

HOUSE FINANCE COMMITTEE
March 26, 2012
1:35 p.m.

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CALL TO ORDER

Co-Chair Stoltz called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Michael Hanley, Commissioner, Department of Education and Early Development; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Elizabeth Sweeney Nudelman, Director, School Finances and Facilities, Department of Education and Early Development, Director of School Finance

PRESENT VIA TELECONFERENCE

None

SUMMARY

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^EDUCATION OVERVIEW: ACCOUNTABILITY & RESPONSIBILITIES,
STANDARDS, TESTING, GRADUATION RATES, MOORE CASE SETTLEMENT
UPDATE

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MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT began with Slide 2, which illustrated the structure of the State Education Association (SEA). He noted that the department's structure was unique to other departments in the state. The graph showed the State Board of Education & Early Development at the top. The board was a 7 member voluntary board that met approximately 6 times per year; SEA board members were appointed by the governor. He noted that the commissioner's position in the department was appointed by the board and approved by the governor. He detailed the duties of the board. He noted that the SEA was the school board for Mount Edgecumbe Boarding School. Currently, the SEA had renewed several charter schools in the state, discussed and put out for public comment new cut scores for work keys; the work keys assessment in regard to the performance scholarship, reviewed and asked for additional financial information form two districts regarding the 70/30 requirements, and put out for an extended period of public comment a proposed set of state standards. He shared that the role of the commissioner was to set the vision for the department, direct and oversee the work of the staff, monitor and implement the budget, acquire and provide grants to school districts and carry out the role of support and accountability to the 53 districts statewide. The organization chart:

State Board of Education & Early Development

- Commissioner
 - o Teaching & Learning Support
 - o School Finance & Facilities
 - o Administrative Services
 - o Libraries, Archives, & Museums
 - o Mount Edgecumbe Boarding School
 - Professional Teaching Practices Commission
 - Alaska State Council on the Arts
 - Alaska Commission on Postsecondary Education

Representative Guttenberg requested further information regarding how the commissioner interacted with the individual 53 school boards that served the districts throughout the state.

Mr. Hanley responded with the information on Slide 3, which listed the responsibilities of the state under the Education clauses:

Alaska Superior Court defined, in 2007, the State's responsibilities under the Education clauses:

1. Appropriate Educational Standards
2. Adequate Assessments
3. Oversight & Accountability

(A fourth is funding, which is a statutory decision)

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Commissioner Hanley stated that the overarching responsibility stopped at the local education association (LEA), or local school boards. The state had the responsibility of distributing funding through grants to the local boards, as well as setting standards and assessments and providing support, accountability, and oversight. He explained that as a local governance state, authority was given to the local districts to make their own decisions for hiring superintendent under the school board. Additionally, local boards were tasked with allocating the state funds provided in their overall budget, operating and maintaining school sites, student accountability and setting and maintaining state curriculum standards and teacher evaluations.

Commissioner Hanley relayed that the difference between the SEA and LEA was oftentimes misinterpreted. He said that the SEA had the responsibility to set the standards and the LEA set how to implement those standards. He noted that Anchorage had various models within the district designed to meet state standards. He reiterated that Alaska did not have a statewide curriculum, but that local districts determined the curriculum to address the statewide standards.

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Representative Wilson asked about the Anchorage system adopting the "common core" standards, which differed from state standards.

Commissioner Hanley replied that the information would be highlighted further in the presentation.

Representative Wilson shared that the state had Tier 1 thru Tier 3 schools. Tier 1 schools were school that were meeting the expectations set by the state, Tier 2 schools were not meeting the standards and Tier 3 schools, which were intervention districts. She queried what steps the state took for improvement when a school fell below Tier 1.

Commissioner Hanley responded that the tier system was a function of the federal No Child Left Behind law. He stressed that the state had a responsibility of oversight and accountability. He said that when a district had the authority to make decisions for students, and the students were chronically low performing, the state had the responsibility to step in by offering solutions. He said that the federal model also offered the student the option of enrolling in a higher performing school. He furthered that when districts hit intervention status, teaching coaches were used. He stated that the coaches worked directly with teachers and district leadership to align the curriculum with state standards. He added that the SEA had the authority to do more, but this was not usually done out of respect for the local governance model.

Representative Wilson wondered what would constitute an instance where the state might more strongly intervene.

Commissioner Hanley stated that the issue was an ongoing consideration.

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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR reported on school funding over the past years. She relayed that Alaska had made a significant investment in K-12 education over the years. She noted that education spending was a significant piece of the FY13 general fund budget request. The chart located on Slide 4 showed the general fund appropriations for K-12 Education from FY 04 until FY 13. She stated the chart covered all the major pieces of education funding that was dealt with on an annual basis: the K-12 school funding formula, pupil transportation, retirement system unfunded liability assistance payments, school debt reimbursement from municipal districts, school construction and major

maintenance, as well as one-time funding. The chart also included average daily membership and a calculation of expenditures per average daily membership for each fiscal year. She highlighted that there had been significant increases in general fund spending since FY04. She said the total state general fund contribution had nearly doubled; from \$831 million in FY04, to \$1.7 billion in FY13. She directed committee attention to the K-12 formula and pupil transportation, which received \$734.9 million in FY04, and then an increase to \$1.15 billion in FY13. She said that over the same time period, the average daily membership numbers declined, from 132 thousand to 129 thousand. She highlighted that in FY08 \$80 million in retirement system costs was shifted to the state and the base student allocation (BSA) was not changed or reduced by that amount. Additionally, the FY08 budget reflected a one-time, \$69 million item, which included \$48 million for district cost factors not yet rolled into the foundation formula and \$21 million for improvement grants.

Ms. Rehfeld reported that FY09 was the first year of the education funding plan that had a three-year increase for the BSA and intensive students, and a five-year implementation of the district cost factor adjustment. In FY09 the BSA rose from \$5,380 per AADM to \$5,480; the increase resulted in a \$22.3 million increase in the BSA. Intensive students in FY09 were funded at nine times the BSA, which cost the state \$35.4 million.

Co-Chair Stoltze requested the definition of "intensive needs" students.

Ms. Rehfeld explained that intensive needs students required multiple services in the classroom. Some had conditions, some medical, that needed to be addressed in the classroom on a daily basis. She asserted that there was a significant need to address the cost of serving intensive needs students because assisting them on a daily basis was expensive.

Commissioner Hanley agreed. He added that some intensive needs students needed one-on-one assistance in order to be successful in the classroom.

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Representative Gara asked about the increases passed by the legislature 6 and 4 years ago in an effort to assist with retirement debt [indicated in light blue on the graph on Slide 4], increase funding for special needs and to deal with the inequity between urban and rural school districts. He understood that schools were not currently fully compensated for special needs funding.

ELIZABETH SWEENEY NUDELMAN, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, DIRECTOR OF SCHOOL FINANCE answered that the funding for each of the intensive needs students was approximately \$75,000 per student. She qualified that the funding did not necessarily follow each student; one student could cost \$30,000, while another could cost \$100,000. She said that the funding was far reaching in accommodating expenditures for the intensive needs students.

Co-Chair Thomas asked how the \$80 million of retirement money given during that time would equate to the BSA increase.

Ms. Rehfeld replied that at the time the \$100 BSA increase equated to approximately \$20 million.

Co-Chair Thomas understood that the BSA increased by \$300 in FY08.

Commissioner Hanley replied it was closer to \$400.

Representative Gara thought that a lot of money had been appropriated in the past. He pointed to FY 11 and FY 13; other than an increase in retirement, funding remained flat.

Ms. Rehfeld responded that she would be discussing the numbers for those years further into the presentation.

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Representative Costello asked what the cost would be to pay off the PERS and TERS liability.

Ms. Rehfeld replied approximately \$11 billion.

Representative Costello wondered if the legislature were to choose the option of paying off the unfunded liability

would the ongoing liability become the responsibility of the districts.

Ms. Rehfeld said that currently, because of statutory framework, districts are held at paying 12.56 percent for TERS. It would be beneficial to the state for the entire unfunded liability to be paid off.

Representative Costello recalled the Learning Opportunity grant that was at one point rolled into the BSA.

Ms. Nudelman believed that the grants were rolled into the formula as Quality Schools grants and were now incorporated into the total dollars that went out to the district.

Representative Costello understood that the grants were for teachers to use to purchase classroom materials.

Ms. Nudelman replied that she did not know exact parameters of the grants.

Commissioner Hanley replied that the grants were part of the local authority; local school boards and districts were able to make determinations on how to use the grants.

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Representative Doogan remarked that the chart indicated that cost of education had doubled from FY04 to FY13.

Ms. Rehfeld replied in the affirmative.

Representative Doogan understood that the increase in BSA had been 55 to 60 percent

Ms. Rehfeld said that from FY08 the BSA increased from \$5,380 per student to the current \$5,680.

Representative Doogan reiterated that from FY04 to FY13 there was a 55 to 60 percent increase in the BSA.

Ms. Nudelman explained that the BSA was not separately represented on the graph, she stressed that the numbers represented the overall increase in funding.

Representative Doogan stated that he was trying to determine the percentage increase from FY04 to FY13 on K-12 Foundation and Pupil Transportation Formula funding.

Ms. Nudelman replied that the increase from \$734,912 to \$1,152,730 could be found on the bottom of Slide 4.

Representative Doogan requested the actual number of percentage increase in the BSA over the 10 year time period.

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Vice-chair Fairclough pointed out to the committee that the \$11 billion liability for PERS and TERS was at an 8 percent rate of return, which could be considered high under current money management scenarios. She wondered whether the actual percentage rate was being considered by the Alaska Retirement and Management Board (ARM) when presenting to the legislature what the actual liability would be in the future.

Ms. Rehfeld relayed that the ARM board annually examined the numbers. She said that the latest evaluation would be available in June 2012, and those would be the numbers used to determine the rate for FY14.

Co-Chair Thomas wondered why the student head count was declining.

Commissioner Hanley responded that generally the decreases were seen in rural, rather than urban, areas.

Co-Chair Thomas queried the predicted student increase in FY13.

Ms. Nudelman interjected that the student number projections were generated by the school districts each year and that a slight increase was expected in FY13.

Co-Chair Stoltze asked if the decline was an overall trend.

Ms. Nudelman replied yes. She added that the increase could be slight from one year to the next, but overall the numbers were decreasing. She directed committee attention to the bottom of Slide 4. She said that the increase in the formula funding from FY04 to FY13 was 58 percent.

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Representative Neuman mentioned the transient student population in Alaska. He suggested that a twice a year student count should be performed in order to better gauge the flux of the student population.

Commissioner Hanley responded that the conversation about multiple counts was ongoing. He said that the count could be done on a monthly basis, but each additional count would cost money, and the line would have to be drawn eventually.

Representative Neuman asked how money was allocated after appropriation by the legislature.

Ms. Nudelman stated that the calculation was taken once a year and then 12 monthly payments were sent out to the school districts.

Representative Edgmon thought it could be informative to compare the 53 school districts to the K-12 Formula Funding in order to determine an upward trend. He felt that the issue really surrounded the BSA and wondered if data was available that tracked the increase in school district budgets along with the BSA.

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Ms. Nudelman believed that the data could be provided. She noted that the DEED website posted the revenues distributed to each district.

Representative Edgmon suggested including each districts funding in aggregate in a bar chart next to the charted BSA on Slide 4. He believed that the upward trend would surpass the trajectory over a 10 year period.

Ms. Nudelman replied that the numbers would align because districts tended to spend all the money they received.

Co-Chair Thomas noted that in the past school districts were able to get by with no budget increments. He thought in light of the declining oil production that school districts needed control spending and to stop asking for more funding. He said that 24 percent of total operating budget went for education. He thought that everyone, in all departments, needed to work together to stop spending.

Commissioner Hanley agreed that \$1 out of every \$4 of the operating budget was spent on education. He stressed that the increased cost of operations was often overlooked; the issue was not increased spending, it was inflation.

Co-Chair Thomas hypothesized what might happen if the state lost any significant amount of federal funding; he thought the state would have to back fill \$100 million per year.

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Representative Joule asked when in the year the student counts occurred.

Ms. Nudelman said that the count was taken over a 20 day period in October of each year.

Representative Joule noted that the Alaska Permanent Fund Dividend and the Alaska Federation of Natives Conference occurred in October. He expressed concern that rural students traveling into the city could be missed during the count. He asked if the department had data concerning students who not have been counted.

Ms. Nudelman responded that the October count was based on enrollment. If a student was enrolled in a local school, but was out on an excused absence, they would still be counted for funding.

Representative Wilson pointed out to the committee the \$30 million proposed increase by the governor. She noted that each district was very different and wondered how the funds would be fairly allocated. She asked if there was a plan to rein in spending as costs increased.

Ms. Rehfeld replied the governor's proposed increase would be addressed further into the presentation.

Representative Gara agreed that prior to FY10, funding had not been flat. He stressed that the amount of money making it into the actual classroom during FY11 through FY13 was completely flat.

Commissioner Hanley said that the state was increasing expenditures to education every year through FY13. He assured the committee that the governor would continue to support education.

Representative Gara clarified that his concern was with classroom funding. He cited the Legislative Research analysis that showed that every department in the state had received and increase for increased salaries and benefits, except for K-12 education. He wondered why other state agencies received salary and benefit increases in order to maintain levels of service, but schools did not.

Commissioner Hanley responded that expenditures had increased. He explained that the state agency did not determine where local districts allocated their funds. He stressed that increased costs, and not flat funding, was the issue at the local level.

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Representative Guttenberg asked if there was a chart that depicted how much money was spent in the classroom versus transportation, utilities, etc. He understood that the numbers would vary by district, but that a statewide, cumulative number would be informative.

Ms. Nudelman replied that the department could prepare the information at a later date. She reiterated that individual districts chose where to allocate appropriated funds.

Vice-chair Fairclough informed the committee that individual district school board presidents could provide the additional information: student population, labor contracts, number of teachers employed, maintenance, utilities, and program expansion. She thought that once the information was presented, the committee could examine rising costs by district.

Co-Chair Thomas pointed out \$80 million went into the BSA in FY04. He thought that should be recognized. He commented that paying teacher's retirement salary directly benefited the classroom.

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Ms. Rehfeld continued with her presentation. She directed committee attention back to Slide 4. She said that in FY09 through FY11 the 3-year education plan was in action, which meant an increase of \$100 per year in the BSA, a rise in intensive student funding from 9 to 13 times the BSA, and district cost factors continued to be added into annual

costs. She stated that there was no BSA increase in FY12; rather the state provided one-time funding of \$20 million placed into the department's budget for school districts for the AADM, plus the addition of the district cost factor. She relayed that the FY13 governor's budget did not request BSA increase, but did include the additional and final year of the implementation of the district cost factors. She explained that the \$1.7 billion represented in the FY13 column was approximately 26 percent of the unrestricted general funds before the legislature. She said that the request included the full funding of the BSA at \$1.1 billion, pupil transportation, forward funding for 2013 K-12 education and pupil transportation, \$329 million for the PERS and TERS unfunded liability; a \$76 million increase over the current year roughly equivalent to a \$300 increase in the BSA on current projected costs.

Co-Chair Stoltze asked how many years in a row the legislature had approved forward funding.

Ms. Rehfeld replied 6 years.

Co-Chair Thomas said that forward funding money was sitting and waiting to be spent on education.

Ms. Rehfeld relayed that \$124 million was approved by the house for municipal school debt reimbursement, which was an increase over the current year of approximately \$12 million and would fund the 60 to 70 percent reimbursement of education facility projects approved by local voters in municipal school districts. She detailed items that had yet to be passed by the house in the capital budget: \$61 million for school construction, \$24 million for 14 major maintenance projects and \$1.7 million for Mount Edgumbe deferred maintenance.

Ms. Rehfeld continued to Slide 6a. She stated that due to the decline in oil production the governor was reluctant to build in automatic formula increases; the governor was reluctant to support automatic increase in the formula because of the cumulative impact on the state budget. She said that the governor was willing to consider a targeted fixed cost increases for education. She noted an amendment that had been submitted to the committee on March 8, 2012 from OMB, which had been based on energy and people transportation costs. She relayed that the energy costs that school districts had actually paid in FY11 had been

examined, as well as the projected spending for 2013, which was why \$20 million of the \$30.3 million request was targeted specifically at energy costs. She added that the current grant program for pupil transportation was not covering the increased costs of pupil transportation.

Co-Chair Stoltze requested further explanation of the 6 year cumulative increase in education spending.

Ms. Rehfeld explained that if the BSA was increased by \$125, \$31.6 million would be put into the base budget for the school funding formula. She furthered that in FY14 there was a proposal that the \$31.6 would be in the base budget, plus an increase in the BAS of \$130. The BSA would increase in FY15; all the additions to the BSA would be added to the formula program, which over a 6 year period would increase to \$487 million. He stressed that these were the areas of concern when managing the state operating budget on an annual basis while facing declining oil production.

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Ms. Rehfeld redirected committee attention to the governor's March 8, 2012 amendment. She restated that the request was for \$30.3 million. She said that OMB had identified people transportation and energy costs as specific items that districts had said that they were unable to cover. She shared that OMB proposed to allocate the funds based on the BSA as if it had been included in the funding formula, but it would not be included in the formula. The amendment would be an appropriate way to allocate the dollars. She pointed Slide 6, which included multiple columns detailing the school districts, state aid foundation allocations by district December 15, pupil transportation allocations by district December 15, the two totals combined, fixed cost increase allocation based on AADM, and the totals overall for each district.

Co-Chair Stoltze noted that the graphs Ms. Rehfeld referred to were available to the public on BASIS.

Co-Chair Thomas understood that with the BSA increase each year the formula funding would need to be increased by \$400 to \$500 million.

Ms. Rehfeld responded that the forward funding was based on the projection of whatever the current school funding formula was at the time.

Co-Chair Thomas surmised that the numbers would increase over the years.

Representative Costello asked whether school districts had the ability to use funds on anything they wanted if the governor's proposed budget was passed.

Ms. Rehfeld believed that the funds would be applied to energy costs and pupil transportation. However, once the funds were provided to the school districts, they could be used for whatever the school board deemed the highest operation priorities.

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Representative Doogan wondered whether the different costs of energy for each district would be taken into consideration.

Ms. Rehfeld replied that the AADM took into consideration all components of the school funding formula to account for costs in various areas.

Representative Gara asked whether the increase was a net \$10 million increase from the prior year's budget.

Ms. Rehfeld replied yes.

Representative Wilson spoke out against the one time funding. She wondered if a statewide plan to control pupil transportation costs had been considered.

Ms. Rehfeld replied that concerning energy, there were some opportunities for school districts to acquire additional support through the State Energy Program housed by the Alaska Housing Finance Corporation (AHFC). She stated that the department could best reply on the topic of pupil transportation.

Ms. Nudelman interjected that the conversation concerning quality, cost-controlled pupil transportation was ongoing. She said that the department had tried several different solutions, none of which had been particularly successful.

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Ms. Nudelman referenced Slide 7, which detailed the local effort in the public school funding formula. She said that the public school formula calculated basic need for each district by starting with the October count, applying the formula factors, and multiplying by the BSA. Once basic need was calculated then it was decided who paid: required local effort, federal impact aid or the state general fund. She said that all districts received their basic need funds. She relayed that the state general fund covered whatever funds were needed after the required local effort and impact aid was accounted for. She referred to the first column in the chart depicting the required mill rate in the state. She explained that the required mill rate was a contribution from local governments of 4 mills of assessed property value. The third column illustrated a change that occurred in 2002; since that time the 4 mills was applied to a reduced assessment. The state assessor's numbers were reduced by only considering the increases of growth since 1999 at 50 percent. She said that when the two columns were compared the full assessed and reduced education values could be determined. She said that the effective mill rate due to the assessments was below 4 percent. She discussed the required local effort column. She said that local governments could contribute additional amounts. The last column on the chart showed contributions below the local distribution cap of 4 mills.

Commissioner Hanley talked about the pre-K program focus within the department as charted on Slide 9. He stated that the department funding for the Head Start program matched federal funding. The department also funded Best Beginnings and the Parents as Teachers program. He noted that the boxes on the left of the chart represented year one and the boxes on the right represented year two. He stressed that the programs were focused on high risk students. He directed the committee's attention to the Entry (Fall) column of the left hand box. He pointed out that under Collaborative Approach the Bottom Quartile number was 33. He said that the slides showed that the students moved up the quartile, from the bottom into the higher quartiles as the year progressed. He detailed the three basic approaches the department took regarding pre-K: The Collaboration Approach; which worked with Head Start to provide services and leveraged both state and federal money, The Infused Approach; which worked directly with the Head Start

program to increase academic rigor within the Head Start program, and the District Approach; which was created by the district. He highlighted that positive results had been found in both years. He noted that additional results could be found in year two by examining the higher numbers of children in the top quartile by the spring.

Ms. Nudelman discussed Slide 8, which detailed local effort history. She said that when the state went from something less than 4 mills for the local required effort, it was state general fund money that made up the difference. The chart detailed the amount that the state backfilled each year under the provision.

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Representative Wilson thought that communities were paying a large amount in education funds. She noted that not all districts were paying the 4 mills, but were still seeing a substantial increase in tax dollars for education. She understood that there were parts of the state that where education was entirely state funded.

Ms. Nudelman replied that only districts with taxable property had a required local effort in the foundation formula.

Representative Wilson understood that all parts of the state could have taxable property if they chose.

Ms. Nudelman replied that if the area was an incorporated government then the property could be taxed.

Representative Gara pointed out that the state aid had increased from \$77,145,225 in FY11 to \$80,678,671 FY13. He queried the formula that drove those numbers.

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Ms. Nudelman stated that since 1999, property increases in school districts were assessed at half. If a property assessed at \$400,000 in 1998, 4 mills would be applied, if the property were assessed in 2000, the payment required would be \$200,000.

Representative Gara asked how the amount that the state paid was calculated.

Ms. Nudelman said that after local required effort and federal impact aid whatever was left would be the state's share. Whenever the local or federal aid dropped, the state made up the difference.

Vice-chair Fairclough asked if the calculation used a full, assessed value.

Ms. Nudelman deferred the details of the question to the state assessor. She explained that the assessed value that the department received from the state assessor did not give credit for exemptions that local communities chose for themselves.

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Commissioner Hanley stated that the department had four components in the pre-K program. The department had \$7.2 million in matching funds for the Head Start program; Best Beginnings was supported at \$612,000. The Parents as Teachers program garnered \$300,000 in state funds, and the state pre-K allowed for \$2 million. Of the \$2 million \$1.7 was distributed to six different districts, \$300,000 went to two intervention districts per legislative request.

Commissioner Hanley discussed Slide 10, which charted the department's Alaska pre-K program approach and funding. The funding source, state contribution per child, and total cost per child of the six different programs in the competitive grant were listed. He said that the Anchorage (\$9,936.), Juneau (\$13,824.), Bering Strait (\$17,113.), Nome (\$13,347.), Lower Kuskokwim (\$12,132.) and Yukon-Koyukuk (\$6,711.) school districts all had grants running pre-K programs. He directed attention to the bottom two boxes, which listed the Lower Yukon (\$150,000) and YUPIIT (\$150,000) school districts, both were intervention districts.

Vice-chair Fairclough asked how many students were serviced by each of the pre-K programs.

Commissioner Hanley referred to Slide 9, which provided the information year-by-year.

Representative Costello referred to a presentation by a representative from the federal government who had highlighted the alarming fact that Alaska could count on a

9 to 15 percent reduction every year in federal funds from 2012 into the future. She said that a list had been provided as to where the reductions would be found and that education was among the listed areas. She wondered if the department had been in communication on a federal level in preparation for the reduction of funds.

Commissioner Hanley stated that he had talked with Senator Murkowski, but that no one could pinpoint where those cuts would be located. He said that the federal funding that supported Head Start was \$32 million and that that number could drop significantly.

Representative Costello asked which programs represented a collaborative approach to pre-K education.

Commissioner Hanley replied that the collaboration approach involved the state working with Head Start to establish a program. He explained that the infuse approach used a Head Start program already in place and determined where that program could be strengthened.

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Commissioner Hanley continued to Slide 11 titled "Proposed Alaska Standards." He stressed that the proposed new state standards had been sent to the State Board of Education for an extended public comment period and could be adopted as early as June. He said that national standards did not exist and that until recently every state was given the opportunity to develop their own standards. He relayed that the current content standards had been developed in the mid-1990's, performance and grade level expectations had been added later. He shared that recently the Council of Chief State School Officers completed the development of the common core standards. The idea was to raise the bar for all of students across the country. He said that the national common core standards were set in stone and that Alaska had developed common core standard unique to the state. He believed that Alaska's fierce independence should not extend to the educational standards set nationwide. He believed that Alaska's graduates would be competing with graduates from around the country. He said that the effort was made to assure that the common core standards for the state met and exceeded the national standard.

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Representative Gara did not understand the new standards presented in the presentation. He asked if the required number math and science courses were part of the newly developed standards.

Commissioner Hanley responded that the new standards were meant to focus on the needs of all students and were not intended to meet the standards set by the Governor's Performance Scholarship. He added, however; he believed that the new standards would make a difference in the number of kids that would qualify for the scholarship.

Representative Gara surmised that no consideration had been taken concerning the required number of years of math and science.

Commissioner Hanley rebutted that the minimum courses for graduation were a different conversation.

Representative Edgmon asked if the standards applied to public schools.

Commissioner Hanley replied yes.

Representative Edgmon surmised that raising the standards would cost districts money.

Commissioner Hanley replied in the affirmative. He added that Best Practices suggested that standards be reviewed approximately every 6 years. He said that it was the responsibility of the state to set the standards and there would be cost associated with any standards the state set.

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Vice-chair Fairclough had heard that the standards adopted by the Anchorage School Board were higher than the current standards out for review. She asked if the National Assessment of Education Progress (NAEP) scores would be adopted in order to measure Alaska's students head-to-head with other students in the country.

Commissioner Hanley replied that Anchorage had adopted standards that the Anchorage School Board believed to be higher than the proposed state standards. He applauded Anchorage for attempting to raise the bar. He did not believe that pulling one standard out of language arts

standards represented more of an increase in rigor than what was outlined in the newly proposed state standards. He did not anticipate that there would be very much difference between the Anchorage standard and the one adopted by the rest of the state. He believed that districts that wanted to purchase curriculum materials that were aligned with the common core standards would be adequately aligned with state standards.

Vice-chair Fairclough referred to a presentation from the department's website on Alaska's proposed English Language, Arts and Mathematics standards. She expressed concern with page 33, which stated:

"It is up to schools and teachers to decide how to put the standards into practice and incorporate other standards, including the cultural standards."

Vice-chair Fairclough queried the validity of an assessment that was created by those it assessed. She stressed that Alaskan graduates were being compared with other students by their NAEP scores for college admissions and expressed concern that Alaska's students would be in the lower percentile.

Commissioner Hanley believed that the state standards would be equal or greater than the rest of the country.

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Representative Wilson asked if it would be cost effective for the state to use an assessment that was already being used in the rest of the nation.

Commissioner Hanley replied that the department did not know what the costs would be. He said that if the other assessments proved to be more cost effective for the state than creating our own assessment, then one of them would be used.

Representative Costello echoed constituents concerns regarding how the districts communicated with the parents. She said that parents of children that performed well under the school based assessment testing believed that their children were doing very well in school. She opined that when compared to test scores on the national level the students were underperforming. She hoped that as the

department looked into assessments, meaningful communication with parents would be considered.

Commissioner Hanley asserted that educators needed to stop lying to kids. He clarified that building a false sense of self-esteem would be detrimental to students in the long run. He felt that the proposed standards would allow for more honest assessments.

Representative Costello asked if the state could stop participating in No Child Left Behind.

Commissioner Hanley replied no. He said that there were waivers that alleviated the state's responsibility for adequate yearly progress. He reported that if the state wanted to move towards a waiver several things would need to be in place: the school accountability model would need to change, college and career ready standards would need to be established, and student achievement would need to be tied directly to teacher and principal evaluations.

[3:29:10 PM](#)

Representative Doogan probed the three sets of standards: test based graduation standards, college scholarship standards and how they all fit together.

Commissioner Hanley explained that the present standards were content standards and when standardized testing became required some performance standards were built into particular grade levels. He said that once it was required to assess students across grade levels the "grade level expectations," which were performance standards for grades 3 through 10, were added. He relayed that the three standards had been simplified into one in the new proposed standards. He furthered that the standards set what kids need to know upon graduation, but the assessments that were performed measured how students were progressing towards proficiency of the standards. He said that Alaska currently assessed students in grades 3 through 10. He walked through the assessments starting with the developmental profile which occurred in the first month of kindergarten and the first part of 1st grade. He shared that the standards based assessment was performed in grades 3 through 10. He said that the assessment were driven by federal statute and was the largest component of the state's assessment protocol. He stated that the final test was the High School

Graduation Qualifying Exam (HSGQE), which existed in statute and was a minimum competency test of basic 8th, 9th, and 10th grade skills.

[3:35:10 PM](#)

Vice-chair Fairclough said that the HSGQE was the test showed that students in the state were 20 points below the national average.

Commissioner Hanley corrected that it would be the standard baseline assessment that recognized the low-cut score. He said that the HSGQU was not a separate test. In 10th grade the student took the standard baseline assessment with the HSGQE incorporated; one test would result in two scores.

Commissioner Hanley continued to the Alternative Assessment: Modified and Nonstandardized HSGQE, which was used for students with disabilities. He highlighted that the Norm-referenced Assessment was the one assessment that was still a part of the protocol, but was no longer part of the state's accountability protocol.

Commissioner Hanley continued to Slide 13, which listed several other assessments.

Co-Chair Thomas asked how the state rated on the NAEP scores.

Commissioner Hanley stated that the NAEP was performed in the 4th and 8th grades. He shared that at the 4th grade level the state ranked 5th from the bottom in reading and 33rd from the top in math. He added that in 8th grade reading the state was 7th from the bottom and 26th from top in math. He shared that Alaska was ranked 3rd in the country as far as progression in an upward direction.

[3:40:10 PM](#)

Co-Chair Thomas wondered if the numbers could be broken down by district.

Commissioner Hanley though he could provide the numbers at a later date.

Representative Costello asked if the NAEP was independent in providing a representation of a group of students.

Commissioner Hanley replied that every student in representative districts took the test in the 4th and 8th grade.

Representative Costello wondered if the department knew how many elementary school curriculums used Everyday Math.

Commissioner Hanley replied that he did not know.

Co-Chair Thomas asked who chose the students in each district to take the NAEP test.

Commissioner Hanley said that it was a random sampling of students. He added that the diversity of each school district was taken into consideration in order to select a good representation of the state's population. He said that 5,500 4th graders were selected and 4,800 8th graders were selected for the test statewide.

[3:42:10 PM](#)

Commissioner Hanley discussed the graduation rate, he explained that he adjusted cohort graduation rate was reported as a fraction:

The numerator is the sum of the number of graduates within the cohort who receive a regular diploma on or before June 30.

The denominator is the sum of all students assigned to the cohort from the 9th grade class three years prior.

Commissioner Hanley stressed that the converse of the equation was not the drop-out rate. He stated that the current graduation rate was 68 percent, and rising. He said that drop-out rates were rated annually. He cited the green bar on the graph, which illustrated a 4.7 percent drop-out rate for 2011. He explained that by adding together the drop-out rates for the four year cohort; 2008 through 2011, the total drop-out rate was 20.1 percent.

Co-Chair Thomas asked if school districts suffered a financial loss when students dropped out.

Commissioner Hanley replied that it would depend on when they dropped out. The funding would remain in the system if the student dropped out after October.

Vice-chair Fairclough asked what the drop-out equation on the annual basis. She wondered what happened to the extra 10 percent.

Commissioner Hanley replied that approximately 2 percent of the students had serious disabilities and moved into life skills courses rather than graduating, 2 to 3 percent that ended up being 5th or 6th year seniors and the remainder who moved on to get their certificates of achievement.

Representative Costello asked if the districts ever followed up with students that had dropped out to determine why they had not finished.

Commissioner Hanley replied that interviews did not occur at the state level, but often they were performed at the local level. He said that given the myriad of reason that students dropped out it was difficult to address with a single methodology why students left school.

Representative Gara cited pages 4 (General Fund Appropriations for K-12 Education) and 15 (Graduation and Dropout Rate). He noted that the years with the most improved graduation rates directly correlated with the years with the largest boosts in education funding.

[3:47:21 PM](#)

Commissioner Hanley replied that he could not speculate on the matter.

Representative Gara recalled that the state was 5th from the bottom nationally for 4th grade reading ability. He asked if a more comprehensive voluntary pre-K system would have a positive effect on the numbers.

Commissioner Hanley responded that it was difficult to predict. He said positive results had been seen in the current pre-K program, but stressed that current pre-K programs served mostly high risk students.

[3:48:21 PM](#)

Commissioner Hanley turned to Slide 16, which listed the Boarding Home Schools around the state.

Co-Chair Stoltze asked if the boarding schools had long waiting lists.

Commissioner Hanley replied no. He added that they did tend to operate at full capacity. He recalled that Mount Edgecumbe had a waiting list.

Representative Neuman wondered if any of the boarding schools, other than Mount Edgecumbe, would eventually be state operated.

Commissioner Hanley responded that discussions on the matter were not occurring at this time.

Co-Chair Thomas wondered if the department was responsible for oversight of teacher competency.

Commissioner Hanley said that the department worked directly with teacher prep program for the university.

Co-Chair Stoltze asked if the Professional Practices Commission (PPC) was involved in monitoring teacher performance.

Commissioner Hanley explained that the PPC would only get involved if a teacher had violated the law.

Co-Chair Thomas asked if teachers at Mount Edgecumbe had tenure.

Commissioner Hanley believed that they did. He said he would need to research the issue further.

Co-Chair Thomas expressed curiosity as how Mount Edgecumbe teachers might be treated differently for tenure because the school was state run. He thought that the granting of tenure for those teachers should come from the State Education Board or The Legislature.

Commissioner Hanley replied that tenure was generally granted by the State Education Board. He said that the board was currently pushing for accreditation, higher rigor in regard to social studies and SAT testing for all students.

Commissioner Hanley concluded that regional schools needed to be driven by local communities.

3:53:04 PM

Representative Joule pointed out that the level of funding the legislature could offer was based on the throughput of the oil pipeline. He wondered if the department had done any modeling to determine what less funding would mean for rural school districts.

Commissioner Hanley replied that most small districts did not come to state for suggestions on their budget. He expressed that the department was willing to work with them. He said that conversations were taking place regarding regional schools. He warned that the setting up of regional schools could have a negative impact on smaller schools. He believed that there were models available that could be studied in order to offer rural students a greater opportunity in a larger setting.

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ADJOURNMENT

The meeting was adjourned at 3:55 PM