

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

March 26, 2018

7:59 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

PROFESSIONAL TEACHING PRACTICES COMMISSION (PTPC)

Diane Kardash
Phillip Graham
Kent Runion

-CONFIRMATIONS ADVANCED

SENATE BILL NO. 216

"An Act relating to the calculation of state aid for schools that consolidate; relating to the determination of the number of schools in a district; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 216

SHORT TITLE: SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS

SPONSOR(S): FINANCE

03/21/18	(S)	READ THE FIRST TIME - REFERRALS
03/21/18	(S)	EDC, FIN
03/26/18	(S)	EDC AT 8:00 AM BUTROVICH 205

WITNESS REGISTER

PHILLIP TONY GRAHAM, Appointee
Professional Teaching Practices Commission
Soldotna, Alaska

POSITION STATEMENT: Testified as appointee to the Professional Teaching Practices Commission.

DIANE KARDASH, Appointee
Professional Teaching Practices Commission
Fairbanks, Alaska

POSITION STATEMENT: Testified as appointee to the Professional Teaching Practices Commission.

KENT RUNION, Appointee
Professional Teaching Practices Commission
Nome, Alaska

POSITION STATEMENT: Testified as appointee to the Professional Teaching Practices Commission.

SENATOR VON IMHOF
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 216.

JONATHAN KING, Staff
Senator Natasha von Imhof
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 216 on behalf of the sponsor.

DEENA BISHOP, Ph.D., Superintendent
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Supported SB 216.

DAVID NEES, Representing Self
Anchorage, Alaska

POSITION STATEMENT: Suggested changes to SB 216.

KATHLEEN PLUNKETT, Clerk
Anchorage School Board
Anchorage, Alaska

POSITION STATEMENT: Supported SB 216.

ACTION NARRATIVE

[7:59:14 AM](#)

CHAIR GARY STEVENS called the Senate Education Standing Committee meeting to order at 7:59 a.m. Present at the call to order were Senators Giessel, Begich, Hughes, Coghill, and Chair Stevens.

CONFIRMATION HEARINGS
Professional Teaching Practices Commission

[7:59:32 AM](#)

CHAIR STEVENS announced the consideration of confirmations of Governor appointees to the Professional Teaching Practices Commission (PTPC). He asked each of the appointees to tell the committee about themselves, what they bring to the board, their interest in serving, and their goals to improve education in Alaska.

[8:00:26 AM](#)

PHILLIP TONY GRAHAM, Appointee, Professional Teaching Practices Commission, said he has been an educator for the past 20 years. Currently, he is the principal at Soldotna High School. He brings 16 years of administrative experience to the board. He is interested in being on the board because his job is serving kids. He wants to have a beneficial impact on the lives of kids.

[8:02:08 AM](#)

CHAIR STEVENS asked him what he wants to accomplish.

MR. GRAHAM said he wants to be fair and listen with open ears and do right by the kids.

[8:02:38 AM](#)

DIANE KARDASH, Appointee, Professional Teaching Practices Commission, said she has 30 years of education experience. She began as a paraprofessional. Now she teaches at the University of Alaska Fairbanks School of Education in the elementary program. She also serves as the accreditation coordinator for the national accrediting body for university teaching preparation programs, the Council for the Accreditation of Educator Preparation (CAEP). Her experience as a parent and educator affords her insight into expectations for successful teachers. CAEP also places a high priority on aspiring teachers understanding the professional expectations for educators. The Alaska code of ethics for the teaching profession is an

excellent resource. At UAF they make sure new teachers know it well. She strongly supports the work of the PTPC. She appreciates the code of ethics. Many states don't have such guidance for their teachers. As a commissioner, she will strive to participate in fair and informed decision-making and promote the work of the commission and the code of ethics.

8:05:27 AM

SENATOR COGHILL said they have heard how hard it is to get teachers in Alaska. His guess is that there will be a tendency to lower standards. He asked her how the state balances the great need and the need for higher quality.

8:06:20 AM

MS. KARDASH said the code of ethics doesn't need to be lowered. The national accreditation for the teacher preparation program, CAEP, has high expectations for teacher education programs while allowing for different pathways to become a teacher. Opening up different paths to people who have already have professional experience and degrees in areas of need and coming alongside them as they start their careers is a way to ensure that people have strong support and are able to become quality teachers. The university system is starting a recruiting campaign with the schools of education. They can provide quality preparation by welcoming more folks into the profession without lowering standards. They need to build up the esteem of teachers. Ensuring that teachers are well qualified, well supported, and well trained will attract people to the profession. She hopes they do not lower standards but provide more support to people who become teachers through alternative pathways.

8:09:08 AM

KENT RUNION, Appointee, Professional Teaching Practices Commission, said he has been a teacher 14 years. He has taught social studies at Nome Beltz High School for the past 8 years. In Nome he has worked with the school district on many professional issues. He will use that experience with PTPC issues. He brings his experience and perspective from rural Alaska to the PTPC. He is finishing a term for someone else. He has found the work to be very interesting and important to protect both students and teachers. He would like to see the PTPC do more outreach to increase awareness of ethical issues. This will elevate the profession and improve education.

CHAIR STEVENS asked him, as someone who has served on the PTPC, what the job entails and what the time commitment is.

[8:10:43 AM](#)

MR. RUNION said a big issue has been revising the code of ethics. The majority of the time is spent researching issues on their own and reading the packets of information before a meeting. They meet three times a year for two to three days.

[8:11:44 AM](#)

SENATOR GIESSEL said they need to recruit more folks who understand rural communities and can teach there. She asked him for his suggestions.

[8:12:12 AM](#)

MR. RUNION said they are facing that in Nome this year. Ms. Kardash mentioned several ideas about training teachers and not lowering standards. Rural Alaska faces many issues without easy solutions. It's isolated, the communities are small. It's difficult for new people to come in. A big part of recruitment is being honest about the difficulties of communities. Hopefully they can rise to the challenge.

[8:13:17 AM](#)

CHAIR STEVENS opened and closed public testimony.

SENATOR COGHILL moved to forward the following names of appointees to the Professional Teaching Practices Committee to the full legislature for consideration: Diane Kardash, Phillip Graham, and Kent Runion.

[8:13:50 AM](#)

CHAIR STEVENS found no objection and the names were forwarded.

He reminded members that signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

[8:14:05 AM](#)

At ease.

SB 216-SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS

[8:14:09 AM](#)

CHAIR STEVENS announced the consideration of SB 216 and stated his intention to hear and hold the bill.

[8:15:46 AM](#)

SENATOR VON IMHOF, Alaska State Legislature, sponsor of SB 216 said that when she served on the Anchorage School District board, they did a consolidation study of the 60 elementary schools. When they looked at consolidating schools with excess capacity with nearby schools, they saw the cost savings was not there because of the school size cost factor. The calculation would go down as a school's average daily membership went up. Districts who may want to consolidate schools find that any savings through reduced labor and operating costs are offset through the reduced income a district receives when students are absorbed into a larger school due to the drop in the school size factor calculation.

[8:17:12 AM](#)

SENATOR VON IMHOF said the Anchorage School District abandoned the idea at that point. This fall Anchorage did a comprehensive presentation to the legislature. One topic proposed was a step down or hold harmless for a few years to allow the district to keep revenue at the same level for a period of time, allowing for the district to plan for school consolidation without a sudden drop in what may be hundreds of thousands of dollars if not millions for a particular school. They studied the issue, working with many senators and school districts, and found a compromise that allows for districts that want to consolidate to maintain their school size cost factor for the two schools for two full years and then the third year it will be 66 percent of the original cost. The fourth year will be 33 percent and for the fifth year, it will be the new school size cost factor.

[8:18:35 AM](#)

SENATOR VON IMHOF said the goal of the bill in this time of budget reductions and revenue deficits is to encourage districts to utilize existing infrastructure. The legislature suspended the reimbursement factor to maintenance and upgrades and even building new schools. That's another hardship districts are facing. They are trying to find ways to utilize existing infrastructure to its highest capacity.

[8:19:33 AM](#)

JONATHAN KING, Staff, Senator Natasha von Imhof, Alaska State Legislature, presented SB 216. He drew the committee's attention to the Alaska's School Size Factor Adjustment AS 14.17.150 (a) chart in his presentation. The issue is that as a school's average daily membership goes up, the value of students goes down in terms of the state funding formula. At a small school, one student can be worth twice as much or even four times as much as a student in a very large school. If districts combine

two schools or redistribute students to other schools, that brings the average daily membership in the other schools up. Those students count less for funding.

[8:21:02 AM](#)

MR. KING presented a slide that showed the distribution of all the schools in Anchorage with the following caption:

A school district is evaluating whether to combine the two schools in green on the left to create a single school in an existing building. The smaller schools have a combined population of 1,533 students with individual School Factor between 1.05 and 1.06. Combined state aid excluding intensives is \$11.8M per year. When combined, the red dot, the school factor drops to 0.95 and state aid is \$10.6M; a 10% drop in funding. In addition, the district would lose up to \$0.27M in local funding match. Unless the savings of combining schools is greater than \$1.47M there's a net operational loss to the district associated with consolidating.

He said the district receives less in this scenario on the presumption that it costs less to run one school than two. The hurdle to save with consolidation is \$1.47 million. The districts say they save by reducing some support staff and a principal. They still need all the teachers. The operating costs are less, but their buses need to drive farther because they are serving a larger area. Districts have said their savings are less than what they lose in funding. It is a net loss. The intent is to provide a transition between pre-consolidation and post-consolidation over the course of four years. That gives the districts time to find the efficiencies necessary for cost savings.

[8:24:09 AM](#)

MR. KING spoke to what the bill does:

Section 1 removes a disincentive to school consolidation:

- Four-year transition period for consolidating schools
- Years 1 and 2 preserve 100% pre-consolidation per student funding
- Year 3 provides standard funding plus 66% of pre/post difference

- Year 4 provides standard funding plus 33% of pre/post difference
- After Year 4 provide standard funding per AS 14.17.410.

In addition, Section 1 includes a number of provisions designed to put sideboards around districts' abilities to take inappropriate advantage of the consolidation transition.

MR. KING pointed out that there are no intrinsic changes to the school funding formula itself. They are creating a new subsection within statute that would allow school districts to take advantage of consolidation in a transitional manner.

[8:26:01 AM](#)

SENATOR VON IMHOF said schools cannot be consolidated more than once in five years. Districts cannot consolidate and then unconsolidate and then consolidate and then unconsolidate in order to get this increased rate. That is an example of a sideboard.

[8:26:25 AM](#)

MR. KING spoke to what the bill does not do:

Section 1

The Bill does not:

- Change the school size formula (AS 14.17.450);
- Change state aid calculations (AS 14.17.410) for any school or district that is not involved in a consolidation;
- Encourage districts to close schools in single school communities;
- Encourage districts to build new schools for the purposes of consolidating existing schools;
- Allow schools to reopen and reconsolidate schools in order to take inappropriate advantage of the consolidation transition.

[8:27:39 AM](#)

MR. KING spoke to what the bill does:

Section 2 provides an incentive for single community schools to fully utilize the capacity of K-12 school buildings in rural Alaska.

- Corrects a provision in AS 14.17.905 where communities with a single K-12 schools lose funding when their average daily membership (ADM) exceeds 425 even when the facility's capacity exceeds 425.

Under the current provision, schools in this circumstance are treated as 2 facilities when their ADM is 425 and below, but when they reach 426 they are treated at one facility for funding purposes. This switch lowers state aid by hundreds of thousands of dollars and could increase the incentive to build another facility to recapture lost funding.

[8:28:56 AM](#)

SENATOR VON IMHOF said that during their research for this bill, they ran across a community in this situation, which is why they brought up this section. The purpose is to disincentivize the community to build another school. This community and potentially others like it do have capacity above 425, but this bill shines a light on this issue. It will behoove the state to continue funding at the lower size of 425 rather than build another school. The school that is there now is fine and has capacity.

[8:30:08 AM](#)

SENATOR HUGHES asked if there are any communities where they have K-12 separated because if they are in one building they would exceed 425. In other words, could this provision help a community decide to consolidate K-12 under one roof.

[8:30:31 AM](#)

SENATOR VON IMHOF said that is possible if one school has the capacity to hold all the students. This bill has the sideboards where a new school cannot necessarily be built. The question remains whether a new wing could be built. As communities reassess their situation, they will look at unique circumstances to come up with good solutions.

[8:31:08 AM](#)

CHAIR STEVENS said Alaska has its ups and downs. He asked what would happens if there were a sudden increase in population. He asked if closed schools can be reengaged and what happens to closed schools.

[8:31:45 AM](#)

SENATOR VON IMHOF said, to answer the second question first, each school will have its own unique story. Depending on how old

the school is, where it is located, a school might be given to a charter school, it might be demolished and repurposed to a developer to build houses in a neighborhood. A school could be leased out. Any and all of those options are available. The district, the board, and building committee will decide that. If there is a significant uptick in population, that is a new set of issues to address at that time. The question is will the bill create unintended consequences where they lack the ability to accommodate students. They don't know where the population will settle. Each community will have its own story and its own way to fix that. Maybe at that point they would so flush with cash they can build a new school.

[8:34:16 AM](#)

SENATOR HUGHES referred to the scenario where the district would lose \$1.47 million by consolidating two schools. That abrupt loss would be difficult to handle and there would be additional busing costs, so there would be no net saving to the district. She asked, to play devil's advocate, how the district would be better able to handle the loss in the fourth year than in the first year.

[8:35:44 AM](#)

MR. KING said that is a question they hoped invited testifiers would be able to address. The genesis of the bill came from school districts. The structure reflects what they proposed to them. Yes, they will have to find additional efficiencies. There is no guarantee that by year four or five that school districts will not be in a net loss position. They are trying to give them a reasonable certainty that they can attempt a transition. The districts will have to find those savings. It will be an individual district decision to do the calculation and decide if it makes sense.

[8:37:10 AM](#)

SENATOR HUGHES said she wants this to work and wants to provide the chance. She looks forward to hearing from testifiers that they can do this.

[8:37:39 AM](#)

SENATOR GIESSEL asked why a school district would not have planned for contingencies before consolidating a school, like a business would if it were going to consolidate sales locations. She asked why it would take five years to make that adjustment.

[8:38:12 AM](#)

SENATOR VON IMHOF responded that they initially asked for five years then dropped it to four. Some schools will be harder to dispose of or be more difficult to repurpose than others. It is a compromise. It is not an abrupt funding drop at year four. They want some schools off the capital bonding list. Some are very old and inefficient. It may not take them four years. Four years with a stepdown is a fair compromise based on everything they heard.

[8:39:23 AM](#)

SENATOR BEGICH said the Augenblick study [Review of Alaska's School Funding Program prepared for the Alaska State Legislature by Augenblick, Palaich and Associates] identified that the cap was a disincentive for consolidation. He asked if the bill's intent is that there not be a dramatic loss of income so that the transition can be made.

[8:39:55 AM](#)

SENATOR VON IMHOF responded yes.

[8:39:59 AM](#)

SENATOR BEGICH asked if anyone is opposing the bill.

[8:40:10 AM](#)

MR. KING said no one has come forward yet. The response has ranged from being glad that someone is tackling this to this doesn't affect us and we are not opposed.

[8:40:34 AM](#)

SENATOR BEGICH said he understands that Superintendent [Rob] Picou [of Lower Yukon School District] would benefit from this bill with a school that has capacity beyond the 425.

[8:41:51 AM](#)

MR. KING presented Consolidation Example 2 for five elementary schools with 1,720 students and \$15.1 million in state aid. If the district consolidates five schools into four schools, the effect of school size factor means that under current statute, state aid will be \$14.42 million for the same number of students. With the loss of local funding, \$798,000 is the total loss. Taking into account cost savings, the net loss of consolidation is \$500,000.

[8:44:53 AM](#)

MR. KING showed that after five years, the state aid would go from \$15.07 million to \$14.42 million per year for the 1,720 students, a savings of \$.65 million for the state.

8:46:08 AM

CHAIR STEVENS said they had been talking about finances and economics, but he asked what impact the bill will have on students. He would appreciate hearing the answer at another hearing.

8:46:35 AM

DEENA BISHOP, Ph.D., Superintendent, Anchorage School District, supported SB 216. She said she was superintendent of the fastest growing school district. During her tenure in Mat-Su, over ten new buildings were built. She understands funding formula and school size factor very well. Building a new school created new revenue. The opposite happens when a building is taken offline. She quoted from the sponsor statement that inside the funding formula is a school size factor, which currently disincentivizes school districts from consolidating because they would abruptly lose revenue from the state. In the Anchorage School District, they are working diligently to identify and implement efficiencies. The costliest issue in education relates to staffing and compensation. While the need for teachers will continue, a smaller support staff will be necessary by combining student populations, along with the capital costs of ongoing operations with schools, it makes sense to allow a "deratcheting" of the formula.

8:48:47 AM

DR. BISHOP said the immediate loss is difficult to sell internally and externally. They are taking off-line a school that has a tradition of educating children in a community. In order to work with a community, they need an incentive to move forward. Within the four years proposed in the bill, they do look for additional efficiencies. They are going to figure out how to combine staff and share resources with occupational therapists and speech therapists. The teachers will still be there. All the additional supports will change. The primary thing in Anchorage is that 40 percent of the schools were built in the 40s, 50s, and 60s. They are embarking on the useful life of a building without selling new bonds. They are on a hiatus till 2020 for school bonding. This bill isn't just for Anchorage or Lower Yukon. It is supportive of efficiencies in the entire state. If Anchorage did need to redo these facilities knowing they are undercapacity, they will need major maintenance and capital costs to keep them safe and running for students. They would do this by asking voters to pass bonds locally, which would impact local taxes. They would impact capital construction in the entire state. They are simply asking for a time to

reevaluate where they are to provide the best education they can.

[8:51:27 AM](#)

DR. BISHOP said she does not see the quality of education decreasing. Finding efficiencies and working together collaboratively is exciting. They would like time to consolidate. They would need time to sell that to the community and have them understand that it would actually save in their personal taxes as well. This is a good thing for the state of Alaska as well as the Anchorage community. The bill is a win-win.

[8:52:27 AM](#)

SENATOR BEGICH said last year when considering SB 96, Senator Hughes produced a list of underutilized schools in Anchorage. Many of them are in his district, which has some of the poorer parts of Anchorage and many of the older buildings. The east side of his district has fewer vehicles per house than any other part of Anchorage, so there are significant transportation issues. He asked if she would consider factors such as transportation and poverty rates when consolidating schools.

[8:53:45 AM](#)

DR. BISHOP said yes, they are doing another [consolidation] study. Some indicators are schools where affordable housing is present. Those schools, especially some of their walking schools, are not set to be the most efficient to close. They are looking at an equity issue in the Anchorage School District. They are keeping an eye on student outcomes and achievement. The preliminary work is not just going after the oldest schools or schools in lower socioeconomic areas that maybe need the most capital. They will continue to take care of Anchorage schools. With over 100 buildings, they could have a school and bond a year and it would take 100 years to renovate. She spoke with the assembly and school board and assured them that the look into this is more than simply economics. It also involves student outcomes.

[8:55:22 AM](#)

SENATOR BEGICH asked if she would provide a copy of the study to the committee.

[8:55:38 AM](#)

DR. BISHOP said it will be delivered to the school board April 26. It will be public then and they will send it to the committee.

8:56:04 AM

SENATOR HUGHES said that for consolidating elementary schools, parents would be concerned about the change in the busing. She asked if she is confident that kindergarteners or first graders will not have long bus rides.

8:56:50 AM

DR. BISHOP said she is 100 percent confident that elementary schools will not increase their busing time.

8:57:25 AM

DAVID NEES, Representing Self, suggested changes to SB 216. He said this is one factor they looked at in the House Sustainable Education Task Force. When the McDowell group did their report, they were concerned about schools with under 100 students. They set the formula up to benefit schools under 100, but the schools above 100, the last four numbers on the school size factor chart, gained money. They incentivized school districts to build schools between 150 and up to 750. There is a detriment to any above 750. In the Anchorage School District, a lot of schools are between 250-400 students. They will get more money if they have under 250 students and less if they have over 750. The districts game the system. Anchorage is turning the King Career Center turning into a high school because it gains the school district a \$1,000,000. He likes the idea of consolidating. In the formula they should look at equity per student in the last four tables to get rid of the problem of people deciding which school should be at 50 percent capacity and which one at 90. In 2001 the McDowell Group said the idea behind the school size formula factor was to help schools with under 100 students. They suggested looking at that factor again for any school above 100. Changing the last four school size formula factors from the 150-250 to 150-750 factor will do exactly the same thing.

9:00:10 AM

KATHLEEN PLUNKETT, Clerk, Anchorage School Board, supported SB 216. She said Anchorage has been reviewing efficiencies since she has been on the board because that is best for students because it means they can put more towards their students. Talking about changing schools and school boundaries requires a huge community dialogue. People are near and dear to the schools they belong to. It can be done. It is more efficient in the long run for the school district, their local community, and state. King Career Center becoming a high school is good for students because they can stay for a full day with no bus time. That is their goal. What is best for students.

ACTING CHAIR COGHILL held SB 216 in committee.

9:03:18 AM

There being no further business to come before the committee, Acting Chair Coghill adjourned the Senate Education Standing Committee at 9:03.