

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 25, 2015
8:03 a.m.

MEMBERS PRESENT

Representative Wes Keller, Chair
Representative Lora Reinbold, Vice Chair
Representative Jim Colver
Representative Paul Seaton
Representative Liz Vazquez
Representative Harriet Drummond
Representative Jonathan Kreiss-Tomkins

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
PRESENTING THE ALASKA PUBLIC SCHOOL FUNDING FORMULA OVERVIEW

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Presented an overview of the Alaska public school funding formula.

LES MORSE, Deputy Commissioner
Office of the Commissioner
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding the public school funding formula.

ACTION NARRATIVE

[8:03:09 AM](#)

CHAIR WES KELLER called the House Education Standing Committee meeting to order at 8:03 a.m. Representatives Seaton, Vazquez, Drummond, Kreiss-Tomkins, and Keller were present at the call to order. Representatives Reinbold and Colver arrived as the meeting was in progress.

PRESENTATION: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT PRESENTING THE ALASKA PUBLIC SCHOOL FUNDING FORMULA OVERVIEW

[8:03:49 AM](#)

CHAIR WES KELLER announced that the only order of business would be an overview of the Alaska public school funding formula.

[8:04:41 AM](#)

ELIZABETH NUDELMAN, Director, School Finance and Facilities, Department of Education and Early Development (EED), referred the committee to pages 8 and 9 of her handout, which lays out the calculations she will cover today. She pointed out that the school funding formula calculates funding for each district.

[8:06:22 AM](#)

MS. NUDELMAN explained that average daily membership (ADM) is the number of student enrolled in October. Adjusted average daily membership (AADM) is an increased count after going through the formula, she stated, and she will start with ADM, calculate AADM, and come up with funding for each district.

CHAIR KELLER said when different adjustments are made to the formula and "we change the funding," it is difficult to trace the money directly to any program.

[8:07:48 AM](#)

MS. NUDELMAN agreed. She said the current state funding formula was adopted under Senate Bill 63 in 1998. The calculation begins by calculating the AADM, calculating basic need (also referred to as entitlement), looking at the components of funding basic need, looking at additional funds above basic need

(such as additional local contribution), and then adding the quality schools grant to come up with the total budget. She said the ADM is the number of enrolled students during the 20 school-day count period, ending on the fourth Friday of October. Along with that, districts provide a projected count for the following year. This funding is for children who are six years of age before September 1 and who are under the age of 20 and have not completed the 12th grade. Additionally, a child with a disability who has an active Individualized Education Program (IEP) may be eligible between the ages of three and 21.

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MS. NUDELMAN said the six steps to calculate entitlement are adjusting the ADM for school size, applying the district cost factor, applying the special needs factor, applying the vocational and technical factor, adding intensive services counts, and adding correspondence students counts to get to the district adjusted ADM. To adjust the ADM for school size, she directed attention to page 7 of the committee handout, and she said, "an ADM in a school that is under 10, that ADM is added to the smallest school with an ADM greater than 10." She referred to a size chart for a school with an ADM of 10 to 100 and said that "the grades K-12 are combined and adjusted once and funded as one school." She explained that for a community with an ADM of 101 to 425, the formula aggregates [grades] K-6 and 7-12 and adjusts those separately so the funding is distributed as if there were two schools. In a community with an ADM of over 425, each facility administered separately as one school is adjusted.

[8:11:48 AM](#)

REPRESENTATIVE SEATON asked for an example.

MS. NUDELMAN responded that the Juneau School District once had one high school and now has two. The two are administered as separate entities, and the formula is applied to each.

[8:13:07 AM](#)

REPRESENTATIVE SEATON surmised that if there are two schools in a community with fewer than 425, they would be counted as one school.

MS. NUDELMAN said it would be counted as one K-6 and one 7-12.

[8:13:31 AM](#)

MS. NUDELMAN pointed to slide 8, and said "the criteria for the schools placed into the funding formula for an alternative school with an ADM of 175 or greater and administered as a separate facility, the ADM is adjusted separately, as a separate school." She noted other criteria: if it is the first year that the school is operating with an ADM between 120-175, there will be an adjustment of 1.33; if the ADM is 175 or greater "but drops below," the adjustment is 1.33; if the ADM continues to be lower than 175, the school is then counted as part of the school in the district with the highest ADM. She reiterated: "Above 175, our alternative schools are counted separately; items 1 and 2 give some flexibility, or hold harmless, for a lower average daily membership under some conditions, for some time. And number 3 tells us if the school continues to be under 175, it's included in the largest school in the district." She said a charter school with an ADM of 150 or greater is adjusted as a separate facility unless it is in the first year of operation and its ADM is from 75 to 150. In that case, it will receive an adjustment of 1.45. If the charter school has an ADM of 75 or greater in the prior year but has dropped below that, the charter school receives the 1.45 adjustment, she added.

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MS. NUDELMAN said she will use the Nome Public School District as an example. She noted the example on the committee handouts. The Nome elementary school (K-6) ADM is 384, the junior/senior school ADM is 252, the Anvil City Science Academy ADM is 65, and the Nome Youth facility ADM is 14, for a total ADM of 715. She turned to page 10 to point out the K-6 adjustment and said there is a base for the first 250 students, so the base adjustment increases the 250 ADM to 326.10 AADM. "For those ADM in that category above 250, we would take the 384 minus 250 which would leave 134 ADM, and for those 134 ADM the adjustment is 0.97," she explained. The adjustment would create an AADM for grades K-6 of 456.08, and what follows is that the funding will increase, she stated. She noted that smaller schools have a greater increase than the larger schools.

[8:19:47 AM](#)

MS. NUDELMAN moved to grades 7-12 where the ADM is 252, and the formula is similar, because [the ADM] is in the same 250 - 399 range [as the grades K-6]. Subtracting 250 from 252 means "we're only 2 ADM over our base, so we multiply that by .97 [and add that figure to the base of 326.10] and the outcome is 328.04."

So, there were 252 students in the junior/senior school in October, but before continuing with the formula, the count is increased to 328 to accommodate school size. The Nome Youth facility has an ADM of 14, and schools with a count of between 10 and 19.99 have a base of 39.6. Ms. Nudelman said that the total school size adjusted ADM is 900.42 [for the Nome School District], and school size is "just the first factor in our formula."

[8:22:22 AM](#)

CHAIR KELLER said there have been many suggestions that the adjusted ADM be called something else as it may be misleading, because it is not the true number of students. He asked what percentage of the total formula has been adjusted at this point.

MS. NUDELMAN said the answer is on page 8 of the handout. The ADM of Nome is 715, and it was adjusted to 900.42. Statewide, [the ADM] is 117,562 and [the AADM] is 142,656.

[8:24:38 AM](#)

REPRESENTATIVE VAZQUEZ ask the purpose of these calculations.

MS. NUDELMAN explained that the State of Alaska has a public school funding formula that distributes funds in a rational and studied manner to allow schools to cover expenditures, hire teachers, heat their buildings, and educate Alaska's children.

REPRESENTATIVE VAZQUEZ said she does not understand why the state doesn't just use [the actual number of students] instead of "this circuitous pattern of adjustments."

MS. NUDELMAN said state school funding could be approached in a variety of ways. This formula is Alaska's choice and is designed to purchase the same available education for students equally throughout the state. The adjustments allow for geographic and size differences, she explained. One teacher may be spread across 10 or 20 students depending on where the school is located. There are geographic cost factors as well, and where fuel is costlier, for example, the formula can accommodate it.

[8:27:07 AM](#)

REPRESENTATIVE VAZQUEZ said she appreciates that the formula was set in statute in 1998, "and this is what you have to work with."

MS. NUDELMAN said that it has been noted as a strong formula and has undergone scrutiny. When looking across the United States, two factors are considered: if the formula is equalized and if it is adequate. Alaska's formula has been well documented to meet those demands.

[8:28:26 AM](#)

REPRESENTATIVE REINBOLD stated that "average daily membership" is erroneous terminology. "I mean, membership in what?" The formula is rife with error and does not seem logical, she opined. She asked how the projected count is made.

MS. NUDELMAN said the projected count takes place at the district level and is accomplished by examining the demographics of the next year's cohorts.

REPRESENTATIVE REINBOLD asked if [schools] are funded based on those projections.

MS. NUDELMAN said the projections are used to anticipate a deposit to the public education fund, but they are not used for actual funding.

[8:30:16 AM](#)

CHAIR KELLER asked the consequences of overestimating.

MS. NUDELMAN said funding is based on the actual reporting.

REPRESENTATIVE REINBOLD asked how many students are eligible for state funding by age and the state's total current enrollment.

MS. NUDELMAN said projected enrollment is on page 8 and is 128,405.23, including correspondence students.

REPRESENTATIVE REINBOLD asked if "the minimum required local contribution" is required and how that relates to a recent lawsuit questioning that requirement.

[8:32:50 AM](#)

CHAIR KELLER suggested waiting until Ms. Nudelman comes to that topic.

REPRESENTATIVE COLVER noted that the formula is complex and asked how many accountants are employed to work on it.

MS. NUDELMAN said one staff member is in charge of running the foundation formula, with an additional person, herself, providing oversight. The state has an online system for districts to provide information. Once the district sends that data into the department, there are about a 1.5 FTE [fulltime equivalent] staff to administer the program annually.

[8:34:29 AM](#)

MS. NUDELMAN moved to the provision that provides for "hold harmless," which was established for districts experiencing an enrollment reduction. To determine eligibility, the district's sum total of the school size adjustment is compared against the prior fiscal year to determine if a decrease of 5 percent or greater has occurred. If so, then the prior fiscal year will become the base, she stated. This provision flows over three years. The first year, 75 percent of the school's decrease is added back, the second year, 50 percent is added back, and the third year, 25 percent is added back. After that, the school district is funded at its reported size, she explained. She explained this hold harmless provision using the Nome example.

[8:36:34 AM](#)

CHAIR KELLER stated that public school membership is in general decline. He asked about the use of the hold harmless provision.

MS. NUDELMAN said page 8 shows the districts operating in the hold harmless categories: Bristol Bay, Alaska Gateway, Chatham and others. Ms. Nudelman turned to district cost factors, which are specific to each school district and provide multipliers ranging from 1.0 to 2.116. This multiplier increases the Nome example to a figure of 1,305.61.

CHAIR KELLER asked if there is a cost factor study pending.

MS. NUDELMAN said there were two studies that HB 278 assigned to the Legislative Budget and Audit Committee. She said she is not sure of the timelines for those studies.

[8:39:15 AM](#)

MS. NUDELMAN said the next factor in the formula is the special needs funding, which includes non-intensive special education,

vocational education, gifted/talented programs, and bilingual and bicultural programs. This is block funding at 20 percent, so for Nome, the adjusted membership of 1,305.61 is multiplied by 1.2 and is now 1,566.73. This is elevating the ADM to provide funding for the special programs noted above. The next increase is to support career and technical education in secondary schools, and it excludes administrative expenses and instruction in general literacy.

CHAIR KELLER asked if this is tracked and audited.

MS. NUDELMAN said the districts are informed of the provision, but the department does not audit it.

[8:41:59 AM](#)

MS. NUDELMAN said the career and technical education multiplier is 1.015 and it brings the AADM of Nome to 1,590.23. The next calculation is for intensive services funding. A school district will receive funding for students who are receiving intensive services, and the number of those students who qualify is multiplied by 13 and added to the AADM. Nome has 8 students that meet this criteria resulting in an addition of 8 times 13, or 104 ADM. Adding 104 to Nome's AADM produces an AADM of 1,694.23.

[8:44:01 AM](#)

REPRESENTATIVE REINBOLD asked about the costs associated with students needing intensive services in Nome.

MS. NUDELMAN said that the base student allocation is \$5830.00 this year [so they cost 104 times \$5,830].

CHAIR KELLER said, "Roughly \$600,000."

REPRESENTATIVE REINBOLD asked if a student enrolls and funds are allocated, "how long does that money stay at that school?"

MS. NUDELMAN said the funding goes to the district after the count period is finalized, and no further changes are undertaken by the EED to adjust funding for the district's annual count. Situations have occurred where an intensive student moves from one district to another and arrangements are made.

REPRESENTATIVE REINBOLD surmised that the funding is year by year, but if the school receives the money, it can keep it even if the student leaves.

MS. NUDELMAN said each year the funding goes to the school that has the student in the count, but each year is a new year.

REPRESENTATIVE REINBOLD turned to slide 14 to ask about the block funding of 20 percent for gifted and talented students.

MS. NUDELMAN said the funding is increased by 20 percent to allow the districts to use discretion for the needs of special, vocational, accelerated, and bilingual education. She noted that some states use a categorical funding count for each of those categories. The block funding in Alaska allows districts to distribute the money for such uses.

REPRESENTATIVE REINBOLD asked what percentage of students receive this funding and how it is used per student.

[8:48:52 AM](#)

MS. NUDELMAN said each district's funding is increased by 20 percent, and the funding formula aggregates funds for districts, but it is discretionary once it gets to them.

CHAIR KELLER suggested that a district may not have a gifted program, but the funding will still be provided.

REPRESENTATIVE REINBOLD deduced that each gifted student gets 20 percent more funding.

MS. NUDELMAN said that is not correct. The district's funding would be increased by 20 percent, and that allows for the gifted student programs to have some resources, but the same funds can be used for the bilingual/bicultural programs. The 20 percent covers multiple needs, and the district allocates the funds to whatever programs it decides.

REPRESENTATIVE REINBOLD asked what percentage of students are in those categories.

MS. NUDELMAN said she does not have those figures because it is a block grant.

[8:51:32 AM](#)

CHAIR KELLER said there is no way to audit these funds because they come from block grants. He asked about the total figure.

MS. NUDELMAN said page 8, columns Q and R, shows the [20 percent] increase, and multiplying it by the base student allocation would show the dollars attributed to that factor in the formula. She cautioned that this formula is not categorical, and funds are not directed to any particular student, but rather to each district. Funds are provided to educate all students despite whatever categories a student aligns with. A student in one grade may require less services than when he or she is in another grade, she clarified.

[8:54:09 AM](#)

REPRESENTATIVE VAZQUEZ asked for a definition of an intensive special needs student.

MS. NUDELMAN said the criteria are outline in regulation. Briefly, eight elements are used to demonstrate higher needs and higher funding needs for intensive students. There would be an IEP [individualized education program] reviewed at the district level. The district reports to the department that a need exists in accordance with regulations, she added.

[8:55:45 AM](#)

REPRESENTATIVE VAZQUEZ asked if students with IEPs are intensive needs students.

MS. NUDELMAN said an intensive needs student will have an IEP plus additional information that demonstrates the need.

REPRESENTATIVE VAZQUEZ asked if a student can have an IEP but not be an intensive needs student. Ms. Nudelman said yes.

[8:56:37 AM](#)

REPRESENTATIVE COLVER asked how many auditors for special needs funding are in EED. He recalled millions of dollars being withheld from the Matanuska-Susitna School District over an audit. The department has sent out field auditors in the past to ensure intensive needs students qualify. He said, "We have one whole office that deals with lawsuits over intensive needs and then these kind of funding things." He asked how audits work.

CHAIR KELLER said a committee bill is forthcoming to address the intensive need funding question. Some of the students need to be in private residential situations, and there have been questions

about how the money flows through the district to the private institutions, he offered.

REPRESENTATIVE COLVER said that has to do with super intensive needs requiring a private setting, but he is talking about the compliance and auditing of school districts.

[8:59:19 AM](#)

LES MORSE, Deputy Commissioner, Department of Education and Early Development, responded that in the past things were rocky in legal determinations of intensive students. Things have smoothed out in the last four or five years, he said. There are still disagreements, but special education specialists in another division determine which students have intensive needs. The EED no longer sends monitors out to ensure compliance, instead, EED developed very clear criteria, and that information needs to be in the IEP, he explained. He said about three of the special education staff work on those determinations intensively for about a month, but there is no one full-time employee overseeing this process. If all of the criteria are met, funding will be provided. The department can question a district and request more information on a student, and he said there have been no disagreements with the EED "for a couple of years." None have gone to court in four or five years, he added. He opined that the qualifying criteria have become clearer.

[9:02:51 AM](#)

MS. NUDELMAN moved to step 6, the last step in adding factors to the foundation calculation. Districts offering correspondence programs receive funding based on 90 percent of correspondence ADM. Nome, for example, has 9 correspondence students and that figure is multiplied by 0.9, so 8.10 is added to the running total of 1,694.23, which equals 1,702.33. "We now have the final adjusted average daily membership," she said. The AADM is multiplied by the base student allocation (BSA). For Nome, that generates \$9,924,584 in basic need for the Nome School District.

[9:04:49 AM](#)

CHAIR KELLER noted that many people believe that correspondence students get a bigger piece than [necessary].

[9:05:40 AM](#)

REPRESENTATIVE REINBOLD suggested that a correspondence student would cost much less [than 90 percent of a regular student].

MS. NUDELMAN noted that the correspondence student number is not used in any other aspect of the formula. The legislature increased the factor from 0.80 in 2014 in House Bill 278.

[9:07:01 AM](#)

REPRESENTATIVE REINBOLD asked where the funding for correspondence students goes.

MS. NUDELMAN said the money goes to the school district; the districts run correspondence programs in variety of ways. Some have outlying communities with a few students reporting to a teacher, for example, while other programs are larger, including the statewide program. Along with all the other funding, the district makes choices on how to spend those dollars.

MS. NUDELMAN said slide 23 recaps her Nome School District calculations, and she pointed out that the 724 ADM for Nome was adjusted to 1,702 AADM, creating a basic need of \$9.9 million. The next step is to determine how basic need is funded, and there are three components: required local contribution, federal impact aid, and state aid. She explained that the "current year full and true value," as provided by the state assessor, is multiplied by 2.65 mils (or the lessor of the equivalent of 2.65 mils but not to exceed 45 percent of basic need) in order to calculate local contribution. There are three school districts where the value exceeds 45 percent of basic need: North Slope, Skagway, and Valdez, she added.

[9:11:29 AM](#)

REPRESENTATIVE COLVER clarified that the minimum contribution only applies to organized areas, cities, and towns that have a school district.

[9:11:48 AM](#)

REPRESENTATIVE REINBOLD asked if the local contribution is required or voluntary.

MS. NUDELMAN said Alaska statute makes it a requirement.

REPRESENTATIVE REINBOLD asked about a district that decides it cannot come up with the required amount, and she asked about a Ketchikan court case.

MS. NUDELMAN said the statute directs EED on that issue, and in order to receive state aid for foundation funding, the local contribution must be made. The Ketchikan court case asks if the required contribution is a designated tax, she explained, but it is an active case and she deferred further comment.

[9:13:54 AM](#)

REPRESENTATIVE SEATON noted that the court case is challenging legislative statute, so legislators will need to address it if the ruling holds.

REPRESENTATIVE VAZQUEZ requested an update on that litigation.

CHAIR KELLER agreed to contact the Department of Law.

REPRESENTATIVE VAZQUEZ requested that the update include an explanation about what is being litigated.

[9:15:29 AM](#)

REPRESENTATIVE VAZQUEZ asked how the local requirement is determined.

MS. NUDELMAN repeated that the state assessor provides EED with the mil rates, which is then multiplied by 2.65 percent.

REPRESENTATIVE VAZQUEZ asked why there are many districts with a zero required effort as "they obviously have land."

MS. NUDELMAN said the statute does not provide for the calculation in unorganized areas of the state.

[9:16:39 AM](#)

MS. NUDELMAN said Title VIII federal impact aid payments received from March 1 through the last day of February are used for calculations of state aid. She recalled a committee hearing last week that discussed the impact aid program, "and we walked through the receipts that went to the district and what was eligible for the state to look at from those receipts and used to fund basic need in place of state aid." She explained that the required local contribution is divided by the budgeted local

contribution to come up with an impact aid percentage. For Nome public schools, \$2,103,120 is divided by \$1,449,000 to derive an impact aid percentage of 47.74.

[9:18:03 AM](#)

REPRESENTATIVE SEATON asked about "budgeted local."

MS. NUDELMAN said "budgeted local" will change to "actual local" when the budget is finalized. It is the final local contribution from a municipality, which will include the required local from the formula and any additional local funding that was contributed, so the final calculation will be "what was required over the actual final local," and the percentage, 47.74, is the portion of the impact aid that is offset and used in the formula for basic need. She stated that the larger the local effort, "the smaller that percent will become and the less impact aid will be offset and used in the formula rather than left in the district."

[9:19:48 AM](#)

MS. NUDELMAN reviewed the Nome example. After calculating the eligible impact aid, \$71,946 multiplied by 47.74 percent, the last step is taking 90 percent of that number, "so an additional 10 percent is left in the districts, and 90 percent of our calculation is offset," which is \$30,902. On slide 32, she showed the basic need for the Nome School District, about \$9 million, and she said funding comes from required local effort (Nome municipality) of \$1.4 million, impact aid of \$30,912, and state aid of \$8,889,623 (sent to the district in monthly installments). Two other items in the formula are the additional local contribution and the quality schools grant, she added.

[9:22:30 AM](#)

MS. NUDELMAN said the additional local contribution is calculated as two mils of the tax base or not to exceed 23 percent of the district's current year basic need. In the Nome example, 2 mils is \$757,773, and 23 percent of basic need is \$2,356,492, so Nome could contribute up to an additional \$2.35 million. The quality schools grant takes the AADM and multiplies it by \$16.00, and in Nome that equals \$27,237, which is added to the state aid for a total state entitlement. Finally, there is "a statutory rule that if the appropriation does not meet all needs, districts will be reduced, pro rata."

[9:23:28 AM](#)

REPRESENTATIVE REINBOLD asked about the block funds for special, vocational, and bilingual/bicultural education. She estimated it to be \$34 million, and asked how it is distributed.

MS. NUDELMAN said it is a component of the basic need and is co-mingled with the other funds dispatched to a district. One twelfth of each district's state aid is distributed monthly.

REPRESENTATIVE REINBOLD asked if the funds go to the district, not to the student.

MS. NUDELMAN said that is correct.

REPRESENTATIVE REINBOLD said \$34 million is a considerable amount of funds, and she asked for further information on its distribution.

[9:26:02 AM](#)

REPRESENTATIVE REINBOLD said she understood that a child with an IEP can enter school at three years of age. The Anchorage School District added three new preschools for a total of 14, and she said she did not know how many preschools [are in the state]. She asked if the preschools receive state funds.

MS. NUDELMAN said the purview of the state funding formula is restricted to students who are 3 years old and have an IEP to receive specialized services via the formula.

REPRESENTATIVE REINBOLD asked if every single preschool student who in a public education program has an IEP.

MS. NUDELMAN said she does not believe so. The funding formula provides funding. "If there is another situation with a 3-year-old with preschool that does not fall under an IEP and is not funded by the public education formula—that would be outside of this discussion," she stated.

REPRESENTATIVE REINBOLD asked how many students ages 3, 4, 19, 20, and 21 years get state public education money.

MS. NUDELMAN offered to provide that information.

[9:28:07 AM](#)

REPRESENTATIVE SEATON asked if the impact aid goes to the borough or to the state.

MS. NUDELMAN said impact aid is received from the federal government directly by the districts. It is considered "federal direct." The districts make direct application for the funds.

REPRESENTATIVE SEATON asked if the 47.74 percent reduces the amount of state aid and if the rest of the money stays with the school district.

MS. NUDELMAN said he is correct.

[9:30:08 AM](#)

REPRESENTATIVE SEATON asked if quality school grants are directed at any type of program.

MS. NUDELMAN said the grants are for intervention strategies for students who are not meeting education achievement, especially in reading, writing, and math. The money could be used for summer school or after school tutoring, for example.

REPRESENTATIVE COLVER asked about the changes in funding that the legislature made last year.

[9:32:54 AM](#)

MS. NUDELMAN said House Bill 278 provided a three-year plan around the public funding formula. In 2015, the base student allocation (BSA) was set at \$5,830, which was a \$150 increase, and in 2016, it will increase to \$5,880. In 2017, the BSA goes up to \$5,930. These increases are now in law, and the entitlements for FY2015 and the foundation funding increase for the BSA are in the governor's budget, she said. Additionally, there was a one-time funding for three years. For 2015, it adds \$42.9 million, in 2016 it will add \$32.2 million, and in 2017 it will add \$12.4 million, she said. The current governor's budget does not include the 2016 \$32.2 million one-time funding, she noted. House Bill 278 also increased the correspondence student formula from 0.80 to 0.90—an increase of about \$6 million per year. Also, an increase provided higher funding for charter schools of about \$500,000 annually, she explained.

[9:37:03 AM](#)

REPRESENTATIVE COLVER asked about the one-time funding amount.

[9:37:20 AM](#)

MR. MORSE said that the FY2016 amount was \$32.6 million and is not included in the Governor's budget. The FY2017 funding may also be removed, he added.

CHAIR KELLER noted that the EED website provides a spreadsheet with revenue sources by district and per pupil. There are columns labeled "other" and "special."

[9:39:20 AM](#)

MS. NUDELMAN said the category "other" includes earnings on investments, the e-rate program, and very small contributions from communities, such as scholarship funds. The "special revenue" category includes federal grant and entitlement funds, such as IDEA special education funding and Title I funding.

[9:40:18 AM](#)

CHAIR KELLER asked if impact aid is included in the "federal" column and requested a breakdown of items in that column.

MS. NUDELMAN said a large portion of that column is impact aid, because other federal grants are under "special revenue." She said she does not have a breakdown of federal programs by type; however, for 2013, about 97 percent of the \$137 million in federal funding in the operating fund is impact aid.

[9:42:29 AM](#)

REPRESENTATIVE REINBOLD requested a funding source pie chart.

MR. MORSE said there is an eight-page document with all of that information and he will provide it to her.

[9:43:54 AM](#)

REPRESENTATIVE SEATON recalled that the WorkKeys exam was required for all 11th grade students, and there was a provision to allow students to improve their scores. Last year, passage of House Bill 278 allowed students to choose between WorkKeys, SAT, and ACT exams, but it did not remove a requirement that employers could have access to WorkKeys scores. He has found that EED will not report the best WorkKeys scores of students, so the test taken in grade 11 will be shown, even if the

students pay to retake the test. He questioned why regulations do not reflect that provision, which encourages students to strive to improve their resumes. He said he is not sure if ACT or SAT scores are [treated similarly]. The committee should consider the topic of allowing students to improve their skills, resumes, and employability [by reporting the higher scores from taking a second test].

MR. MORSE said there was a requirement in state regulation that students who took WorkKeys would have their score on their transcripts. A student could retake the exam to gain a better score, and the best score would go on the transcript, he explained. After the passage of House Bill 278, students were not required to take WorkKeys if they chose to take either the Sat or ACT, so the regulatory requirement for the score to be on the transcript was removed. What remains in regulation is the cumulative record, which contains the scores of the students. However, the best score may not be what is included, because the state only pays for the test once, even though the student may retest at their own cost, he noted.

[9:51:06 AM](#)

REPRESENTATIVE SEATON said the intent was to get students to apply themselves in their senior year, and [a second test] would demonstrate that. He suggested the committee work on it.

REPRESENTATIVE REINBOLD asked the cost to the state for students to take the tests and how many students go on to postsecondary and graduate [with a postsecondary degree]. She asked if the SAT, ACT, and WorkKeys test scores are provided to the schools.

[9:53:00 AM](#)

MR. MORSE said the costs were provided to the committee last week, but he will get it to her again. The postsecondary data is not available from the department, and he deferred to the Alaska Commission on Postsecondary Education or Alaska's university system. The department does receive the scores in order to determine qualifications for the state scholarship.

REPRESENTATIVE REINBOLD suggested that about 10 percent of Alaska students graduate within five years from postsecondary institutions and then asked if the test score are confidential.

MR. MORSE said the EED receives the scores, and they are used to determine eligibility for the Alaska Performance Scholarship

(APS). If all students take the tests, the school gets a higher rating for accountability, he added. Prior to the APS, the test score data was aggregated.

REPRESENTATIVE REINBOLD ask if the state receives any new information now that it pays for the tests.

MR. MORSE said that paying for the assessments does not provide any new information.

[9:56:36 AM](#)

REPRESENTATIVE SEATON asked if the score from the first SAT or ACT test that the student takes is on the student transcript, and not a later improved test score.

MR. MORSE said that any state standardized assessment will be on a transcript, "and the only time you can consider that a state standardized assessment is when a student is taking it because the state law or regulation compels them to take that." When a student takes the test on their own, he said, he does not believe that would be considered a state assessment, but if the second score was better, "it certainly is submitted and utilized for the purposes of the Alaska Performance Scholarship."

REPRESENTATIVE SEATON suggested that students are being told that they are stuck with their first score on their transcript forever. "We have this policy that says improvement doesn't count," he admonished.

CHAIR KELLER said maybe the department will review legislative intent and determine if further legislation is needed.

[9:59:16 AM](#)

MR. MORSE added that an employer would only have a student's transcript if it was provided by the student. The student could provide "other things." He said he does not necessarily disagree with Representative Seaton.

[10:00:11 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:01 a.m.