important, and explained the technological advances that are being conducted in the district. The iPad App Track is one area that has proven helpful to manage the applications and variety of devices that are being utilized in the district from the central control office. He said that being able to adjust settings, provide curriculum, and offer general support from a single location streamlines the efforts and represents a cost savings to the district. Specific curriculum can be routed through the devices, and resources can easily be shared between classrooms. The technology support is an important aspect of the district infrastructure. Finishing, he emphasized the good work being accomplished by the teachers, facilitators and the administrative staff, and solicited continued support from the legislature.

[8:29:05 AM](#)

CHAIR DICK noted that the graduates are asked to score their school experience, and he praised the district's efforts to receive and utilize the feedback from students, introducing an element of customer satisfaction.

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REPRESENTATIVE SEATON commented on the project and theme based approaches in the CTE courses and pointed out that continued funding hinges on measurable improvement. He said it is clear from the dropout declines, graduation increases, and score statistics that strides are being made, and commended the superintendent.

[8:30:25 AM](#)

REPRESENTATIVE P. WILSON asked, "The current year ... as far as your budgeting goes, how are you fairing?"

MR. LEWIS responded that the FY 13 budget is projected to have a \$12.3 million dollar reduction, and a series of cuts are planned. He said efforts are continuing, at the legislative level to obtain increases for school funding.

REPRESENTATIVE P. WILSON referred to the American Recovery and Reinvestment Act of 2009 (ARRA) federal funds, and asked how the money was applied throughout the district.

MR. LEWIS answered that it was used for technology purchases and one-time support, as well as to fund a graduation success coaching program, but no on-going expenses are associated with the ARRA funds.

REPRESENTATIVE P. WILSON queried whether the coaching program will be revived.

MR. LEWIS replied no, and indicated that the program was previously cut. Further, considering the need to reduce the budget by 12.2 million, 90 positions are expected to be cut.

REPRESENTATIVE P. WILSON questioned the best way for the district to receive funding; through the foundation formula, or otherwise.

MR. LEWIS said the foundation formula is the best vehicle for increased funding, as it provides a static amount for planning purposes, which is important for communicating with

constituents, and eliminates the yo-yo effect caused by short term funding.

[8:33:48 AM](#)

REPRESENTATIVE SEATON referred to the website and the APS tracking system to inquire if the information is easily available for access and whether a password is required.

MR. LEWIS answered that it is available to students and parents, and does require a password for access. The site provides information on the student, which includes grades, attendance, and other sensitive material intended for use by individual students and their parents.

HB 313-STUDENT COUNT ESTIMATES

[8:35:06 AM](#)

CHAIR DICK announced that the final order of business would be HOUSE BILL NO. 313, "An Act relating to student counts and estimates for public school funding; and providing for an effective date."

The committee took an at-ease from 8:35 a.m. to 8:36 a.m.

[8:36:24 AM](#)

REPRESENTATIVE ERIC FEIGE, Alaska State Legislature, introduced HB 313, paraphrasing from the sponsor statement, which read as follows [original punctuation provided]:

Our school districts need effective tools to plan and budget for the education of our children. Under HB 313 - subject to the hold harmless provisions, changes in the Base Student Allocation [BSA], or other legislative changes - districts will be able to complete the budget process and determine staffing levels earlier, eliminate unnecessary layoff notices, and execute employment contracts to improve the stability of the education climate in the state.

The purpose of the bill is to base the funding for each school district in the state on the count under A.S. 14.17.600 for the preceding fiscal year. For example, the count conducted in October 2012 will

establish the funding level for the district for the 2014 Fiscal Year [FY].

The new funding formula will not change the "hold harmless" clause currently in existence. If a decrease in enrollment of five percent or more occurs, the district will continue to receive funding based upon the Average Daily Membership [ADM] plus the 75/50/25 percent addition over the next three years. Other provisions of the foundation formula will remain as well.

If a district has an actual increase in student count of greater than five percent, this legislation will require the Department of Education to provide supplemental funding to the district for the current fiscal year equal to Average Daily Membership for the current year. For example, if the October 2013 count is five percent larger than the October 2012 count, the Department will provide supplemental funding to the district for Fiscal Year 2014 equal to the increase in the Average Daily Membership between the October 2012 count and the October 2013 count.

The new funding method will implement with the FY 2014 year. Thus, the count conducted in the fall of 2012 will provide the funding level for both FY 2013 and FY 2014, subject to the hold harmless provisions.

An important consideration in this legislation is, except for Fiscal Year 2014, the actual funding given a district will not change, only the timing of the funding.

[8:40:13 AM](#)

MICHAEL PASCAL, Staff, Representative Eric Feige, Alaska State Legislature, suggested that the concept and base numbers be considered prior to determining what may occur in a specific fiscal year. He emphasized the need to provide districts with advance BSA funding to allow for appropriate planning. The problem of basing the funding on existing student counts is that it does not allow for advance budgeting; you can't count a student until enrollment is realized. However, if the count system is based on a previous year's adjustments can be made. He opined that large enrollment changes would represent an anomaly and could be adjusted for over a period of years.

[8:43:00 AM](#)

DUNCAN WARE, Superintendent, Delta Greely School District, said the process of funding could be improved by applying the current student count to the coming year and allow for forward funding. He opined that budgeting by guess work could be eliminated and stability provided, by enacting this change. Three questions rule a district's budgeting process: 1) how many students are expected, 2) how much will be received per student, and 3) the actual enrollment number based on the October count. Eliminating the October variable, and using a solid number, which could then be adjusted for in a planned manner, during the next budget cycle, would provide a confidence level that is currently lacking, he said. Teacher retention would be positively affected, as non-tenured personnel would not need to be put on notice every March 15th, and await notification of retention or layoff; provided on the last day of the school year. During this limbo time, teachers seek other positions, and the ripple effect is felt throughout the school and community. The district risks losing highly qualified personnel, and everyone involved is impacted.

[8:47:35 AM](#)

REPRESENTATIVE SEATON inquired whether it is more important to have a fixed attendance number to apply to the foundation formula, or to know what the formula amount will be, pending legislative approval. Further, he asked for clarity on how the BSA would be established, applied, and adjusted. Specifically, he questioned whether a district with a current enrollment of nine thousand realizing a four percent increase, about 360 students, could absorb the associated costs without additional funding for the year.

[8:48:14 AM](#)

MR. WARE said the primary budget question is based on the BSA, and that is what currently dictates the funding level. He said removing the BSA variable would be beneficial for planning purposes, even if the funding remained flat. Regarding an increase in the actual ADM, he said it is a matter of scale. The grade level distribution of students entering the system would play an important part, as it may not require hiring additional teachers.

[8:51:33 AM](#)

REPRESENTATIVE CISSNA noted that access to the road system is helpful, but the cost and accessibility of fuel is one of the major factors in communities today. Many families relocate as winter sets in and fuel becomes unavailable or unaffordable. She asked if HB 313 accounts for this type of variable.

MR. WARE responded that it could be beneficial to small schools, as the funding would be based on the previous year's count. If the enrollment were to drop below state minimums, funding would still be received, operations could be continued, and a strategic plan could be created, he opined.

[8:54:04 AM](#)

REPRESENTATIVE FEIGE asked whether public aid funds are fully expended each year, or is it possible to realize a surplus.

MR. WARE said that each budget has fluidity, and excess funding is placed in a reserve account. He reported that reserve balances are currently at about 7.8 percent.

REPRESENTATIVE FEIGE asked if a limit is imposed on the amount that can be retained.

MR. WARE answered that the cumulative must be less than 10 percent.

[8:55:45 AM](#)

REPRESENTATIVE P. WILSON noted that HB 313 changes the method for counting students, and directed attention to page 8, line 31, which read [original punctuation provided]:

d) Part-time students shall be included in the student count data and in accordance with regulations adopted by the department. (e) When reporting a district's ADM, a part-time student who is a correspondence student may not be counted as more than one full-time equivalent student.

REPRESENTATIVE P. WILSON asked if the Delta Greely School District has correspondence students, and whether this language would effect a change in the status quo.

MR. WARE answered that the district does have correspondence students, and they are currently counted at 80 percent of the

BSA, as long as they are enrolled for four or more credits. He opined that the change would not have a major impact.

REPRESENTATIVE P. WILSON clarified that the language would not propose to increase the correspondence count to 100 percent of the BSA.

MR. WARE said no.

[8:57:16 AM](#)

CHAIR DICK asked the logic and origin for using five percent as the critical variable rather than three or eight percent.

MR. PASCAL indicated that the current hold harmless clause is established at five percent, thus, existing statute it was adopted for inclusion in HB 313. To a follow-up question, he explained the current hold harmless clause, which provides that, if a school district loses five percent of their students based upon the adjusted student count for the schools, in the first year following the loss, only 25 percent of the expected funding is retained by the state; 75 percent is received by the district in order to continue operating and then declines for each of the next four years, if enrollment does not increase, with a final result of zero funding.

[8:59:40 AM](#)

CHAIR DICK noted that the bill contains a provision for supplemental funding, and asked for clarity on the funding source.

MR. PASCAL deferred to legal counsel, and stated his belief that funds would be appropriated from the supplemental budget.

[9:01:21 AM](#)

MR. PASCAL continued to explain the considerations being scrutinized to ensure that every school district will benefit from the proposed legislation, including the foremost advantages of funding stability and staff retention.

[9:02:55 AM](#)

REPRESENTATIVE FEIGE interjected the importance of retention, and asked committee members to consider staff changes in their

offices and the disruptive effects that are inherent with turnover.

[9:03:48 AM](#)

MR. PASCAL pointed out that the first seven pages of HB 313 primarily contain the necessary conforming language. He then turned to page 8, line 4, to point out where new language has been inserted to change the hold harmless clause. Moving on to line 21, he paraphrased the language which read in part: "determination of its state aid **for the succeeding fiscal year following the count period**". Thus, he said the count that was conducted this fall would be used for the following year's funding. The hold harmless clause is set at five percent. If a district's enrollment increases by five percent, or more, funding will be provided from the supplemental budget, equal to the increase in the adjusted ADM for the fiscal year. He opined that for many school districts, such as Delta Greely, a five percent increase, representing 50-60 students, unless they were all entering one grade level, may or may not result in the need for additional staff. Finally, the changes beginning on line 28 include new subsections to allow adjustments to the count based upon existing statutes, and to eliminate the possibility of a part-time or correspondent student being counted twice. Mr. Pascal referred to the committee packet handout titled "Statewide Average Daily Membership Fiscal Year 1988-2011," and said it is important to note that the enrollment has been primarily flat for the last 10 years. Considering that the state has an overall stable student enrollment may make the process easier, he opined. He then directed attention to the second page of the handout, to explain the two charts comparing equal percentage increases and decreases as applied to a hypothetical ADM. The charts cover a six year period from FY12-FY18, and calculate totals for the current and proposed methods, with the resulting differences, to illustrate the proposed budgeting and funding scheme. He finished reviewing the charted totals, and said an issue may arise if the ADM follows a constant increase, as a district would experience a continued budget shortfall. However, ADM decreases would result in a district being ahead each year. The districts would need to be prepared to handle continued increases.

[9:12:09 AM](#)

REPRESENTATIVE CISSNA questioned the downside of the scheme, and asked:

Who's holding the bag? ... Somebody is keeping the debt a little longer. ... The state actually winds up giving more ... longer, and ... there's probably interest ... that comes into this picture.

MR. PASCAL responded that earned interest on reserve accounts was not scrutinized for the purposes of the presentation. The focus of the bill is to stabilize the situation. A fiscal note is attached for review, but the direct answer to who is holding the bag is that, he said, "It depends."

[9:14:10 AM](#)

REPRESENTATIVE FEIGE added that the level of scale is a variable, and also where the enrollment changes occur; however, the total state education appropriation remains the same. He noted that a district experiencing a high rate of growth may have more of a challenge to cover costs. He reminded that some districts, such as Delta Greely, are allowed to retain up to 10 percent of budget overages to create a reserve from the surplus. Municipalities will often retract surplus school funding, but that is another matter to be considered, he suggested.

[9:16:44 AM](#)

CHAIR DICK cautioned that some districts may benefit, but some may not, and asked whether the Association of Alaska School Boards (AASB) and the school superintendents association were consulted, along with EED, during the bill drafting process.

MR. PASCAL assured that various educational entities have been approached; however, feedback is still being received. Concerns are being scrutinized and complications are under discussion, but the comments have primarily been positive.

[9:19:13 AM](#)

MR. PASCAL moved to the third page of the handout, with three similar charts illustrating further examples of possible outcomes, again comparing the current and proposed methods and the differences. The end result in all scenarios is similar under either method. He said the first year represents an adjustment year, and strategies will need to be identified for initiating the program while providing appropriate financial support to districts.

[A brief conversation ensued to ascertain the relationship of the theoretical numbers presented in the charts.]

[9:26:29 AM](#)

REPRESENTATIVE PRUITT said in the Anchorage area school ADM's may fluctuate by as much as 500, and, applying that to the example ADM of \$5,680, that represents \$2.8 million. In a given year, the enrollment swings could represent millions of dollars, and he asked for further information on how large districts will be handled.

MR. PASCAL said the larger districts have been a concern regarding how to minimize the impacts, and the dialogue is continuing. He pointed out that Anchorage is allowed to retain 10 percent of their total budget, and if a three or four percent increase were to occur, it would only require that a small portion of the reserves be used to cover enrollment increases in the first year.

REPRESENTATIVE PRUITT opined that the district may not create a reserve with any surplus, but rather apply it to an existing need. He cautioned against the presumption that a district will reserve surplus funding.

[9:29:43 AM](#)

REPRESENTATIVE FEIGE reiterated that the municipalities often retract the surplus funds. He offered examples of how the percentage points could be manipulated to mitigate the situation, and further, suggested that statute could be amended to restrain municipalities and allow districts to retain surplus funding.

[9:31:55 AM](#)

REPRESENTATIVE CISSNA offered that the politics of size does have an impact. A question of what part health plays in a community is easily answerable in a small area, but in a large community it is more difficult to answer. She noted that the arrival of a student into a small school, following the ADM count, may present a burden, while in a larger school it may not represent a significant impact.

[9:34:31 AM](#)

REPRESENTATIVE SEATON stated his understanding that the basic premise is to provide funding security; however, he said:

The question ... for the districts is: Is budget security on how many kids you had last year, more important than getting the actual money paid to you to educate the number of students you have this year. ... I think that's the philosophical difference and I think we're going to have to hear from ... school districts on that.

REPRESENTATIVE SEATON pointed out that intensive needs students are budgeted at 13 times the basic BSA. Thus, one intensive needs student arriving or leaving an area would represent a major funding factor in a school budget, and he asked whether that cost scenario has been factored into the proposed legislation.

MR. PASCAL, regarding the philosophical premise, agreed. Budgeting for a subsequent year, via a method arrived at by basing funding on a previous year's ADM, while not creating a negative impact on the delivery of education due to a change in the student count, poses a question; particularly for districts experiencing a steady increase in the ADM. He said the same amount will be budgeted but the question of when the funds are received represents the major difference; similar to a savings account that pays quarterly versus monthly. Addressing the question of intensive needs funding, he said it is being worked on with the department. Finally, he pointed out that EED has provided a fiscal note, which represents the supplemental funding.

REPRESENTATIVE SEATON referred to the charted examples and suggested that the percentages be lowered from five to two, which could then provide an increase in each projected year.

MR. PASCAL agreed, and indicated that it is a matter of scale, with districts being affected differently by a changed ADM.

[9:41:52 AM](#)

REPRESENTATIVE SEATON asked if there would be a reason to maintain the current hold harmless clause, if this bill is adopted.

MR. PASCAL said perhaps not. However, given the impact that cutting a teacher position may represent in a small community, he opined that it's still a good clause to have in place.

REPRESENTATIVE FEIGE interjected that some districts are tied into multi-year contracts with teachers, which would influence how a diminished ADM might be handled.

REPRESENTATIVE SEATON pointed out that the current hold harmless clause stipulates a reduction to 75 percent of the BSA, and the proposed legislation continues funding at 100 percent, based on the previous year.

MR. PASCAL concurred and said, "We're one year behind under the proposed formula. So they still need to be paid for that year the student was actually counted."

REPRESENTATIVE SEATON referred to the bill page 7, line 8, to review the language, and request a chart for illustrative purposes.

REPRESENTATIVE FEIGE agreed, and said a chart would help clarify the proposed concept, and said that one would be provided to the committee.

MR. PASCAL noted that the idea for HB 313 was suggested by a school administrator and the intent is for it to help all districts.

[HB 313 was held over.]

[9:48:58 AM](#)

CHAIR DICK thanked the participants and announced the upcoming meeting.

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:48 a.m.