

**ALASKA STATE LEGISLATURE  
HOUSE EDUCATION STANDING COMMITTEE**

April 15, 2019

8:02 a.m.

**MEMBERS PRESENT**

Representative Harriet Drummond, Co-Chair  
Representative Andi Story, Co-Chair  
Representative Grier Hopkins  
Representative Chris Tuck  
Representative Tiffany Zulkosky  
Representative Josh Revak  
Representative DeLena Johnson

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION: WHY IS EDUCATION SO COSTLY IN ALASKA? BY THE  
INSTITUTE OF SOCIAL & ECONOMIC RESEARCH

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

DAYNA JEAN DEFEO PhD, Director  
Center for Alaska Education Policy Research  
Institute of Social and Economic Research  
University of Alaska Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation  
entitled, "What drives the cost of education in Alaska?" dated  
4/15/19 and answered questions.

MATTHEW BERMAN PhD, Professor of Economics  
College of Business and Public Policy  
Institute of Social and Economic Research  
University of Alaska Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during a PowerPoint presentation entitled, "What drives the cost of education in Alaska?" dated 4/15/19.

ALEXANDRA (LEXI) HILL  
Education Policy Researcher  
Institute of Social and Economic Research  
University of Alaska Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during a PowerPoint presentation entitled, "What drives the cost of education in Alaska?" dated 4/15/19.

#### **ACTION NARRATIVE**

[8:02:19 AM](#)

**CO-CHAIR ANDI STORY** called the House Education Standing Committee meeting to order at [8:02 a.m.]. Representatives Drummond, Johnson, Hopkins, Revak, Zulkosky, Tuck, and Story were present at the call to order.

**Presentation: Why is Education so Costly in Alaska? By the Institute of Social & Economic Research**

[8:03:13 AM](#)

CO-CHAIR STORY announced the only order of business would be a presentation by the Institute of Social and Economic Research, (ISER), College of Business and Public Policy, University of Alaska Anchorage (UAA).

The committee took an at-ease from 8:03 a.m. to 8:06 a.m.

[8:06:01 AM](#)

DAYNA JEAN DEFEO PhD, Director, Center for Alaska Education Policy Research, ISER, UAA, informed the committee her colleagues at the Institute for Social and Economic Research (ISER) collaborated with her to answer the questions posed on the cost of education in Alaska. Because the aforementioned questions are complicated by the costs of school employees' benefits and the cost of energy, she said she may defer to experts whenever appropriate (slide 2). Dr. DeFeo presented slide 3, which was an outline of the presentation, noting the presentation includes limited data on student achievement. Slide 4 listed the context of the presentation: 130,000 K-12

public school students, 22 percent indigenous - with a majority of indigenous students in rural areas - and a high homeschool population of 10 percent; over 500 public schools, mostly state-funded, with students distributed across the state, many of whom attend school in rural and remote areas of Alaska.

[8:09:03 AM](#)

CO-CHAIR DRUMMOND questioned whether the data distinguishes the homeschool population served through charter schools and local school districts from the population of individual homeschoolers.

DR. DEFEO offered to provide further information in this regard. She returned attention to slide 4, noting the state funds schools with ten or more students and about twelve schools have closed in the past ten years; furthermore, the state has no Bureau of Indian Education (BIE), U.S. Department of the Interior, or Tribally operated public schools, which affects the state's revenues related to education. Dr. DeFeo said there is a lot of diversity in Alaska, which challenges aggregate comparisons of averages due to small sample sizes; small samples present methodological difficulties when interpreting data. For example, Alaska's exceptionality is demonstrated in its education system by its use of specific standards, rather than the National Assessment of Educational Progress (NAEP), to measure achievement. She cautioned Alaska's specific testing may not compare to data from other states that use national standards, and she gave an example (slide 5). Dr. DeFeo turned to the question of education funding: 65 percent from state funding, 22 percent from local funding, and 12 percent from federal funding, which has not changed since 1991. Although federal revenue is limited by the lack of BIE schools to serve indigenous students, the state receives federal grants, local contributions - with the exception of Regional Education Attendance Areas (REAAAs) - , and other small revenue streams from investment earnings and in-kind services (slides 6 and 7).

REPRESENTATIVE HOPKINS asked for typical education funding percentages in other states.

[8:14:22 AM](#)

MATTHEW BERMAN PhD, Professor of Economics, College of Business and Public Policy, ISER, UAA, said "Alaska is ... in the upper tier but ... it's not at the top." For example, 100 percent of

the schools in Hawai'i are state funded, although the percentages vary greatly by state.

DR. DEFEO continued, explaining general fund (GF) spending is based upon the base student allocation (BSA) set by the legislature and applied to the school foundation formula to determine actual spending. She provided a short history of BSA and the school foundation formula and pointed out community cost differentials have not been updated since 2005 (slide 8).

REPRESENTATIVE ZULKOSKY questioned whether cost differentials were applied to the foundation formula prior to 2002.

[8:17:23 AM](#)

LEXANDRA ("LEXI") HILL, Education Policy Researcher, ISER, UAA, was unsure of specific cost differentials that may have been "in play prior to 2002"; however, she said at that time, the structure of the formula changed to incorporate a cost differential that was based on research reported by the American Institutes for Research (AIR). She expressed her belief cost differentials were applied before 2002.

CO-CHAIR DRUMMOND asked for information on the ISER cost differential updates to which Dr. DeFeo referred.

DR. DEFEO clarified ISER developed community cost differentials in 2015 which were never implemented; ISER is not presently working on updates.

REPRESENTATIVE TUCK recalled in 2007 a joint education legislative taskforce recommended an increase to BSA of \$200, which was reduced to \$100; further, there were adjustments to the special education multipliers. He characterized these changes to BSA as a "benchmark moment."

DR. DEFEO advised there were two requests to update the community cost differentials, one of which was from the Association of Alaska School Boards (AASB).

CO-CHAIR DRUMMOND added the Municipality of Anchorage Assembly also seeks [updates]; she asked what ISER would require in order to undertake updates of the cost differentials.

DR. DEFEO cautioned updating the cost differentials may increase benefits to some communities and districts, but decrease benefits to others; an ISER study of cost differentials would

need to be mandated by the legislature and not instigated by a particular district or city to ensure the report is nonpartisan.

[8:22:24 AM](#)

MS. HILL advised a study by ISER to update cost differentials was estimated to cost \$130,000-\$150,000 [and would take six months to complete].

CO-CHAIR DRUMMOND related the Anchorage Assembly reserved about \$140,000 to contribute to the cost of a study - without the expectation of any benefit to the municipality - and that the study is needed. She urged "to begin this process, no matter who pays for it - ISER needs to do it ...."

DR. DEFEO restated the request to ISER must have broad support from a variety of [school] districts, the legislature, and/or a large, statewide organization.

REPRESENTATIVE HOPKINS returned attention to slide 8 and noted BSA has increased about 8 percent in the last ten years, not adjusted for inflation; he asked whether the increases have kept up with inflation.

DR. BERMAN said [an 8 percent increase] is less than inflation; on average, prices in Alaska have risen less rapidly than in other states, but have risen more than 8 percent over the past ten years. He pointed out the data presented on slide 8 is from the 2015-2016 school year because more recent federal data is unavailable. He opined, in the past three or four years, other states have been spending more than Alaska. Dr. Berman described a slow decline; however, the percentage is unknown at this time.

[8:26:23 AM](#)

DR. DEFEO returned to the presentation and explained the school foundation formula starts with BSA and makes three categories of adjustments for differences amongst schools: school size, the district cost factor, and further adjustments for certain programs such as vocational and career and technical education and homeschools. The aforementioned adjustments are similar to that of other states. At the time of distribution, total education funds include federal payments in lieu of taxes, required local contributions, and hold harmless provisions, and exclude extra local contributions. She stated average [Alaska] 2016 per pupil school spending was \$17,510 and compared the

average cost [of public education] to the cost of private school tuition in Anchorage: Pacific Northern Academy - \$13,815 per year; Anchorage Montessori elementary school - \$10,700 per year. Dr. DeFeo advised private school populations differ from public schools in that private school populations may not include students with intensive special education needs. Daycare costs in Anchorage average \$1,000 a month (slide 10). Slide 11 was a graph comparing all states' [and Washington, D.C.] 2016 spending per pupil, according to the U.S. Census Bureau 2016 Annual Survey of School System Finances, which ranked Alaska sixth.

[8:29:30 AM](#)

REPRESENTATIVE JOHNSON questioned whether the U.S. Census Bureau survey indicates "the 54 percent versus the 76 percent of the [costs] that goes into the classroom ...."

DR. DEFEO directed attention to the seven categories of expenses shown on the graph. She cautioned school budgets may not fit into seven categories.

REPRESENTATIVE JOHNSON observed there is a disagreement over the percentage of funds directed to classrooms and asked, "[Has ISER] looked into what really is considered classroom expense ...?"

CO-CHAIR STORY referred to a recent presentation by the Alaska Association of School Business Officials (ALASBO), which broke down Alaska's education budget into different categories.

CO-CHAIR DRUMMOND added ALASBO uses the Department of Education and Early Development (EED) chart of accounts; she pointed out the graph indicates about two-thirds of spending - instruction employee salaries, instruction employee benefits, instruction staff support, and pupil support - go into the classroom, which does not support an estimate of 54 percent.

DR. DEFEO offered to provide a more detailed breakdown of the expenses that are shown on the graph; in fact, for the presentation, ISER looked at instruction employee salaries and instruction employee benefits because those expenses "tend to be a topic of conversation in this state."

[8:33:31 AM](#)

REPRESENTATIVE ZULKOSKY surmised there is also discussion related to ISER's choice of the sources of information used to

compare the cost of education. She suggested ISER provide the committee with the rationale behind its choice of data sources that have provided data that is not in alignment with data previously presented to the committee. Representative Zulkosky acknowledged the differences may be explained because certain data is reported by a research institution versus school business officials.

DR. DEFEO remarked:

We pulled these for this presentation alone. So, these are not the numbers that we've used in some of our other calculations. I would also add that this chart sort of nicely breaks down spending into seven categories, but ... the total length of the bar - if we were to focus on that - the \$17,510 per pupil, should end up being the same across these different accounting systems. ... What's nice with the census data is that [it] ... allows us to do these comparisons between states with a little bit more ... context than just straight up numbers.

DR. DEFEO further explained ISER seeks to look at \$17,510 - the total cost of spending - and report how Alaska's spending compares to the U.S. average. She summarized slides 12 and 13: 1. There is a high cost of living in rural Alaska which skews the statewide average; 2. In urban Alaska, living costs are higher than the U.S. average. Slide 14 illustrated the community cost differentials developed by ISER in 2005.

[8:36:40 AM](#)

REPRESENTATIVE TUCK returned attention to slide 13 and questioned whether ISER compared costs in Anchorage and the Matanuska-Susitna (Mat-Su) region with more costly remote areas of Alaska. Also, the [jurisdictions] listed on slide 11 that have average spending higher than Alaska's - Vermont, New Jersey, Connecticut, the District of Columbia, and New York - are heavily populated compared to Alaska and he surmised, due to economies of scale, the cost per pupil should go down for those [jurisdictions]. Representative Tuck said he would like to compare costs in New York with those in Anchorage.

DR. DEFEO deferred to Dr. Berman.

DR. BERMAN was unsure of the exact [cost per pupil in Anchorage]. He stressed the averages include certain, but not

all, expenditures; for example, the \$17,510 average represents current spending, including spending the school districts incur that is not directly related to instruction, but does not include debt service and capital outlays, thus average costs can vary from district to district. Further, to be precise, the committee should request ALASBO to explain the details of its report; he noted the U.S. Census Bureau survey is sent to all school districts each year, collects data from all of the states, and divides revenues and expenditures into the same categories. He offered to provide the actual numbers for Anchorage after reviewing the data.

REPRESENTATIVE TUCK affirmed his request for the cost averages in Anchorage and Mat-Su.

[8:40:37 AM](#)

DR. BERMAN, in response to Co-Chair Drummond, confirmed that the U.S. Census Bureau survey collects and makes available to the public data from every school district in the nation.

CO-CHAIR DRUMMOND surmised the Alaska average includes every school district in Alaska.

DR. BERMAN indicated yes; however, Mt. Edgecumbe High School is not in a school district but is supported by state education funding.

[8:42:02 AM](#)

REPRESENTATIVE JOHNSON cautioned the committee has conflicting data from the census bureau and from EED; in fact, EED reported Alaska spends the highest amount in the nation, per pupil, in the classroom. She related the census bureau chart of accounts differs slightly from state data in that the healthcare cost for teachers is not included in the [census bureau survey] but is included in EED reporting. Representative Johnson opined this disparity is relevant to the committee's understanding of education costs.

DR. DEFEO pointed out the graph of spending on slide 11 [provided by the census bureau] includes instruction employee benefits, which would reflect healthcare benefits. She clarified the presentation is focused on total spending rather than the proportion spent on instruction versus other costs. She returned attention to slide 14 which illustrated community cost differentials and pointed out in a significant area of the

state's geography, ISER estimated costs at more than [150 percent] above those of Anchorage; in other areas, estimated costs were between [121-150 percent] above costs in Anchorage. Returning attention to [the graph of expenses provided by the census bureau] she said ISER weighted the cost multiplier across the state to that of Anchorage, failing to adjust for small school sizes, which put Alaska's average total spending at \$14,592, and ranks the state twelfth, not sixth, relative to other [jurisdictions] (slide 15). Further, after adjusting to the Anchorage cost of living index at 23.8 percent, Alaska's education spending is within \$219, per pupil, of the U.S. average (slide 16).

[8:46:52 AM](#)

DR. DEFEO addressed the components that comprise the \$17,510 average cost per pupil (slide 17). She related higher costs in Alaska are not due to higher per-pupil teacher salaries, or extra contributions to retirement systems, but are due to small schools, healthcare costs, energy costs, and geographic costs (slide 18). Slide 19 was a graph [of information provided by the U.S. Census Bureau 2016 Annual Survey of School System Finances] which illustrated per-pupil teacher salaries and indicated Alaska ranks fourteenth in the nation; after adjusting to [the Anchorage cost of living index] Alaska ranks twenty-third. When adjusted to the U.S. average, the proportion of Alaska's education budget that goes to teacher salaries is 23 percent below the average. Turning attention to factors that do contribute to higher costs in Alaska, Dr. DeFeo noted there are 443 "regular" schools in Alaska, excluding schools such as those within correctional facilities, and in 2017, 58 - 13 percent of schools in the state - enrolled fewer than 25 students, and 34 schools enrolled between 26 and 50 students; in fact, 21 percent of the schools in Alaska are very small. Further, the 58 smallest schools are spread across 22 school districts, most are accessible only by air, many serve low-income students and are more costly to operate. The schools are located in communities with a higher cost of living, do not benefit from economies of scale for capital costs, have small classes, and high staff turnover (slide not provided). An additional factor contributing to high costs in Alaska is the cost of healthcare, which is the highest in the nation.

[8:51:00 AM](#)

REPRESENTATIVE ZULKOSKY returned attention to the factor of small schools and asked Dr. Defeo to provide historical data on

why Alaska is legally obligated to fund the operation of small schools. She said it is important to understand the context surrounding why Alaska's obligation exists.

DR. DEFEO offered to provide an article which reviews "the Moore settlement."

REPRESENTATIVE REVAK asked what type of healthcare plan is provided to EED employees.

DR. DEFEO said state public employees are on the state healthcare system.

CO-CHAIR STORY expressed her understanding [healthcare plans] vary by district.

DR. DEFEO, in further response to Representative Revak, said she did not know if the "Alaska care plan" was available to EED employees and offered to provide further information related to EED healthcare plans.

REPRESENTATIVE REVAK surmised a good healthcare plan may cut costs.

CO-CHAIR DRUMMOND said, "Dr. DeFeo, I don't believe your numbers include the department of education figures, is that correct? Your numbers here are only including school districts. ... [The numbers in the presentation including] healthcare costs, all of that stuff, is all about school districts - this is not about the department of education."

DR. DEFEO said absolutely.

REPRESENTATIVE JOHNSON remarked:

... my understanding is that the [EED] ... numbers have another component, maybe it is something to do with administration, that goes into their numbers for, to get the 76 percent going into [the] classroom as opposed to the census data saying that 54 percent goes into the classroom. Twenty-two percent disparity between Alaska's [EED] presentation and ... the census is a big disparity. ... I got a sense of what the chart of accounts were that they pulled the census numbers from, the chart of accounts that they pulled the [EED] numbers from. ... If we could get a breakdown of where [EED] gets their numbers and where

the ... census gets their numbers, so we can actually compare apples to apples in this discussion ... we can speak intelligently to those kinds of questions.

CO-CHAIR STORY offered to schedule future meetings to clarify the aforementioned discrepancy and to discuss the healthcare costs and plans in various school districts.

8:56:02 AM

REPRESENTATIVE TUCK suggested [the committee review] the census bureau survey questions for comparison.

DR. DEFEO directed attention to slide 21, noting benefits costs in Alaska are fourth highest in the nation; however, after adjustments, instruction benefits costs are 11 percent above the national average. She advised the effect of increasing prices in healthcare on a fixed budget puts downward pressure on wages, therefore, Alaska has difficulty competing for teachers. Another factor contributing to high education costs in Alaska is the cost of energy: energy is expensive and variable so fuel costs more in remote places; costs fluctuate, which restricts the negotiation of fuel prices; Power Cost Equalization (PCE) does not benefit school districts in areas where electricity is subsidized for households; buildings are heated regardless of the number of students (slide 22). In response to Co-Chair Drummond, she said the cost of energy is included in the "other" category on the previous graph, as is transportation.

8:59:07 AM

REPRESENTATIVE JOHNSON has heard because schools can be the largest consumer of fuel in certain communities, if the school overpays for fuel, that drives up the cost of fuel for the rest of the community.

9:00:33 AM

REPRESENTATIVE TUCK opined an anchor tenant brings costs down because increased volume enables bulk shipping.

[Due to recording difficulties, a portion of the audio was lost.]

DR. DEFEO continued to opportunities revealed by ISER's existing research. She noted many of the big costs of education are beyond education policy, such as healthcare and operating costs;

in reality, "it just costs more to be here." When looking at policy, teacher salaries present one opportunity [to cut costs]; however, she cautioned teacher salaries are critical to student achievement outcome objectives, the ability to recruit and retain teachers, and the ability to compete with other states for teachers (slides 23 and 24). Further, there is ample research linking teacher salaries to teacher quality (slide 25).

REPRESENTATIVE ZULKOSKY returned attention to slide 24 and suggested another policy opportunity is funding for school districts. In a manner similar to the challenge of [providing appropriate] teacher salaries in order to ensure [school districts employ] quality teachers, she said, "not having reliable funding from the legislature creates a very volatile environment for recruitment and retention of their employees and so I ... note that is a policy opportunity that's not reflected here."

[9:04:19 AM](#)

REPRESENTATIVE HOPKINS returned to slide 19 which indicated, after cost of living adjustments, Alaska's teacher salaries are 23 percent below the national average. He recalled a previous ISER study reported training a new teacher costs an additional \$21,000 on top of their salary; he questioned whether lowering teacher salaries would negatively impact recruitment and retention.

DR. DEFEO, in response to Representative Zulkosky, said the list of policy opportunities [on slide 24] is not an exhaustive list.

[Due to recording difficulties, a portion of the audio was lost.]

DR. DEFEO, in response to Representative Hopkins, said in addition to the cost of training a new teacher, the loss of a teacher is the loss of his/her skill; in fact, research shows the growth and effectiveness of a teacher is exponential over the first five years of his/her teaching experience.

REPRESENTATIVE HOPKINS questioned whether ISER can report on when teachers typically retire from the school system.

DR. DEFEO remarked:

... we're at an interesting point. I think we're about 15 years out, so we're at the point where people

... can't move if they're in the old retirement system. And people who are about the same spot, but on the new system, have that opportunity. So, we would, it presents a nice opportunity to really look at, far enough out, when these things really start to affect peoples' decisions to stay or go, we're poised to do that research ....

[9:07:37 AM](#)

DR. DEFEO, in further response to Representative Zulkosky's previous question, said ISER was asked to report on what happens when teachers get pink slips due to uncertain budgets: how issuing pink slips affects teacher retention, morale, and long-term planning. She continued to slide 25 and acknowledged Alaska has a teacher turnover problem for several reasons: fewer students are enrolling in education programs, thus there are fewer teachers available; 80-85 percent of Alaska's teachers are hired from the Lower 48; Alaska faces strong competition for teachers from other states; Alaska must attract teachers to high-needs schools and retain them; Alaska must attract good teachers. She said Alaska also needs to address principal and superintendent turnover.

DR. DEFEO advised, in 2015, ISER calculated Alaska teacher salaries were about "15 percent below where they should be, and so the right salary that any teacher needs is going to vary by community and by the working conditions there." In fact, ISER's model - which was never implemented - reflected a 116 percent difference between the highest and lowest recommended teacher salaries. Although the ability to attract and retain teachers is linked to salary, other research found working conditions are a bigger predictor of teacher turnover than salary. She concluded reducing turnover is an opportunity to reduce cost and also improve the performance and productivity of teachers; maintaining tenure is also a cost savings (slide 26).

REPRESENTATIVE HOPKINS said he would like further information on how tenure saves school districts money and asked for examples of working conditions that would affect teacher retention.

DR. DEFEO related working conditions include the quality of the leadership in the school, the relationship between the community and the school, class size, workload, and housing conditions for teachers. She offered to provide studies related to tenure and working conditions.

REPRESENTATIVE TUCK said working conditions would also include respect for teachers, which would fall into the category of community and school relationship. He gave an example illustrating the "national trend" of not treating teachers with the respect they deserve - or paying the compensation they deserve - but relying on their passion to teach.

CO-CHAIR DRUMMOND advised working conditions in a community include access to the Internet, which is also a problem for schools, healthcare facilities, and other entities; young teachers [and others] far from home seek to stay in touch with their families. She asked whether ISER has researched the effect of [the lack of] broadband access in rural communities in Alaska, its high cost, and how limited access has affected schools and employee retention for all employers.

DR. DEFEO said she is aware that [the lack of Internet access] is significant to those who seek to provide distance education to remote and rural communities; an ISER study reported on feelings of isolation, but she was unsure whether Internet access was surveyed.

MS. HILL said Internet access was not specifically part of the aforementioned survey; however, Internet use and mobile phone Internet use has changed notably in the five years since the survey. In addition, ways in which "digital natives" use the Internet have changed, and she offered to review research [albeit outdated] on broadband access in rural Alaska, and more recent work in the Canadian Arctic. In further response to Co-Chair Drummond, she explained digital natives refers to young people who have grown up using the Internet and thus are accustomed to adopting the latest improvements in Internet technology.

[Due to recording difficulties, a portion of the audio was lost from 9:19 a.m. to 9:21 a.m.]

[9:21:18 AM](#)

REPRESENTATIVE TUCK returned attention to slide 26 and asked whether teacher salaries - that are shown to be about 15 percent below where they should be - include total compensation or just salary.

DR. BERMAN clarified "just salary" because during the study ISER reviewed contracts for individual school districts, each of which paid for healthcare in a different way, thus ISER could

not include the value of benefits; if the study were repeated, ISER would seek to include healthcare benefits. He recalled housing was included in the study.

DR. DEFEO returned to Representative Johnson's earlier question related to reducing fuel costs. She said a [cost saving] opportunity may be to establish state-negotiated fuel prices and remove the cost of fuel from the education funding formula (slide 27).

REPRESENTATIVE ZULKOSKY questioned whether the aforementioned opportunity had been vetted by affected rural hub communities or remote rural school districts.

DR. DEFEO said ISER previously discussed this concept.

[Due to recording difficulties a portion of the audio was lost.]

REPRESENTATIVE ZULKOSKY asked Ms. Hill whether the suggestion about the state negotiating fuel prices and removing fuel from the foundation formula had been vetted with rural school districts.

MS. HILL stated the suggestion [that the state negotiate fuel prices] was made a couple of years ago by ALASBO as a potential area of cost savings. The suggestion to remove fuel from the foundation formula has not been vetted with school districts nor has it been formally proposed by ISER.

REPRESENTATIVE ZULKOSKY remarked:

As a representative for a rural district, like District 38, which is largely a rural hub as well as remote rural community, when it comes to the delivery of fuel every spring that's done through private industry, which is largely an unregulated industry in Alaska, in my preference as a legislator that represents a rural district would be, in terms of considering opportunities, are there opportunities to find some regulations that ... can be put forward to a very volatile market instead of holding down our school districts in proposals that have not been vetted? I guess I would put that forward ... in terms of having a broader conversation about [how] controlling community costs in rural Alaska is not necessarily being driven by state government but by a very volatile market ....

DR. DEFEO acknowledged more research is needed as the previous ISER studies were done for specific purposes and are offered only as a starting point for discussion. She continued to slide 29 and cautioned short-term reduced spending without complete understanding is likely to harm student achievement outcomes because school districts must struggle to absorb spending cuts, without increasing class sizes and laying off teachers.

[9:28:00 AM](#)

CO-CHAIR STORY remarked:

[In the] Juneau School District, ... 90 percent of our costs are personnel costs, and so, when you look at reducing costs, ... there's not as many things to go to that [don't] affect personnel in some way.

DR. DEFEO agreed a blanket reduction in district budgets almost invariably results in teacher layoffs or in larger class sizes.

[Due to recording difficulties, a portion of the audio was lost.]

[9:29:09 AM](#)

REPRESENTATIVE ZULKOSKY appreciated data that is presented with objectivity. She restated that the state's obligation - in terms of equitable funding for education across Alaska - was missing from the presentation; further, she assured the committee rural hub communities and remote, rural school districts understand the context and background of all of the issues discussed, [the acknowledgement of which] was also not reflected in the presentation.

[9:31:23 AM](#)

REPRESENTATIVE TUCK noted he would seek support for an ISER study to update community cost differentials.

CO-CHAIR STORY asked whether ISER would release its presentation to the public in any form.

DR. DEFEO said the slides, after some corrections, can be made available on ISER's website.

[9:34:15 AM](#)

REPRESENTATIVE HOPKINS noted the presentation did not include individual cost drivers within BSA such as federal impact aid; for example, how federal impact aid [negatively] impacts districts across Alaska because it does not fully cover students living on [military] bases.

DR. DEFEO deferred to Dr. Berman.

DR. BERMAN advised there are two basic sources of federal impact aid: 1. student dependents of active duty military; 2. payments in lieu of taxes for federal land. He was unsure exactly how federal impact aid affects school districts.

REPRESENTATIVE HOPKINS expressed his understanding federal impact aid pays a certain percentage of the cost to educate [students of military parents] and military families pay any applicable local or state taxes.

DR. BERMAN acknowledged federal impact aid is based on a national formula and the revenue would vary; for example, Anchorage and Kodiak may have differing tax bases. He said he did not have a deep understanding of the issue.

REPRESENTATIVE HOPKINS asked, "How does the local revenue and local contribution impact this, these calculations, compared to other states around the nation?"

DR. BERMAN explained every state does something different; in Alaska, there is a local required contribution in the foundation formula that can be supplemented, to a limited degree, by individual political subdivisions. Other states accomplish this in different ways; he pointed out the local contribution to total education funding in Alaska is 22 percent, which is a much smaller percentage than in some states.

REPRESENTATIVE HOPKINS surmised in other states school districts have the authority to tax their residents and raise revenue for schools.

DR. BERMAN advised, in Alaska, borough schools and schools in unified municipalities such as Anchorage, are included in the overall local tax system; however, in most states school districts are independent of local governments and have their own taxes - generally property taxes - that are separate from city government or county taxes.

9:41:30 AM

**ADJOURNMENT**

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at [9:41] a.m.