

HOUSE FINANCE COMMITTEE
March 27, 2012
1:42 p.m.

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CALL TO ORDER

Co-Chair Thomas called the House Finance Committee meeting to order at 1:42 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 Swain, President, Bristol Bay Borough School District; Pete Hoepfner, President, Cordova School District Board of Education.

PRESENT VIA TELECONFERENCE

Kristina Brophy, President, Fairbanks North Star Borough School Board; Mike Dunleavy, President, Matanuska-Susitna Borough School Board; Deena Paramo, Superintendent, Matanuska-Susitna Borough School District; Gretchen Guess, President, Anchorage School Board.

SUMMARY

PRESENTATION:

SCHOOL BOARD PRESIDENTS OR DESIGNATED BOARD MEMBER: Bristol Bay, Cordova, Fairbanks, Matanuska, Anchorage

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^PRESENTATION: SCHOOL BOARD PRESIDENTS OR DESIGNATED BOARD MEMBER

BRISTOL BAY

MICHAEL SWAIN, PRESIDENT, BRISTOL BAY BOROUGH SCHOOL DISTRICT, shared that the single-site district served about 150 students from the communities of King Salmon, Naknek, and South Naknek. He relayed that the district did not meet all of the No Child Left Behind requirements for the first time in 2011. All academic standards had been met; however, the district's 72 percent graduation rate had been below the new 85 percent requirement. He read responses to a list of questions that had been provided by the House Finance Committee (copy on file):

What is your FY 13 total school district budget?

- In 2013, our total budget is \$4,144,778.
- In 2012, our total budget was \$3,856,653.

What percentage goes to personnel?

- Personnel costs this year represent 68% of our total budget. Historically, that number had been 60-65% for the greater part of a decade in Bristol Bay. In the last 5 years we have moved that number up, knowing that our salaries and benefits were not as competitive as necessary and that was a position of not only the district, but the 2007 Education Funding Task Force that the State Legislature had created.

Provide a graph that shows your total school district budget from FY 09-FY 13 (5 years), broken down by funding source (state/local/fed/mix).

[Graph included in complete response on file.]

Mr. Swain noted that in reference to the school district's budget, the local financial contribution had increased annually at a rate equal to or above the state's contribution. He continued on page 2 of the response:

Did you fund to the total allowable local contribution in FY 12?

- No.

In FY 13?

- No, the borough has never gone to the cap, yet they continue to fund at a level that is above the 4 mill commitment they are required to make. Their initial discussions this year starts at an equivalent of 4.4 mill. In some years their cash and in-kind contributions have been above a 5 mill level.

Mr. Swain communicated that the borough's typical contribution was around 5 mills. He moved to questions 2 through 4 on page 2:

If not, how much below were you?

- On average the Borough contribution is generally \$200,000 plus below the cap.

Why?

- The Borough has many priorities and like the legislature, there are times when education is not the top or only priority.
- Members of the community and Assembly hear what individuals like the Governor say about schools being failed systems and bad investments, often echoed by other elected officials, the University of Alaska system, and a national media, and they have a harder time believing we need more money.
- There are many who believe the rhetoric that schools are failing and are not helping prepare kids for the future. In asking the district to accept the same funding for two years, the FY12

contributions of the borough amounted to a reduction as no costs would stay the same as in FY11.

- We also recognize that our declining student numbers is also an indicator of the fact that fewer homes in our Borough contain children who attend our schools and as their other expenses continue to escalate it is harder for them to continue to support education at a level they may have.

How much has the state contributed to the PERS/TRS unfunded liability on behalf of your school district in FY12?

- TRS- \$329,150, PERS \$55,262, Total- \$384,412

How much has the state contributed to the PERS/TRS unfunded liability costs on behalf of your district in FY 13?

- TRS- \$424,175, PERS \$57,539, Total- \$491,714

Mr. Swain noted that page 3 included a chart illustrating the unfunded liability of the Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS), given that the reporting requirement had begun in 2008. He addressed questions 2 and 3 on page 3.

When was your most recently ratified teacher contract put into place?

- We settled a three-year contract in June of 2010. Next January we will begin new negotiations with our teachers.

What were the terms?

- In the last negotiations, salaries increased by 2% for 2010-11, 3% for 2011-12, and 3% for 2012-13 with similar insurance splits above the cap begun in 2008.
- In the 2007-2008 school year we had also settled a three-year agreement with our teachers and that

settlement included a 4% settlement in each year and a requirement that teachers and other staff would begin to pick up a share of their insurance premium.

What is your average teacher salary?

- In 2012, average teacher salary: \$53,068

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Mr. Swain turned to question 4 on page 3:

What is your starting teacher salary?

- In the 2011-2012 school year our starting salary was \$43,914
- Next year that starting salary will be \$45,231

Did you negotiate significant salary increases in your labor contracts for FY 13?

- It will be another 3% increase next year
- Depending on the increase to health insurance costs, the teacher share of the amount paid per month will also go up and cut into that raise.

Co-Chair Stoltze observed that the district's salaries were lower than those in other areas. He wondered whether the lower salaries were a result of turnover or if they were just lower in general. Mr. Swain responded that retirement in the past several years had brought the district's average salary down; many of the teachers were relatively new and had not topped out the pay schedule.

Co-Chair Stoltze surmised that the district's salary schedule was artificially low compared to years when teachers had been employed long-term. Mr. Swain responded in the affirmative.

Representative Edgmon asked whether the salary was reflective of the amount of teacher turnover. Mr. Swain answered that turnover was partially due to the region's challenging living environment. The cost of living was also

high and could be difficult for teachers working to provide for a family. He furthered that the district had successfully kept teachers for long periods of time, but many had reached retirement age in the past 3 to 4 years.

Representative Edgmon clarified that he had not meant to infer that teachers were leaving because Bristol Bay was not a good place to teach or live; he believed there were other factors playing a part in the turnover.

Representative Wilson queried whether the starting salary figure factored in benefits. Mr. Swain believed that the figure represented salary and was not inclusive of benefits.

Representative Wilson asked for follow up information on the average amount that teachers paid into their health insurance. Mr. Swain answered that teachers currently paid \$130 per month for health insurance costs; the amount would increase the following year due to rising healthcare costs. He confirmed that the salary figure did not include anything in addition to salary.

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Mr. Swain returned to page 3 of the questions and answers:

If yes why did you do that given the current funding situation/debate?

- Is 3% significant? Not when people get \$400 month electric bills in Naknek and King Salmon, gas for an auto has been over \$5.25 a gallon for 5 plus years, and a gallon of milk is sold locally at \$12.00. Current round trip airfares to Anchorage from King Salmon are nearly \$600.00.
- When state employees and other federal employees living in the same region are provided differentials equal to 20-30% more than colleagues in Anchorage to address the high cost of living, shouldn't a similar system exist for the teachers living in those same conditions.

What are the cost drivers in your budget?

- Energy costs are big and there is no controlling those costs. The facility has millions in deferred maintenance to complete and that will grow significantly in next 6 years.
- Transportation costs, the shipping costs associated with supplies and materials, travel for our own staff, professional development presenters, and visiting special education related services personnel who are required to be on-site are all significant.
- Health insurance costs continue to escalate in ways that are significant, as are other insurance costs.

Mr. Swain directed attention to page 4:

How much were your energy costs in FY 11?

- \$373,744.53

How much do you project them to be in FY 13?

- \$421,000

Do you have a system in place to make budget adjustments when enrollment drops - how do you approach this?

- We are in a declining enrollment mode and have two large cohorts of 20 graduating in FY13 and FY14 and only 5-7 children coming into kindergarten.
- We are reducing staff as a result, but the next reductions will cause us to restructure our elementary grade level instruction and that will create new challenges that will require significant retraining of teachers and the community.

What are your biggest instructional challenges?

- Math and writing are big challenges for our district, and science scores remain well below what we would like them to be.
- In recent years we have dedicated considerable efforts to a review and update of our language arts curriculum, which resulted in the purchase of new instructional materials for grades k-5 and professional development for staff.
- We are looking into our math program and if there might be a better set of materials for our teachers to use. This is a big undertaking and requires some research so we avoid the mistakes others occasionally make.
- High turnover demands a greater commitment to professional development for all staff. In a 2-3 year period you could have no teacher trained in the use of specific materials and programs the district has committed to and if we don't change that, academic success will suffer.

What grade would you give your school district (A-F)?

- We are a district that gets a B or B-. We have high performing teachers and students and understand what the state standards require. We know we can always do better, and while we continue to meet the NCLB academic targets, when the required graduation rate jumped to 85% this year, we did not make that target.
- In 2010 and 2011 a total of 3 students who did not graduate in 4 years came back to take the last parts of the graduation exam in the fall semester and they passed. That allowed them to earn their diplomas, but there is no credit given to the student or school for that success.
- We know that every student, every parent, staff member, and community member wants every child to graduate and we will do better in this area. Our small numbers do mean that every single child represents about 10% in that calculation, so we must make sure every child is successful.

What are you proposing to do differently to improve student performance?

- Continue the good things we are doing. The fact that 70-90% of our children are proficient in every academic area, is an indicator that many things we do, our families do, and our students do are working.

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Mr. Swain turned to the questions on page 5:

Is the state providing the kind of planning and curriculum support that is helpful to your school district?

- DEED is a much more regulatory and compliance agency than an agency that can provide supports in curriculum and planning.
- In recent years a growing focus of their services has been to provide support for those districts and schools identified as the lowest performing, and thankfully, that is not an issue we are dealing with.
- Our district typically turns to the Anchorage, Mat-Su, and Kenai districts for those supports as they have much more evolved and robust expertise in these areas.
- We have sought federal grants for additional support in this area and it has been very helpful.

How can the DEED [Department of Education and Early Development], the Board of Education or other state agencies help you achieve better results, other than just providing you with more money?

- Truly eliminate the items we regularly suggest are of no value, to us or the state- (i.e. the 70/30 requirements or waiver letters, a graduation exam that limits any individual

students from earning a diploma, help families do a better job of parenting and getting their children to school and learning the importance of that basic skill by enforcing statutes on truancy and having law enforcement and courts fulfill their statutory obligations in this matter, etc.)

- Hold the university system accountable to a higher standard. If they are concerned about k-12 preparation, establish a standard of admission standards that goes beyond open enrollment so everyone understands the competitive world of today and tomorrow will require skills and training beyond high school.
- Help to support the Department of Labor realize that teacher and administrative shortages in our rural areas are real concerns for the present and future. These shortages will only get worse if we don't take a serious look at what can be done to better invest in recruiting and support for those willing to accept that challenge.

How much ARRA [American Recovery and Reinvestment Act] funding did you receive over the past few years?

- Bristol Bay received just over \$120,000, which included both the ARRA and State Stabilization funding, and the Education Jobs dollars.

How did you invest any ARRA funds you received?

- We used the one-time ARRA funding for some of the professional development, instructional materials including some technology purchases, and other infrastructure needs we had set aside in recent years.
- Some of this money designated for special education needs allowed us to extend our related services agreements to include an additional visit or provide support for the related costs.

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Representative Wilson asked whether the district had broadband internet. Mr. Swain replied in the affirmative. Representative Wilson wondered whether the school was able to provide distance learning or e-learning courses to its students. Mr. Swain replied that the broadband did allow for some distance learning and other online capabilities, but delays were common.

Representative Wilson inquired what kind of e-learning was used by the district. Mr. Swain answered that some distance delivery courses were offered when they were not available locally; some second language courses were offered through partnerships, given that funding was not available for a position within the district.

Representative Gara wondered whether the district was currently facing a budget deficit and if so, how it planned on dealing with the deficit. Additionally, he asked what change in the Base Student Allocation (BSA) the district would need to maintain the prior year's level of operation.

Mr. Swain responded that the district was facing a deficit of approximately \$250,000. He believed the school system would need a BSA of approximately \$320 in order to be "held harmless" compared to the prior year. The district had notified the borough that its contribution would need to increase as it had in the past few years.

Vice-chair Fairclough asked how many facilities the school district operated for its 150 students. Mr. Swain replied that Bristol Bay had one school facility. Vice-chair Fairclough asked whether the district's 68 percent in personnel costs included benefits. Mr. Swain responded in the affirmative. Vice-chair Fairclough observed that another 20 percent of funding costs were directed at utilities. Mr. Swain answered in the affirmative; approximately 20 percent to 28 percent of the budget went to utilities and maintenance costs. The school facility was nice and had been built for approximately 290 students; enrollment had declined over the past 20 years. Vice-chair Fairclough understood challenges facing small, rural school districts.

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Co-Chair Stoltze discussed taxable and non-taxable property in the Bristol Bay community. He wondered whether the

district would be better served with around \$200,000 in capital project funding for the school instead of an increase to the BSA. He stated that capital project funding was often the most efficient way to deliver services for small communities. Mr. Swain responded that any funding would be great. He pointed to rising energy costs and explained that a one-time appropriation would help temporarily, but would not address long-term needs.

Vice-chair Fairclough queried whether renewable energy grants could be used to offer lower cost service for public facilities in smaller communities. The state was investing hundreds of millions of dollars to provide renewable energy to communities across the state; some communities were using the funds to reduce long-term operational costs for utilities in school districts.

Representative Guttenberg referred to the earlier discussion on broadband internet and asked whether e-rates were part of the district's program. Mr. Swain answered in the affirmative; it was the only reason the district could provide broadband service.

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Representative Edgmon relayed that Bristol Bay's cost of energy was \$374,000 in the current year and would increase to \$421,000 the following year. Wrangell was a warmer climate but had \$188,000 in current year energy costs, which would increase to \$221,000 the following year (the community was hoping to install electric boilers). He mentioned Kodiak and the North Slope and stressed the high cost of energy for school districts statewide.

Co-Chair Thomas believed that Representative Edgmon had hit on the reason that the one-time energy grant did not work. He noted that 40 percent would go to one community to stabilize energy costs, but those of other communities would increase from 15 percent to 18 percent. He wondered about the appropriate way to handle the problem. He discussed the costs of energy for various Southeast communities.

Co-Chair Stoltze opined that sensitivity was needed on various issues (transportation, energy, etc.) impacting regions statewide. He acknowledged that Representative

Edgmon had been consistent in recognizing issues affecting areas throughout the state.

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CORDOVA

PETE HOEPFNER, PRESIDENT, CORDOVA SCHOOL DISTRICT BOARD OF EDUCATION, introduced himself and provided his professional background. He was involved in the health, safety, and education of the children of Alaska. He read responses to a list of questions that had been provided by the House Finance Committee (copy on file):

What is your FY 13 total school district budget?

- \$6,290,730

What percentage goes to personnel?

- 79.66 percent

Mr. Hoepfner noted that the district's business manager did not want to give a budget that was in deficit; therefore, the FY 13 budget was balanced for no increase at \$5,680 [BSA of \$5,680 per Average Daily Membership]. The number included the district's deficits; no salary increase for teachers; no replacement of the elementary school principal; cuts to teachers, supplies, travel, professional services, fuel, and electricity costs; no head maintenance position; the reduction of a teacher at the elementary and junior/senior high levels; and the loss of two science teachers and an English teacher. The school district had a deficit of approximately \$300,000 or a 6 percent reduction, which reflected two years of flat funding at a 3 percent inflation increase. The district was looking at a \$125 increase to the BSA, which equated to a \$95,000 increment.

Mr. Hoepfner pointed to a graph showing the total school district budget for FY 09 to FY 13 (page 2). He continued with the questions on page 2:

Did you fund to the total allowable local contribution in FY 12?

- \$1,799,862 or 98.75 percent of the maximum contribution

In FY 13?

- 1,790,940 or 94.93 percent of the maximum contribution

Mr. Hoepfner explained that the school district was required to project its budget to the city in November of each year; it was difficult to predict what the maximum contribution would be that early on. He noted that many districts were able to present their budgets in March, which allowed for increased accuracy in the projections. He continued on page 3:

How much has the state contributed to the PERS/TRS unfunded liability on behalf of your school district in FY 12?

- TRS \$718,148
- PERS \$93,930

FY 13?

- TRS \$846,119
- PERS \$95,639

Mr. Hoepfner relayed that the Cordova mayor had requested the district's budget for the prior 10 years. The budget had been approximately \$8,500 per student in FY 02; the number had increased to \$17,000 in FY 13. He explained that the TRS and PERS costs in FY 13 added \$4,158 to the student cost.

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Mr. Hoepfner continued to address questions on page 3:

When was your most recently ratified teacher contract put into place?

- FY 10

What were the terms? (salary and benefits increases/decreases per year, in percentages {or dollars, if appropriate})

Salary Terms

- 3% salary raise in FY 10
- 4% salary raise in FY 11
- 5% salary raise in FY 12

Mr. Hoepfner added that the district's teachers had not had a salary increase for quite some time and were at the lower one-third of the salary scales throughout the state. The district had increased 50 percent of the additional cost to the health insurance:

Benefit Terms

- Teachers paid \$60 per month for health insurance in FY 10
- Teachers paid \$104 per month for health insurance in FY 11
- Teachers paid \$196 per month for health insurance in FY 12

What is your average teacher salary?

- \$72,445

Mr. Hoepfner communicated that Cordova's school system had excellent teacher retention; 82 percent of its teachers fell into the category of salaries above \$64,500 in teacher salary surveys. He accentuated that there was extensive seniority and experience within the district. He added that new staff, who were paid lower salaries, were the first to go when any reductions in staff were necessary; therefore, salaries had been increasing. He continued on with page 3:

What is your starting teacher salary?

- \$47,484.

Mr. Hoepfner relayed that during its FY 10 contract negotiations, the district had realized that its beginning salaries were very low; therefore, the salaries had been increased up to and held at the third year on the pay scale until a teacher had been with the district for four years. He moved to the next question on page 3:

Did you negotiate significant salary increases in your labor contracts for FY2013? If yes, why did you do that given the current funding situation/debate?

- The Cordova School District is presently negotiating a contract with the teachers for the next three years.

Co-Chair Thomas asked whether the Cordova school system had money to negotiate. Mr. Hoepfner replied in the negative. Co-Chair Thomas wondered how contracts would be paid if the district did not have the money. Mr. Hoepfner answered that the district had opened negotiations the week before. He added that it was a hard situation. Co-Chair Thomas questioned the district's decision to conduct contract negotiations when it was already in need of funding and likened it to the "tail wagging the dog." Mr. Hoepfner replied that the situation was very difficult. The only way to save money was to reduce staff if teachers negotiated a salary increase.

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Co-Chair Stoltze referred to a strategy to receive funding that had occurred in the past and asked whether the district would use the approach. He did not want to be a part of the school's negotiation process. Mr. Hoepfner replied in the negative. He reiterated an earlier statement that staff cuts would be the necessary option if salary increases for teachers came to fruition.

Co-Chair Stoltze inquired how many students were enrolled in the Cordova school system. Mr. Hoepfner replied that there were currently 340 students; the projection for the following year was 326.

Co-Chair Stoltze asked whether the Cordova school system was part of larger school district. Mr. Hoepfner answered in the negative; Cordova was a single-site school district. There was a recently renovated elementary school building and a junior/senior high school.

Representative Wilson pointed the "Function 700" line in the district's FY 13 budget (page 1 of the questionnaire) and asked if \$45,916 was the base teacher salary with benefits in the amount of \$19,804. Mr. Hoepfner responded that Function 700 related to student activities. Function

100 represented instruction and Function 200 represented special education instruction.

Representative Wilson queried whether the average teacher salary of \$72,445 and the starting teacher salary of \$47,484 included benefits. Mr. Hoepfner replied that FY 13 budget showed benefits listed to the right of the salaries column. He added that salaries accounted for approximately \$2.2 million of the FY 13 budget.

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Vice-chair Fairclough asked for a breakout of instructional versus administrative dollars. Mr. Hoepfner replied that instructional costs were included under Function 100 (totaling \$3.3 million), school administration fell under Function 400 (totaling \$298 thousand), school administration support was included under Function 450 (totaling \$169 thousand), district administration fell under Function 510 (totaling \$215 thousand), and district administration support fell under Function 550 (totaling \$266 thousand) [all functions included salaries, benefits, and non-personnel].

Representative Gara discussed that in prior years the BSA had been increased by \$100 to \$200 per year. He asked whether the school would currently have sufficient funds if the legislature had increased the BSA by \$160 per year. Mr. Hoepfner answered in the affirmative. The funds would have helped the school to keep its staff; teachers had been lost through attrition due to retirement or personal reasons. The district was trying not to cut positions; however, it would not be possible in the current year. He noted that a couple of staff had already been let go.

Co-Chair Stoltze observed that at \$95,000 in the first year of BSA that a 50/50 ratio on salary to benefit costs would not cover the costs of a teacher. Mr. Hoepfner replied that the amount would be enough to cover a new teacher salary of \$47,484 and benefits of approximately \$20,000 with a small amount remaining. He returned to questions on page 3:

What are the costs drivers in your budget?

- Teacher salaries, health insurance and energy

Mr. Hoepfner referenced a handout showing a graph (copy on file) that included insurance costs to the district from FY 04 to FY 12; costs had doubled during the time period. The health insurance increase was 17 percent; a 10 percent increase to the district equated to \$80,000. He continued on page 3:

How much were your energy costs in FY 11?

Mr. Hoepfner pointed to graphs illustrating the district's energy, electric, and fuel usage (copy on file). The district had been responsible with its funding; however, its superintendent recommended that it look into a waste oil burner. The associated cost for the burner would be approximately \$50,000. He explained that Cordova was a fishing community and fishermen deposited their oil into a waste oil facility; oil was used to heat the base of the school district. The process had been very successful; \$384,000 had been saved over a four-year period.

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Representative Guttenberg asked for detail related to electric costs and noted that graphs showed considerable savings in the area. Mr. Hoepfner responded that there had initially been six hot water heaters online; when Jim Nygaard started as superintendent he turned off all but two of the heaters, which helped to save money. Other savings had come from shutting off lights, leaving doors closed, and other. He referenced a question about the expectation of energy costs in FY 13 and relayed that the school was looking at a lighting retrofit; the project had been put out to bid, but there had been no applicants; the school remained hopeful that the project could be completed. Additionally, Superintendent Nygaard had helped the renovation of the elementary school come to fruition. Electricity had increased during the construction phase. He furthered that a new gym had been added and energy costs were down due to new lighting and efficient air handlers. He emphasized that the school was working very hard to save costs and to put savings towards the students.

Co-Chair Thomas observed that the school ran on approximately 95 percent hydro-electric. Mr. Hoepfner responded in the affirmative. He elaborated that the community electric system developed a hydro-electric dam that was significantly helping the school. Previously power

had been provided by old diesel submarine engines. The hydro-electric site worked mainly during the summer months.

Co-Chair Thomas discussed that two hydro facilities had been installed (the debt had been paid off on one). Additionally, there was heat recovery on the diesel generators through the Renewable Energy Fund; the projects had come close to maxing out the funds available to Cordova.

Mr. Hoepfner added that the city had changed its lighting over to LEDs from sodium, which had resulted in less light pollution and a decrease in costs. He moved to the last question on page 3:

Do you have a system in place to make budget adjustments when enrollment drops - how do you approach this?

- We are not replacing teachers in the district.

Mr. Hoepfner addressed page 4 of the questionnaire and read from a handout titled "Cordova School District" (copy on file):

What are your biggest instructional challenges?

- Trying to anticipate what the Standards will look like from year to year.
- Accessing/understanding growing data (and in some cases lacking data...YRBS). With the MAP testing we continue to grow with our student's needs (current/accurate data that reflects the individual student).
- Curriculum resources. Textbooks (electronic/traditional) are very expensive. Cordova struggles with the financial costs of such; in addition, with the Standards in transition, it is difficult to dedicate funds knowing that our purchases could be out dated in a year (or less).
- Expense of professional development. Bringing resources to Cordova can be very expensive. We do great things with video conferencing

/webinars/Skype, but there are trainings that do require face time of the presenter.

- Alaska Staff Development Network (ASDN) provides great ongoing coursework for staff professional development that compliments the training needs as well. This is sponsored by AASA and is coordinated by Kelly Tonsmeire and Bruce Johnson.
- Growing number of mandates from state/federal government. Although many of these mandates are supported by staff and administration, it is tough to squeeze them all in during our limited in service times.
- The high school staff recently volunteered to work through the scheduled professional development with more student contact time making the PD schedules even more challenging.

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Mr. Hoepfner continued reading from the "Cordova School District" handout:

What grade do you give Cordova School District?

- I give Cordova Schools an A for our school district's efforts. In order to get that A to an A+ will require curriculum development in all areas. We have developed a great baseline of training development for our staff as we await the direction the Standards/Common Core will move.
- We utilize technology to its fullest in these efforts by better engaging our students allowing them to fully understand and relate to what they are learning and have established opportunities to apply what they learn (boat building skills/Science Fair/growing salmon/4th R role playing).
- Cordova is successfully working with better, more aggressive data collection that allows us better understanding of our students. Current SBA

testing is outdated with limited opportunities for specific/detailed student reports that teachers need for immediate lesson development.

- Once we have the security of knowing where our curriculum is taking us, we can easily transfer our developed skills to implement the current curriculum.
- Also, in order to raise our student proficiency, we need to be more aggressive in assisting young mothers as they develop their mothering skills. Unfortunately, the state does not recognize this need for preschool development in communities such as Cordova. Although our student proficiency is near the top for the state of Alaska, support for a preschool program could raise the scores considerably in nearly each grade level.

Mr. Hoepfner elaborated that with the Consortium for Digital Learning the district had instituted a one-to-one laptop program within the schools; grades 7 through 9 had received laptops in 2006. Subsequently each new 7th grade class had been added to the program. Currently laptops were available for 7th through 12th graders to take home. Elementary school students had carts at school where they could leave their computers. The district had just purchased iPad 2s for first the grade at a \$100 discount per iPad.

Mr. Hoepfner returned to the "Cordova School District" handout:

Is the state providing the kind of planning and curriculum support that is helpful to your school district?

- Cordova is pleased with the support provided by EED. Areas such as special education continue to grow with paperwork burdens to staff. In this case, EED does an exceptional job assisting us. Director's meetings and teacher meetings are scheduled annually at the state level that allows interested/available staff to attend and participate in the many discussions.

- Areas involving traditional curriculum development (ex: math) that require an active teacher's input/involvement are always offered by EED. In these cases, Cordova staff always considers participating and if the schedules allow we do send staff to Juneau. In most cases, staff involvement is challenged by an already busy teacher schedule or inclement weather challenges in getting to/fro...making most teachers squirm over potentially more missed days. One tidbit of data that has been consistent over the years is the fact that the more time a classroom teacher misses, the more their students (and scores) will struggle. Staff professional development needs to be done when it is most appropriate for all parties. Sending staff out of town for a week to assist EED typically has collateral damage at home if there is not a great sub in the classroom.
- Many teachers worry about leaving their classrooms for this reason.
- Other opportunities for EED staff development include the 4th R Curriculum in which Cordova was invited and was did attend the days of training and continues to be on the steering committee at the state level.
- Overall, the growing feeling across the district is the need to secure our curriculum direction that will allow us to develop our resources that will complement our student's learning needs. Adoption of the standards/Common Core will allow us to move forward at a more confident rate.

Mr. Hoepfner expressed excitement about the scientifically based 4th R Curriculum program, which helped students fighting substance abuse, dating violence, cyber bullying, etc.

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Mr. Hoepfner moved back to the "Cordova School District" handout:

How can the DEED, the Board of Education or other state agencies help you achieve better results, other than just providing you with more money?

Cordova feels strongly that we do a great job educating our students. Yet, all we read in the paper are quotes from [Representative] Bill Thomas or Governor Parnell stating how "we" are all failing.

Co-Chair Thomas recalled that the commissioner of Department of Education and Early Development (DEED) had not said that the Cordova, Klawok, or other school systems were doing a stellar job during his presentation to the committee. He explained that legislators quoted materials presented to them. He stated that a 68 percent graduation rate was a failing rate. He reiterated that the information he was quoted on had been provided by the education community. He emphasized that the facts were in the DEED reports. He did not break out the schools that were performing well because he had not been given the information.

Representative Gara remarked that education achievement had been increasing albeit in years when school funding and the BSA had been increased; he believed there was a direct correlation between the two. He understood how much was spent on schools and recognized that it was a struggle.

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Mr. Hoepfner relayed that Cordova felt that it was doing a good job. He referred to the "Cordova School District" handout and noted that [when elected officials made statements that schools are failing] community members with no school-aged children come to believe the information. He pointed to a graph illustrating the school's Adequate Yearly Progress (AYP) and stressed that Cordova was one of the 12 school districts in the state that had consistently passed AYP. He felt that that the school would be able to pass for another year if it was given the test at present. He believed the 100 percent proficiency requirement scheduled to begin in 2014 was unrealistic.

Co-Chair Thomas referred to testimony from the prior day when the committee had been told that Alaska schools rated 5th from the bottom in reading. He emphasized that the

information had not included a breakdown to show which schools were doing well.

Mr. Hoepfner reiterated that the Cordova school system was doing a good job. The district was working as hard as possible and teachers were striving for excellence. He relayed that the community expected excellence from its teachers and children. He continued to address how DEED, the Board of Education, or other state agencies could help the Cordova school system achieve better results (other than just providing the district with more money):

The Governor consistently appears to undermine the success of our schools by purposely stating inaccurate information about the many successes of schools or the dropout rates. The bottom line...We are not all failing. Improve communications from state officials would remedy many of the issues that currently erode the confidence in our schools.

All parties need to realize that with the uniqueness of Alaska, there will be no easy fix/short term solutions to the expectations of the state /federal/local governments. Cordova feels strongly that Commissioner Hanley is doing a great job with his efforts to improve communications and we look forward to his regular updates. He is willing to state areas of need as well as the areas that we are struggling with that he needs support in.

Accountability is good for all parties! Students /schools/communities are competitive in many fashions whether it is in basketball, science fairs; Battle of the Books or in the area of academic scores. Schools/children that are struggling to meet the proficiency levels as mandated by the state/federal government need support in order to establish the strong fundamentals critical for their education. It makes no sense to "punish" children for issues they are not responsible for, nor capable of overcoming without responsible oversight. Do you punish doctors when people get sick, do you eliminate police when there is a crime spree?

Hopefully, we have opportunities to reestablish what priority areas are without punishing our children. Holding school districts responsible for reasonable

growth is an expectation very few could argue. To do it right however, each community needs to be better engaged to realize the expectations. As board members/administrators, this message needs to be delivered as clearly as we expect it delivered from the Governor.

With shared responsibilities, accountability is good. Please be reminded that this is not Lake Wobegone of Northern Minnesota! 100% guaranteed proficiency is not realistic for any person or body.

Mr. Hoepfner communicated that the district did not expect to receive funding for everything. He relayed that the school system was overlooked for multiple state grants for improvement due to its proficiency levels; it was overlooked for preschool and early learning due to the lack of free lunch and reduced lunch numbers. The fishing town had a hard work ethic and did not expect anything from the state other than basic student support via a safe, positive learning environment. He stressed that the district had been accountable for every dollar provided by the state. He shared that Cordova's dropout rates were very minimal; 100 percent of the females had graduated the prior year and one person had dropped out. The district had encouraged the student to come back, but they had dropped out again in the current year. He restated that there was an expectation of excellence in Cordova.

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Representative Wilson was interested to know about any state mandates that the district did not think were beneficial. Mr. Hoepfner replied that he wanted to see a suicide prevention mandate. He was involved in the Cordova Family Resource Center and was on the statewide steering committee for pathways to prevention. He noted that a prevention program included in a current Senate bill was an excellent; it would take some time out of the school's professional development, but the school would be happy to implement the program.

Representative Wilson asked the district to think about any existing mandates that may not be beneficial to school districts and to follow up with committee members.

Representative Guttenberg asked for more detail about the student who was expected to drop out but had been brought back into the school system. Mr. Hoepfner responded that the school believed the student would probably drop out, but it really wanted them in school. One student dropout did throw the schools numbers off, but the school had not been concerned about that. The goal was for all students to graduate and to be engaged in their learning. The school was willing to do all it could to keep kids in school; the gym was open all of the time and events were scheduled. He explained that the more students were in the school the easier it was to keep them safe.

Representative Gara discussed that he had visited a high achieving school in Portland a couple of years earlier. He had asked the school how it achieved success. The school relayed that it did well because almost every parent had a college education and parents were over involved. He believed Cordova was a pretty well-educated community. He wondered whether Mr. Hoepfner agreed that kids of parents with a higher level of education performed better and if so, what could be done to improve the outcomes for children with families that are not as educationally involved.

Mr. Hoepfner replied that he believed in the importance of mentoring and in showing kids that by furthering their education they could become better citizens. There was a community learn and serve program. He believed being engaged with the community and kids was important; the community recognized that its children were its future.

Mr. Hoepfner addressed a final question related to ARRA funding (a separate handout was provided and a copy is on file). The school did not have any ongoing programs connected to the federal funds that would increase its budget once the funds went away. Some of money went to new kitchen and refrigeration capacity in the new elementary school.

Vice-chair Fairclough pointed to the handout showing that Cordova received ARRA funding for teacher salaries and benefits. Mr. Hoepfner responded in the affirmative. Vice-chair Fairclough surmised that the cost increases would be ongoing. Mr. Hoepfner answered that the funding had been for a special education teacher and for flying in an occupational therapist for disabled children.

Vice-chair Fairclough looked at the district's test scores. She discussed that sometimes answers or one indicator did not tell the whole story (e.g. the graduation rate did not provide a complete picture). She had looked to see if test scores matched out with a funding increase. She noted that test scores had gone up, down, and stayed the same; there were different components that took place based on increased funding availability. She referenced comments that the governor was saying inaccurate things and was interested to know what the inaccuracies were or if the statements had been broad and did not accurately reflect an individual district. She explained that the governor was not in room to defend himself and she did not know what the inaccuracy that had been referred to was. She discussed information provided by DEED on a much larger scale that was not broken down by community. She emphasized that there were different ways to interpret statistics. She noted that she would be happy to draw any inaccurate press releases to the governor's attention if they existed.

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FAIRBANKS

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KRISTINA BROPHY, PRESIDENT, FAIRBANKS NORTH STAR BOROUGH SCHOOL BOARD (via teleconference), highlighted some of the issues included in the questionnaire. Fairbanks served over 14,000 students with approximately 1,000 teachers. The district believed that it provided a positive work environment for its teachers and employees and a positive learning environment for its students. She relayed that some students were struggling and some were succeeding and exceling. The district faced several budget challenges and there were things that it did not know, such as what future state or local allocations would be provided. The school system had worked hard to address the anticipated shortages. She addressed question 1:

What is your FY 13 total school district budget? What percentage goes to personnel?

Ms. Brophy shared that the total FY 13 operating budget was \$184,880,310; personnel costs represented 84.3 percent of the total. When the TRS and PERS unfunded liability was added in the total FY 13 recommended budget was \$220,700,470; personnel costs represented 86.9 percent of the total.

Provide a graph that shows your total school district budget from FY 09 through FY 13, broken down by funding source (state/local/federal/mix).

Ms. Brophy pointed two graphs the district had included in its answers to the questionnaire (copy on file). The graphs showed that the district's use of funds balance had gone down.

Did you fund to the total allowable local contribution in FY 12? In FY 13? If not, how much below were you? Why?

Ms. Brophy communicated that the local assembly did not fund to the maximum allowable contribution in FY 12 and it was not expected to contribute the maximum allowable funds in FY 13. The school district was required to lapse \$2,182,799 back to the borough in FY 10 and \$1,223,198 in FY 11. The borough had funded 72.5 percent of its maximum allowable contribution in FY 10 and 73.4 percent in FY 11. The required lapse back to the borough did create a challenge for the school district.

Vice-chair Fairclough asked for an explanation of the required lapse back to the borough.

Ms. Brophy replied that several of years earlier an ordinance had passed to enable the borough to develop a school maintenance facilities fund; the ordinance required the school district to return 28.5 percent of any unspent funds, any revenue that exceeded the budget, and any current fund balance. She expressed that the issue had been a challenge for the school system; the borough's responsibility was major maintenance, but the school system was responsible for up to \$20,000 of maintenance. She detailed that over the past couple of years the school system had lapsed back \$3.4 million; any available revenue was eligible to fall into the lapsed funds category including special needs intensive funding, impact aid funding, and other.

Vice-chair Fairclough surmised that the lapsed funding essentially went to help the school district. Ms. Brophy responded that the requirement was taking operating dollars and allocating them towards major maintenance, which was ultimately the borough's responsibility.

Vice-chair Fairclough asked for verification that the only way money was returned to the borough was when money allocated to the school district was unspent. Ms. Brophy replied in the affirmative and explained that the requirement discouraged the school system from having a fund balance.

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How much has the state contributed to the PERS/TRS unfunded liability on behalf of your school district in FY 12? How much has the state contributed to the PERS/TRS unfunded liability on behalf of your school district in FY 13?

Ms. Brophy related that the TRS and PERS unfunded liability contribution was \$25,646,580; the number had increased to \$35,820,160 in FY 13. She furthered that the amounts had been separated from the total budget for clarification purposes.

When was your most recently ratified teacher contract put into place?

Ms. Brophy communicated that the district's last ratified teacher contract expired June 30, 2011. Currently, teachers were working under the terms of the previous contract and negotiations were on-going. She shared that it had been a challenging period. The three-year teacher contract terms included steps and columns and the equivalent of 4 percent to the salary table in each of the three years.

Co-Chair Thomas asked whether contract negotiations were currently ongoing. Ms. Brophy replied in the affirmative. Under the normal schedule negotiations would have been completed the prior year; however, an agreement had not been reached.

Co-Chair Thomas questioned whether the school district had the money to pay for negotiation increases. Ms. Brophy

explained that was one of the issues and the reason negotiations had gone on as long as they had. The school district was trying to be fair but conservative in providing an increase to the teachers. She stated that there was not a pot of money to hand over currently, but she did believe the district could budget for negotiations.

Representative Wilson queried what the percentage would be on the normal column and steps that went into place even without a raise. She clarified that steps would give each teacher a raise automatically; she wondered what that increase would be. Ms. Brophy replied that teachers would receive a bump of approximately \$2,000. She furthered that the district had proposed a 1 percent pay raise. The raise combined with the steps and columns would increase the average teacher salary from 2.5 percent to 4.5 percent.

Representative Gara asked whether the step increases were automatic. Ms. Brophy responded that step increases were automatic, but columns were based on additional required educational credits. She believed teacher quality improvement occurred when column movement took place.

Ms. Brophy addressed additional questions on page 3 of the questionnaire:

What is your average teacher salary?

- \$69,150

What is your starting teacher salary?

- \$44,679, and a maximum annual salary of \$86,914

Ms. Brophy had felt that the school district's starting teacher salary was not comparable to some of the larger districts across the state; it had been the school's intent to make the number more comparable. The school system felt that it currently provided excellent compensation for its teachers.

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Vice-chair Fairclough asked what annual increases had been under the previous teacher contracts. Ms. Brophy responded that in the past the annual increases had gone between zero percent and 2.5 percent. The district felt that a 1 percent

increase was the best it could offer, given the current economically challenging times.

Representative Guttenberg wondered how many teachers were currently at starting salaries and how many were receiving the maximum salary. Ms. Brophy responded that there were approximately 30 teachers retiring in the current year. She asked for clarification on the question.

Representative Guttenberg asked how many new teachers were coming into the system. Ms. Brophy replied that the turnover rate related to teachers leaving for dissatisfaction reasons was low. She relayed that 54 percent of the district's teachers had master's degrees and 45 percent of the teachers were maxed out on the pay scale. She reiterated that there were 30 teachers retiring in the current year; the number fluxed between 50 to 80 retirements each year.

Representative Guttenberg asked for verification that there were 45 teachers that were maxed out on the pay scale. Ms. Brophy clarified that 45 percent of the teachers had reached the top of the salary scale, which could be accomplished over the course of 15 years.

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Ms. Brophy continued answering questions on page 3 of the questionnaire. She restated earlier testimony that the district was currently offering steps and columns and 1 percent on the salary table. The school system felt that an increase was beneficial, but it was simultaneously working within budget constraints.

What are the cost drivers in your budget?

1. Personnel is the major cost driver.
2. Health costs and retirement system costs are a big part of personnel costs associated with staffing.
3. Utilities.
4. Transportation subsidy.

How much were your energy costs in FY 11 (includes Central Kitchen). How much do you project them to be in FY 13?

Ms. Brophy shared that the district's utility bills had increased by \$2 million between FY 10 and FY 13; the electric and heating bills had grown by nearly \$1 million apiece.

Do you have a system in place to make budget adjustments when enrollment drops - how do you approach this?

Ms. Brophy relayed that currently the district's fund balance was anticipated to be zero. The district did address fluctuations in enrollment and had allocated reserved teaching positions. The money was used to make up any difference in enrollments; however, over the budget cycle the number of reserve teaching positions had been lowered. The school system recognized that the reduction could create a challenge and impact the schools' class sizes. She had highlighted the additional challenge earlier in her testimony related to a local ordinance.

What are your biggest instructional challenges?

Ms. Brophy discussed the importance of improving student achievement for all students. She communicated that students were all different and had a wide range of needs. Closing the achievement gap was a challenge (gaps were based on gender, ethnicity, special needs, disadvantaged, and other). The school board had recently received a report on technology skills; the report indicated that the district still had some challenges and progress to be made in the area for students and teachers. Other challenges included recruiting, hiring, and retaining a diverse workforce; the schools wanted to continue to provide a positive work environment in order to attract skilled teachers.

What grade would you give your school district?

Ms. Brophy gave the district a "B" grade overall. She believed the school system had made progress in multiple areas, for example, the graduation rate had gone up by 17 percent to 71 percent; the rate was not anywhere near where the schools would like to be, but it showed that progress

had been made. She relayed that the district's parent surveys indicated that over 80 percent of the parents gave the schools an "A" or "B" grade. She noted that she was very happy with the education her son had received in the district.

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What are you proposing to do differently to improve student performance?

Ms. Brophy explained that the Fairbanks schools were always looking for innovative and creative ways to teach, to keep the interest of students, and to keep students in school; she believed that good progress had been made (the graduation rate had increased and the dropout rate had decreased). One of the criticisms the district had received was that when it tried a new approach in the schools that it only stuck with the approach for several years before deciding it was not working. The school district preferred to focus on the things that it was doing well and to improve on the items instead of haphazardly looking for new ways to address existing issues. One of the issues related to addressing attendance issues; the district had been pursuing policy changes (if a student was not in the classroom the likelihood of their success was not high). The district was considering a change in the mandatory attendance age from 16 to 18 years of age; the dropout rate for students under 16 was 0.6 percent. Students would have an opportunity to earn an education if they were required to stay in school longer.

Ms. Brophy addressed other ways the school district was working to improve student performance. The schools provided transition and support services including, the Freshman Academy that helped transition students from middle school to high school; the student mentorship Ignition Program to help encourage success; Challenge Day helped to address relationship issues, racism, and other; credit recovery and; Power School Premier gave parents the opportunity to check on their kids grades and allowed students to view assignments. The district had also talked about developing portfolios for students to add to throughout their four years in high school.

Ms. Brophy continued to discuss ways to increase student performance. The district offered various school choice

options including a home school/correspondence program called B.E.S.T., which worked well for students who did not fit into the traditional school environment; the program allowed flexibility (e.g. one student had already earned 34 college credits); charter schools; Magnet School; Career/Technical Focused High School and; SMART, which allowed expelled youths to continue their education. The district was working towards building a state-of-the-art Career Technical Education program and had recently signed an apprenticeship agreement with the Department of Labor and Workforce Development (DLWD) with the goal of increasing student participation. There was a partnership with the Community Technical College, which allowed different opportunities for students. The school system was working hard on delineating career pathways (i.e. Certified Nurse's Assistant, culinary, or other). The district also offered an engineering academy that it hoped to build on.

Ms. Brophy shared that other programs included an Alaska Native Education (ANE) Program; the Alaska Native dropout rate had been cut in half over the past few years; intervention programs (e.g. Response to Intervention, which identified students who were struggling in reading and math early on) and; after school programs. The district was continuing to enhance relationships with service members and their families and encouraging parental engagement.

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Is the state providing the kind of planning and curriculum support that is helpful to your school district?

Ms. Brophy pointed out that new state standards had been sent out for review; therefore, the district was somewhat in flux currently. She believed the district needed to identify learning targets and standards that could be met in order to meet the needs of students. The new standards would require aligning assessment systems and providing multiple measures in order to assess students. She opined that the time needed to train teachers and implement new requirements would create a challenge, but it would ultimately be good for the state and the school district.

Ms. Brophy highlighted another planning and curriculum support issue. She explained that the General Education Development (GED) reporting system currently fell under

DLWD; currently students obtaining their GEDs in counted as a dropout for the school system. She furthered that students obtaining GEDs would not count against the district as dropouts if the reporting system was moved to DEED.

How can the DEED, the Board of Education or other state agencies help you achieve better results, other than just providing you with more money?

Ms. Brophy stated that the role of board members was to advocate for public education and they believed that the state Board of Education could assist with the area. Additionally, she noted that navigating the bureaucratic process was time consuming and cumbersome and that streamlining the process would be helpful. She added that the district did not receive any monetary support from the Board of Education.

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How much ARRA funding did you receive over the past few years?

Ms. Brophy relayed that the district had received \$16.1 million in ARRA funding. The prior year the district had received \$2.1 million in jobs bill money, which had provided funding for 22 teachers. She noted that the district did not have any ongoing costs from ARRA funding. Some of the items that had been implemented after a thorough review were the Response to Instruction Intervention program, continuing with work on the technology blueprint that had been developed several years earlier, and modernizing schools through broadband connectivity (further detail included on the questionnaire).

Co-Chair Thomas shared that some school board members had notified his office that they would like to see TRS removed from the money given to the state. He wondered what would happen to the education system if the retirement system was abolished. Ms. Brophy replied that the situation would not be workable. Co-Chair Thomas did not understand why anyone would think about getting rid of TRS. He noted that he had been told that the \$75 million liability should be up to the legislature to pay. Ms. Brophy deferred the question to

the district finance officer for a conversation at a later time.

Co-Chair Thomas elaborated that the issue related to an extra \$75 million that had been paid to PERS in the current year; the payment was the choice of the state and a TRS payment would not be made by the school districts' choice.

Ms. Brophy had also heard the argument. She believed the \$75 million contribution the state had made towards PERS and TRS had helped the school district. She believed the question related to whether or not the contribution would impact the school systems' operating dollars.

Co-Chair Thomas referred to earlier testimony that the automatic step increases for teachers impacted the retirement debt obligation.

Co-Chair Thomas handed the gavel to Co-Chair Stoltze.

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MANTANUSKA-SUSITNA

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Co-Chair Stoltze appreciated that Mr. Dunleavy was able to address the committee.

MIKE DUNLEAVY, PRESIDENT, MATANUSKA-SUSITNA BOROUGH SCHOOL BOARD (via teleconference), provided a PowerPoint presentation titled "Matanuska-Susitna School District Testimony to the House Finance Committee." He read from slide 2:

I want to thank you for this opportunity to speak on behalf of the Mat-Su School Borough District. It is with great respect for you and pride for my community that I share the current fiscal reality, instructional challenges, and future goals of the Mat-Su School District. For those members who are not familiar with our school district, let me start by providing a minds-eye picture of the Mat-Su School District:

- The Mat-Su Borough is located 35 miles north of Anchorage seated alongside the Susitna and Matanuska rivers
- Our Borough spans 25,000 square miles making the district's student transportation a priority and challenge
- Mat-Su School District is the largest employer in the Borough, with approximately 2,500 employees
- The Mat-Su Borough passed its largest bond in October 2011, allowing for new school construction and renovation
- MSBSD educates 17,500 students, with an average annual enrollment growth of 425 students over the last ten years

Co-Chair Stoltze asked whether the number was 425 students per year for each of the 10 years. Mr. Dunleavy responded in the affirmative.

Mr. Dunleavy read slide 3:

Our programs operate in 44 schools allowing for parent and student choice that include, but are not limited to:

- small community schools
- charter schools-MSBSD houses six charter schools
- comprehensive high schools- MSBSD has four large high schools
- neighborhood elementary and middle schools- MSBSD offers 20 neighborhood
- elementary schools and six middle schools
- special mission schools focusing on: language immersion, career and technical
- education, and STEM (just to name a few)

- alternative/credit recovery schools
- vibrant and growing home school programs, including the completely renovated Mat-Su Central School

With this information in mind, I will share the answers to your questions posed for this testimony. After the presentation, I welcome your questions about the operations, programs, and goals of the Mat-Su School District.

Mr. Dunleavy addressed the first question on slide 4.

What is your FY 13 total school district budget?

Mr. Dunleavy informed the committee that approximately \$205,352,831 went to personnel costs and constituted 83.31 percent employee compensation. He relayed that graphs showing the school district's total budget from FY 09 through FY 13 (5 years), broken down by funding source (state/ local/fed/mix) were included on slides 5 through 7 of the presentation.

Co-Chair Thomas commented that the state was projected to lose \$50 million in federal funds the following year. He thought it was important to know what school district costs were dependent on federal funds.

Mr. Dunleavy responded that a very small percentage of the Mat-Su school district's funding came from the federal government; the elimination of the funds would impact the district, but on a much smaller scale than some other districts. He continued on slide 8:

Did you fund to the total allowable local contribution in FY 12? In FY 13? If not, how much below were you? Why?

As you can see from the chart below [included in the presentation (copy on file)], the District does not receive the total allowable local contribution. The Matanuska-Susitna Borough determines local contribution amounts. The District request has been, and continues to be, for increased local funding. FY 13 amounts have yet to be determined.

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Mr. Dunleavy relayed that the district received approximately \$13 million less than the allowable local contribution amount. He continued on page 9:

How much is the state scheduled to contribute for PERS/TRS unfunded liability costs on behalf of your district in FY 12?

Estimated On-Behalf Funding contributed to the PERS/TRS unfunded liability for FY12 is \$26,000,000

FY 13?

On-Behalf Funding for FY13 is anticipated to remain at approximately \$26,000,000

Representative Neuman referenced that the borough had voted to build two or three new schools. He asked how much the borough had contributed financially to the new schools. Mr. Dunleavy responded that the borough had contributed approximately \$60 million.

Co-Chair Stoltze asked for the total bond package amount that had been approved by voters. Mr. Dunleavy responded that the total package was \$214,495,000.

Representative Neuman asked for verification that the amount was only designated for school projects. Mr. Dunleavy answered in the affirmative.

Mr. Dunleavy moved to slide 10:

When was your most recently ratified teacher contract put into place?

The most recently negotiated teacher contract was ratified by the School Board on November 17, 2010, prior to learning that multiple year funding increases, then the norm, would not be continued.

What were the terms? (salary and benefits increases/decreases per year, in percentages {or dollars, if appropriate})

Terms:

- i. Three year contract, retroactive to July 1, 2010 through June 30, 2013
- ii. Salary increases of 1.75% in FY11, 2.00% in FY12 and 2.00% in FY13
- iii. Health Insurance - Committee was established to look at containing the rising cost of health insurance. Any increase will be shared 50/50 by employees and the District in FY13
- iv. Per diem rate for duties and professional development for teachers working outside of the school day reduced by an average of 33%

Mr. Dunleavy shared that the district's average teacher salary was \$69,084 and the starting salary was \$44,195.

Co-Chair Stoltze asked for clarification on steps. He noted that some members of the education community had referred to a cap on the maximum step increases allowable. Mr. Dunleavy replied that there was approximately 4 percent per year in step increases.

Co-Chair Stoltze asked whether the amount reached plateau. Mr. Dunleavy responded in the affirmative. He relayed that the maximum amount was reached in approximately 13 years.

Representative Wilson queried whether salaries shown in the presentation included benefit packages. Mr. Dunleavy clarified that the number only included salary. Representative Wilson asked how much the number would increase when calculating in benefits. Mr. Dunleavy responded that the district used a figure of \$100,000 per teacher.

Mr. Dunleavy turned to slide 12:

Did you negotiation significant salary increases in your labor contracts for FY 2013? If yes, why did you do that given the current funding situation/debate?

No; all four bargaining agreements were ratified November 17, 2010 and were multi-year agreements. Salary increases for all groups are based on two components:

1. Salary schedule increases, which were 2.00% for the FY13 year and are the negotiated increases agreed to in 2010
2. Regular step and column movements, which have been a component of the contract for years far preceding the current contract, effectively making them "status quo" under federal bargaining rules, requiring a substantial effort to remove them from the contract.

Our increases were moderate compared to many other agreements in place at the time, and the funding scenario for the State and District was different at the time of ratification. In addition, we were successful the year that ratification occurred in implementing a Supplemental Employee Retirement System, which increased natural attrition by over 400%, helping us reduce annual operating expenses in excess of \$7 million annually.

Mr. Dunleavy addressed budget cost drivers on slides 13 through 14:

Cost drivers in the District's budget consist primarily of:

1. Increasing health insurance costs
2. Increasing compensation costs, due to multiyear contract and status quo provisions
3. Increasing student transportation costs (see next slide)

4. Inflationary cost pressure for required purchased services (data network, software licenses, etc.)

5. Increasing utilities costs

What are the cost drivers in your budget? (Cont.)
[slide 14]

New Transportation Contracts

- Alaska Statute 23.10.065 (b) states in the pertinent part that "an employer shall pay to each person employed as a public school bus driver wages at a rate of not less than two times the minimum wage..."
 - o This was the single largest requirement increasing our costs in the new transportation contract, which was competitively bid. By taking the low bid the District saved over \$11 million over the five year life of the contract.
- Our contractor's fleet is old. To eliminate service disruptions our new contract requires that the average age of the fleet not exceed 10 years and no bus may be more than 12 years old; this requires an investment in new buses by the contractor.
- To ensure student safety we now require two digital cameras on all buses. This significantly improves student behavior making the bus environment much safer for both students and drivers.
- Only Home-to-School transportation expenses are submitted to the State for reimbursement.

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Vice-chair Fairclough asked how the Supplemental Employee Retirement System (shown on slide 12) had increased the natural attrition rate by over 400 percent. She asked what the system was, how it was paid for, and how it saved the district \$7 million annually.

Mr. Dunleavy replied that one-time federal money had funded the system and had allowed teachers to retire. He explained that the positions had not been filled. He added that the student-teacher ratio had increased as a result of the process.

Co-Chair Thomas believed that there may have been a typographical error on slide 9 related to the PERS/TRS unfunded liability for FY 13. He thought the number for FY 13 should be higher than \$26 million. Mr. Dunleavy replied that the district had fewer employees; therefore, it estimated that costs would remain at \$26 million.

Mr. Dunleavy directed attention to slide 15:

How much were your energy costs in FY 11? How much do you project them to be in FY 13?

- Energy (only) Costs:

Actual FY 11: \$3,984,290

Projected FY 13: \$4,274,900

7.3 percent increase

- Total Utilities:

Actual FY 11: \$4,956,546

Projected FY 13: \$5,731,550

15.6 percent increase

Mr. Dunleavy moved to slide 16:

Do you have a system in place to make budget adjustments when enrollment drops - how do you approach this?

Yes; the District does have a plan in place and is currently using it to equally allocate the reduction in funding that the District is now experiencing.

Ratios and metrics are used to fairly distribute reduced funds, providing full transparency to our budget. The ratios and metrics along with all budget scenarios are promptly posted to the District website to allow for public review.

Representative Joule asked how the district handled adjustments when student enrollment dropped or increased. Mr. Dunleavy replied that enrollment had increased, but that it needed to be handled in the same fashion. He noted that there was less funding.

Representative Joule wondered whether the district had physical room for the growth in enrollment. Mr. Dunleavy answered that currently 72 modules were used in addition to the regular school buildings because the population had increased. The use of the modules was one of the reasons the school district was in a capital projects bonding process.

[4:12:19 PM](#)

Mr. Dunleavy turned to slide 17:

What are your biggest instructional challenges?

The biggest instructional challenge for the Matanuska-Susitna Borough School District is trying to counter the demands placed on us by NCLB while we seek rigor and high standards for all.

Specifically, to be responsive and provide the increased number of intervention courses required, our class sizes are organized for smaller groups. This essentially puts our district in a position of having to reduce offerings to our mid and upper level achieving students.

Our dilemma is to continue to offer enrichment through AP (Advanced Placement), STEM (Science, Technology, Engineering, Math), National Math and Science Initiatives and grow these programs so that we move the mean to the upper end. We are concerned that our reduced level of teacher staffing makes it difficult to place the required

resources at the intervention level to address NCLB requirements; thus, we may be contributing to having all students regress to the mean.

Mr. Dunleavy looked at slides 18 through 20:

What grade would you give your school district (A-F)?

The Matanuska-Susitna Borough School District is good moving to great!

Our assessment is based on our recent 5 Year Post Graduate study and is fact based and data driven.

We currently rank ourselves a solid 'B' and have implemented programs to move our district to an 'A' with the help of required resources from our state and local borough.

What are you proposing to do differently to improve student performance?

The Matanuska-Susitna Borough School District is a district that emphasizes choice, innovation and customer service.

We believe education is not "one size fits all." We provide our community many school models from large to small, neighborhood to special mission, as well as 6 charter school options. Our school programs include but are not limited to: a blended home-school model, foreign language immersion, Knowledge is Power charter, Career Technical focused high school, and STEM (Science, Technology, Engineering, Math). We operate on an RTI (Response to Intervention) model that is often referred to by the state and other districts as a stellar example of how intervention and support should be provided to improve student performance for all. Our District has implemented instructional models that utilize research based programs, taught to fidelity. We have demonstrated the most dramatic literacy improvement in the state (moved early childhood literacy scores upward from 50% proficiency to 79% proficiency). Post Graduate 5 year study

proves that MSBSD students are successful at the college level as well as in the world of work.

Is the state providing the kind of planning and curriculum support that is helpful to your school district?

The Matanuska-Susitna Borough School District works closely with the state.

The Matanuska-Susitna Borough School District has been provided opportunities to give input through committee and survey work. The state is accessible when there are questions pertaining to curriculum and responses provide clear direction on how the district should proceed.

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Mr. Dunleavy addressed questions on slides 21 through 22:

How can DEED, the Board of Education or other state agencies help you achieve better results, other than just providing you with more money?

The Matanuska-Susitna Borough School District would like to continue to partner with DEED on professional development needs. We would like to continue to utilize existing resources that have been put in place to support academic achievement.

The Matanuska-Susitna Borough School District would like to work with DEED to provide for alternate language in its statewide Home-School provisions allowing our district leverage and flexibility for Matanuska-Susitna Borough School District students to access neighborhood and home school programs without the current penalty of FTE/courses.

We would like to see DEED and the State Board of Education continue to further their work in the area of standardizing a teacher evaluation so that evaluations provide objective criteria for teacher performance.

How much ARRA funding did you receive over the past few years?

ARRA

2010: \$4,070,437.54
2011: \$13,142,674.36
2012: \$689,000.00

Purpose: Teacher staffing and Supplemental Employee Retirement Incentive

How did you invest any ARRA funds you received?

ARRA Funding was invested in Supplemental Employee Retirement System (SERP), reducing on-going operational expenses by over \$7 million annually, and teachers (in order to save jobs that would otherwise have been lost without ARRA Funding)

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Representative Wilson asked whether details had been worked out for a 5-year program that would allow students to take college courses without being counted as dropouts. Mr. Dunleavy responded that the district was still in the discussion phase, but it was hopeful that the details could be worked out.

Representative Wilson asked to be kept in the loop as developments occurred. She liked the idea of the program and believed it could work in multiple districts.

Representative Gara questioned whether the governor's original proposed budget held the school district even or caused a shortfall. He wondered what BSA increase the district would need to be held even to the prior year's programs and staffing if a shortfall was caused. Mr. Dunleavy answered that the proposed budget would result in shortfall. To remain even with the prior year levels an increase to the BSA of approximately \$351 was needed if transportation was funded for large districts.

Representative Neuman asked for an explanation of the Mat-Su technical school that combined technical trade education and vocational programs with typical learning programs.

Mr. Dunleavy responded that the program was working well. He deferred the question to the superintendent for additional detail.

DEENA PARAMO, SUPERINTENDENT, MATANUSKA-SUSITNA BOROUGH SCHOOL DISTRICT (via teleconference), explained that the program was a career and technical high school that was located in the core area of the district; it was organized by trade and professional pathways including, food service, engineering, health and human services, and other. Students received reading, writing, and arithmetic, but classes were closely tied to jobs that existed in the professional and trade realms. For example, in the health and human services program, students may focus on physical therapy, nursing assistant training, pre-med, or phlebotomy. There were currently about 500 full-time and juniors and seniors from other high schools could also attend the nursing program. She expounded that all of the pathways were assessed by outside third-party, real work programs and trades and were based off of community advisory boards.

Co-Chair Thomas noted that the GED reporting function would move from the Department of Labor and Workforce Development to the Department of Education and Early Development; due to the change 1,671 extra diplomas would be given by DEED. The change should increase the school district graduation rates.

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ANCHORAGE

GRETCHEN GUESS, PRESIDENT, ANCHORAGE SCHOOL BOARD (via teleconference), thanked the committee for the opportunity to testify. She relayed that school boards typically had taxing authority and local communities paid for the majority of education costs; however, in Alaska the state paid for the majority of education funding and the school board had no taxing authority (the authority was given to local assemblies). She stressed the importance of state funding, which ensured that the constitutional and moral obligations to educate every child within the state were met. She recognized that from the perspective of the legislature that education funding could be frustrating because it constituted a significant portion of the operating budget. Alaska was not a state like Texas,

Florida, or California that mandated class sizes and pushed education down to the local level. She recalled that when she had campaigned as a legislator that constituents wanted to talk about local issues (e.g. speeding, noise, education and other). She believed constituents cared passionately about education and although the state was funding education, control declined with every step away from a district. She stressed that there was no "silver bullet" to education; if "x" was given it was not possible to know that "y" would happen. She believed there was a balance of state funding and local control demonstrating that education was a community issue. She opined that the conversation was important and she commended the committee for the attention it was giving the topic.

Ms. Guess provided some overview comments. She provided "Creating High Performing District" and "Performance Measures" documents (copy on file). The documents had been created by the board following a training by the Council of Reform of School Systems. She read an opening statement:

For the first time the Anchorage School District is more than a mission. It not only has a vision similar to businesses, it has core values and operating principles to guide us. We've made specific commitments to public education. We have set out specific expectations through performance measures and goals and we've laid forth strategic initiatives to provide the priorities to move forward. These documents are the foundation for our focus and our desire to create a high performing district with really a governance model that is proven. I'm very proud of the work we did in this unanimous effort.

Ms. Guess relayed that the proposed budget was based on the documents she had provided to the committee. The budget contained approximately \$20 million in cuts and did not contain all of the investments she would like to see; however, she was proud of the innovative work conducted by the school district. She observed that cutting budgets was an inherently difficult process. The first comprehensive management audit conducted for the Anchorage School District was scheduled for June 2012; there was more focused and robust fiscal planning, which was critical for the district's future. She opined that the district became more efficient every year; however, it was not keeping up with inflation costs. She stressed that without inflation

proofing the BSA, the funding only kept the district from falling further behind. It was not only important to receive new funds, but the districts needed to become more efficient in order to bring more funds into classrooms. She furthered that even with Consumer Price Index (CPI) adjustments the district's expenses often grew above CPI (e.g. health care costs, workman's compensation costs, and utilities).

Ms. Guess referred to a change in the foundation formula, which had occurred in the 1990s; the state moved away from funding more expensive programs individually (e.g. special education, gifted and talented and, bilingual). The BSA had gone from reflecting the average needed for students to how every student was funded. She was glad the state and district had made the choice to focus on every child; she stressed that it was a conscious choice. She acknowledged that a significant amount of money could be saved if the state or district decided to only care about 50 percent or 60 percent of the students. She furthered that the world functioned on a "natural law curve"; it was much easier to go from 0 percent to 10 percent than it was to go from 90 percent to 100 percent. She stated that there was "more bang for your buck" at the beginning than at the end.

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Ms. Guess expounded that the goal of getting children to graduate in the 70 percent to 100 percent category would take more resources than the 30 percent before them. She believed that funding was needed in order for every child to graduate and the effort needed to involve communities and families. She emphasized the importance of children getting to school and getting to school on time and stated that educators had little control over the issue (item 5 on the performance measures). She stated that the district's absentee rate was abysmal; over half of the district's kindergartners were missing 18 days of school. She stressed that the state's education system faced more challenges than just a funding issue. She furthered that the importance of education needed to be lifted up in every family. She relayed that almost 40 percent of the district's children would begin in one school and end in another; there was a significant amount of movement in and out of state. She stated that there was a growing poverty rate in Alaska as "we've moved from the oil economy to the Walmart economy." She highlighted that all of the mentioned

factors contributed to what a child brought to school on a daily basis.

Ms. Guess acknowledged that schools fed many of their children and dealt with their emotional needs. She noted that some people may believe that these things were not the responsibility of the school system, but she opined that if a hungry child was in someone's church or community that people would do something about it. She emphasized that school districts reflected the community and that public facilities and public funds could not turn away from children's needs; almost every need that a child has impacts their ability to learn on a daily basis. The school board's focus was to implement the necessary structures that would allow every child to meet their potential and to recognize that a cookie cutter approach would not work, given that all children are different. Resources were needed, but additional work would need to take place as well.

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Ms. Guess appreciated DEED and stated that it was helpful to have one body in charge of licensing oversight. The demands of the Anchorage School District were not as significant on DEED as those of smaller districts; Anchorage had resources through the Council of Great City Schools (as one of the top 100 districts in the nation) and others that smaller districts did not have access to. She stated that the district did use DEED, but that its true value was evidenced in the help it provided to small districts. She addressed items that DEED and other agencies could do that were non-finance related: (1) a discussion between community leaders and communities about the importance of education and what could be done to get children to school and to prepare them and (2) a collaborative conversation between districts, school boards, the legislature, and DEED about statutes and regulations that had unintended consequences or were out dated. She believed it was time to focus on the legal structure to determine whether it was working or if things needed to change.

Ms. Guess respected the legislature and understood the sacrifice involved from personal experience. She did not want to tell legislators what to do and believed that was

the wrong way for public servants to treat each other. She provided concluding remarks:

I know that you're going to look at this decision like you look at all of the decisions in Juneau, which is, what you think is truly right in your heart and your mind, balancing the tradeoffs in front of you. Your decisions like any other budget decision you make will have impacts on individuals and children. Please don't think that education is immune from that reality. It is the reality that I live as a school board member every day and it's the same reality I lived when we were passing budgets down in Juneau. We are all imperfect and districts are not immune. We are all trying to get better and we have to continually strive. We are never going to be perfect, but we have to strive for perfection. At the end of the day I believe our schools reflect our communities and you are part of our community and I appreciate the discussion and dialogue you're having.

[4:37:39 PM](#)

Vice-chair Fairclough asked whether the district's general operating fund of \$569 million included federal and local contributions. Ms. Guess replied in the negative. The total included the district's general fund only. The fund total was \$726 million and in addition to the general fund included \$53 million in primarily federal grant funds, \$86 million in debt service, and \$18 million for the self-funded food service program.

Vice-chair Fairclough noted that smaller communities sometimes asked the legislature why Anchorage was not contributing the full 4 mills. She explained that some legislators felt that Anchorage was not contributing enough. Ms. Guess believed that the issue was the "elephant in the room" for Anchorage. The district had been asked to keep its budget at a 1 percent increase, which it had done. She was unsure what had led to the current situation and did not know the answer to the question; the problem had been around for quite some time. She communicated that she would appreciate any insight into how the situation had come to be.

Vice-chair Fairclough replied that a bill had been implemented in 2002 with a retroactivity to 1999 that

allowed any increase in appraised property value in Anchorage to only be considered at 50 percent going forward; the change had lowered the mandated requirement of the 4 mill contribution. She explained that smaller communities did not have what they considered the subsidy that was provided to the Anchorage School District. She did not buy into the philosophy because there were so many other places that Anchorage tended to take less at. She acknowledged that the issue was a point of contention between rural and urban districts. She believed it was important to talk about any "elephants in the room" in order to come to a common ground and determine ways to move forward for the benefit of students. She thanked Ms. Guess for her service.

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Representative Gara agreed about the urban districts benefiting from only paying half of their property tax increase value and believed it was a problem. He pointed to years between 2006 and 2010 when a significant amount of money had been contributed to the retirement shortfall. He detailed that during the same period there were \$100 and \$200 BSA increases and an increase in special education funding. He wondered whether the influx had made a positive impact on school achievement.

Ms. Guess responded in the affirmative and noted that the positive impact should not go unnoticed. She detailed that during years before 2006 when barrels of oil were \$17 to \$27, funding had not kept up with inflation. She highlighted the work on intensive needs that had been pivotal to Anchorage in particular; the district saw more intensive needs children, given that it was the healthcare center and funding was finally aligned with the resource. The work that had been done was pivotal in helping students to get what they needed. She communicated that how money mattered was a hotly debated topic within education research that no one had reached a conclusion on. One of the issues was that there was no education price index and adjusting expenditures for inflation had not been done; therefore, finding the true impact was very difficult. The impact on certain programs could be discussed such as high school counselors for special needs children that increased graduation rates for these students from 20 percent to 40 percent. She relayed that "it's easier to say specific programs than it is to say specific dollars." She pointed

to the district's performance measures and noted that certain areas had made great gains in the past few years (e.g. graduation rates); there were other areas that had not experienced improvements (e.g. proficiency on Standards Based Assessment). She stated that Anchorage was like every other district in that it depended on the measure and where the dollars were focused. The district was currently on a concerted and fast effort to focus on moving every child forward.

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Representative Gara thanked Ms. Guess for her work.

Representative Joule appreciated her comments. He remembered a bumper sticker that read "Lord please grant us another boom and we promise not to blow it." He thought about oil and gas and energy issues and the desire to be optimistic. He believed Ms. Guess had talked about the importance of the development of the state's human resources to ensure that they would be ready for the development of the state's non-renewable resources.

Vice-chair Fairclough asked what the district's salary scale topped out at for teachers. She noted that the average pay in Anchorage seemed to be less than other districts. Ms. Guess believed the top was \$90,000 for a PhD level at 20 years. She would follow up with a firm answer.

Vice-chair Fairclough clarified her interest in knowing the top of the district's tier (including columns and step increases), how many years it took to get there, and how many teachers were employed at that level. Ms. Guess would provide a detailed answer to the committee.

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Co-Chair Thomas shared that the total general fund investment was \$6.2 billion; costs for K-12 foundation funding and pupil transportation (\$1.1 billion), PERS/TRS retirement costs (\$76 million), and the DEED operating budget (\$60 million) equaled approximately \$1.5 billion, which represented 24 percent of the general fund operating budget. He asked people to keep the cost in mind. He discussed the schedule for the following day and thanked participants for their time. He reiterated his earlier statement that work would be completed to move GED

reporting from DLWD to DEED, which would result in an improved graduation rate.

Representative Neuman noted that there may be a statutory requirement related to the process of moving GED reporting from one department to another. He would keep the committee up to date.

Vice-chair Fairclough discussed that she had met with a sixth grade teacher from Alpine Glow Elementary who had suggested that a current educator may be a benefit for the state's school board.

Representative Guttenberg shared that the Legislator in the Classroom program had been very insightful in helping legislators understand the education process.

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ADJOURNMENT

[4:53:44 PM](#)

The meeting was adjourned at 4:53 p.m.