

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 18, 2013
8:03 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 120

"An Act adjusting pupil transportation funding; and providing for an effective date."

- MOVED CSHB 120(EDC) OUT OF COMMITTEE

HOUSE BILL NO. 151

"An Act establishing a public school and school district grading system for purposes of improving accountability and transparency; providing for Alaska strategic educators in public schools; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 133

"An Act relating to grants for school construction."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 120

SHORT TITLE: PUPIL TRANSPORTATION FUNDING

SPONSOR(S): REPRESENTATIVE(S) GATTIS

02/15/13 (H) READ THE FIRST TIME - REFERRALS

02/15/13 (H) EDC, FIN
03/13/13 (H) EDC AT 8:00 AM CAPITOL 106
03/13/13 (H) Scheduled But Not Heard
03/18/13 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 151

SHORT TITLE: SCHOOL GRADING SYSTEMS
SPONSOR(S): REPRESENTATIVE(S) REINBOLD

03/01/13 (H) READ THE FIRST TIME - REFERRALS
03/01/13 (H) EDC, FIN
03/15/13 (H) EDC AT 8:00 AM CAPITOL 106
03/15/13 (H) Heard & Held
03/15/13 (H) MINUTE(EDC)
03/18/13 (H) EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

ERICK CORDERO-GIORGANA, Staff
Representative Lynn Gattis
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented information on HB 120 on behalf of the sponsor, Representative Lynn Gattis.

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

POSITION STATEMENT: Testified and answered questions during the discussion of HB 120.

DEENA PARAMO, Ed.D.
Superintendent
Matanuska-Susitna Borough School District (MSBSD)
Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 120.

LUKE FULP, Chief Business Official
Business & Operations
Matanuska-Susitna Borough School District (MSBSD)
Palmer, Alaska

POSITION STATEMENT: Testified on HB 120.

TERRY SNYDER
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 120.

DAVE JONES, Assistant Superintendent of Operations
Kenai Peninsula Borough School District (KPBSD)
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 120.

DAVID MEANS, Director
Administrative Services
Juneau School District (JSD)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 120.

AMY LUJAN, Executive Director
Alaska Association of School Business Officials (ALASBO)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 120.

BRUCE JOHNSON, Executive Director
Alaska Council of School Administrators (ACSA)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 120.

ROBERT PEARSON, Staff
Representative Lora Reinbold
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on behalf of
Representative Reinbold, sponsor of HB 151.

CHRISTY HOVANETZ
Senior Policy Fellow
Foundation for Excellence in Education (FEE)
Tallahassee, Florida

POSITION STATEMENT: Answered questions during the discussion of
HB 151.

DAVID BOYLE
Executive Director
Alaska Policy Forum
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 151.

ACTION NARRATIVE

[8:03:42 AM](#)

CHAIR LYNN GATTIS called the House Education Standing Committee meeting to order at 8:03 a.m. Representatives Saddler, Reinbold, Seaton, P. Wilson, Drummond, and Gattis were present at the call to order. Representative LeDoux arrived as the meeting was in progress.

HB 120-PUPIL TRANSPORTATION FUNDING

[8:04:28 AM](#)

CHAIR GATTIS announced that the first order of business would be HOUSE BILL NO. 120 "An Act adjusting pupil transportation funding; and providing for an effective date."

[8:04:30 AM](#)

ERICK CORDERO-GIORGANA, Staff, Representative Lynn Gattis, Alaska State Legislature, stated the bill, HB 120, contains an adjustment to the consumer price index (CPI) on pupil transportation for school districts. The reason for the bill is to ensure that school districts don't need to use instructional funding for pupil transportation. Historically, the funding for pupil transportation has been derived from funding outside the instructional funding. In 2012, Senate Bill 182, [27th Legislature], recalibrated the amount of funds school districts received for pupil transportation. That bill included a CPI to help ensure that school districts could cover the full amounts of the contracts. However, the final version of the bill reduced the annual CPI adjustment to a 1.5 percent inflationary adjustment for 2014 and 2015. Thus funding would revert back to a level requiring use of instructional funds to fund pupil transportation. This bill would bring back the full adjustment so school districts would not need to spend instructional funds for pupil transportation.

MR. CORDERO-GIORGANA explained that Senate Bill 182 also included language to allow the EED to help school districts. He read proposed AS 14.09.010(d), as follows:

The department shall adopt regulations that provide for oversight of and support to school districts in achieving a safe and cost-effective student transportation system. The regulations must include a requirement for contract terms of not less than three years, if feasible, standardized conditions and bid periods, and standards that ensure cost efficiencies and exclusions.

MR. CORDERO-GIORGANA said he reviewed the history of pupil transportation and discovered that prior to 2004 the department had a larger role. In 2004, individual school districts were negotiating their contracts for pupil transportation but it wasn't effective to do so. At the time, the Senate Education committee included the language to allow the department to take on a larger role and to ensure the pupil transportation reimbursement program will pay, as intended, to safely transport students between home and school.

[8:07:54 AM](#)

REPRESENTATIVE P. WILSON asked whether school districts were aware at the time they finalized the contracts that the contracts did not include adjustments to the consumer price index (CPI). She further asked why the school districts would do so since it was not a state policy.

[8:08:54 AM](#)

REPRESENTATIVE GATTIS suggested this question should be held for the school districts.

[8:09:29 AM](#)

REPRESENTATIVE SEATON noted that HB 120 puts in place an annual increase, [the CPI], but the bill does not contain a sunset provision. He questioned why a sunset review is not included in the bill.

MR. CORDERO-GIORGANA answered that the school districts can come forward with recommendations in 2016 and will promulgate regulations. He understood the EED has hired a consultant to survey the school districts to obtain their recommendations. In the meantime, this bill could still help school districts until the recommendations are finalized.

REPRESENTATIVE SEATON asked whether the recommendation could be brought forward with a corresponding sunset date. He asked whether that would be problematic for the bill.

[8:11:09 AM](#)

ELIZABETH SWEENEY NUDELMAN, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), explained that the bill does not contain a

sunset provision, which would be a policy decision by the legislature. She said the EED is amenable to a sunset provision.

REPRESENTATIVE SEATON asked when the review would be completed.

MS. NUDELMAN suggested that the department will work on this issue over the summer and it would likely be several months before the review would be available.

REPRESENTATIVE SEATON asked whether the recommendations are due in 2016.

MS. NUDELMAN answered that there is not a specific due date but many contracts span multiple years with the final term year in 2016. After 2016, many school districts will sign new multi-year contracts.

REPRESENTATIVE SEATON confirmed dates to be considered, that the school districts would need to know by January 2016.

MS. NUDELMAN confirmed the date for the 2016 contract.

[8:13:16 AM](#)

REPRESENTATIVE DRUMMOND remarked that the Anchorage School District (ASD) spent years coordinating their contracts in order to achieve efficiencies. She asked whether the EED would research the history of the funding, including using the Anchorage system as a contract model.

MS. NUDELMAN responded that the EED will review and will work to have the major contracts on the same cycle. She agreed that the state has grappled with this in the past. She commented that this is a good piece to consider in terms of restraining costs. She suggested that historically there hasn't been any exact cause and effect for reduced costs. Thus, the department will consider multiple efforts, including aligning contracts, considering other contract language, including items such as how fuel is purchased in an attempt to achieve cost savings.

[8:15:18 AM](#)

DEENA PARAMO, Ed.D., Superintendent, Matanuska-Susitna Borough School District (MSBSD), read a prepared statement, as follows:

I am testifying on behalf of the Matanuska-Susitna Borough School District in support of House Bill 120, an Act adjusting pupil transportation funding. Last session Senate Bill 182, which has been referenced, addressed pupil transportation funding for the fiscal years 2013-2015. However, the year-to-year increases established within this measure were based upon a standardized increase of 1.5 percent for both fiscal years 2014 and 2015. To our knowledge, there are no current transportation contracts within the State of Alaska that are limited to only a 1.5 percent increase in their cost escalation language.

In actuality, the vast majority of contracts around the state refer to the annual percent increase in the Anchorage Consumer Price Index for All Urban Consumers (Anchorage CPI-U) as determined by the United States Department of Labor, Bureau of Labor Statistics. The CPI-U has averaged 2.6 percent over the last six years. This creates funding shortfalls that reduce the amount of instructional dollars that can be spent in the classroom. Using current language from [Senate Bill 182], just to give you an example, the MSBSD is preparing to subsidize transportation operations from its general fund by approximately \$1.5 million in FY 2014. This, in turn, will impact MSBSD's ability to fund instructional programs and pay for teachers. In fact, a \$1.5 million shortfall is the equivalent of 15 teaching positions that would need to be reduced from our general operating budget. While House Bill 120 will not erase the shortfall in its entirety, it will serve to reduce the deficit by approximately \$500,000.

DR. PARAMO then provided recent contract history for pupil transportation that has been cost prohibitive. For example, during the MSBSD's transportation contract process, when the contract went out to bid only two responses were received and the MSBSD took the lowest bid. However, the next higher bid was for a \$10 million increase over five years. Subsequently, the MSBSD suggested to the EED that these contracts were too great for individual school districts to negotiate. In summary, school districts are joining together to align contractual agreements for cost saving purposes. She concurred with Representative Drummond that the MSBSD works to achieve contract dates ending at the same time to potentially allow for statewide bids in order to save money. She emphasized that school districts cannot do this alone any more.

8:18:28 AM

REPRESENTATIVE P. WILSON commented that the legislature is no longer able to approve, fund, or sustain expenses that are tied to the CPI due to declining oil revenues. She asked whether the transportation contracts are union contracts.

DR. PARAMO answered it would depend on the individual school district; however, the MSBSD's transportation contractor became unionized through the Teamsters.

REPRESENTATIVE P. WILSON asked whether the MSBSD noticed any difference in the negotiation process.

DR. PARAMO stated her belief that statute requires when a new contract is bid that the actual employees' salaries are twice the minimum wage. She offered to provide the statute reference. She added that companies are not eager to provide transportation in Alaska. The majority of the contracts are for 187 buses with First Student Inc.

REPRESENTATIVE P. WILSON related the legislature's frustration since it has traditionally not tied these contracts to the CPI. She asked for further clarification for the reason to have this tied to the CPI.

DR. PARAMO answered that the CPI provision is an attempt to achieve a transportation contract. She recalled the regulations require the bus temperature must be maintained at 45 degrees. Thus buses must be outfitted with additional heaters in Alaska. She remarked that of course the school district wants the buses to be warm. In some areas buses must be kept in heated garages in order to maintain daytime temperatures to meet the regulation. Thus individual school districts have some issues. The MSBSD travels greater distances with fewer students than Anchorage. In conclusion, the CPI component is to attract Lower 48 bus companies to provide transportation.

REPRESENTATIVE P. WILSON confirmed that contracts are from the Lower 48.

DR. PARAMO answered that yes, the larger companies come from the Lower 48. Alaska does not have a company large enough to provide services. One company is out of England, which causes some difficulties. She related that ASD uses Reliant, but everyone else uses First Students, Inc. She understood that the

budgets are tight but individual school districts have lost the ability to negotiate and have contracts end at the same time to allow the whole state to negotiate a contract.

[8:23:49 AM](#)

REPRESENTATIVE SEATON asked whether the multi-year contracts have a built in increase or if they are open ended.

DR. PARAMO answered that she believed they were based on the CPI, although the ASD may base it on a set amount. She related her understanding that the problem exists due to the tie to the CPI

REPRESENTATIVE SEATON was unsure of the contract provisions.

CHAIR GATTIS recapped the question, which is if the bill passes whether it would provide a raise to the bus companies.

[8:26:23 AM](#)

LUKE FULP, Chief Business Official, Business & Operations, Matanuska-Susitna Borough School District (MSBSD), answered no, if the bill passes it would cover the current costs that the school district has been experiencing. He reiterated that the costs are true costs and the current contract runs through FY 2016. The increase in the contract each year is based on the Anchorage CPI-U. Thus, the contract specifies the Anchorage CPI-U and the MSBSD hopes the state funding contract will match up.

[8:27:36 AM](#)

REPRESENTATIVE DRUMMOND asked whether the MSBSD runs some of its own district buses as well as contract buses.

DR. PARAMO answered that the MSBSD outsources all of its buses; however, the contract is limited to home to school busing and not for other programs.

REPRESENTATIVE DRUMMOND related the ASD had about one-third school district owned buses and provided two-thirds service via contracts, although she was uncertain if that has changed. She stated that some school districts operate their own buses in order to provide competition for contracts.

[8:29:09 AM](#)

TERRY SNYDER spoke in support of HB 120 paraphrasing from a prepared statement, which read [original punctuation provided]:

First I want to let you know that Dr. Deena Paramo and Chief Business Officer Luke Fulp through their solid leadership are good stewards of the MatSu School District budget and of the state and taxpayer monies for education. According to a chart in the March meeting packet of the Alaska State Board of Education the district although only required to meet a minimum of 70 percent of its school operating expenditures in the instructional component of the district budget actually invests closer to 80 percent which is one of the highest percentages in the state. If our school district were an Alaskan business that made that kind of monetary reinvestment in their business operations we would consider it a phenomenal successful business strategy. Well I would like to sing praises for our district for doing just that by re-investing every dollar they can in kids. The district has made some painful cuts and great strides at efficiencies over the past several years and they continue to look for cost savings diligently. But they have always put kids first.

Providing transportation to 40 plus schools over an area the size of Scotland is a daunting task. Just to get around the Big Lake area buses must travel over roads that over 80% are substandard. Pure and simple transportation is challenging and expensive.

Passage of House Bill 120 will allow the Mat Su School District to put approximately \$500,000 back into the classroom and toward everyone's goal of successful outcomes for students our future workforce.

I would like to thank Valley Representative Gattis for sponsoring the bill. I look forward to the passage of HB 120 out of committee and your continued common sense financial support for obligations to our public educational system. Thank you for allowing my testimony and your service to the committee and state.

[8:31:21 AM](#)

DAVE JONES, Assistant Superintendent of Operations, Kenai Peninsula Borough School District (KPBSD), spoke in support of HB 120. He said that Senate Bill 182, enacted last year, provided significant relief to the KPBSD. The KPBSD was at the point of subsidizing a little over \$2 million from the general fund annually for pupil transportation prior to passage of the bill. He stated the KPBSD's contracts were tied to the Anchorage CPI in its contract; however, if the 1.5 percent CPI adjustment in the bill falls below the Anchorage CPI-U that amount would come from general classroom funding. He offered his understanding of how the CPI factor was introduced into the contract, which was an effort to standardize contracts and provide contract incentives. The goal was to attract multiple vendors from out of state. Historically, single vendors have a monopoly since the company set its own prices. The adjustment to the CPI was added to all contracts to provide vendors with the assurance that if they came to Alaska, they would be compensated for inflation. He described prior KPBSD contracts that did not contain an adjustment for the CPI, which were heavily front-loaded. Ultimately, the contracts cost more without the adjustment to the CPI.

[8:34:36 AM](#)

REPRESENTATIVE SADDLER asked how accurate the Anchorage CPI-U escalator is as an indication of transportation costs. He understood that the CPI adjustment includes other factors, such as housing costs and food, as well as fuel and space heating. Again, he asked how accurate the Anchorage CPI-U adjustment is in terms of bus costs.

MR. JONES answered that the KPBSD bids out the contract as a separate contract. The current vendor is First Student, Inc. and the company employs its drivers as employees. He acknowledged that since wages are involved the cost increases are not limited to fuel increases. Initially, the First Students, Inc. drivers were not part of a union. Referring to a previous comment that a school district might be able to operate buses at a savings, he offered he spent considerable time last year costing out the services. However, once the school district operates the buses, it must also cover employee salaries and benefit costs as well as bus operating costs. Ultimately he found it would not be cheaper for the KPBSD to offer pupil transportation.

[8:37:22 AM](#)

REPRESENTATIVE SADDLER wondered if the CPI escalator was part of the formula whether any mechanism exists to create downward pressure on the KPBSD's transportation costs.

MR. JONES answered that competition would likely arise with multiple vendors, which has not historically happened. He hoped the state would have more leverage by contracting with a multi-national company on a single contract or by issuing multiple contracts simultaneously. He thought this process could attract multiple vendors.

REPRESENTATIVE SADDLER asked what provision in the bill would attract multiple bidders.

MR. JONES responded that Alaska currently has one vendor besides the multi-national company in Anchorage. This bill would not attract additional vendors on the existing contracts, but it would be a vital aspect of the request for proposal (RFP) process.

[8:39:57 AM](#)

REPRESENTATIVE SEATON asked how much flexibility the school districts have in determining bus routes and the level of service the district will provide.

MR. JONES said the contracts are negotiated to meet the level of service the school district would like to offer. Typically, the RFPs are based on existing routes, which are adjusted each school term based on the number of students. He pointed out Homer considered changing its service last year similar to the Kenai process. This would have reduced the number of buses, but it also affected the timeframe for students and teachers so ultimately changes weren't made.

REPRESENTATIVE SEATON understood that the school districts have some scheduling flexibility, but the overall cost is based on the number of buses being used per day.

MR. JONES concurred.

[8:42:21 AM](#)

REPRESENTATIVE P. WILSON asked whether there is any other means to attract additional vendors.

MR. JONES reiterated his belief that having the state contract on behalf of all school districts at one time will make a difference. He suggested that bus companies would have an opportunity to provide service in numerous communities, thus the additional volume of services would be an incentive. Additionally, facility arrangements such as providing bus barns would be attractive. He suggested the state could build a bus barn in each district and lease the facilities to contractors, which would remove a major inhibitor.

REPRESENTATIVE P. WILSON agreed. She understood incentives would exist if the state negotiated the contracts for transportation and fuel, noting perhaps school districts could also own their buses. She asked whether any vendors would lease buildings if they were available.

MR. JONES answered that leasing the buildings could be one aspect of the RFP.

REPRESENTATIVE DRUMMOND reported that one neighborhood in Anchorage is adjacent to a bus lot so having a building would be an improvement.

[8:46:07 AM](#)

DAVID MEANS, Director, Administrative Services, Juneau School District (JSD), testified in support of HB 120. He said much of the testimony today highlight the reasons that the JSD supports the bill. He pointed out the JSD has a cost-of-living clause in its contract based on the Anchorage CPI-U. He stated that as this funding runs out the JSD will use instructional funding to support pupil transportation.

[8:47:03 AM](#)

AMY LUJAN, Executive Director, Alaska Association of School Business Officials (ALASBO), testified in support of HB 120. She reiterated that the organization as a whole supports the bill. The intent of Senate Bill 182 last year was to provide additional pupil transportation funding so instructional funding would not be used to support pupil transportation. Yet, if the CPI adjustment is limited to 1.5 percent, instructional funds would be used. He said using the Anchorage CPI-U adjustment was an effort to standardize contracts.

[8:48:16 AM](#)

BRUCE JOHNSON, Executive Director, Alaska Council of School Administrators (ACSA), testified in support of HB 120. He said this issue is one that was discussed in a joint position statement resolution that was developed collectively with the business officials, superintendents, and principals. In 2006, a task force brought up multi-year funding and added the CPI inflationary protection for school districts since the districts are required by law to offer pupil transportation.

[8:49:01 AM](#)

REPRESENTATIVE SEATON asked whether the clause is an adjustment for Anchorage CPI-U for inflation or is it simply an increase.

MR. JOHNSON said he wasn't the best person to respond. However, he suggested it would be another thing to consider so if inflation didn't exist, it would fall back.

[8:49:45 AM](#)

REPRESENTATIVE P. WILSON asked for any suggestions to encourage potential vendors.

MR. JOHNSON said the members would like to see an opportunity for competition. It's expensive to operate and mobilize the bus industry. He offered his belief that the larger scale RFP could likely to yield the best, cost effective approach to pupil transportation in Alaska.

REPRESENTATIVE P. WILSON asked whether the construction of bus barns would be helpful.

MR. JOHNSON suggested that the concept is very good and if it is legal to do so could be built into the statewide bid for providing pupil transportation.

[8:51:32 AM](#)

CHAIR GATTIS, after first determining no one else wished to testify, closed public testimony on HB 120.

[8:51:55 AM](#)

REPRESENTATIVE SEATON referred to page 2 of the fiscal note. He asked whether the figures would double or be compounded in the outer years.

MS. NUDELMAN explained that the fiscal note uses 2.5 percent as an estimate of the annual CPI. She referred to the final column of page 2 of the fiscal note, entitled "Annual Increase in State Costs." She agreed that the increases are compounded. Thus if the CPI were higher in a given year than the 2.5 percent calculated at \$1.9 million, then the cost would be increased.

[8:53:18 AM](#)

REPRESENTATIVE SADDLER asked for the effect if the impact is limited to two years to allow the department and the school districts to work out regulations and recommendations on how to negotiate transportation deals. He restated his question on whether any downside exists if it is limited to two years.

MS. NUDELMAN said she did not envision any immediate effect in the next two years, given the CPI would be in effect and the department would have information for additional discussions in FY 2015-2016.

REPRESENTATIVE SADDLER asked whether it is her understanding that if the CPI were to go down by a half or full percent then the transportation costs via contract would also decrease.

MS. NUDELMAN responded that she didn't see the language to decrease the amount. She suggested that perhaps the bill sponsor could address that question.

[8:54:38 AM](#)

CHAIR GATTIS said she would not have any problem with an increase or a decrease. She welcomed an amendment.

REPRESENTATIVE SADDLER referred to page 1, line 5, which read, "... shall be adjusted annually on October 1 according to changes in the Consumer Price Index" He suggested that if it fluctuates up or down it could be adjusted.

CHAIR GATTIS said she thought it addresses change.

[8:55:01 AM](#)

REPRESENTATIVE DRUMMOND referred to the fiscal note and expressed concern that the costs appear to be doubling each year.

MS. NUDELMAN answered that there are two fiscal notes the way the public education fund operates. One fiscal note has the backup for the K-12 pupil transportation. The second fiscal note places that money in the public education fund. She referred to the calculation on page 2 of the pupil transportation fund fiscal note. In the first year, since 1.5 percent increase is already in current law, the first year increase is calculated at 1 percent or \$ 0.7 million, which is shown as the annual increase in state costs on page 2 of the fiscal note from K-12 Support; Pupil Transportation allocation.

REPRESENTATIVE SADDLER stated his understanding of how the cost is calculated. In current law, 1.5 percent exists, and raising it 1 percent totals \$0.7 million.

MS. NUDELMAN responded that in 2015 there is also an existing 1.5 percent increase, so the increase is \$0.7 million; however, since it compounds from one year to the next, the final amount is \$1.5 million. Thus, the public education funding compounds from one year to the next since what is added into the base one year remains there, but the CPI is increased the next year. She then referred to FY 16, noting the increase is approximately \$2 million so adding the totals from FY 14-FY 16 increases totals \$3.4 million, which is the cost of the CPI increases in FY 16. To repeat this process for FY 17, the calculation would be \$2.5 percent on the existing base and the cumulative total of \$5.4 million. She explained that FY 18-FY 19 follow the same methodology. She further explained that considering the 2.5 percent increase just by considering what was added to the base each year, which is \$2 million. The process is taking the \$2 million, retaining it, and adding the CPI.

REPRESENTATIVE DRUMMOND noted the point is that this doesn't remove funding from the classroom for pupil transportation.

[8:59:26 AM](#)

REPRESENTATIVE SEATON asked for clarification that these are not annual, but cumulative.

MS. NUDELMAN agreed that cumulative would be the correct heading for that column, instead of "Annual Increase in State Costs."

[9:00:12 AM](#)

REPRESENTATIVE SEATON moved to adopt Conceptual Amendment 1 to add a Section 4 to provide a sunset date of January 1, 2016.

The purpose of the amendment is to avoid rolling in and rolling out the program, thereby readdressing it each cycle.

9:01:30 AM

CHAIR GATTIS suggested checking with other contractors of pupil transportation on the language.

9:02:27 AM

REPRESENTATIVE SEATON restated the intent of Conceptual Amendment 1. He explained that a sunset clause is being added for January 1, 2016. This would mean future negotiations wouldn't be "set in stone." He understood the desire is to have a statewide contract, with the state being involved in multi-school districts.

CHAIR GATTIS asked whether that January 1, 2016 is plausible and if the date works.

MR. FULP responded that January 1, 2016 would get the MSBSD through its contract. The CPI increase from year to year is currently built into the contract terms. He said the sunset would work with the current contract and the sunset time period aligns appropriately for subsequent contracts.

CHAIR GATTIS asked whether another date is more appropriate.

MR. FULP answered the school fiscal year ends June 30 so June 30, 2016 would also work.

REPRESENTATIVE SEATON offered his belief that it is better aligned with the legislative session dates. The adjustment is October 1. He suggested that it is important for the state and the school districts to be aware of the situation. He pointed out it wouldn't affect the bus routes on January 1, but would be in place prior to contract negotiations. He suggested the date could also be October 1, 2015 since the adjustment takes place on that date.

9:07:30 AM

REPRESENTATIVE P. WILSON asked about the length of the negotiation period, and whether it would be helpful to have the counts in November.

MR. FULP agreed it would be better to have the sunset align with the legislative session and January 1 or earlier would be workable. He said the district would be involved in contract negotiations nearly a year prior to the contract to work through the bid process. It's helpful to work as far out as possible to make sure the contract was in place with acceptable terms.

9:09:12 AM

REPRESENTATIVE P. WILSON asked what date would be best.

MR. FULP deferred to Dr. Paramo.

DR. PARAMO said the date of November 1, 2015 would be good since the pupil counts would be known.

9:10:21 AM

REPRESENTATIVE SEATON moved to amend Conceptual Amendment 1, to change the sunset date to November 1, 2015.

MR. JONES agreed with the proposed date since the FY 16 escalator would be triggered on October 1. He suggested that the November 1, 2015 date is acceptable. It would be a good incentive for school districts to work together to solve the problem and it would give the school districts and the department an opportunity to consider the full spectrum for the new contract.

CHAIR GATTIS said the intent is to help the school districts, but also to align the contract.

9:11:40 AM

REPRESENTATIVE SADDLER said he is fundamentally leery of placing inflation-proofing in an education funding formula. The legislature needs flexibility to meet unforeseen circumstances and having that formulaic inflation escalator eliminates that flexibility there is no guarantee that the state's income will rise by 2.5 percent each year. However he understood the situation the sponsor is trying to address with the bill. He said it would give the department an opportunity to let this go forth, which is good. He stated his support for Conceptual Amendment 1 and with the amendment, he can support the bill. He cautioned against legislative finance considering this as support for inflation-proofing for education.

[9:12:52 AM](#)

REPRESENTATIVE P. WILSON objected for the purpose of discussion.

CHAIR GATTIS said the committee agreed with November 1, 2015 as the date the legislature could agree to sunset the proposed statute and to readdress the issue at that time.

[9:13:07 AM](#)

REPRESENTATIVE P. WILSON removed her objection to Conceptual Amendment 1. There being no further objection, Conceptual Amendment 1 was adopted.

[9:13:52 AM](#)

REPRESENTATIVE P. WILSON emphasized that the intent of HB 120 is to allow the DEED to consider pupil transportation. First, the state will work to negotiate the pupil transportation contracts. Second, the state will attempt to obtain fuel contracts for pupil transportation at a lower rate. Third, building facilities or bus barns will be considered by the state or the school districts to provide incentives. Finally, the school districts will consider owning the buses. As the bill moves forward, the legislature would need to consider funding for the bus barns so the facilities will be available for contract negotiations.

REPRESENTATIVE SEATON recalled a statutory requirement to have the bus temperatures set at 45 degrees. He suggested that perhaps this could also be considered as the measure moves forward since the cost of maintaining a 40 degree bus and a 45 degree bus could have a significant financial impact.

[9:16:33 AM](#)

REPRESENTATIVE DRUMMOND said that the Municipality of Anchorage (MOA) has a mass transit bus barn. She recalled this facility was built in the 1980s. She suggested this needs to be considered carefully, based on community needs. She offered her belief that the MOA would be delighted to have a bus barn. She pointed out that there are contractor's buses and school district's buses to consider.

[9:17:53 AM](#)

REPRESENTATIVE REINBOLD moved to report HB 120, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, the CSHB 120(EDC) was reported from the House Education Standing Committee.

[9:18:13 AM](#)

The committee took an at-ease from 9:18 a.m. to 9:21 a.m.

HB 151-SCHOOL GRADING SYSTEMS

[9:21:54 AM](#)

CHAIR GATTIS announced that the final order of business would be HOUSE BILL NO. 151, "An Act establishing a public school and school district grading system for purposes of improving accountability and transparency; providing for Alaska strategic educators in public schools; and providing for an effective date." [Version 28-LS0496/O, Mischel, 3/14/13, was before the committee.]

[9:22:01 AM](#)

REPRESENTATIVE LORA REINBOLD, speaking as sponsor of HB 151, stated that the bill's short title is the parental education information act.

[9:23:07 AM](#)

REPRESENTATIVE P. WILSON moved to adopt the proposed committee substitute (CS) for HB 151, [labeled 28-LS0496\O, Mischel, 3/14/13], as the working document. [Version O was previously adopted on 3/15/13.]

[9:24:02 AM](#)

REPRESENTATIVE REINBOLD paraphrased from the sponsor statement, which read [original punctuation provided]:

"An Act establishing a public school and school district grading system for purposes of improving accountability and transparency; providing for Alaska strategic educators in public schools; and providing for an effective date."

REPRESENTATIVE REINBOLD restated the short title of HB 151 is the parental education information act. She characterized this bill as being a consumer report card for education. As previously stated, the public has consumer reports on many things, such as cars or refrigerators, but education is very important so schools should also be subject to a grade.

REPRESENTATIVE REINBOLD continued with her sponsor statement, which read [original punctuation provided]:

Alaskans currently have no unified, consistent and easily understandable method of measuring the performance of our K-12 schools and monitoring their progress. [HB 151], the Parental Education Information Act, will establish grades for our schools and school districts in a format that is familiar and understand: "A through F" grades like our students receive.

This bill sets up a clear and specific grading system for schools and school districts, with grades based on both overall student achievement on statewide, standards-based tests, and individual learning gains, including a significant 25 percent of the grade being based on the gains of those students who scored in the lowest quarter of the tests for reading and math. Parents, teachers and administrators will know where their students stand and know what is needed to improve their school districts and their district grades. School districts who raise their performance two grade levels will receive an "A" and they will be rewarded with incentives, including increased autonomy and local control. In other words, we don't want to get in the way of success.

The State of Florida implemented the "A through F" grading in 1999. Since then, Florida has made significant gains in [its] test scores, and the gains have been especially notable among students who come from lower-income households or face significant challenges. I strongly believe that HB 151 will do the same for our state, and I request your support for [HB] 151.

REPRESENTATIVE REINBOLD continued with her presentation. She explained that a grading of "A-F" will bring clarity and understanding to the process. She suggested the grading will encourage school excellence, reinforce the current goals, and

motivate school improvement. She said the grading system will also direct media and attention to schools, initiate positive statewide competition, and spark widespread support. She further said the grading system will increase parental involvement and create school pride. She offered her belief that all schools can be "A" schools. Finally, the data is already being collected [so it will be easy to implement.]

[9:28:23 AM](#)

REPRESENTATIVE REINBOLD referred to a letter [of support] in members' packets from Natasha Von Imhof, Anchorage School District dated March 14, 2013.

REPRESENTATIVE REINBOLD then referred to a two-column chart, with headings entitled, "K-12 Education Spending Per Capita" and "4th Grade Reading Scores."

[9:29:02 AM](#)

REPRESENTATIVE REINBOLD reported that according to the NEA the state and local spending [for education] in Alaska is the highest in the nation. However, according to the U.S. Department of Education, Alaska ranks last for the 4th grade reading scores, which is depicted on the far right column.

REPRESENTATIVE P. WILSON pointed out that Florida is sixth lowest in terms of education funding but its scores are the sixth highest in the nation.

[9:30:18 AM](#)

REPRESENTATIVE REINBOLD referred to a chart entitled, "Proven Results of the A-F Grading System." She said this depicts the education reform as charted for Florida since 1999. In 2012, over three-fourth of Florida's schools are rated "A and B schools" so the grading system demonstrates positive results in Florida. In 1995, Florida began grading schools as high performing, performing, low performing, and critically low performing.

REPRESENTATIVE DRUMMOND stated that according to the chart the number of "D and F schools" hasn't changed significantly. She asked for further clarification on schools with a "C" rating and where they are depicted on the chart since it seems some data is missing.

ROBERT PEARSON, Staff, Representative Lora Reinbold, Alaska State Legislature, responded that the number of "D and F schools" dropped precipitously from 1999 [to 2012], numbering approximately 400. He stated that the number of "A and B schools" is almost seven times more productive. He pointed out this chart doesn't show "C" schools since the chart was designed for comparison purposes for the two groups. He pointed out more schools currently exist in Florida than in 1999; however, in the first year about 1,200 schools fell into either "A and B schools" or "D and F schools."

[9:32:38 AM](#)

MR. PEARSON stated that based on the chart a larger number of schools received a "C" in 1999, but the number decreases in later years.

REPRESENTATIVE DRUMMOND directed attention to the dotted lines on the chart and pointed out the "D and F schools" line is relatively flat, particularly from 2003 to 2011.

MR. PEARSON directed attention to the vertical dotted lines on the chart with arrows. He said this demonstrates the five times when Florida raised its standards for "A and B schools." He explained that Florida raised its standards when a certain percentage of schools reached the "A and B" status, which meant the schools must perform better to continue to maintain its status.

[9:33:54 AM](#)

REPRESENTATIVE LEDOUX asked what happened to the "D and F schools" standards when the "A and B schools" standards were raised. She further asked whether the "D and F schools" standards were also changed.

MR. PEARSON answered that the standards were raised for all schools "A" through "D" standard. He explained if the schools could not meet the "D" standard, the schools received an "F."

CHAIR GATTIS understood the bar was raised for everyone.

MR. PEARSON answered that is correct.

[9:34:44 AM](#)

REPRESENTATIVE LEDOUX referred to the aforementioned graph. She pointed out a lack of consistent movement; instead there seems to be a series of ups and downs. She said she had a hard time understanding the reason for these fluctuations.

CHAIR GATTIS asked for further clarification.

[9:36:32 AM](#)

CHRISTY HOVANETZ, Senior Policy Fellow, Foundation for Excellence in Education (FEE), offered to provide an explanation of the previously mentioned chart. She explained that during 2003-2004 there were considerably more "D and F schools". This graph shows improvements even though the vertical line is absent. Schools performing at a "C" level are not depicted on the graph since some schools dropped in ranking while others increased in ranking. The primary purpose of this graph is to track the excellent performers ["A and B schools"] and the "D and F schools", which are depicted on the top and bottom lines, respectively. She confirmed that the standards have increased over time and the bar was raised across the board for each grade. Additionally, the number of schools has increased in Florida. More importantly, she pointed out that the "D and F schools" depicted are not the same schools [since some of the failing schools improved]. Further, personnel from successful schools frequently are recruited to assist the failing schools, which may adversely affect the schools they left. This explains the consistency in the numbers of low-performing schools since some schools will fluctuate between levels of performance. She drew attention to slide 3, [not in members' packets] which shows the national assessment progress scores. She stated this slide compares Florida student achievement on the 4th Grade reading test beginning in 1992, noting the green line indicates Florida's performance. She directed attention to 1998 and 2002, which showed an increase of eight points on the national assessment for educational progress.

REPRESENTATIVE SEATON remarked that the referenced charts are not in members' packets.

MR. PEARSON confirmed that Ms. Hovanetz is referring to a slide that is not included in member's packets.

[9:40:21 AM](#)

REPRESENTATIVE LEDOUX referred to the chart entitled, "Proven Results of the A-F Grading System" and pointed out an increase

from 2011 and 2012 the "D and F schools", which seems somewhat significant. She asked for further clarification on the increase in failing schools in those years.

MS. HOVANETZ answered that during 2011-12, Florida changed its proficiency standards for the Florida Comprehensive Assessment tests, or the statewide standardized assessment testing for reading and math. She pointed out the vertical line between 2010 and 2011 shows the timing; however, higher proficiency standards went into effect during 2011-12, which raised the bar on proficiency. For example, prior to 2012, Florida had approximately 75 to 80 percent of its 4th grade class reading at a proficient level. Once the standard changed, only 55 to 60 percent of the 4th grade classes were considered proficient. While the points weren't altered in terms of the "A-F" schools, Florida changed its statewide standards for student proficiency.

REPRESENTATIVE LEDOUX recalled the "C" level schools were not included on the chart since it wasn't possible to identify whether a school increased or decreased. She asked for further clarification why it isn't possible to track these changes since it seems important to know the outcome.

MS. HOVANETZ confirmed the line chart indicates the net effect. She assured members that the progress for each school is tracked year to year, including "C" school progress.

REPRESENTATIVE LEDOUX asked for further information.

MS. HOVANETZ offered to provide the detailed tracking information to the committee.

[9:44:29 AM](#)

REPRESENTATIVE P. WILSON observed that the bar was gradually raised for requirements. She asked for feedback on the process.

MS. HOVANETZ answered that one thing the Foundation for Excellence in Education (FEE) firmly believes is that any educational goals need to be aspirational but achievable and goals should not be unrealistic goals. She suggested that in 1999 their standards were tougher, but she still thought the goals were aspirational ones. She again referred to the chart entitled, "Proven Results of the A-F Grading System" and noted the 515 "A and B schools" were listed with 677 "D and F schools". She emphasized from 1999 to 2001 the standards, statewide tests, the number of points between grade categories,

and proficiency standards were not changed. During those three years nearly twice as many "A and B schools" and half as many "D and F schools" are listed. She offered her belief that this is due to the way the material was presented, engaging more people in the educational conversation.

REPRESENTATIVE P. WILSON asked whether teacher training changed.

MS. HOVANETZ responded since Florida was a local control state, that initially the target and aspirational goals, or standards, were provided and allowed school districts the flexibility to implement them. She acknowledged that students don't all learn in the same way or need the same things so the school districts had flexibility to make the determinations. As the school grading system progressed, the FEE provided more direction to the chronically low-performing schools. Additionally, the highest performing schools, the "A and B schools" earned more flexibility in terms of the accountability system in place.

[9:48:21 AM](#)

REPRESENTATIVE REINBOLD provided some background for Florida, relating the models the state used for grading prior to the successful A-F grade standard it adopted in 1999. In fact, what education reformists have discovered across the nation is that "what gets measured, gets done." She cautioned against pouring money into an educational system without measurable assessments. Since the data is already being collected in Alaska, additional testing is not required to implement HB 151. She suggested all that is necessary is to synthesize the data and put it into an easily readable and measurable format. Again, she reiterated that all schools have the potential to become "A" performing schools. In short, Alaska's schools need a "jump start" and HB 151 would provide that stimulus. The grading system of A-F would bring a catalyst for change.

[9:50:55 AM](#)

REPRESENTATIVE SEATON asked whether the Florida approach is being considered beginning with the first year achievable goals.

REPRESENTATIVE REINBOLD anticipated his question would be answered in the remaining presentation.

CHAIR GATTIS asked whether the Florida schools knew in advance that the standards would be raised or did the schools learn this during the process.

MS. HOVANETZ acknowledged the initial changes to standards in 2001 were included in the enabling legislation in 1999. The changes in 2004-2005 occurred with rulemaking, in part, to comply with NCLB. In 2007, another planned assessment and enhancement occurred. In 2010, the changes were made to include high school accountability, such as college and career readiness, to incorporate the ACT/SAT scores and graduation rates into the calculated. In summary, significant planned enhancements happened and school districts were provided at least a one year notice of any enhancements.

[9:53:46 AM](#)

MR. PEARSON offered to review the section-by-section analysis of the bill. He stated that Section 1 provides a short title: "Parental Education Information Act." [HB] 151 will give members of the public and parents of students in Alaska's schools comprehensible information on school and school district performance. He characterized this as a consumer report for education.

MR. PEARSON related that Section 2, AS 14.03.123 (a), would add charter and boarding schools to the school and district accountability statute and place all qualifying schools under the grading system specified in Section 5 of this bill. He noted that approximately 78 schools will not be qualified to participate since they have 20 or fewer students.

MR. PEARSON said that Section 3, AS 14.03.123 (c), specifies the performance designation regulations shall include the grading system specified in Section 5 of this bill. Section 4, AS 14.03.123 (f), specifies that student performance measures are to be based on statewide standards-based assessments. It would also add the science assessment and specifies that the accountability system include indicators of school progress. It would remove unspecified "other measures" currently in statute.

MR. PEARSON said Section 5, AS 14.03.124, would add a new provision that identifies the school and school district performance designations as "A," "B," "C," "D," and "F." It would also specify the formula for assigning school designations and exemptions from the designation. It would also provide incentives based on performance as well as identifying criteria for school district performance designations. It would also identify "Alaska Strategic Educators" who are classroom teachers who volunteer and are assigned to teach in schools that earned a

"D" or "F" designation the previous year. Finally, Section 6 provides an effective date of July 1, 2014. He concluded that the EED would implement the program.

[9:56:26 AM](#)

DAVID BOYLE, Executive Director, Alaska Policy Forum, stated support for HB 151, paraphrasing from a prepared statement, which read [original punctuation provided with formatting changes]:

Chairwoman Gattis and committee members, I am David Boyle and I am speaking for the Alaska Policy Forum. The Alaska Policy Forum strongly supports HB 151.

To illustrate and shine the light on the issue of transparency and the definite lack of information provided to parents by school districts, I would like to share some personal stories that I experienced last year. These stories occurred during the last day of formal registration in the Anchorage school district. I wanted to inform parents of their rights according to both federal and state law, that they could get their kids out of failing public schools and get them into successful public schools. In addition, the school district is required to transport these children free to the successful public school.

What I discovered was eye opening. I stood out front of three failing schools in the poorer side of town, Mountain View to be exact. I handed out information which included a list of those schools that had failed NCLB for three years or more. This list included 16 schools in the district. I also included an ASD application form to transfer a student to a successful public school. Finally, I had a flyer which described, in easily understood language, the parents' rights under the law.

I talked to 21 parents and informed them that the school they were about to enroll their children in had failed NCLB. Of those 21, none, repeat none of them knew the status of the school. Of those 21, 17 were going to opt out of the failing school and get their kids into a successful public school.

One African American father had just enrolled his son in a failing school, Clark Middle School, which has failed NCLB for 9 years with no changes as required under the law. The father told me it was a terrible school. He said all they did was to give the kids free stuff. He was enthused when I told him about his rights to get his son to a successful public school.

The next day I received a call from an Alaska Native grandmother who scolded me several times because I was not outside the elementary school on the first day of registration-that was the day she had enrolled her two granddaughters in a failing public school. She thought I was a school district employee providing information. I told her I was not a district employee, just a volunteer trying to get the best education for the kids. I then took a package of information to her apartment and she thanked me profusely. You see, she had already lost a granddaughter to drugs at East High and was determined to get the best for her two other granddaughters. I thanked her for being involved in her grandkids' education.

Later next week, I received a call late at night from a father who spoke in broken English. He had taken off work to get his two children out of a failing school in Mountain View. Unfortunately, the district had lost his paper work and his kids would have to remain in the failing school for a few more days. The principal had even tried to persuade the father to keep his children in the failing school. I contacted a school board member and before the next school day began, that father's two kids were in a successful school.

I could tell you more personal stories but time limits me.

The ASD mailed out more than 8,600 letters to households informing parents of their rights under law to get their children out of the failing schools and enroll them in a successful public school. Unfortunately, most of these letters were received the day after the formal registration window closed. If one assumes about 1.5 students per household, this would mean that about 12,000 students were in failing ASD public schools - about 25 percent of the total

student enrollment. I have to add that if the Department of Education and Early Development gets a waiver to NCLB, which they requested, none of the districts will be required to offer public school choice and free transportation. These kids will be trapped in failing schools. To me, I find that disgusting.

I also have a physician friend who had a kid in a failing school in the district. She received a letter from the school district and was unable to understand what it said.

We believe this is about power and transparency. Information is power and bureaucracies know this best. Parents are the consumers of public education and they should be told how well or how poorly their schools are doing.

Would you eat at a restaurant if you knew it had failed its health inspection? Would you go to a restaurant that had a good health inspection rating? Well, let me tell you: education is much more important than restaurants.

When you travel, you look for lodging. Would you stay at a one star hotel at \$100 a night or would you stay at a five star hotel at the same price? This is exactly the way it is in Alaska's education system.

We have great public schools in Alaska. School districts should be proud and tell parents how well their schools are doing.

By the way, the Alaska Policy Forum has report cards on the ASD and the Mat-Su School Districts. We used a simple metric: we averaged together each school's SBA math and reading scores and assigned a letter grade based on these scores. The Matsu only has two D and F schools. The ASD, on the other hand, had 21 schools that received a D or an F. You can go to our website and see for yourself.

Some of you listened to Mr. Kevin Chavous testify at the joint House and Senate Education and Judiciary meeting last month. Remember one of his truisms: you

don't know what you don't know. This is true, especially for parents.

The bottom line: if we are going to grade students, we should grade ourselves and our schools. I might add rather than put the grade for the specific school on the school's website, I would strongly recommend you put it on the home page of the website because in my experience it's very difficult to find information on some school district's websites. I want to thank you for the opportunity to speak on this very important matter to all parents and Alaska's children and please pass out HB 151.

[10:02:58 AM](#)

[HB 151 was held over.]

[10:03:14 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:03 a.m.