

**ALASKA STATE LEGISLATURE  
SENATE EDUCATION STANDING COMMITTEE**

February 3, 2017  
8:00 a.m.

**MEMBERS PRESENT**

Senator Shelley Hughes, Chair  
Senator Gary Stevens  
Senator Cathy Giessel  
Senator John Coghill  
Senator Tom Begich

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION: SCHOOL DISTRICT OVERVIEW AND COST DRIVERS

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

LISA SKILES PARADY, Ph.D.  
Executive Director

Alaska Council of School Educators (ACSA)  
Alaska Superintendents Association (ASA)  
Alaska Association of Secondary School Principals (AASSP)  
Juneau, Alaska

**POSITION STATEMENT:** Presented information on Education Cost Drivers.

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

**POSITION STATEMENT:** Presented information on Education Cost Drivers.

ANGELA WASHINGTON, Vice President

Northwest Arctic Borough School District (NWABSD)  
Secretary Treasurer  
Association of Alaska School Boards (AASB)  
Kotzebue, Alaska

**POSITION STATEMENT:** Presented information about Education Cost Drivers for Alaska School District.

**ACTION NARRATIVE**

[8:00:08 AM](#)

**CHAIR SHELLEY HUGHES** called the Senate Education Standing Committee meeting to order at 8:00 a.m. Present at the call to order were Senators Begich, Giessel, Coghill, Stevens, and Chair Hughes.

**PRESENTATION: SCHOOL DISTRICT OVERVIEW AND COST DRIVERS**

[8:00:43 AM](#)

CHAIR HUGHES announced that the only order of business would be a presentation on Education Cost Drivers. She stated:

As we continue to look how we can provide a better education for our children, we need to understand what areas are causing the most financial strain for school districts. Once we know where the major cost drivers are, we can start to figure out what the legislature can do help districts keep costs down in order to focus on teaching our kids.

[8:01:42 AM](#)

LISA SKILES PARADY, Ph.D., Executive Director, Alaska Council of School Educators (ACSA), Alaska Superintendents Association (ASA), Alaska Association of Secondary School Principals (AASSP), presented information on Education Cost Drivers. She referred to a handout showing the diverse organizations ACSA works with. She noted that ACSA also administers the Alaska Staff Development Network (ASDN).

DR. PARADY referred to a handout entitled "2017 Joint Position Statements (JPS)." The aforementioned members rotate chairing the JPS, which lists unified positions.

[8:04:12 AM](#)

DR. PARADY discussed the recent ACSA Survey of Districts in order to be responsive to the committee's request to present on school district cost drivers. She related that 28 of 54 districts responded and all questions were open-ended with

response/comment answers. She felt the answers were very representative of what districts are feeling. She noted she will be providing the committee with the full results of the survey.

8:04:47 AM

DR. PARADY began with school district budget areas that have been increasing the fastest or the most. She showed that the top area was salaries, which, she added, Dr. Paramo calls "people costs." Subsets of salaries are health care and workers compensation. Dr. Parady emphasized that health care costs are the biggest cost drivers. She said the legislature can help by trying to get control of health care.

8:05:58 AM

CHAIR HUGHES asked why health insurance and health care costs are separated.

DR. PARADY agreed that combined, they would be the largest area.

8:07:00 AM

DR. PARADY shared rough numbers on the district responses: 89 percent cited health insurance/ health care costs, 46 percent maintenance, 29 percent worker's compensation or insurance, 28 percent PERS/TRS retirement. Other costs cited included broadband/technology, logistics, special education, food service, housing, recruiting, and transportation.

8:08:09 AM

DR. PARADY provided examples of cost increases due to health insurance and workers compensation. She also cited employee costs and internet access costs.

DR. PARADY reported that in an earlier survey, districts reported an 18 percent increase in health insurance from FY 13 to FY 17. She added that 17 districts had increases in excess of 30 percent over the same period. She quoted Bob Crumley of Chugach, "The best conclusion I can draw quickly is that in the same period in which costs have increased by 18 percent, benefits have remained static or decreased to contain costs."

8:09:25 AM

DR. PARADY addressed a survey question regarding what districts have done to control these costs. She reported that 82 percent cited reducing health insurance costs by increased cost sharing with employees, increasing deductibles and co-pays, and re-bidding with insurance carriers. She said 36 percent cited reducing personnel, hours, and staff ratios; 39 percent cited

energy efficiencies; and others cited reducing travel, limiting tech purchases, and outsourcing.

[8:10:56 AM](#)

DR. PARADY provided specific examples of health care reductions, workers compensation reform, subsistence level broadband use, and having a cost cutting environment at the same time as trying to recruit quality educators. She noted ACSA is convening a health care cost containment committee and intend to go out to bid for a new plan. Other ideas are to make reductions in utility use, reduce staff ratios, and increase the use of technology.

[8:12:59 AM](#)

DR. PARADY addressed what the legislature can do to help districts lower administrative costs. She noted that districts reported unfunded mandates as problematic and 32 districts cited reducing unfunded mandates as a solution. She said 25 percent cited lowering health care cost with a statewide insurance pool. Others suggested workers compensation reform. She noted that ACSA is working close with the Department of Education and Early Development (DEED) on reducing reporting requirements. Districts want to see E-rate grants kept strong, increased support to education service agencies, and the hiring of a statewide engineer to help reduce utility costs. Districts suggested to continue funding for AS 14.14.115 - to incentivize collaboration between districts.

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She detailed a request to stop costly unfunded mandates.

[8:16:07 AM](#)

DR. PARADY spoke of challenges districts have, such as employee turnover, inadequate broadband, and energy, transportation and travel costs. She shared data about Alaska's high staff turnover rates; 21 percent of total staff. Rural remote sites had a 34 percent turnover. She provided an example of how that would affect a business.

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DR. PARADY showed a slide of superintendent turnover from 2009 to 2013. Only nine superintendents have remained working during that time. She stated that 32 of 54 districts, or 59 percent, saw at least one new superintendent during 2012 - 2016.

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DR. PARADY showed charts with data on school budget size and superintendent salary. She pointed out that Alaska superintendents are on the lower end of the national scale and are struggling to be competitive.

[8:20:07 AM](#)

AMY LUJAN, Executive Director Alaska Association of School Business Officials (ALASBO), presented information on Education Cost Drivers. In answering questions regarding school operating and administrative costs, she turned to a handout by the Department of Education and Early Development (DEED) on general fund (School Operating Fund) expenditures, available on DEED's website. She began with administrative costs, both for district administration - the superintendent and the board, and for district administration support - the business office.

When asked about human resources costs, she noted that less than half of the districts have dedicated human resources staff. Those costs are shown between functions 510 and 550. She said very few districts have dedicated public relations staff.

[8:23:30 AM](#)

MS. LUJAN explained that administrative costs relative to total cost statewide are 5.3 percent of expenditures and transfers, which she opined is cost effective.

She addressed secretarial staff costs listed under function 450. This includes secretarial staff and clerks and copy machines. That totals about 2.6 percent of expenditures and transfers.

[8:25:07 AM](#)

MS. LUJAN turned to operations and maintenance costs, which include all the energy costs, under object 435, coded to function 600. These areas total 3.3 percent of expenditures and transfers.

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MS. LUJAN shared IT and other technology costs, most of which is not considered administrative costs. It is coded to function 100 - instruction and to 350 - support services instruction.

[8:26:31 AM](#)

DR. PARADY pointed out that technology is no longer an add-on, but is considered best practice and is an instructional tool.

[8:27:15 AM](#)

MS. LUJAN commented that in larger districts there are IT departments, but they function as instruction or support services.

[8:28:05 AM](#)

MS. LUJAN turned to administrative travel coded to 400 - 780. She said much is spent on recruiting and traveling around the district for maintenance or meetings.

[8:29:05 AM](#)

MS. LUJAN addressed employee benefits expense. It is a huge cost - about 40.9 percent of expenditures and transfers. She provided examples of employee benefits and how health insurance is related. In order to show the high cost of benefits, she gave an example from the Fairbanks North Star Borough School District.

DR. PARADY noted there are also lost costs, such as training due to the high turnover rate.

MS. LUJAN said workers compensation looks like a small allocation, but it is growing at an alarming rate.

[8:30:56 AM](#)

SENATOR STEVENS asked for examples of mandates that could be considered expendable and should be done away with.

[8:31:48 AM](#)

DR. PARADY offered to provide the committee of a list of mandates and districts' recommendations for removal.

SENATOR STEVENS asked for one example.

DR. PARADY responded that there are numerous state-mandated trainings, and some may not be the best fit for educators.

SENATOR STEVENS asked which specific one should be removed. It is easy to blame the legislature for mandating them; it is the schools' responsibility to say which ones should be removed.

DR. PARADY said they are not blaming the legislature. Over a period of time the mandates have been layered and they take time and money away from the classrooms. She offered to provide examples of mandated training that are recommended for removal.

SENATOR STEVENS stated that the legislature needs to know that information from the schools.

DR. PARADY referred to mandate repeals included in HB 156 last session.

CHAIR HUGHES said she is looking forward to receiving that information to disburse to the committee.

[8:34:55 AM](#)

SENATOR COGHILL asked what issues are rising to the top that are driving workers compensation utilization and costs.

[8:35:23 AM](#)

MS. LUJAN responded that falls are frequently seen in workers compensation claims. She said claims are pretty much from common injuries. She referred to the 2017 Joint Position Statements that suggested adopting medical treatment guidelines, improved management of claims, and improved re-employment benefits process. She said they are going to be working on this issue. School districts are behind making changes to save costs.

[8:36:20 AM](#)

SENATOR COGHILL concluded that nothing extraordinary was happening like more violence or dangerous behavior.

MS. LUJAN said it is nothing like that.

[8:36:59 AM](#)

DR. PARADY named two things the state could look at - other states' employer directed care, time limits, and medical review.

[8:37:35 AM](#)

SENATOR GIESSEL appreciated the responses. She said having worked in the North Slope Borough she understands turnover issues. She provided an example of enthusiastic teachers from Alabama who left because they were not prepared for Alaska. She asked for information about in-state teacher education programs leading to higher retention of local teachers.

[8:38:55 AM](#)

DR. PARADY replied that teacher turnover is a critical problem at a critical time. She related that University of Alaska (UA) president, Dr. Johnsen, is focused on Strategic Pathways, one of which emphasizes teacher preparation and the need to produce additional Alaskan teachers.

She read from the 2017 Joint Position Statements:

"Alaska's teacher shortage makes the need to better align the state's K-12 system with the University of Alaska paramount. Innovative pathways are needed to attract leadership talent to the education profession and address unique circumstances. Alternative qualifications, retire/rehire provisions and teacher retirement incentives must be considered."

She opined that there is a heightened awareness at UA and she gave credit to school districts for providing robust training to support new teachers in their transition. She pointed out that the country is not producing enough new educators, but Alaska is feeling it more. There needs to be a focus on teacher retention in multiple ways.

[8:42:36 AM](#)

SENATOR GIESSEL spoke of the term teacher training and wished to change the word "training" to "educating." She referred to a successful recruitment program at UA for Alaska Native nurses called Recruitment of Alaska Native Nurses (RRANN).

She asked if moving costs are included for new teachers moving to Alaska.

[8:44:03 AM](#)

DR. PARADY did not think so.

[8:44:23 AM](#)

SENATOR BEGICH noted examples of programs, such as in the Yupiit School District, to attract teachers. They bring teachers in for two weeks to see if they fit in. The district also has a "grow your own program" in their strategic plan.

He asked whether there was a breakdown for rural and urban energy costs. He noted unbearable high energy costs in rural areas are causing reductions in educational programs. He wondered if that relates to the state engineer cost saving suggestion.

DR.PARADY offered to break out that data for the committee.

[8:46:03 AM](#)

ANGELA WASHINGTON, Vice President, Northwest Arctic Borough School District (NWABSD), Secretary Treasurer, Association of Alaska School Boards (AASB), presented information about Education Cost Drivers for Alaska School Districts. She related that Alaska public schools are funded through a combination of

federal, state, and local revenues distributed through a formula established in law that accounts for variations in enrollment, student needs, and cost of living.

She shared recent trends and costs for school districts. She provided data for personnel costs which showed average teacher pay increased by 6.3 percent over the last five-year period. Teacher salaries statewide average \$65,950, according to preliminary calculations by districts responding to an AASB survey. She listed other teacher-related costs such as travel and insurance.

[8:48:50 AM](#)

MS. WASHINGTON addressed the state's cost of recruiting teachers and administrators and the high rate of turnover - 20 percent - in rural districts. Research shows a direct link between teacher turnover and a lower graduation rate. She provided an example of a very effective program for new teachers in rural Alaska that led to a low turnover rate.

[8:50:17 AM](#)

She related information about energy costs. Heating oil and gasoline prices in 100 communities surveyed by the Division of Community and Regional Affairs showed a decline in average retail prices from 2015 to 2016. Districts are continuing to work on energy conservation and alternative energy production to reduce the consumption of fossil fuels.

[8:51:29 AM](#)

MS. WASHINGTON brought up the cost of housing teachers in rural Alaska where districts must provide housing for teaching staff.

She addressed the variety of professional development costs, depending on location and mandates.

She noted costs for education across the state are a challenge in that they vary depending on location and access to various programs.

[8:53:46 AM](#)

MS. WASHINGTON concluded that districts are exploring ways to provide equitable, quality education for students, such as having hybrid learning for distance education for those that have adequate bandwidth, short-term boarding programs, and a teacher training program for local citizens. These ideas may also produce cost savings.

CHAIR HUGHES requested a document of her presentation.

[8:54:27 AM](#)

SENATOR GIESSEL asked about flying in specialists to the school. She recalled being on a plane to a rural area with a physical therapist from the East Coast. She asked for data regarding who the specialists are and where they come from.

MS. WASHINGTON offered to provide that information.

[8:56:25 AM](#)

CHAIR HUGHES commented on the benefits of the E-rate program which adds funds for infrastructure for districts. She asked if NWABSD has applied for those funds.

[8:57:14 AM](#)

MS. WASHINGTON said the district makes good use of E-rate. She said GCI is setting up extra towers that cost \$40,000 per site in order to improve connectivity. Latency is currently a challenge for the district.

[8:58:18 AM](#)

SENATOR STEVENS brought up the 20 percent rural teacher turnover rate and said he thought that wasn't so bad if the teachers are moving to another district in the state. He asked how many teachers are actually leaving the state.

MS. WASHINGTON said it varies. Locally, the cost is the same no matter where they move.

SENATOR STEVENS asked what the percentage is of rural teachers who leave the state.

[9:00:17 AM](#)

MS. WASHINGTON said she could provide only NWABSD data. She noted an entire school turned over about five years ago. A disgruntled employee can affect a whole school. She said she could provide the committee specific data.

SENATOR STEVENS asked if the AASB could provide that data.

[9:01:32 AM](#)

CHAIR HUGHES suggested that Dr. Parady might be able to provide that data. She commented on the issue of new teachers not being capable right away. She said that effects the quality of education, as well.

She spoke of the Every Student Succeeds Act (ESSA) and a return to more control at the local level. She asked if there would be any relief expected from unfunded federal mandates.

[9:03:08 AM](#)

MS. WASHINGTON said it is difficult to choose one mandate to get rid of. She pointed out that Alaska tomorrow must be in full operation.

[9:04:26 AM](#)

SENATOR BEGICH commented about the relationships between families, children, and teachers and how broken trust affects those relationships, no matter where the teacher who leaves ends up.

He pointed out that the state no longer provides content specialists. He asked how the loss of that capacity has affected the NWABSD.

MS. WASHINGTON did not know, but offered to find out.

CHAIR HUGHES suggested Dr. Parady could provide that information.

[9:06:17 AM](#)

CHAIR HUGHES referred the retention factor and asked how it compares nationally.

[9:06:42 AM](#)

DR. PARADY spoke to the national situation. She said the majority of states have umbrella organizations that are reporting that all schools nationally are having issues with retention due to a nationwide shortage of educators. Alaska is also struggling with professionals like accountants and is in the worst position due to its geographical location. Job fair numbers have declined drastically. There are very small pools of teacher applicants to choose from.

[9:08:43 AM](#)

CHAIR HUGHES clarified that she wishes to know the teacher retention comparison nationally.

DR. PARADY said she would provide that information. She noted on February 22 there would be a presentation to the Joint Education Committees on just this topic.

[9:09:27 AM](#)

CHAIR HUGHES noted that there is a cost factor and an education factor related to teacher loss. She stressed that students are affected by teachers leaving; it affects their desires, goals, and competence.

[9:10:17 AM](#)

SENATOR GIESSEL pointed out a positive suggestion on the 2017 Joint Position Statement and she read, "We strongly encourage action to ensure that quality mental health services are available to support all of our schools." She related that this is being piloted at Begich Middle School by having mental health clinicians in the school. There has been a significant impact on students' ability to learn. She encouraged the committee to get more information about that.

[9:11:46 AM](#)

SENATOR STEVENS spoke of a serious reduction in the Department of Education and Early Development (DEED) and whether the state is prepared to support school districts and ESSA.

DR. PARADY agreed that DEED reductions have affected schools. The Alaska Staff Development Network has tried to provide additional services. She opined that Commissioner Johnson is attempting to focus on critical areas and that the state will prioritize its resources. She said ACSA supports the Education Challenge Initiative. She stated that there are incredible "pockets of prosperity" all over Alaska and many technology advances, but the state can do better and, hopefully, ESSA will allow the state to address some of the areas that need improvement.

[9:15:18 AM](#)

SENATOR STEVENS assumed ESSA would provide more federal funding.

DR. PARADY could not guess what will happen in the current federal climate. She did not assume that there will be more money, but that Title funds and federal grants would continue.

[9:16:22 AM](#)

SENATOR BEGICH noted an audit that describes DEED as reduced in services to such an extent that it is almost just a monitoring agency. He commended Commissioner Johnson and his staff for trying to do their best. He requested information about where teacher salary and benefits rank nationally from 1972 until now. He pointed out that they used to be at the top of the nation, which is one of the reasons high quality teachers were attracted to the state.

SENATOR BEGICH noted he runs a scholarship program for those who want careers as teachers. One person returned the award because she did not see a future in teaching in Alaska.

[9:18:29 AM](#)

SENATOR STEVENS asked about an item on the 2017 Joint Position Statement regarding ESSA: "We encourage legislators to eliminate discretionary funding caps, to allow adequate investment in education." He asked whether that referred to a city and borough cap.

[9:19:02 AM](#)

MS. LUJAN explained that it addresses federal issues, such as a federal funding cap for ESSA.

[9:19:47 AM](#)

There being no further business to come before the committee, Chair Hughes adjourned the Senate Education Standing Committee at 9:18 a.m.