

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 6, 2013
8:02 a.m.

MEMBERS PRESENT

Representative Lynn Gattis, Chair
Representative Lora Reinbold, Vice Chair
Representative Gabrielle LeDoux
Representative Paul Seaton
Representative Peggy Wilson
Representative Harriet Drummond

MEMBERS ABSENT

Representative Dan Saddler

COMMITTEE CALENDAR

OVERVIEW: EDUCATION FUNDING OUTSIDE OF THE BSA FORMULA BY
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

- HEARD

HOUSE BILL NO. 27

"An Act relating to student counts, unreserved school operating fund balances, restrictions on school district money, and estimates for public school funding; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ELIZABETH NUDELMAN, Director
School Finance and Facilities Section
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Provided the overview on education funding outside of the BSA formula, on behalf of EED.

MARK LEWIS, Director

Administrative Services
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions, during the EED presentation on education funding outside of the BSA formula.

ACTION NARRATIVE

[8:02:35 AM](#)

CHAIR LYNN GATTIS called the House Education Standing Committee meeting to order at 8:02 a.m. Present at the call to order were Representatives Gattis, Drummond, P. Wilson, and Reinbold; Representatives Seaton and LeDoux arrived as the meeting was in progress.

**Overview: Education Funding Outside of the BSA Formula by
Department of Education and Early Development**

[8:03:04 AM](#)

CHAIR GATTIS announced that the only order of business would be an overview from the Department of Education and Early Development (EED) on education funding outside of the base student allocation (BSA) formula.

[8:03:39 AM](#)

ELIZABETH NUDELMAN, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), directed attention to the committee packet and a graph, titled "Unrestricted General Fund Appropriations for K-12 Education," to indicate the historical funding progression from fiscal year (FY) 2009 through the projected funding for FY 14. The bar graph illustrates the amounts, by year, funding that has been distributed outside of the formula appropriation. She pointed out that the annual spending amounts can be read from the table, at the bottom of the same page, for a more precise figure. Beginning with the K-12 foundation and pupil transportation formula funding, she said, the amounts represent the state aid from the foundation formula and the pupil transportation formula. These funds come through the public education fund. The third item on the table is the onetime distributed funds, which totaled \$20 million in FY 12, \$25 million in FY 13, and what is projected to be \$25 million in FY 14. Historically, the state has distributed onetime funding outside of the formula,

and she said that during the seven year period of 2002-2008 there were four years that used this strategy; rather than incorporate the needed funding immediately into the base allocation. She then directed attention to the second committee handout, indicated as a draft document prepared 12/12/12, listing each school district with the corresponding FY 14 projected amount to be received based on the AADM (adjusted average daily membership) and the share of the \$25 million onetime disbursement. She explained that, whenever the state has calculated one-time funding amounts, the calculations are based on the established formula components taking into consideration the individual district factors such as size, operational requirements/cost, and other defining influences.

[8:07:37 AM](#)

CHAIR GATTIS asked how the reported disbursements relate monetarily to the BSA.

MS. NUDELMAN responded that the FY 14, \$25 million funding outside of the formula figure, is equivalent to a raise of approximately \$100.00 in the BSA.

[8:08:25 AM](#)

REPRESENTATIVE P. WILSON addressed the PERS/TRS draw down and asked for the rationale for including it in the report. She said the raise in the benefit expense was not a fault of the school districts and the legislature decided several years ago to handle it separately. Historically, the amount has not been counted against the schools, but lately it has been appearing in the reports.

MS. NUDELMAN pointed out that the PERS/TRS funds are included in the chart, and the FY 14 projection is for \$343 million will be paid into the fund on behalf of the school districts. When the benefit rates began escalating the state assumed a portion of the burden. When the rates increased by approximately 40 percent, statute set the district burden, through the foundation formula, at 12.56 percent, and the state accepted the difference of about 30 percent. The districts continue to receive this relief each year and the chart discloses the annual amount actually paid. The accounting for this benefit has changed, and will continue to change, due to the directions received from the nationwide governmental accounting standards board. Currently it is reported in individual audits for the entities that receive the benefit, and will be shown in school districts

account disclosures. However, the process that the state undertook to provide the relief to the districts has not changed.

REPRESENTATIVE P. WILSON recalled that the decision was made because it was apparent that the schools could not pay the benefit debt and continue to function. She asked if it is counted as part of the comparable \$100 raise in the BSA, previously discussed.

MS. NUDELMAN answered no, and further clarified that the amount indicated for PERS/TRS on the graph is only the amount paid by the state.

REPRESENTATIVE SEATON stated his understanding that the total school district PERS/TRS [shown in the report] is not the school districts contribution, but the amount that the state contributes above the school's total. He questioned the reporting method, considering the PERS/TRS cap that was established, and asked how this is reflected in other state agency reports; since the statute was enacted.

MS. NUDELMAN clarified that the amount reported on the bar graph reflects only the state contribution; districts also contribute a share, 12.56 and 22 percent, which is not included in this presentation.

[8:15:02 AM](#)

MARK LEWIS, Director, Administrative Services, Department of Education and Early Development (EED), offered that there is not a total dollar amount associated in the EED budget for the buy down of the benefit rate, and suggested that the Department of Legislative Finance would be a source to provide the figures of what has been contributed to PERS/TRS on behalf of the state. The EED rate has remained static, but if there is a varying contribution rate, to maintain the lower level, it is paid outside of the department's budget.

REPRESENTATIVE SEATON surmised that the PERS/TRS is paid by the state, outside of the EED budget and not reflected in the books, but what it is paid outside of a district's budget it is shown on the books.

MR. LEWIS agreed that it could be considered in that way; however, the pay down is on behalf of a state agency.

REPRESENTATIVE SEATON suggested that the reporting method may be flawed and appears to cause confusion; although this is not due to a reporting decision made by EED.

CHAIR GATTIS agreed that transparency, on the part of every department would be helpful.

[8:17:45 AM](#)

REPRESENTATIVE P. WILSON stated her understanding that this benefit pay down amount is not part of what is reported in the budget sub-committee meetings.

MR. LEWIS said correct, but it is a budgeted item which will appear in the operating bill; not specific to a department.

REPRESENTATIVE P. WILSON summarized the testimony to mean that this amount does not appear in any other departmental report, save EED. If that is the case, she opined that it is not fair.

MR. LEWIS suggested that the reason it has been broken out here is to provide perspective on the level of support that the legislature has provided to the districts.

REPRESENTATIVE P. WILSON maintained her opinion and said:

I think it's a way for the department to say to the school districts: "You're not happy because of what we're doing, but by gosh look at what we're doing, we are paying this." And I don't think that that's right.

[8:20:04 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 8:20 a.m.