

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

Anchorage, Alaska

July 22, 2015

9:36 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Senator Anna MacKinnon, Vice Chair
Representative Kurt Olson (via teleconference)
Representative Lance Pruitt
Representative Steve Thompson
Representative Sam Kito
Senator Lyman Hoffman
Senator Cathy Giessel
Senator Pete Kelly (alternate)

MEMBERS ABSENT

Senator Bert Stedman
Senator Click Bishop
Representative Mark Neuman

COMMITTEE CALENDAR

PRESENTATION OF THE PUBLIC EDUCATION K-12 FUNDING STUDY
"Review of Alaska's School Funding Program"
REPORT STATUS UPDATE - School Design and Construction
REPORT STATUS UPDATE - Evaluation of Salary and Benefits
Schedule for School Districts
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

NO PREVIOUS COMMITTEE ACTION

WITNESS REGISTER

JUSTIN SILVERSTEIN, Vice President
Augenblick, Palaich and Associates (APA) Consulting
Denver, Colorado

POSITION STATEMENT: Co-presented results of a review of school funding in Alaska, with a focus on recommendations.

AMANDA BROWN, Senior Associate
Augenblick, Palaich and Associates (APA) Consulting

Denver, Colorado

POSITION STATEMENT: Co-presented results of a review of school funding in Alaska, with a focus on the study approaches taken by APA to examine Alaska's school finance structure.

ELIZABETH SWEENEY NUDELMAN, Director
School Finance & Facilities
Department of Education & Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Presented a brief update on a construction report.

DIANE HIRSHBERG, Director
University of Alaska Anchorage (UAA)
Center for Alaska Education Policy Research (CAEPR)
Anchorage, Alaska

POSITION STATEMENT: Presented an update regarding salary and benefit schedules for school districts.

LIZ BROOKS, Research Analyst
Division of Personnel & Labor Relations
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Introduced the study related salary and benefit schedule for school districts.

ACTION NARRATIVE

[9:36:28 AM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 9:36 a.m. Senators Giessel, Hoffman, Kelly, and MacKinnon, and Representatives Kito, Olson (via teleconference), Thompson, Pruitt, and Hawker were present at the call to order. Also in attendance were Senator Stevens and Representatives Edgmon (via teleconference), Johnson, Reinbold, Tarr, and Vazquez.

The committee took an at-ease from 9:37 a.m. to 9:40 a.m.

CHAIR HAWKER announced that a quorum had been met without the alternate, and he reminded members that as outlined in AS 24.20.165, the alternate members only vote when necessary to provide a quorum.

CHAIR HAWKER announced that the committee would not hear an item on the agenda: the Procurement of the Medicaid Reform and

Expansion Consultant. He emphasized the agenda item was different from anything related to Governor Bill Walker's executive order in determining that he would unilaterally accept additional Medicaid funding. He said the committee had publicly noticed that it would not be taking up the governor's RPLs or any requests regarding the decision to implement expanded Medicaid. He explained that at the last minute, following a review, a request was made for more time to consider a couple matters that may have affected the outcome of the proposal evaluation.

PRESENTATION OF THE PUBLIC EDUCATION K-12 FUNDING STUDY:
Review of Alaska's School Funding Program

[9:42:46 AM](#)

CHAIR HAWKER announced that the committee would hear a presentation of the public education K-12 funding study, "Review of Alaska's School Funding Program." He directed attention to documents pertaining to presentation [included in the committee packet].

[9:44:53 AM](#)

JUSTIN SILVERSTEIN, Vice President, Augenblick, Palaich and Associates (APA) Consulting, began a PowerPoint presentation. As shown on slide 2, he relayed that APA is a Denver-based education policy consulting firm, founded in 1983, that had worked in all 50 states to review school finance issues and suggest improvement to systems. He said APA had a broad knowledge of how states around the country addressed various types of student needs. He said the committee would see about 45 slides depicting highlights of information included in the 135-page report. He thanked the legislature, staff, and school districts across the state for their cooperation and turned the PowerPoint presentation over to his colleague, Amanda Brown.

[9:47:06 AM](#)

AMANDA BROWN, Senior Associate, Augenblick, Palaich and Associates (APA) Consulting, directed attention to information shown on slide 3 of the PowerPoint presentation, which outlined what the committee would hear, beginning with an overview of the study and followed by information about: the interviews APA conducted with school district leaders; reviews performed of funding system components; an equity analysis; a study of the relationship between performance, student need, and

expenditures; a consideration of fiscal sustainability; and APA's recommendations.

MS. BROWN directed attention to slide 4, which showed that the study was focused on reviewing the structure of the current funding system. She explained that APA was not asked to consider the total number of dollars that would be adequate to ensure the success of all students or to determine whether specific adjustments in the formula were correct. The consultants were focused on whether something should be part of the current funding system, rather than recalculating district cost factors. She said APA knew about the current lawsuit in Ketchikan considering the constitutionality of having a local contribution requirement, but APA was tasked with looking at the current system and governing structure; therefore, the issue in Ketchikan was outside its purview.

MS. BROWN directed attention to slide 5, which showed that APA's objectives were a strong education funding system, which was equitable; responsive to the needs of students, schools, and districts; adequate and efficient in the resources it provided; and flexible - giving local control to districts to determine how best to use resources. She said APA believed that these resources were a reasonable starting point for examining any state system. She noted that while adequacy was a key component, it was not the focus of the study.

[9:50:17 AM](#)

MS. BROWN turned to slide 6, which showed that APA undertook the study from late February through July, during which time APA: reviewed Alaska's current funding structure; conducted interviews with district stakeholders to understand how the current school finance structure affects individual districts; examined other states' approaches to school funding; examined the equity of the current system, looking at both district and taxpayer equity; analyzed student performance across Alaska, including the relationship between performance and student need; examined the state's sources of revenue; and developed recommendations for the State of Alaska to consider.

MS. BROWN discussed the interview process, as shown on slides 7 and 8. She said APA provided the opportunity for leaders from all districts to provide input for the study through: a public listening session, which allowed for feedback; group phone interviews, with districts broken into categories, such as rural, urban, distant, and single-site; a series of in-person

interviews conducted by two teams covering 11 districts; and follow-up individual interviews by phone. She said leaders from 31 school districts participated. She said APA also interviewed other stakeholders, including Alaska Department of Education and Early Development (DEED) staff. All of the interviews focused on gaining a better understanding of the current funding system and its impact on school districts, as well as Alaska's unique context. She said the interviewees were generally happy with the current funding system and its components of the formula, although there was concern that any changes to the current structure would be part of a "zero sum game," which meant that without additional dollars available, to give additional dollars to one district would mean taking it from another. She said the interviewees understood the complexity of funding in Alaska, and "they thought that the system was doing a good job really thinking through that complexity."

9:53:10 AM

MS. BROWN directed attention to slide 9, which reviewed the funding system components. She said APA examined each component of the current funding system by: gathering feedback from interviewees; comparing the component to funding approaches used in other states; and analyzing relevant data. She said the results of the review would be discussed in the context of the recommendations.

MS. BROWN turned to slide 10, entitled, "Alaska's School Funding Program" and stated that under the current formula, a district's funding - its "basic need" - was determined by multiplying the base student allocation (BSA) by the [district adjusted average daily membership (DAADM)]. She said that figure is calculated through a series of adjustments, shown across one line on the slide as: the average daily membership of the district, based on the size of its schools and taking into consideration the size of the community; the district cost factor, which accounts for differences of location and remoteness and can range from 1.0 in Anchorage up to "over 2 in other locations;" a special needs factor of an additional 20 percent to account for four categories of students - vocational/career & technical, non-intensive special education, bi-lingual/bi-cultural, and gifted & talented; and a vocational and technical (VT) adjustment of 1.5 percent. She explained that "each of the adjustments in the first line is multiplied against the preceding." She noted there were two student counts: the intensive services student count, where each student is counted as 13; and the correspondence student count, which counts every student as .9

for the purposes of funding. Outside of this funding formula was the funding for transportation and capital.

MS. BROWN directed attention to slides 11-14, regarding equity analysis. She said that in the equity analysis, the data examined included demographics, wealth, revenues, and expenditures of districts. The APA study team focused on: horizontal equity with regard to how equally resources are allocated to districts or students in similar situations; vertical equity measured how well the school finance system takes into account varying student needs; and fiscal neutrality assessing the link between local wealth and the amount of revenue available to support a school district. She remarked that it was challenging to consider the equity of Alaska's current system due to extreme variations of size and remoteness of districts, and there were significant adjustments in the current system to account for those differences. She indicated that one determination of equity was made based upon property wealth; however, because only city and borough districts in Alaska have local wealth, APA had to create a wealth proxy to take into account the impact data available to include all districts in the state. She noted that APA also used some weighted student counts to account for student differences and those differences due to size and location that the current system is picking up. She indicated they did the best they could to get every district on an even playing field to compare against each other.

[9:57:14 AM](#)

MS. BROWN stated that APA found a high level of variation in horizontal equity findings across Alaska, which means various districts were funded differently, and it was expected as the coefficient of variation measured the difference. In general, an expected coefficient of variation would be approximately .10, but APA discovered the variation in Alaska was between .32 and .40. She said APA looked at both total and instructional expenditures. In terms of vertical equity findings, Ms. Brown reported that APA wanted to determine how much of the spending differences across districts could be accounted for by the needs of the students, the size, or location of the district. The consultants found that after accounting for student need, there were still high levels of variation. She added, "They were reduced from what we saw when we didn't consider that, but they were still higher than what would be a generally acceptable standard for either total or instructional expenditure." With regard to fiscal neutrality findings, she stated that the common

benchmark was set at a .50 correlation between wealth - or in this case the wealth proxy - and how much money was available locally. She reported that Alaska's current system was below the .50 metric, which means it meets the fiscal neutrality threshold.

CHAIR HAWKER noted that Ms. Brown was giving the committee a "high level abstract" of a detailed report included in the committee packet.

MS. BROWN confirmed that was correct.

[10:00:13 AM](#)

MS. BROWN returned to the PowerPoint presentation, slides 15-17, regarding data analysis of performance, expenditures, and student need. She indicated that the analysis examined the relationship between student need - demographics including how many students had language issues, such as Alaska Native students or special education students - and performance. She said APA used linear regression to determine whether a district's demographics had a significant relationship to overall performance. Three demographic variables with a relationship were: students with disabilities, limited English proficiency (LEP) students, and Alaska Native students. She said, "So what this means [is] that ... as the percentage of students in these population groups increased within the districts, their performance on the [standards-based assessments (SBA)] decreased, so it was a negative relationship between the two." She said the analysis also found a high degree of variation in the percentages of students in those categories between districts.

SENATOR MACKINNON asked Ms. Brown to clarify whether she was saying that the more resources an area received, the more negative the results were.

MS. BROWN clarified that APA was not looking at the associated expenditures, rather at the relationship between existing demographics and performance. In other words, she explained, the higher number of students in the aforementioned categories meant a decrease in performance.

MS. BROWN said the study team next examined the relationship between performance and expenditures and pointed out that a regression analysis examined the relationship between proficiency levels and both instructional expenditures and total

expenditures. She said total expenditures included several operational expenses not necessarily related to instruction.

CHAIR HAWKER asked Ms. Brown to clarify how APA determined which expenditures were instructional.

[10:02:39 AM](#)

MS. BROWN answered, "The instructional expenditures were a reporting line of [EED's] data; it's the instructional services category of expenses." As shown on slide 16, Ms. Brown said, APA found that higher instructional expenditures showed a statistically significant, positive relationship with performance. There was not a relationship between total expenditures and performance, but that was not unusual considering the total expenditures included operational expenditures, she pointed out. Ms. Brown stated that the last data analysis performed examined the relationship between student need and the current adjustments within the funding system. She explained that even though the special needs adjustment was 20 percent for all districts, because it was multiplied against the district's size and cost factor, there was an "imputed" weight for each district. She explained that the additional ADM generated after the special needs, divided by the original ADM, equals a unique adjustment for each district. For example, in one district with a size adjustment factor equivalent to 1.10 and a district cost factor of 1.44 would result in an imputed special needs adjustment of approximately 32 percent, she said. Another district with a higher size adjustment of 1.2 and a higher district cost factor of 1.8 would end up with a 43 percent adjustment for special needs, as a result of "that multiplying nature of the first set of adjustments in the formula."

SENATOR MACKINNON asked whether APA noted a higher investment in operating expense dollars versus instructional expense dollars, in regard to the aforementioned three demographic variables, [students with disabilities, limited English proficiency (LEP) students, and Alaska Native students].

[10:05:42 AM](#)

MR. SILVERSTEIN answered that APA did not make that consideration as the analysis was focused on two data points on expenditure and regressing those data points against characteristics of the district in order to figure out which of the demographic variables showed "statistically significant

impacts" on student performance. He indicated that it would be difficult with the data gleaned by APA to know the expenditures related to certain populations, because that was not part of the funding system.

SENATOR MACKINNON clarified she was asking about operating expense, not the instructional dollar. She stated, "[If] the operating expense of the facility is not variable, they should be fixed numbers, and if you pull out the instruction [component] - I don't know if it's as simple as that - you would come up with an operating [cost] for a particular item. And where I'm driving to is if there's fixed cost and other communities aren't able to invest in instruction, I'm wondering if it has an impact on the overall system because we've had that conversation at this committee and others whether we should look at fixed cost. So, my follow-up question then, looking at fixed costs and how they're different, by district, depending on what's happening, is whether you considered, under those fixed cost expenses of your overall spend for a district, the additional one-time money that we've provided for at least six if not ten years, under the leadership of Chairman Hawker and others - energy cost equalization, basically; we were trying to provide one-time funding for those districts - and so that's why I posed the question: If, in fact, the instructional dollar going into the classroom has a benefit for the students in our population, but the challenge for the district is their fixed cost, it's important for us to know that. And the Senate did have, under the leadership of Senator Dunleavy, quite extensive conversations about the fixed costs."

MR. SILVERSTEIN responded that during the interviews conducted by APA, "that point was highlighted frequently." He said that as operating expenditures become a higher percent of total expenditures, it can drive dollars away from instruction. He said this was of particular concern to districts with declining enrollment but with similar fixed structures. He said APA did not do a data analysis on the issue posed by Senator MacKinnon.

[10:08:52 AM](#)

MS. BROWN continued with slide 17. She said APA examined whether the imputed weights were correlated with student need levels in districts and a high correlation was not found. She directed attention to slides 18 and 19, regarding fiscal sustainability. She said Alaska had a very high reliance on oil revenues, which could be a sustainability issue with falling oil revenues. She said Alaska was one of only seven states that did

not have an income tax and one of only five states that had no state sales tax. Other states more reliant on oil revenue had either a state sales tax or income tax as a buffer. Alaska had the highest percentage reliability on [oil revenues] at 83 percent, with approximately 12 percent in corporate income or property tax; however, a majority of those taxes were still being levied on oil and gas and noted the information source was the U.S. Census Bureau. Ms. Brown said APA observed that Alaska was relatively wealthy, in terms of annual personal income, slightly higher than the national average, but is among the lowest in local taxes. She said APA reviewed Alaska's revenue stream between 2005 and 2012 and found it had been more volatile than the national average. She said Alaska had two potential sources of revenue to help stabilize funding until additional revenue sources were available, and she deferred to Mr. Silverstein to delve into further details regarding APA's recommendations for the State of Alaska.

[10:12:25 AM](#)

MR. SILVERSTEIN advised he would attempt to incorporate the information gleaned from the aforementioned interviews conducted by APA into the recommendations. He emphasized that the intent of recommendations is to strengthen the current formula and ensure that the system is equitable, responsive, efficient, and flexible. He said APA would not recommend specific levels of funding as that would be the responsibility of the legislature to determine; however, APA focused on adjustments the State of Alaska could make to its structure and would cover what APA heard and saw, in addition to covering the recommendations.

CHAIR HAWKER asked Mr. Silverstein to reiterate his "appreciation for the fiscal sustainability relationship to this" and how he may recognize the difficulty the State of Alaska is currently facing.

MR. SILVERSTEIN, in response, moved to slide 21. He said any change APA may recommend must take into account the current fiscal environment. He indicated that interviewees expressed concern that "if you make a change in a zero-sum environment, then there's by definition a winner and a loser." He said APA analyzed whether Alaska's structure was sound, considering the differences it faced as a state; therefore, there were recommendations that could have fiscal impact. He said APA understood the current construct and the difficulty of "trying to implement within that zero-sum game." Mr. Silverstein said he thought the best news was that overall, APA thought the

current structure of Alaska's funding system is strong taking into account student and district needs. He specified that the vast majority of recommendations are for changes within the current structure, not changes to the structure; therefore, although the type of adjustments the state is making are sound, APA suggested the state may want to address the how the adjustments are being made to better serve students.

SENATOR MACKINNON asked whether other components were used in other states that Alaska had not considered and whether those components would be shown during the presentation.

MR. SILVERSTEIN answered that APA did look at what other states were doing. He indicated that the recommendations to adjust Alaska's current plan would expand the plan, which would then include more of what other states did.

MR. SILVERSTEIN, as shown on slide 21, related that the formula adjusted for variations in needs across the state through: school size adjustment (SSA), district cost factor (DCF), hold harmless, special needs funding, vocational career and technical education (CTE) funding, intensive services funding, and correspondence program funding. He said there would be other general recommendations, including those related to capital and transportation.

[10:18:20 AM](#)

MR. SILVERSTEIN directed attention to slide 22. He said there were a couple of spots in Alaska's current formula that APA described as cliff points, where small changes in student enrollment could lead to a large change in funding. He reiterated that the standards based assessment (SBA) performance data showed that a district's student characteristics, including its percentage of special education, LEP, and Alaska Native students, was an indicator of the district's SBA proficiency levels and the higher the number of students in those categories, the lower the district's performance would be. Mr. Silverstein pointed out that compared to other states, Alaska's funding system does not differentiate on a student basis. He acknowledged that it was called a student-based formula; however, he emphasized that the funding system did not fund any specific students, such as the aforementioned groups of students, "at the student level." He said that brings back the point that the special needs weight of .20 was applied the same across all districts, regardless of the number of students in

those categories. He explained that other states with special needs funding is tied to actual student numbers or percentages.

MR. SILVERSTEIN, as shown on slide 23, said a couple of the formula's existing adjustments for student characteristics had not been addressed in many years, school size in almost two decades and district cost factor in approximately a decade. He said APA has equity concerns that arise around the difficulty in comparing wealth across districts. He explained that regional education districts, and city and bureau districts, having different tax, policy, and structure, creates a barrier to evaluating equity especially at the fiscal tax payer equity level. Finally, he said, revenues from oil taxes have declined and predicted to remain lower than previous projections, which creates issues for fiscal sustainability.

[10:22:14 AM](#)

MR. SILVERSTEIN directed attention to slide 24, which showed APA's first recommendation that Alaska should consider not using school size adjustment (SSA) in larger districts. He said other states often adjust for "necessarily small schools" - those schools in a setting where they are the only population of schools. He added, "And so, if there is a small school, it's there; it's the only school that's going to be able to serve the students, and so, you're going to adjust for size." He advised that as they get into larger districts, they don't tend to adjust as frequently for small schools, whereas in larger setting where there may be more capacity to build through operations and some economies of scale. Mr. Silverstein clarified that APA was not saying that funding for Alaska's largest districts should "go down at the school size adjustment level," but rather that there could be some intrinsic incentives to building smaller schools because there would be more dollars per student with a smaller school population. He said there are also students in larger schools of larger districts that are actually being funded at the school size adjustment level below 1.0. He said APA recommends that Alaska take into account the cost structures needed in the larger districts, while making sure not to provide incentives to have capital campaigns to build certain sizes of schools that are not necessarily efficient or effective school sizes in a larger district.

SENATOR MACKINNON noted that when Alaska took over the educational responsibilities from the federal government, there was an issue regarding equitable funding, which she specified was different from equal funding. She said the state is trying

to reach its "highest compliance" with federal requirements in regard to students. She asked, "This does not violate the equitable clause?" She said APA's comments were accurate in that larger cities with taxing capacity want to tax at a higher rate. She said, "And so, we've fixed what they could tax on themselves to try to make sure that we kept this equitable issue in the forefront of our thoughts."

MR. SILVERSTEIN responded that APA did consider the issue of equity and the impact of "that federal lens" more in terms of the overall funding system and when looking at "those caps on the ... additional local - that can be provided." He stated that most of APA's recommendations were targeted to student need, and stated that being equitable really was about "serving students at their level of need." He said these adjustments are used across the country and had been, in general, accepted as a way to achieve an equitable formula. He continued, "And so for us there was a little bit of a separation between when we're looking at the funding side and ensuring ... the 25 percent differential on expenditure but that wasn't ... or on revenue. That didn't play into this specific recommendation, but as we put in our recommendation about how to fund districts, they're all about equity of students - how best to serve the differences of students or schools or districts across the state."

[10:26:42 AM](#)

MS. BROWN added that before the State of Alaska adopted any of APA's recommendations to make changes to any of the adjustments, it would need to run an equity test allowing the state to use its federal impact aid, to ascertain that the difference between districts had not exceeded what she recalled was 23 percent. She said, "We didn't evaluate that test on each of them independently, because you may be using one from here, one from there, and combined they would have different impacts."

SENATOR MACKINNON said if the state passed the federal bar, it still had issues such as the aforementioned Ketchikan lawsuit, and she opined that no one would win in that scenario because everyone would receive less if cities or areas with wealth were unable to contribute and the state continued to face an economic downturn. She expressed concern that if the formula was changed the state may have to stand against lawsuits from other districts.

MR. SILVERSTEIN moved on to slide 25. He said the next recommendation was that districts should be allowed to pick

which school the students in a community under 10 are applied. He explained that in a community with under 10 students, those students were added to the next smallest school in the district, for funding purposes, before they were run through the school size adjustment table. He said that an unfunded school under 10 students would be added to the next smallest school; thereby, raising the enrollment total and thus lowering the amount received per pupil, once a threshold of approximately 40 students was met. He said APA recommended allowing districts the freedom to decide where to add their smallest schools in order to find the school that would be the most efficient for them. He said APA did not know whether any district would make a different decision, but had heard enough times that districts desire flexibility.

[10:30:18 AM](#)

MR. SILVERSTEIN directed attention to slide 26, showing that APA's recommendation for school size adjustment (SSA) was that Alaska should create an average formula for schools affected by the community size cliffs at 100 and 425 students. He gave an example, as follows: "The example we use a lot in the report is: 101 students, as school is funded really as two schools - so, there's K-6 and 7-12 are both run separately through the school size table. At 100 - one less student - they're run through the single site. And that difference is around 18 ADM at that one time. If you then add on the ... multiplicative issue that you have - where ... after you do your school size adjustment, you're also doing a district cost factor, you're also applying special needs and a CTE adjustments - that can get closer like 40 students of change in funding based on ... one or two students." Mr. Silverstein said this was probably not happening every year and everywhere, but APA heard during interviews there were shifts from 102 students one year to 98 students the next year with a considerable shift to funding of the district, but the district would not be changing its structure dramatically because it lost or gained four students. He acknowledged that the recommendation to track this information in order to average it over time would add a level of complexity for DEED. He remarked that during the presentation he will discuss declining enrollment and use a similar approach to smooth out the differences when schools are consistently at "these cliff points." He said APA tried to run other options where "you could smooth these curves," but found it would not be sensible or worth the effort for the cost.

MR. SILVERSTEIN directed attention to slide 27, which showed that SSA was first created in 1998, and it may be time to update the adjustment and emphasized the importance of setting the intent of the base student allocation. He said it was not reasonable to expect the smallest districts in the state to provide the exact same program as the largest, but deciding upon a general program for every student to receive. He said that as school size adjustments were set considerations could be made as to what was being purchased.

[10:33:33 AM](#)

MR. SILVERSTEIN moved to slide 28, regarding "Hold Harmless." He said APA's recommends that Alaska create a true declining enrollment adjustment to replace the current hold harmless provision to be applied to all districts to ensure greater funding stability. He said APA's study of Alaska's current hold harmless provision showed that it functioned like a declining enrollment adjustment. A classic hold harmless provision, as it applies to school finance, ensures that a district has the same total level of funding going forward, he explained. He said a study performed by Temple University, reviewing all the hold harmless provisions and climbing enrollment adjustments across the country, showed that Alaska's hold harmless provision was something of a misnomer as it was really a climbing enrollment provision due to the way it functioned.

MR. SILVERSTEIN indicated that the second piece with the hold harmless provision was that it was a second area where there might be a cliff. He continued, "Because you have an absolute targeted amount - 5 percent reduction of students in a year, reduction of your school size adjusted population in a year - you could have a district that has 4.9 percent and a district that has 5.0. One is going to be getting this ... what we really say is kind of a stabilizing of this decrease over time, and the other won't. And you can, again, mathematically find situations where you can have a district losing far more students over a two or three year period than ... and not be getting this hold harmless provisions, than a district who hits this 5 percent in one year but let's say then flattens out. And so, it has some real effects on funding, again, if it were to happen. This is math and just trying to look at places where cliffs exist, and we go through some of those numbers in the report."

MR. SILVERSTEIN said many approaches were used by other states in terms of climbing enrollment, such as looking at prior year

funding or weighted averaging. With those types of formulas, he said, "any growing district isn't going to be capturing their growth" in any given year. He said APA recommended a best of three years averaging approach. He said APA heard frequently from districts that they had uncertainty around budgeting. He said the districts relied on estimates for their October count, and each year they faced concern regarding that count. He explained that if the numbers were off, districts could lose larger numbers of staff than they could "absorb." He stated, "And so, this sort of declining enrollment adjustment would keep everybody a little bit steadier over time."

SENATOR MACKINNON asked which states used the best three-year averaging approaches and how those states compared to Alaska in similarity.

MR. SILVERSTEIN answered that the State of Colorado used a multi-year average combining more than three years. He said, "Where you often see these are in states with smaller, more rural settings where you have a large amount of decline, and that decline as a percentage can be pretty large year to year." He said in some mid-size districts, losing 100-200 students, for example, meant losing a large amount of funding. He continued, "And in the report is a number; it wasn't as large as I would actually ... as you would think - the amount of change that it would take. It would be ... to implement this would be a big impact on the districts currently on the 5 percent threshold, but overall it's not actually a huge change in ADM in any one given year."

[10:38:24 AM](#)

MR. SILVERSTEIN, in response to Senator MacKinnon, said APA did not look at all 50 states, but looked at states that did similar things and the information about other states using declining enrollment is in APA's report.

REPRESENTATIVE KITO asked whether it is the best of three years of actual students in the classroom before adjustments.

MR. SILVERSTEIN responded that hold harmless was applied after the school size adjustment was made, and that was when the best of the three year average was taken "from the October count."

MR. SILVERSTEIN moved to slide 29, regarding district cost factor (DCF). He said APA believed Alaska's current DCF was both strong and the most appropriate approach for the state. He

said there were a few states that actually use any type of cost of living adjustment, and "they differ from what we would call cost of living adjustments or cost of education adjustments." He said Alaska would consider its cost of education adjustments and review whether those factors impact the cost of education in the state. He said some states considered cost of living, such as what it cost their employees to live in certain areas, but not the cost to provide education services. For example, Virginia applied cost of living adjustments only to those districts closest to Washington, D.C. He named Maryland and Colorado as two other states that use this type of adjustment.

MR. SILVERSTEIN said given it had been 10 years since the last update of the DCF, it may be time to update the information in the DCF study to ensure it was responsive to current district needs. Based upon concerns expressed by school district leadership around the state during the interviews, he said the study team believed that all current DCF cost areas should remain in the formula. He said two additional areas of cost that could be considered were: the cost of student activities as some schools have to spend more to provide experiences for students; and the cost of travel for education specialists, which can be much higher for special education teachers in remote areas of Alaska. He emphasized the importance that all cost areas be evaluated in order to be efficient and provide educational dollars, which were linked to higher student performance.

[10:42:50 AM](#)

MR. SILVERSTEIN directed attention to slide 30, regarding special needs funding. He stated that Alaska's current special needs funding did not fund for special needs on specific students, but was a "block grant" model. He said APA's recommendation was that the state move toward a series of adjustments for special needs that were student population-specific and need-differentiated. Further, he advised, the state should consider providing an adjustment for at-risk students. He said data analysis in the report showed a wide variation in the following: LEP students, special education students, low-income or at-risk students, and Alaska Native students. He indicated there were large concentrations of those students throughout Alaska's 53 districts and most states applying an LEP adjustment or at-risk adjustment do it more on a student basis. In terms of special education, he said some states applied a "fences-based" approach, which was more like Alaska's block grant model by assuming every district had the

same level of need and the same distribution of students. However, LEP or at-risk or low-income groups were far more student-based, and the differences in districts were funded in such cases in order that had "the equitable dollars to be able to provide differentiated services." He said APA considered a number of different approaches for Alaska to consider and offered that Alaska could use weights when considering special needs funding and be in line with other states today, and the numbers in the long term would not differ greatly from what Alaska was currently providing in its special needs adjustment. He said this would disconnect Alaska's special needs funding from other adjustments.

[10:45:47 AM](#)

SENATOR MACKINNON asked whether APA's analysis reflected consideration of the litigation that Alaska school districts were facing in attempting to meet special needs. Further, she asked if APA had compared that to other states that may have other levels they provide in terms of special needs.

MR. SILVERSTEIN answered that APA had not looked at any specific litigation as it was focused on how much differentiations there were in the student need setting at the district level. He said, "Districts look very different when you think about the type of students who are walking through the door, based on the demographic data that we were using."

SENATOR MACKINNON opined that compared to the State of Washington, Alaska's services to special needs students is different. She said Alaska wants an integrated classroom where people with disabilities are able to function. She said she had heard that other states provide less, which pertains to the instructional dollar providing services for special needs students.

MR. SILVERSTEIN replied that as shown at the bottom of slide 30, the first place Alaska districts cover with special needs funding was their non-intensive special education students and additional funding goes toward intensive special needs students. He said, "When there are dollars ... other dollars, they're going to look at vocational and gifted and talented and ... bi-lingual/bi-cultural, but right now with the way it is, if you have a very high concentration of students - especially your non-intensive special [education] - most of those dollars are going to go to that population because it's this block grant, and it's not differentiated by need."

MR. SILVERSTEIN moved to slide 31, regarding Career and Technical Education CTE funding, and he related that APA recommended that Alaska leave its CTE adjustment in place; however, when funding was available the state should consider whether it was possible to increase the level of funding and fund actual CTE student counts. He said the CTE funding was done on a block grant model applied to K-12 populations, and then used for 7-12 student populations. He said APA heard from districts that the current weight had done well in helping those districts provide CTE education support. In a state where there are a number of jobs that require technical skills but do not require a higher level of education, the expansion of CTE education was very important, he said. He said the underlying question was whether to make it more student specific, so "if you have more of those populations, you would get more funding." One consideration, he said, was that some district would say it was more difficult to provide a more robust program in some of the smaller settings.

[10:49:55 AM](#)

MR. SILVERSTEIN directed attention to slides 32 and 33, which addressed intensive services funding, and said that Alaska should not make any major changes to the current intensive services adjustment. He pointed out that Alaska currently funds its intensive services students at a 13 weight, which is higher than other states.

The committee took an at ease from 10:50 to 11:05 a.m.

MR. SILVERSTEIN returned to the discussion of intensive services funding. With regard to the high weight, he explained Alaska did not provide extraordinary aid funding that many other states provide, wherein the state picked up the full cost or some percentage of the cost of students over a certain threshold. He advised, "Your approach does not do that but it does have higher weight, so we think the current structure is a good structure." Mr. Silverstein said another recommendation was that if Alaska reexamined the DCF, it should examine the additional costs of providing related services for intensive special education students in remote and/or isolated areas. He clarified that APA was not recommending that the state should apply the DCF to the intensive services funding. He continued:

What we're hearing, and what ... we think should be examined if there is a look at the district cost

factor again, is that there are some services provided by therapists who have to travel from more urban areas to very remote settings, and to provide the same level of service to a student with the same disability in a very remote or isolated area might cost substantially more than it would in the more urban setting.

SENATOR MACKINNON noted that Mr. Silverstein had said APA was hearing feedback from districts and surmised that was an indication those districts were "bringing people in to help." She related that in the past she had been involved with the K-12 education budget, and [the legislature] embedded within the Department of Education & Early Development the funding for that travel. She asked whether Mr. Silverstein was telling her that districts were being charged, that the travel funds had somehow been removed. She asked, "Can you tell me specifically how districts have been affected by that?"

[11:07:53 AM](#)

MS. BROWN responded that APA did not hear districts talk about "the state picking up those costs," but was told about the high cost of bringing [specialists] to the district, both in paying for the actual travel and the time spent in travel, the latter of which stretched longer because of weather delays.

SENATOR MACKINNON said districts could have specialized teaching staff they send out to other schools in their region, but the state had been providing education specialists to go to districts in need of assistance. She said the state had taken on that responsibility based on a previous lawsuit and it would be interesting to consider the matter more.

MR. SILVERSTEIN highlighted the last recommendation regarding Individualized Service Funds (ISF), that Alaska should collect data on the movement of intensive special education students into and out of districts throughout the year to understand the potential cost impact for districts due to this mobility. He said APA was unable to do this as part of its study. He related that the type of intervention services needed for special needs students varies with each student; therefore, even if one student begins school and another leaves the school mid-year, there still could be unfunded costs that year as a result of that varied need. He said the data should include student movement and types of services being provided.

MR. SILVERSTEIN directed attention to the issue of correspondence programs, on slides 34 and 35. He said Alaska was unique in its approach to provide a publicly funded homeschool option as few other states did so. He specified that APA considered only publicly funded homeschool programs. He said APA recommended that if a new system was put in place to fund for actual counts of special needs students, then Alaska could consider adjusting for the special needs of correspondence students by identifying what types of special needs were present and what services were needed. He said, "We've heard about students who have these types of needs, where the funding ... isn't provided because correspondence funding is outside of the formula where the block grant is for special needs."

MR. SILVERSTEIN said another of APA's recommendations related to correspondence programs was that if blended learning programs grew, then as they grew Alaska should examine the cost of the programs and the methods for counting blended learning students. He explained that when blended learning programs are fully implemented, it meant students undertook part of their learning offsite and part onsite. He said there were factors in Alaska's system that would allow someone taking a course to be counted as a part-time student. He relayed that APA heard concern from districts that the current system did not quite address "the structure where you're having students come in, but they're not necessarily in classes, right; they're coming to the school to have support in a blended learning environment, but that's not necessarily in a class." The cost structure of Alaska's correspondence funding did not necessarily align to the blended learning movement. He indicated that because the trend is growing across the country, APA wanted Alaska to take a look at it; however, he emphasized that APA was not making a specific recommendation for it.

[11:12:55 AM](#)

MR. SILVERSTEIN directed attention to slide 36, regarding transportation. He said APA did not recommend changes to Alaska's current transportation funding system, and suggests that districts continue to be allowed to use transportation funding for intra-district transportation. He said transportation funding varied widely across the country as there were a number of approaches. In Alaska, transportation funding was funded on a per pupil amount based on actual district costs. He said that most districts expressed satisfaction with the current system, but there was repeated mention that without competition, pursuing contracts could be problematic. Regarding

intra-district transportation, he said there was mention that there was new accounting based on various types of transportation. He said the evaluation was different for moving students to and from school as compared to moving students from program to program within a district. He explained that many districts have a career technical education center, and they use transportation to bring students to and from that center. He said districts wanted to ensure that within the funding structure that would still be allowed. He added, "They feel that ... if you got rid of that, that cost is going to have to come from somewhere if you want to keep as effective an approach for those programs."

[11:14:28 AM](#)

MR. SILVERSTEIN turned to slide 37, regarding capital. He said APA was making no specific recommendations around capital. He relayed that funding varied widely across the country, with some states picking up large shares of the cost and others picking up little to no cost of capital. He said districts with declining enrollment with the same structures to maintain were concerned with the growing costs of maintenance of buildings and the decreasing condition of the buildings. He said districts were concerned about the elimination of the debt reimbursement program is an issue as it was one way districts could leverage support from the community. He concluded that any loss of capital funding was an issue for districts over time.

MR. SILVERSTEIN directed attention to slides 38-40, regarding an equity study. He invited the committee to read the numerous metrics, analyses, and statistics, in the equity section of the full report. He said there were structured approaches to looking at what is equitable in terms of horizontal, vertical, and fiscal neutrality. He said the APA team recommended that Alaska revisit its special needs adjustment to ensure that it accounted for differences in concentrations of special needs students, especially at-risk students, across districts. When looking at vertical equity across districts, he said, once the adjustment for special needs has been met even when adjusting for current factors in Alaska's school finance formula, there remains "an equity issue." He said that meant that all the additional dollars "coming on top" outside of the mandated local match created equity issues that were not necessarily related to student need. One way to do that, he said, was "through the characteristics."

MR. SILVERSTEIN said APA's next recommendation related to equity was that Alaska should conduct further analysis of the differences in the amount of local revenues contributed to districts and explore approaches for either equalizing access to additional revenues beyond state foundation funding for low wealth districts, or further limiting the amount of local funding that may be contributed to districts. He indicated this would create greater horizontal equity between districts.

MR. SILVERSTEIN said APA's final recommendation related to equity was that Alaska should consider creating a consistent measure of local capacity for supporting districts that may be used across all district types. He said APA attempted to create a wealth proxy, which was explained further in the report. He said finding a way to discuss the local fiscal capacity of districts included discussion of what was equitable, especially in terms of what fiscal neutrality for tax payers looked like. He said, "With the split between your [REAA] districts and your city & bureau districts, it becomes difficult to make that comparison currently."

[11:18:37 AM](#)

MR. SILVERSTEIN directed attention to the recommendation for fiscal sustainability, on slides 41-45. He stated that over the long term, it may be in the state's best interest to begin moving toward reducing its reliance on oil revenues because both demand and production would likely begin a permanent downward trend. He said in order to reduce its 80-90 percent reliance on oil revenues, the state would need to put revenue streams in place. He said APA recommended the state could temporarily use funds from its constitutional budget reserve (CBR) fund or permanent fund earnings reserve account, both of which APA observed had billions of dollars as of the beginning of fiscal year 2016 (FY 16).

CHAIR HAWKER noted that APA had not attempted to recommend a fiscal policy solution for Alaska, but was just "pointing out the obvious."

MR. SILVERSTEIN confirmed that was true.

MR. SILVERSTEIN said the next recommendation related to fiscal sustainability was that since Alaska pays for a relatively high state share of K-12 funding, the state should explore equitable approaches to adjusting the local share of that funding. He said APA recognized that there was ongoing litigation through

the Ketchikan lawsuit, which was not part of APA's purview and would change the discussion dramatically. He said currently Alaska funded 64.8 percent of K-12 funding and the national average was approximately 45 percent. He said the state could consider removing that cap to allow districts to provide "a higher percentage of their total education pot."

11:21:20 AM

REPRESENTATIVE KITO said that recommendation seemed counter to an earlier recommendation to provide more compressed funding to equalize on the horizontal side. He explained, "So, if you're allowing for more local contribution, then there are some districts that can't provide that additional local contribution, which means it would push them outside that horizontal equity."

MR. SILVERSTEIN clarified that in this case, APA was addressing the 45 percent cap required on local contribution. If a district produced more than 45 percent of its total basic need, it would be capped, "they don't have to go to the 2.65." He continued, "This is on the required amount, not on the additional amount that can come above. So, the total pot of dollars between state and local would stay the same when you're just thinking about the basic aids calculation, it's just that more would be coming from the local. It would reduce the state share, and it would increase the local share. So, it isn't the additional dollars above."

MR. SILVERSTEIN stated another recommendation related to fiscal sustainability was that the state could consider creating a floor for the Impact Aid Percent applied to city and bureau (C&B) districts making an effort above the required level, which would lower the amount of state aid provided to these districts. He paraphrased the remaining information on slide 44, which read as follows:

Currently C&B districts that provide local funding above the minimum required local effort are rewarded with a decrease in the Impact Aid Percent used to calculate the amount of impact aid that offsets state funding.

By creating a floor for this reduction the state would reduce the cost of state basic aid and possibly improve funding equity across districts.

MR. SILVERSTEIN turned to the last recommendation related to fiscal sustainability, and read as follows:

As noted in the equity study recommendations, the state should also consider formally defining and measuring the local fiscal capacity of all districts.

MR. SILVERSTEIN said that in order to understand what was happening at the local level, a comparison was necessary.

[11:24:46 AM](#)

MR. SILVERSTEIN directed attention to slides 46 and 47, which showed recommendations not specific to any one component of the funding system, but were issues that arose when APA conducted its full study. First was APA's recommendation that Alaska should undertake an examination of the state's current school district governance structure to ensure it was the most efficient and effective approach to serving students. He said APA's study focused on the current school finance formula and its application within the current school district governance structure in the state. The findings reflected a replication of district-level services, and APA recommended this as something to be evaluated. Although, he indicated, one possible barrier was differing tax structures. The last recommendation was that Alaska should examine student enrollment trends through the year, which he indicated was relevant to the concern about declining enrollment. He said there was some question as to whether October was the best month in which to count students. He explained this was because there was a varied behavior pattern in communities in October as a result of [tribal] gatherings, end of seasonal work, and receipt of the Alaska permanent fund dividend (PFD). Because APA did not have student counts for multiple points during the school year, it was not possible to substantiate the anecdotal information. He said Alaska should consider whether the October count is the most helpful.

REPRESENTATIVE PRUITT asked when the state should count students.

MR. SILVERSTEIN answered that without the data it is difficult to answer. Each state counts students differently and he gave a couple of examples. He said the goal was to determine the number of students the state would have to serve in the education system over time, and he reiterated that Alaska should

figure out whether or not October was the best month for the most representational student count.

REPRESENTATIVE PRUITT questioned whether Alaska would find unique challenges any other time of year than October. He asked whether there was a better way to come up with a number beyond just a 20-day snapshot. He clarified that he was not interested in placing a burden on small districts, but questioned whether there may be "other mechanisms in other states." He ventured that Alaska would have to devise a different system.

MR. SILVERSTEIN reiterated that APA was unable to look at that part of the issue - whether October was a one-time "blip" or whether there was never an opportune time for the student count. One factor, he said, was what kind of reporting system was in place. He concurred with Representative Pruitt about not wanting to put any additional burden on districts to track when "the marginal cost is higher than the marginal gain for anybody."

CHAIR HAWKER noted that Alaska was not able to give APA the U.S. Census information to use; therefore, APA's recommendations were for the state to begin by collecting that Census data.

MR. SILVERSTEIN responded that's correct.

[11:31:04 AM](#)

REPRESENTATIVE KITO noted that the October count allowed the legislature to have the most recent numbers before entering into its budget cycle. If counts were brought in from the previous year, a district could have a different affect, but not accurately reflect what was happening in the school for that [emphasis on "that"] year. The legislature, he said, was already competing its budget process by the time the school year ended; therefore, it was "a difficult thing to adjust." He stated, "I didn't come up with a reasonable solution. The further back we go, the further away from the actual student population that we end up with as we're looking at ... our budget."

CHAIR HAWKER stated that the documents presented were now public and available on the committee's web site. He noted there was limited time with the folks from APA, and he thanked all the school districts that participated in the study and the efforts

of APA to get as much information and diversity of opinion as possible.

REPORT STATUS UPDATE - School Design and Construction

[11:34:14 AM](#)

CHAIR HAWKER announced that the committee would hear a brief update regarding two ongoing studies, under House Bill 278, placed under the purview of the Legislative Budget and Audit Committee that include a school design and construction report and a salary and benefit schedule for school districts report.

[11:35:04 AM](#)

ELIZABETH SWEENEY NUDELMAN, Director, School Finance & Facilities, Department of Education & Early Development (DEED), said she would discuss the language in House Bill 278, provide a glimpse of the scope and process of the report, talk about the contractor undertaking the report, and provide a progress update.

MS. NUDELMAN stated that House Bill 278, passed into law in 2014, and included Section 53, which had the requirement for the school design and construction report. She read the directive as follows:

The Department of Education & Early Development shall prepare and submit a report to the legislature no later than June 15, 2015, on the benefits and disadvantages of using coded typical designs for school construction in both the railbelt and rural areas of the state.

MS. NUDELMAN said the department began a request for proposal (RFP) process to begin the study. She said the Department of Education & Early Development (DEED) sought a multi-disciplined team of engineers, energy experts, contractors, and building maintenance people as it was not looking solely for an academic review of publications. The department also directed the contractor to seek stakeholder input and include those people in the study familiar with the buildings. Further, DEED suggested the contractor consider six climate regions. She said the RFP was on the state's web site as a public document. Ms. Nudelman relayed that subsequent to the RFP and procurement process, the contract was awarded to Envision Architecture and DeJong-Richter. She stated that the contractor's methodology

encompassed both a review of national publications, serving school districts, and breaking the area into six regions. They visited the schools in the regions and spoke to school staff, stakeholders, parents, and students in Barrow, Bethel, Juneau, Anchorage, Fairbanks, Kodiak, and Matanuska-Susitna (Mat-Su), in March 2015. She noted that Envision Architecture was based in Anchorage, and DeJong-Richter was an education planning entity. There were also participants from multiple firms across Alaska, some attended meetings and other developed surveys and conducted research. She advised that the research team was comprised of five engineers, two contractors, one project manager, and one building maintenance expert.

MS. NUDELMAN said the department received the first draft from the contractor prior to June 15. She said time had run out, but the contractor wanted to "take it back again" to the expert research team; therefore, the department decided the best decision was to extend the timeline to approximately December 1, 2015.

REPRESENTATIVE KITO asked whether the contractor also considered the smaller communities within the six regions.

MS. NUDELMAN said she did not have the exact areas the contractors visited; however, she opined the contractor sought existing research to "flesh that out to include the smaller areas that they did not go out to in person."

[11:42:57 AM](#)

SENATOR MACKINNON said the Senate Finance Committee had expressed that if the state placed architects, engineers, and contractors in the position of a review team, then each one of them could benefit from individual construction. She said the concern was who on the team would be advocating for the state to save money, which was the purpose of evaluating individual design in communities. She offered an example of the state's huge investment in Kivalina. She indicated that what would cost \$14 million in another area has been allocated for \$42 million. She said she would look at the upcoming report through a lens to determine who was benefiting.

MS. NUDELMAN responded:

The department relied on the charge which was the disadvantages and benefits of prototypical study. And in our RFP we cued up the contractors who would ...

apply for that work, with questions, and we had quite a few questions. Because as we looked at it, we didn't see the contractor bringing a solution to the legislature, we saw them bringing information to the legislature, and specifically the benefits and disadvantages.

So, I would concur that there will be lenses to view the information. The department goal was to get good information over a wide range of topics to be discussed.

SENATOR MACKINNON said she would be looking for "mobilization and demobilization costs in the structure that it's supporting individual design, as well as long-term maintenance consequences for individual systems that are individually set up that require the state to invest differently in each design." She explained those would be the two lenses she would use to determine whether a prototypical school design had been fairly evaluated.

CHAIR HAWKER thanked Ms. Nudelman for her update.

**REPORT STATUS UPDATE - Evaluation of Salary and Benefits
Schedule for School Districts**

[11:46:38 AM](#)

CHAIR HAWKER announced the committee would hear an update regarding a salary and benefit schedule for school districts.

[11:47:15 AM](#)

DIANE HIRSHBERG, Director, University of Alaska Anchorage (UAA) Center for Alaska Education Policy Research (CAEPR), noted that Dr. Matt Burman (ph), an economist from the Institute of Social and Economic Research was available for questions, and introduced Liz Brooks, a research analyst from the Department of Administration who would give an explanation about the genesis of the study.

[11:48:06 AM](#)

LIZ BROOKS, Research Analyst, Division of Personnel & Labor Relations, Department of Administration (DOA), stated that the Department of Administration (DOA) was tasked to present a written proposal for a salary and benefits schedule for school districts, including an evaluation of and recommendations for

teacher tenure. She said the department sought a partnership with the Center for Alaska Education Policy Research (CAEPR) through a memorandum of understanding (MOU).

MS. HIRSHBERG related that the study was running behind its timeline due to unanticipated data challenges. She said the team was using a lot of data gathered by a number of state agencies, and there were missing values and inconsistencies. She said it took time to make corrections, and initial analysis had to be made before doing so and opined that the issues had been resolved. She said a draft report had been prepared, and productive discussions had taken place between DOA and DEED, particularly with Department of Administration Commissioner Sheldon Fisher not just on how the analyses had been garnered, but also better to present the report. Currently, the team was tweaking the data to make more sense to a broader audience, she explained.

MS. HIRSHBERG said the goal was to put the report out for public comment by the next week in order to receive feedback. She offered to give more details on specific aspects of the study, in terms of what the team had done.

[11:52:03 AM](#)

CHAIR HAWKER asked when the final study would be concluded and ready for presentation.

MS. HIRSHBERG related the hope was to have a draft available in the next week; however, the team wanted the commissioner to be comfortable with that. Following would be a two-week public comment period, after which both the final report and accompanying public comment would be shared. She indicated there may be feedback added, but said the study has received positive feedback from DEED; therefore, she did not anticipate any major changes. She said the emphasis was on providing the most accurate picture to the legislature.

CHAIR HAWKER said he was comfortable with the update on the status, but asked the committee members if they wanted further details at present.

SENATOR MACKINNON asked if the committee could expect to see the study by September 1, 2015.

MS. HIRSHBERG answered yes.

OTHER COMMITTEE BUSINESS

[11:53:51 AM](#)

CHAIR HAWKER asked if there was other committee business.

SENATOR MACKINNON stated that Medicaid was an issue that many people were passionate advocates for, and many people had contacted her office in opposition to the governor's executive order. She requested a meeting for the opportunity to vote on that issue.

CHAIR HAWKER stated that as chair of the Legislative Budget and Audit Committee, he had distributed to the entire legislature two legal opinions, both of which conclude that no matter how the committee would recommend the governor proceed, it had no voice in his decision to implement expanded Medicaid. If the legislature did not respond to the governor's RPLs, he had 45 days from the day he issued them to wait, and then he could proceed regardless of any action. Any hearing and subsequent vote by the committee regarding the RPLs would trigger the governor's ability to pursue his actions under those RPLs. Chair Hawker said Governor Walker had stated, both publicly and privately, that he was not going to take the legislature's counsel into consideration; he had made a firm and final decision and "there's frankly nothing of substance for this committee to accomplish." He mentioned policy bills in both the House Finance Committee and Senate Finance Committee, and he opined that it would be more appropriate for those committees to take up a policy discussion so there could be a substantive outcome. He stated that by statute, the Legislative Budget and Audit Committee was not a policy committee and was not allowed to speak on policy decisions on behalf of the entire legislature, and he did not want to give any impression to the public that the committee had greater authority or responsibility than it, in fact, had. He reemphasized that the committee had no ability to change the outcome of the governor's resolve.

[11:56:49 AM](#)

SENATOR GIESSEL stated that as a separate but equal branch of government, the opportunity to review the documents was the committee's purview, and she would appreciate the opportunity to do so even though the statute authorizes the governor to act unilaterally.

SENATOR MACKINNON opined that "the process by which this is coming down" was part of the committee's responsibility. She offered her understanding that the money involved to the state would be about \$148 million dollars. She said she had read the legal opinion to which Chair Hawker had referred, and said it had ambiguity of the governor's ability to "change the structure statutorily on expansion of an eligible group of recipients." She stated her belief that having someone present to explain the executive order and the ability of the committee to ask questions, as well as deny or reduce the appropriation amount the governor would be placing as a fiscal responsibility of the state, was in the purview of the committee. She said she respectfully requested that the governor's executive order was scheduled on the committee's calendar for consideration.

CHAIR HAWKER said he would take the request under advisement; however, he said the entire legislature had already voted and was on record as saying "we do not want him to do this." He said:

We have the entire legislature on record. That was done very clearly in the budgets that we passed in the ... legislative process during the legislative session. That is the appropriate vehicle for the legislature to express itself, not one or two people on this committee to attempt to create the appearance that we are speaking on behalf of the entire legislature.

Notwithstanding that, Chair Hawker reiterated that he would take the request of the committee members under advisement.

[11:59:28 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:59 a.m.