

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

March 28, 2018

7:58 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

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."

- MOVED SB 216 OUT OF COMMITTEE

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
03/26/18	(S)	Heard & Held
03/26/18	(S)	MINUTE (EDC)
03/28/18	(S)	EDC AT 8:00 AM BUTROVICH 205

WITNESS REGISTER

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

POSITION STATEMENT: Presented the sectional analysis for SB 216.

HEIDI TESHNER, Administrative Services Director
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Testified on SB 216.

SENATOR VON IMHOF
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor SB of 216.

BRITTNAY HARTMAN, Staff
Senator Anna MacKinnon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on SB 216.

Rob Picou, Ph.D., Superintendent
Lower Yukon School District
Mountain Village, Alaska

POSITION STATEMENT: Supported SB 216.

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

POSITION STATEMENT: Supported SB 216.

ACTION NARRATIVE

[7:58:24 AM](#)

CHAIR GARY STEVENS called the Senate Education Standing Committee meeting to order at 7:58 a.m. Present at the call to order were Senators Giessel, Begich, and Chair Stevens. Senators Coghill and Hughes joined shortly thereafter.

SB 216-SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS

[7:58:45 AM](#)

CHAIR STEVENS announced the consideration of SB 216.

[7:59:11 AM](#)

JONATHAN KING, Staff, Senator Natasha von Imhof, Alaska State Legislature, presented the sectional analysis for SB 216. He

said SB 216 is a bill that encourages the efficient use of facilities through consolidation in urban areas and by encouraging rural areas to maximize the use of available capacity.

Section 1: AS 14.17.410(b)

Adds new language to AS 14.17.410(b) (1) to provide a "consolidation transition" that allows a school district to gradually move from their current state aid amount to a lower state aid amount after consolidation of schools and describes how and when the consolidation transition can be used.

(H) Specifies how state aide during the transition period will be calculated. The "pre-consolidation" and "post-consolidation" formula remains the same; the bill will only change how quickly the "post consolidation" amount is instituted:

(H) (i)

Consolidation Years 1 & 2: The district will receive the same funding as if the consolidated school was still separate schools.

(H) (ii)

Consolidation Year 3: The district will receive 66% of the difference between funding from preconsolidation and post-consolidation.

(H) (iii)

Consolidation Year 4: The district will receive 33% of the difference between funding from pre-consolidation and post-consolidation.

[8:01:21 AM](#)

Subsections (I) - (L) specify conditions where the "consolidation transition" may not be used.

- (I) When the "transitional" state aid amount would result in lower funding than under the traditional funding formula.
- (J) When a school district is already receiving additional state aid due to the Hold Harmless Clause in AS 14.17.410(b) (1) (E).
- (K) If a new facility was constructed in order to consolidate schools.
- (L) If the school was reopened and reconsolidated within the past seven years.
- (M) Requires the district to provide the necessary information and calculations for the Department of Education and Early Development for verification, including a student count by school for the schools involved in the consolidation.

[8:03:53 AM](#)

Mr. King said subsection N defines "community" as an organized municipality or an unincorporated area with a population of less than 2,000 to clarify which schools can be consolidated. He mentioned that committee members were notified yesterday that Department of Education and Early Development (DEED) and school districts have asked them to remove this subparagraph because they have their own definition of community.

[8:04:27 AM](#)

Section 2: AS 14.17.905 Adds a new subsection that allows a school that services grades K-12 in a single building and has an average daily membership (ADM) greater than 425 to be considered two separate schools for calculating state aid.

[8:05:05 AM](#)

Section 3: AS 14.17.410(b) Makes this Act applicable to schools which consolidate on or after the effective date of this bill.

Section 4: Effective Date Provides for an immediate effective date.

[8:05:20 AM](#)

CHAIR STEVENS said he did a great job explaining fiscal issues, but equally important is how this improves the educational experience for students. He asked how students are better off

attending a school of 1,500 instead of a school of 750. He wants on record the value it brings to the student experience.

8:05:55 AM

MR. KING said that in this cash-strapped time, school districts are spread thin. School districts lack support staff. They lack the ability to spread services across schools. Consolidating schools concentrates resources to improve the experiences of students. Staff do not have to shuttle back and forth between buildings. For example, a music teacher split between multiple schools can be stationed at a school full time and be a resource in the building.

8:07:31 AM

SENATOR GIESSEL referenced Mr. King's statement that DEED has its own definition for community. She asked what that definition is and why it is so radically different.

8:08:02 AM

MR. KING responded that DEED initially asked them to use the word "community." He went back to Legislative Legal and said they needed to use the word "community," in part to not create an incentive in very rural areas for districts to close schools in single school communities. Schools are the lifeblood of these communities. They didn't want to see consolidation just for the purpose of saving money that could have such a drastic impact. They included this definition of "community." It turns out that the definition they selected does not serve that purpose and the language about an organized municipality makes it difficult for school districts to do the consolidation because there are school districts that cover multiple municipalities, such as the Kenai Peninsula Borough School District. DEED suggests that the fix is to use its definition of community. He said DEED's representatives could explain it further.

8:09:50 AM

SENATOR BEGICH noted that Mr. King had mentioned a mistake in the sectional about five years vs seven years. He sees that on page five, line 20 of the bill it says seven years in subsection L. He asked if there was a reason for the change.

8:10:11 AM

MR. KING responded that originally it was five years. Then it was suggested that it might be good to have a length of time that extended beyond the transition cycle. The transition cycle from pre-consolidation to post-consolidation is five years.

Seven years provides stability so that schools do not continually go through the consolidation cycle.

8:10:46 AM

SENATOR BEGICH said, in reference to the impact on education, in rural areas so much cost is consumed by energy. In the past, when schools had to spend 70 percent of funds on instruction, districts appealed that because so much was consumed by energy costs. The money was taken from teachers for energy. This allows more money in teaching instead of consuming and paying for energy in two different plants. He asked if that is another way the bill would benefit education.

8:11:34 AM

MR. KING said that with Section 2, by reducing the incentive to build a new school once enrollment is above 425, it does exactly what he is saying. If districts continue using schools that have capacity above 425, it doesn't cost more to heat those schools. The more they can use that physical plant efficiently and have economies of scale, the more there will be money for teaching resources.

8:12:27 AM

SENATOR HUGHES said with consolidation of urban high schools, high schools can offer more foreign languages. Course offerings for students might expand through consolidation.

CHAIR STEVENS said he understands a school cannot be reopened after consolidation until five years later. He asked if that will be a problem if a sudden increase in enrollment occurs.

MR. KING said the bill says a district may not reopen and reconsolidate a school. There is an "and" in there. A district can reopen a school. A district cannot reconsolidate it and take advantage of Section H for the purpose of increasing funding. Nothing prevents a district from reopening a school.

8:14:21 AM

HEIDI TESHNER, Administrative Services Director, Department of Education and Early Development (DEED), testified on SB 216. She said the definition of "community" is in regulation 4 AAC 09.990(a)2: "community" means an incorporated city; a unified municipality; or a place that is not incorporated as a city or a unified municipality and that has a school enrollment of at least 10 full-time equivalent students. This definition is used for the full foundation formula; it doesn't make sense to have a separate definition of community. Furthermore, the definition

that was chosen for the bill speaks to a population of less than 2,000 people. That negates Anchorage, for example, from being able to consolidate because it has a population of more than 2,000.

[8:16:12 AM](#)

SENATOR HUGHES asked about the reopening and reconsolidating issue. Two schools consolidate. By year five the district is receiving less money than operating as two schools. She asked what safeguards against a district reopening a school again for more money but not to reconsolidate.

[8:17:32 AM](#)

SENATOR VON IMHOF, Bill Sponsor, Alaska State Legislature, testified on SB 216. She said the bill as is can be interpreted that in seven years a school district may have the option to do that. They tried to avoid that with the seven-year clause; a school cannot just be reopened to receive the higher funding. Population influx can be a game changer and a district might ask for extenuating circumstances, but the purpose of the bill is not to allow that behavior.

[8:18:47 AM](#)

SENATOR HUGHES asked if a requirement that a school cannot reopen unless enrollment has increased should be added to the bill.

SENATOR VON IMHOF said the bill language has safeguarded against it, but she cannot speak with absolutely certainty. She will ask and get back with a more definitive answer.

[8:19:39 AM](#)

BRITTNEY HARTMAN, Staff, Senator Anna MacKinnon, Alaska State Legislature, testified on SB 216. She said to safeguard against Senator Hughes' concern, if a district consolidates two schools into one, they receive the previous state aid for two years. And then for seven years districts cannot reopen and reconsolidate. The intent and language of bill prevents that from happening. They could consider going beyond seven years, but the bill has multiple safeguards to prevent that from happening.

[8:20:56 AM](#)

SENATOR HUGHES said she doesn't see how it protects against just the reopening, whether it be in year five, six, seven, eight, or nine. She did not think they would want a school to reopen if

student enrollment has not gone up. Perhaps Senate Finance could consider a safeguard related to student enrollment.

[8:21:40 AM](#)

SENATOR VON IMHOF said that in the next committee of referral they will look at those provisions closely and have appropriate responses.

[8:21:58 AM](#)

SENATOR BEGICH said a district wouldn't even consider consolidation unless it was to the long-term benefit of the school district. A superintendent wouldn't consider it if no money would be saved at the end of the road. There is no incentive to reopen a school without a dramatic change in the community.

[8:22:42 AM](#)

SENATOR VON IMHOF said that is correct. Keep in mind that in year four they are only getting 33 percent of the average daily membership calculation. In years five, six, seven, three full years, they are receiving the larger school population but lower average daily membership calculation. Since a school cannot open a school for three years, school districts must plan seven years out. If the population does change, that's a different set of circumstances. If the population does not change, she does not think the bill allows them to do that.

[8:23:31 AM](#)

SENATOR BEGICH said a superintendent has a capital plant that is costing this much money and wants to reduce capital plant costs. This is a tool to reduce capital costs with incentives instead of disincentives. The superintendent is willing to take the lower average daily membership down the road because the overall savings to the school district are considerable. This bill makes sense because of the built-in protocols that prohibits someone from being a bad actor. He asked if that is accurate.

[8:24:17 AM](#)

MS. HARTMAN responded that he is correct. The bill removes disincentives to consolidate because districts would be losing so much money. The bill provides a glide path. Instead of losing hundreds of thousands of dollars instantly when going from two schools to one, they ease into it, so they can figure out how to make it effective.

[8:25:19 AM](#)

Rob Picou, Ph.D., Superintendent, Lower Yukon School District, supported SB 216. He said Hooper Bay is a growing community with 1,275 residents and 449 students. Scammon Bay, Hooper Bay, and Chevak are almost like three suburbs. Kids go back and forth between those communities. Enrollment in Hooper Bay tends to be quite high. It's a large school in rural Alaska. Every school in Alaska gets funded by average daily membership. Hooper Bay is the only school that gets penalized for growth under current statute. That's not right for the Lower Yukon School District community. The loss in revenue of \$1,000,000 would have a very negative impact on the school district. This bill would hold them harmless for the unintended consequence of the legislation written in 2001. Back in 2001, they recognized the potential impact of the language on Hooper Bay, which was mentioned in that 2001 bill. They are being asked to solve a problem that has been sitting there since 2001.

[8:28:17 AM](#)

DEENA BISHOP, Ph.D., Superintendent, Anchorage School District, supported SB 216. She wanted to address the question of whether the system can be gamed to gain money for the district. There is no money to be gained where they are sitting today. Frankly, how they utilize the buildings today maximizes their state and local revenue. They are in support of a bill that would reduce the state and local share to the Anchorage School District to build efficiencies while keeping quality of education at a high standard. The simple ask is to allow the transition from the present revenue structure to a new revenue structure. Keeping all buildings open maximizes funding through the base student allocation and average daily membership. The board, administration, and community are looking at facilities, understanding the capital costs that go into them, and balancing the differences in loss of students over time. They literally get the most money by keeping buildings open. With SB 216, they are operating smartly. Their community and the state of Alaska have asked them to look for efficiencies. This is no revolving door. It is quite a bit of work to consolidate. It is not an easy task. Leaving it alone is not the best thing for the future of Alaska. This is a good thing for the state and students and schools and local taxpayers.

[8:32:01 AM](#)

CHAIR STEVENS closed public hearing.

[8:32:13 AM](#)

SENATOR COGHILL moved SB 216, Version 30-LS1483\R, from committee with attached fiscal note.

[8:32:20 AM](#)

CHAIR STEVENS found no objection and SB 216 moved from the Senate Education Standing Committee.

[8:32:24 AM](#)

At ease.

[8:32:28 AM](#)

There being no further business to come before the committee, Chair Stevens adjourned the Senate Education Standing Committee at 8:31 a.m.