

HB

72

HFIN

FILE

Alaska State Legislature

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Representative Mike Chenault

District 34

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Sponsor Statement

HB 72

Title: "An Act relating to the district cost factors for state funding of public education; providing for an effective date by repealing the delayed effective date of sec. 6, ch. 41, SLA 2006; and providing for an effective date."

As a long time advocate for education and support of our schools, I have introduced this bill to add a sense of fairness to the distribution funds in Alaska. HB 72 also implements recommendations by the ISER Study and changes the district cost factors for funding for Alaska education to assist our school districts in meeting their needs.

I would appreciate your support of this bill.

Prepared 2/7/07

ISER implementation with

FY08 Foundation

Projection

QUARTER Implementation of ISER

District	Adopted		Cost
	In 1998	1/4 ISER	Difference
Alaska Gateway	1.291	1.367	307,733
Aleutian Region	1.736	1.787	39,014
Aleutians East Borough	1.423	1.565	417,488
Anchorage	1.000	1.000	-
Annette Island	1.011	1.093	244,223
Bering Strait	1.525	1.643	2,101,795
Bristol Bay Borough	1.262	1.316	98,369
Chatham	1.120	1.234	256,419
Chugach	1.294	1.345	49,373
Copper River	1.176	1.211	188,103
Cordova	1.096	1.131	123,838
Craig	1.010	1.059	154,704
Delta/Greely	1.106	1.140	245,733
Denali Borough	1.313	1.318	11,763
Dillingham	1.254	1.277	103,118
Fairbanks N. Star Borough	1.039	1.047	801,739
Galena	1.348	1.359	23,689
Haines Borough	1.008	1.056	139,216
Hoonah	1.055	1.141	129,828
Hydaburg	1.085	1.190	83,314
Iditarod Area	1.470	1.564	235,118
Juneau Borough	1.005	1.040	1,236,170
Kake	1.025	1.134	106,841
Kashunamiut	1.389	1.447	182,438
Kenai Peninsula Borough	1.004	1.046	2,883,677
Ketchikan Gateway Borough	1.000	1.043	754,415
Klawock	1.017	1.088	103,011
Kodiak Island Borough	1.093	1.142	988,872
Kuspuk	1.434	1.509	353,060
Lake & Peninsula Borough	1.558	1.667	545,050
Lower Kuskokwim	1.491	1.534	1,628,675
Lower Yukon	1.438	1.544	2,119,062
Mat-Su Borough	1.010	1.025	1,600,993
Nenana	1.270	1.287	35,938
Nome	1.319	1.352	204,671
North Slope Borough	1.504	1.576	1,046,500
Northwest Arctic Borough	1.549	1.618	1,272,755
Pelican	1.290	1.337	12,032
Petersburg	1.000	1.061	311,458
Pribilof	1.419	1.487	98,207
Saint Mary's	1.351	1.419	120,170
Sitka Borough	1.000	1.049	542,729
Skagway	1.143	1.151	7,448
Southeast Island	1.124	1.194	185,947
Southwest Region	1.423	1.489	476,629
Tanana	1.496	1.569	38,096
Unalaska	1.245	1.294	179,578
Valdez	1.095	1.114	116,338
Wrangell	1.000	1.040	128,910
Yakutat	1.046	1.138	104,952
Yukon Flats	1.668	1.780	358,402
Yukon/Koyukuk	1.502	1.585	348,366
Yupitit	1.469	1.533	304,118
Mt. Edgecumbe High School	1.000	1.049	154,704
TOTAL			24,304,789

BSA at \$5380 and using the FY08 Foundation Projection.

HALF Implementation of ISER

District	Adopted		Cost
	in 1998	1/2 ISER	Difference
Alaska Gateway	1.291	1.443	615,522
Aleutian Region	1.736	1.838	64,308
Aleutians East Borough	1.423	1.707	834,869
Anchorage	1.000	1.000	-
Annette Island	1.011	1.175	488,392
Bering Strait	1.525	1.762	4,203,537
Bristol Bay Borough	1.262	1.370	196,738
Chatham	1.120	1.348	512,836
Chugach	1.294	1.395	84,706
Copper River	1.176	1.246	376,208
Cordova	1.096	1.165	247,730
Craig	1.010	1.108	309,354
Delta/Greely	1.106	1.174	491,359
Denali Borough	1.313	1.323	23,527
Dillingham	1.254	1.300	206,234
Fairbanks N. Star Borough	1.039	1.055	1,603,476
Galena	1.348	1.370	47,485
Haines Borough	1.008	1.104	278,433
Hoonah	1.055	1.227	259,656
Hydaburg	1.085	1.295	157,668
Iditarod Area	1.470	1.658	524,136
Juneau Borough	1.005	1.075	2,472,339
Kake	1.025	1.242	213,682
Kashunamiut	1.389	1.504	364,985
Kenai Peninsula Borough	1.004	1.088	5,767,408
Ketchikan Gateway Borough	1.000	1.085	1,508,776
Klawock	1.017	1.160	206,020
Kodiak Island Borough	1.093	1.191	1,977,742
Kuspuk	1.434	1.584	706,120
Lake & Peninsula Borough	1.558	1.776	1,090,155
Lower Kuskokwim	1.491	1.577	3,257,403
Lower Yukon	1.438	1.650	4,238,180
Mat-Su Borough	1.010	1.040	3,202,095
Nenana	1.270	1.304	71,767
Nome	1.319	1.385	409,287
North Slope Borough	1.504	1.648	2,093,000
Northwest Arctic Borough	1.549	1.686	2,545,617
Pelican	1.290	1.384	19,256
Petersburg	1.000	1.122	622,914
Pribilof	1.119	1.555	196,521
Saint Mary's	1.351	1.488	240,446
Sitka Borough	1.000	1.098	1,085,458
Skagway	1.143	1.159	14,894
Southeast Island	1.124	1.264	329,206
Southwest Region	1.423	1.554	953,257
Tanana	1.496	1.641	76,192
Unalaska	1.245	1.343	359,049
Valdez	1.095	1.133	232,676
Wrangell	1.000	1.080	257,929
Yakutat	1.046	1.229	209,957
Yukon Flats	1.668	1.892	604,061
Yukon/Koyukuk	1.502	1.669	696,678
Yupit	1.469	1.596	608,183
Mt. Edgecumbe High School	1.000	1.098	309,406
TOTAL			48,466,833

BSA at \$5380 and using the FY08 Foundation Projection

THREE-QUARTER Implementation of ISER

District	Adopted		Cost
	In 1998	3/4 ISER	Difference
Alaska Gateway	1.291	1.443	923,256
Aleutian Region	1.736	1.838	97,231
Aleutians East Borough	1.423	1.707	1,252,304
Anchorage	1.000	1.000	-
Annette Island	1.011	1.175	732,561
Bering Strait	1.525	1.762	6,305,333
Bristol Bay Borough	1.262	1.370	294,999
Chatham	1.120	1.348	769,254
Chugach	1.294	1.395	114,388
Copper River	1.176	1.246	564,259
Cordova	1.096	1.165	371,514
Craig	1.010	1.108	464,056
Delta/Greely	1.106	1.174	737,039
Denali Borough	1.313	1.323	35,344
Dillingham	1.254	1.300	309,352
Fairbanks N. Star Borough	1.039	1.055	2,405,213
Galena	1.348	1.370	71,227
Haines Borough	1.008	1.104	417,597
Hoonah	1.055	1.227	389,484
Hydaburg	1.085	1.295	240,982
Iditarod Area	1.470	1.658	825,773
Juneau Borough	1.005	1.075	3,708,563
Kake	1.025	1.242	320,523
Kashunamiut	1.389	1.504	547,532
Kenai Peninsula Borough	1.004	1.088	8,651,083
Ketchikan Gateway Borough	1.000	1.085	2,263,190
Klawock	1.017	1.160	309,138
Kodiak Island Borough	1.093	1.191	2,966,667
Kuspuk	1.434	1.584	1,059,181
Lake & Peninsula Borough	1.558	1.776	1,635,312
Lower Kuskokwim	1.491	1.577	4,886,078
Lower Yukon	1.438	1.650	6,357,189
Mat-Su Borough	1.010	1.040	4,803,142
Nenana	1.270	1.304	107,651
Nome	1.319	1.385	613,958
North Slope Borough	1.504	1.648	3,139,609
Northwest Arctic Borough	1.549	1.686	3,818,372
Pelican	1.290	1.384	26,458
Petersburg	1.000	1.122	934,317
Pribilof	1.419	1.555	294,728
Saint Mary's	1.351	1.488	360,614
Sitka Borough	1.000	1.098	1,628,134
Skagway	1.143	1.159	22,340
Southeast Island	1.124	1.264	515,152
Southwest Region	1.423	1.554	1,429,886
Tanana	1.496	1.641	114,288
Unalaska	1.245	1.343	538,575
Valdez	1.095	1.133	349,013
Wrangell	1.000	1.080	386,839
Yakutat	1.046	1.229	294,586
Yukon Flats	1.668	1.892	831,241
Yukon/Koyukuk	1.502	1.669	1,045,043
Yupit	1.469	1.596	912,302
Mt. Edgecumbe High School	1.000	1.098	464,002
TOTAL			72,655,872

BSA at \$5380 and using the FY08 Foundation Projection.

Prepared 2/7/07

ISER implementation with

FY08 Foundation

Projection

FULL Implementation of ISER

District	Adopted		Cost
	in 1998	ISER	Difference
Alaska Gateway	1.291	1.594	1,231,043
Aleutian Region	1.736	1.939	136,299
Aleutians East Borough	1.423	1.991	1,669,684
Anchorage	1.000	1.000	-
Annette Island	1.011	1.338	976,783
Bering Strait	1.525	1.998	8,407,075
Bristol Bay Borough	1.262	1.478	393,368
Chatham	1.120	1.576	1,025,671
Chugach	1.294	1.496	144,071
Copper River	1.176	1.316	752,364
Cordova	1.096	1.234	495,407
Craig	1.010	1.206	618,814
Delta/Greely	1.106	1.241	982,773
Denali Borough	1.313	1.332	47,107
Dillingham	1.254	1.346	412,470
Fairbanks N. Star Borough	1.039	1.070	3,206,951
Galena	1.348	1.391	94,970
Haines Borough	1.008	1.200	556,814
Hoonah	1.055	1.399	519,258
Hydaburg	1.085	1.504	324,298
Iditarod Area	1.470	1.846	1,127,301
Juneau Borough	1.005	1.145	4,944,732
Take	1.025	1.459	427,364
Kashunamiut	1.389	1.619	730,025
Kenai Peninsula Borough	1.004	1.171	11,534,814
Ketchikan Gateway Borough	1.000	1.170	3,017,605
Klawock	1.017	1.302	412,147
Kodiak Island Borough	1.093	1.289	3,955,592
Kuspuk	1.434	1.734	1,412,241
Lake & Peninsula Borough	1.558	1.994	2,180,362
Lower Kuskokwim	1.491	1.663	6,514,807
Lower Yukon	1.438	1.861	2,476,253
Mat-Su Borough	1.010	1.070	6,404,135
Nenana	1.270	1.338	143,534
Nome	1.319	1.450	818,628
North Slope Borough	1.504	1.791	4,186,109
Northwest Arctic Borough	1.549	1.823	5,091,180
Pelican	1.290	1.477	33,659
Petersburg	1.000	1.244	1,245,775
Pribilof	1.419	1.691	392,990
Saint Mary's	1.351	1.624	480,784
Sitka Borough	1.000	1.195	2,170,918
Skagway	1.143	1.174	29,787
Southeast Island	1.124	1.403	701,206
Southwest Region	1.423	1.685	1,906,514
Tanana	1.496	1.786	152,383
Unalaska	1.245	1.441	718,099
Valdez	1.095	1.170	465,405
Wrangell	1.000	1.159	515,804
Yakutat	1.046	1.412	398,306
Yukon Flats	1.668	2.116	1,189,643
Yukon/Koyukuk	1.502	1.835	1,393,409
Yupiit	1.469	1.723	1,216,421
Mt. Edgecumbe High School	1.000	1.195	618,706
TOTAL			97,001,858

BSA at \$5380 and using the F-Y08 Foundation Projection.

Alaska State Legislature

SENATOR
GENE THERRIAULT
Chair




SESSION ADDRESS
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Legislative Budget and Audit Committee

DATE: February 23, 2005

TO: Legislative Budget and Audit
Committee Members

FROM: Senator Gene Therriault, Chair 
Legislative Budget & Audit Committee

RE: Alaska School District Cost Update by ISER

Attached for your review is the *School District Cost Study Update* recently completed by the Institute of Social and Economic Research (ISER), of the University of Alaska. Additional copies of this report, as well as the other reports cited in this memorandum, can be downloaded under the "publications" link at www.lba.legis.state.ak.us. A limited number of copies of the District Cost Update are also available in my office.

It is important to understand that the information contained in this report recommends modification to the distribution of K-12 funds, but does not suggest a level of funds that should be appropriated to the foundation formula.

BACKGROUND

The passage of Senate Bill 36, Ch. 38, SLA 1998 required the Department of Education and Early Development (DEED) to submit updated district cost factors to the Legislature by Jan. 15, 2001. Additionally, the DEED was required to monitor district cost factors and submit a report to the Legislature every other year beginning Jan. 2001.

The DEED attempted to use the existing cost factor methodology to update the cost factors, but the results were not supported by the underlying data. The McDowell Group reviewed the DEED's work and determined that the 1998 methodology was not usable. Subsequently, the DEED recommended to the Legislature that cost factors remain unchanged as adopted in AS 14.17.460 in 1998 and that a new cost model be developed.

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Funding was added to the FY 02 capital budget for the Legislative Budget and Audit Committee (LB&A) to contract for a new cost study, and the American Institutes for Research (AIR) was selected to develop new district cost factors. In January 2003 the AIR report was released and a joint hearing was held by the HESS Committees. With AIR principals in attendance at the hearing, Legislators and interested parties expressed concerns about the accuracy of the data and the appropriateness of the methodology used in the AIR report. Following the hearing, AIR continued to respond to the many questions and criticisms of their report, but offered no revisions.

In the Fall of 2003, the LB&A contracted with ISER to perform a peer review of the AIR study to determine: 1) if the methodology used by AIR was generally acceptable, 2) if there was anything unique to Alaska that would make the methodology inappropriate, and 3) what alternative methodologies would they suggest. In their January 29, 2004 report, ISER concluded that while the general methodology used was appropriate, it did not adequately address the issue of teacher turnover. Further, they questioned the estimation of energy costs, and in some areas, felt the documentation did not support AIR's findings.

In July of 2004, the LB&A contracted with ISER to update and modify the AIR School District Cost Study by updating certain data, revising the teacher compensation component, using actual rather than estimated energy costs, reviewing the travel cost index, and determining if the budget categories accurately reflect full costs of providing educational services. A working group made up of the Directors of the Finance and Audit Divisions, staff to the Chair and Vice-Chair of the LB&A, and Eddy Jeans with the DEED reviewed the draft report and suggested a number of format changes that have been incorporated in to the final report that was received on February 4.

AIR VS. ISER'S OBJECTIVES FOR THE TEACHER COMPONENT

The new cost differential for each school district, as proposed by ISER, is displayed on page 18 of the report. Using Anchorage as the base, ISER proposes all other district cost differentials be adjusted upward. It appears that ISER's change in the methodology for the teacher compensation component is the most significant contributor to these increases.

In the original AIR report the stated objective was to use "econometric models of school personnel labor markets to provide a basis for simulations of the compensation levels that would be required if all districts employed comparable teachers, school administrators, and classified personnel." They defined comparable as levels of experience, education and other demographic characteristics. The ISER report states that its objective is "to estimate the amount of funds that a district needs, relative to Anchorage, to recruit and retain certificated personnel of equivalent quality to Anchorage."

Whether or not any additional funding provided by the increase in the geographic cost factors will actually result in all school districts having equivalent personnel was not part of either study. As we consider and debate the new recommended geographic cost factors we may also want to consider a reporting or measurement mechanism to determine how successful the school districts are at consistently recruiting and retaining qualified personnel. Further discussion of ISER's revisions to the teacher compensation index is contained on pages 5-8 of the report.

ADDITIONAL ATTACHMENTS*Upon Request*

Also attached are two schedules prepared by the DEED on 2/11. The first schedule depicts the impact of implementing the ISER recommended District Cost Factors with no additional state funding, which necessitates reducing the base student allocation (BSA) from \$4576 to \$4210. The second schedule shows what it would cost to keep the current BSA in place, thereby holding Anchorage "harmless" as the base.

attachments



AMERICAN INSTITUTES FOR RESEARCH

Alaska School District Cost Study:

Volume I – Summary of Results

Submitted to:

Ms. Heather Brakes
Legislative Budget & Audit Committee
State Capitol, Room 121
Juneau, AK 99801-1182

Submitted by:

Dr. Jay Chambers
Dr. Lori Taylor
Joe Robinson
Phil Esra, Editor

With contributions by
Marc Schuldt, SBW Consulting, Inc.

January 2003

About the authors:

Jay G. Chambers is a Senior Research Fellow and a Managing Director of the Business Development Committee on Economic Indicators and Education Finance within the Education Program at the American Institutes for Research (AIR). He is also a member of the President's Commission on Excellence in Special Education and served on the Task Force on Finance and on Systems Administration. Dr. Chambers is currently President of the American Education Finance Association and a consulting professor at Stanford University's School of Education. He is a nationally recognized expert in school finance and educational cost analysis.

Lori L. Taylor, a consultant to the study, is a Senior Economist and Policy Advisor at the Federal Reserve Bank of Dallas. Dr. Taylor recently served as Principal Researcher on the Texas Cost-of-Education Project. The Texas CEI project developed a number of strategies for adjusting the Texas school finance formula to reflect variations in the cost of education.

Joe Robinson is a Research Associate at AIR, and has served as Project Manager for the Alaska School District Cost Study and the Nebraska Cost of Education Index Study. Before joining the AIR staff, Joe taught elementary school. He brings his experience as a teacher to his research projects. Joe holds a B.S. in Industrial and Labor Relations from Cornell University, and is continuing his education in SAS programming and higher mathematics courses.

Phil E. Esra is an Editor and Staff Writer at AIR. He has contributed to numerous articles and federal and state reports on education finance and special education issues.

Marc Schuldt, President of SBW Consulting, Inc., holds an M.S. in Mechanical Engineering from the University of Washington and a B.S. in Aeronautical Engineering from Purdue University. Mr. Schuldt has more than 22 years of experience as a project manager and lead engineer for studies of residential, commercial, and industrial energy use. He directs a team of SBW engineers who provide program design assistance and conduct commercial building energy audits for a number of public and private agencies.

Acknowledgements

This study benefited from the input and participation of many people. The study team would like to express their appreciation for the efforts of the Technical Working Group, whose members provided critical guidance over the course of the project. Members of the Working Group are as follows:

- Kerry Jarrell (Bering Strait SD)
- Michael Fisher (Fairbanks North Star Borough SD)
- Melody Douglas (Kenai Peninsula Borough SD)
- Dave Jones (Kodiak Island Borough SD)
- Dennis Niedermeyer (Lake and Peninsula Borough SD)
- Lucienne Harger (North Slope Borough SD)
- Barbara Stocker (Sitka Borough SD)
- Karen Goodwin (Southeast Island SD)

We greatly appreciate their support during the data collection phase of this project and owe a great debt of gratitude for helping us accomplish a 100 percent response rate on virtually all of our data collection instruments. They not only provided encouragement, but help to the beleaguered school business offices who attempted to interpret our needs. This group of hardy individuals also contributed to the design of our approach to addressing the costs of goods, services, and travel.

A special word of thanks goes to Melody Douglas and Dave Jones, who worked closely with AIR in the final stages to review assumptions and make follow-up phone calls to individual school business officers to check data elements that were used in the construction of the final index numbers. Their willingness to work in collaboration with the AIR research team made the results of our work a better product.

The Oversight Committee also provided critical guidance, and helped coordinate our requests for data during the course of the study. Its members are Pat Davidson, Representative Hugh Fate, Eddy Jeans, David Teal, and Senator Gene Therriault.

In particular, Eddy Jeans and his staff were instrumental in helping us obtain data from ADEED and in serving as liaisons with school business officials and superintendents. Elizabeth Sweeney spent countless hours on the phone with the research team, both reviewing the Chart of Accounts and individual district fiscal audits, and guiding decisions about assignment of budget shares. Karen Lipson worked with the research team to quickly provide personnel data in whatever form necessary. Tim Mearig obtained important building and facility data for the energy prototype analysis and served as a liaison with school district facilities managers.

The study team would like to thank all of the school and district personnel who responded to our surveys and requests for information. Without their efforts, this study would not have been possible.

Joanne Lieberman, who laid the foundation for the project and managed it in its early stages, was instrumental in creating a well-conceived study, and demonstrated an uncanny ability to anticipate every contingency and plan for every eventuality.

Gur Hoshen, Ann Win, and Bob Morris all provided technical assistance through their programming skills using SAS statistical software.

Last, but certainly not least, we wish to acknowledge the hard work and significant effort put forth by Phil Esra, who has provided tremendous editorial support in developing this document.

Executive Summary

The purpose of this study is to develop an improved methodology for measuring differences in the cost of school resources across geographic locations within Alaska. State policy makers in Alaska have long recognized the importance of adjusting state education aid for geographic cost differences and, for the past five years, have utilized a cost adjustment index derived from a study conducted by the McDowell Group (1998). The present study is intended to develop a geographic cost of education index (GCEI) that will replace the existing cost adjustment and provide a more sophisticated approach to measuring cost differences. The application of such geographic cost adjustments in state aid is intended to equalize the purchasing power of the educational dollar across local school districts.

The costs of four major categories of school inputs are analyzed as part of this study:

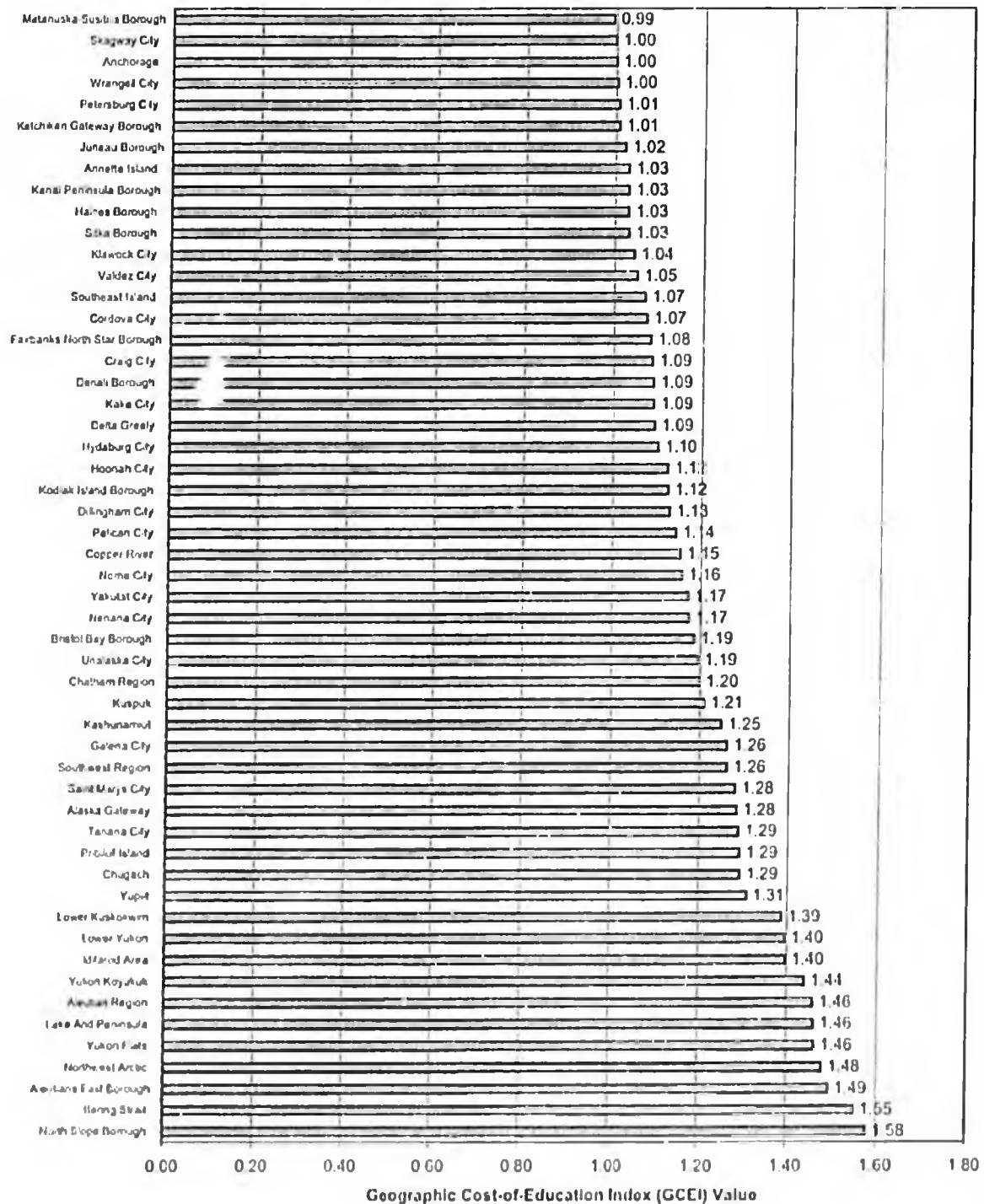
- personnel services
- energy services
- supplies, materials, and small capital items
- travel

The AIR research team collaborated closely with a group of eight school business officers representing a diverse sample of districts from across Alaska. These eight school business officers formed a Technical Working Group (subsequently referred to as the TWG) that provided feedback on components of the methodology for this analysis, assistance in the design of data collection instruments, and support in data collection efforts.

Overall Variations in Costs

Based on the study's analysis, the purchasing power of the educational dollar varies tremendously in the State of Alaska. The highest-cost district needs to spend about 1.6 times what the lowest cost district spends in order to provide comparable educational services. Using Anchorage School District as the benchmark (i.e., with a GCEI of 1.00), the analysis of costs reveals that the North Slope Borough School District exhibits the highest cost of education, with an index value of 1.58 (see exhibit). This means that this district needs to spend about 58 percent more than the Anchorage School District to provide comparable educational services to the students it serves. On the other end of the spectrum is the Matanuska-Susitna Borough School District, with an index value of 0.99. This means that this district needs to spend about 1 percent less than the Anchorage School District to provide comparable educational services.

A GCEI for Alaska School Districts



NOTES TO EXHIBIT: The districts listed on the vertical axis in this diagram are sorted in ascending order according to the value of the geographic cost-of-education index (GCEI), with the lowest on top.

Organizing the school districts by region reveals that the highest-cost districts in Alaska are located in the Far North (with average GCEIs of 1.38) and the Southwest (with average GCEIs of 1.31). The lowest-cost districts in the state are located in the Southeast (with an average GCEI of 1.07).

Differences between the values of the AIR GCEI and the current Alaska cost index for education may reflect a combination of methodology differences and changes in the costs of educational services since the last cost index was calculated. The largest differences are most likely attributable to methodological differences underlying the two studies' calculations.¹ The range, standard deviation, and mean values of the GCEI and the current Alaska cost index are quite similar. The AIR GCEI ranges from a low of 0.99 to a high of 1.58, while the range of the current Alaska cost adjustment is from 1.00 to 1.74. The standard deviation of the AIR GCEI is 0.17, and the standard deviation of the current adjustment is 0.21. Moreover, the correlation between the AIR GCEI and the Alaska cost index is 0.91, suggesting that the general patterns of variation in costs are quite similar between the AIR GCEI and the current Alaska cost index. More than 70 percent (38) of the districts exhibit a GCEI with less than a 0.10 difference from the current Alaska cost index. Forty-four percent (24) of the school districts in Alaska exhibit less than a 0.05 difference from the current Alaska cost index.

Personnel Cost Differences

Looking at the four major component indices reveals what one would expect. School personnel costs play a major role in explaining the variations in the overall costs of education across local school districts. The school personnel category accounts for a major portion of school district budgets, ranging in Alaska from 45 to 90 percent of total expenditures, with a median of 78 percent. AIR used econometric models of the school personnel labor market to provide a basis for simulations of the compensation levels that would be required if all districts employed *comparable* teachers, school administrators, and classified personnel. The key is comparability: what are the costs in different parts of the State of Alaska for school personnel with *comparable* levels of experience, education, and other demographic characteristics?

Using Anchorage as the basis for calculation of the index values (i.e., setting the Anchorage index to a value of 1.00), personnel costs range from a low of 0.93 in Southeast Island School District to a high of 1.28 in North Slope Borough School District. In other words, the highest-cost district pays, on average, about 28 percent more than Anchorage for comparable personnel, while the lowest-cost district pays about 7

¹ The actual values of the two indices are presented for purposes of comparison in Exhibit I-6 In Appendix I of the report entitled "Alaska School District Cost Study: Volume II-The Technical Report."

percent less than Anchorage for comparable school personnel. Comparing these two districts to each other, North Slope pays 38 percent more than Southeast Island for comparable personnel.

Energy Cost Differences

A second component index, energy cost, is influenced by several factors. Alaska's significant climate variation across districts affects the consumption of fuels and energy required to provide heat to classrooms and school buildings. In addition, the degree of remoteness of each district affects the prices of these fuel and energy sources.

The study's approach to calculating energy costs relies on an engineering computer simulation model. This model requires the development of prototype buildings to permit estimation of the energy requirements to provide heating, cooling, and power for all aspects of school and district operations. Each prototype is associated with a specific climate parameter expressed in terms of heating degree-days. The estimated energy consumption levels necessary for the prototype buildings in different climatic zones are then combined with information on the unit energy prices at each school site throughout Alaska to estimate the cost of energy services.

The results of this analysis show a range of index values for the cost of energy services per square foot from 0.74 in the Juneau School District to 9.31 in the North Slope School District. Typically, the school districts with the highest index values are located within the very cold climate zone, largely represented by the Far North region. High costs in less cold districts can be attributed to the relative costs of energy sources faced by these districts.

Costs of Supplies, Materials, and Small Capital Items

The third component index, supplies, material, and capital equipment, is most influenced by geographic differences in shipping costs. The base prices of supplies purchased by districts in different parts of the state may vary to some extent because of volume purchasing, but this difference is small compared to the difference associated with the cost of transporting these items from the major centers of commerce to the remote areas of the state. The costs range from a low of 1.00 in Anchorage School District to a high of 6.81 in Pelican City School District.

In general, larger districts (i.e., districts with higher enrollment figures) tend to exhibit lower costs of goods. Larger districts are able to purchase items in bulk more easily than smaller districts. Another factor contributing to the lower index values for districts with greater enrollments is their proximity to the suppliers of these goods. These districts operate in or near Alaska's major centers of commerce. Transportation costs are

lower, and competition among suppliers in these centers of commerce drives down prices.

Travel Costs

The fourth component index is the cost of travel. Because of the remote locations of some schools and communities in Alaska, travel costs can have a significant impact on the expenditures necessary to operate schools in the state. The majority of the low-cost districts in this index are city school districts and districts located near Anchorage or in another relatively accessible area of the state. These districts tend to have very low costs associated with travel between the district office and the school(s) in the district. For those districts located near Anchorage, travel costs to Anchorage for statewide training tends to be a relatively low-cost item. Districts located close to a center of commerce enjoy low costs for maintenance service travel, resulting in lower cost index values in this travel input index.

Summary of Recommendations

AIR makes a number of recommendations regarding implementation of the GCEI:

- Adoption of the new GCEI presented in this report.
- Improvements and expansion of the personnel databases currently collected by ADEED.
- Adoption of new data collections on non-personnel items including energy fuels; supplies, materials, and capital items; and travel costs.
- Updating the GCEI every 3 to 5 years.
- Using a professional economist for the analysis of personnel costs.
- Phasing in the new index over time to avoid disrupting district budgets.

March 22, 2007

Testimony from Susan Sciabbarrasi, Superintendent, Wrangell Public Schools

In 1998, Senate Bill 36 required the updating and monitoring of District Cost Factors. In July 2004 the Legislative Budget and Audit Committee contracted with ISER to update and modify the AIR District Cost Study. Funding two studies and one review from the capital budget indicates the importance placed on having the results from this final study. As we know, outcomes do not always benefit everyone, however, if the study met the guidelines and criteria that had been directed by the legislators, then, it seems not only prudent but also necessary to implement the results.

According to the ISER study, Wrangell's District Cost Factor would increase from 1.0 to 1.159. **Wrangell currently has the same District Cost Factor as Anchorage at 1.0.** As you are aware, Anchorage's 1.0 Cost Factor was designed as the basis of comparison for all other districts. It is obvious that it costs more to operate a school district on a small Island in Southeast Alaska, with less than a population of 2,000 inhabitants, than to do business in Anchorage where there is International Commerce, discount stores, and multiple means of transportation in and out of the city. In addition, Anchorage is the site for many professional educational conferences as well as most of the state extra-curricular activities that costs our district up to \$1,000 per person. Even this year, fuel prices in Wrangell have been up to \$1.00 per gallon more than in Anchorage. Never the less, the cost factor remains the same. Most importantly, Juneau is considered our closest 'Center of Commerce' and their current Cost Factor of 1.005 is higher than Wrangell's 1.0. That does not make logical sense for Juneau to be our major Center of Commerce yet has a higher cost factor. The new Cost Study remedies that by having Juneau at a slightly lower 1.145 compared to Wrangell's 1.159 District Cost Factor.

The objective of this study was to "determine district funding needs relative to Anchorage". It has nothing to do with the Base Student Allocation, which is determined by the financial needs of the state as a whole. The District Cost Factor is the instrument that takes into account the differences between the districts not the overall Base Student Need. While the Base Student Allocation determines adequacy, the District Cost Factor addresses equity. They are two different factors addressing two very different needs within our state.

In conclusion, results from the ISER study provided the information that was requested by the legislators and funded from the capital budget. We have those results in this study. Why request and fund a study in which you would not implement? Therefore, I am in support of fully implementing the District Cost Factors as presented in HB 72 through the ISER study to be effective July 1, 2007. Thank you for your time and consideration.

Susan Sciabbarrasi



Alaska State Legislature

Please enter into the record my testimony to the House HBSS
COMMITTEE NAME
 committee on HB 72, dated 3/22/07
BILL/SUBJECT TODAY'S DATE

I have been a parent of Kenai Peninsula Borough School District students for 14 years. The state has consistently shortchanged our district, as shown by numerous studies like the 2005-2006 study. Any further delay in even partial mitigation of this ongoing harm to our students is unacceptable. Thank you to the sponsors of this Bill for trying to hold the state accountable in a certain timeframe. Not all harm can be compensated financially, your delay in this matter has already triggered a "brain drain" from the state of the families that care most about education, a loss to our state you will never recover.

Signed: Virginia Espenohade, Virginia Espenohade
TELETYPE (Typed, PRINTED NAME)

Self
REPRESENTATIVE

P.O. Box 1752 Homer
ADDRESS

935-1823
PHONE

Kake City School District

*P.O. Box 450
Kake, Alaska 99830
(907) 785-3741*

March 27, 2007

To: Alaska Legislature
House Finance Committee

Re: HB 72 – School District Cost Factors

Dear Finance Committee Members,

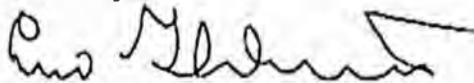
It is with great earnest that I ask for your full support in the implementation of the School District Cost Factors as proposed in HB 72. These cost factors were determined by the ISER Study that was sanctioned by the Legislature some time ago. The ISER Study has clearly demonstrated that existing cost factors are not sufficient to equalize the distribution of Foundation Formula funds as they pertain to the cost of achieving equal services and supplies throughout the school districts of Alaska.

The cost of doing business in the Kake City School District continues to rise. This is particularly true in the areas of electricity, fuel oil, freight, and other fixed costs out of the control of the district. We have been frugal with our education funds and we have adopted various economies of service where we could. We believe it is vital and necessary for the Legislature to recognize and implement the recommendations of the ISER Study and meet the needs of Alaska's students by moving and passing HB 72.

As a school district, we have economized on our fixed costs and in the area of non-educational personnel as much as possible. Failure to adopt School District Cost Factors as proposed in HB 72 will cause us to begin the elimination of needed educational personnel. We are a successful school district that has made AYP every year. Last year Kake City Schools was recognized by the Alaska Department of Education for our improvement within a sub-group while maintaining overall student performance. We want to continue to do well and to give our students every opportunity guaranteed them by the Constitutions of the State of Alaska and the United States of America.

This letter is being submitted on behalf of the Kake City School Board, the students of the Kake City School District, the community of Kake.

Sincerely,



Eric Gebhart
Superintendent

Kake City School District is an Equal Opportunity Employer



Alaska State Legislature

Please enter into the record my testimony to the ___House Finance Committee___ on
___HB72___, dated ___032807___.

I have been very involved with the schools in our community since my oldest son started kindergarten in 1999. In the 8 years since he has been in school, I have witnessed many cuts. Not only has class size increased, we no longer have a librarian and we have minimal PE and music. Every year we hear a worst case scenario that means many teachers are unsure of where or if they will teach the next year.

I realize there are several different reasons for the problem. However, the cost differential has contributed to the deep cuts we have seen in the Kenai borough. We have to address this problem now. I believe a fair allocation of resources will not solve the deficit the school's face. However, it will put all schools in the same boat for the first time since the cost differential was put in place. Then we could concentrate on raising the student allocation across the state.

Please consider the numbers in House Bill 72 not as they affect your specific district, but that they equalize the level of education that can be delivered across the state.

Please, let's put this matter to rest once and for all and start tackling some of the other issues facing schools across the state of Alaska.

Thank You,

Connie Ferguson
Sterling, Alaska

Alaska Association of School Administrators
LEADERSHIP FOR LEARNING

326 Fourth St., Suite 404 • Juneau, AK 99801-1101
Phone: (907) 586-9702 (800) 478-9702 • Fax: (907) 586-5879



28 March 2007

The Honorable Mike Chenault
Co-chair, House Finance Committee

Dear Representative Chenault and House Finance Committee members:

Due to a conflict, I am unable to be present today to testify in favor HB 72 which includes full implementation of the district cost factors.

AASA passed a resolution requesting full funding of the area cost differential based on the ISER study. We also believe that any area cost differential should be accompanied by an increase to the base student allocation for all districts, to better assure adequate funding regardless of the cost factor adjustment.

Thank you for considering this testimony supporting HB 72.

Sincerely,

A handwritten signature in cursive script that reads 'Mary A. Francis'. The signature is written in dark ink and is positioned above the typed name.

Mary A. Francis, Executive Director

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37



March 28, 2007

Dear Representative Chenault,

Adak

Akutan

Aleknagik

Atka

Chignik

Chignik Lagoon

Chignik Lake

Clark's Point

Cold Bay

Dillingham

Egegik

Ekwok

False Pass

Ivanof Bay

King Cove

King Salmon

Koliganek

Manokotak

Naknek

Nelson Lagoon

New Stuyahok

Nikolski

Perryville

Pilot Point

Portage Creek

Port Heiden

St. George

St. Paul

Sand Point

South Naknek

Teguk

Twin Hills

Ugashik

Umanashik

We are eight school district superintendents serving the students of House District 37, which includes Bristol Bay, the Alaska Peninsula, and the Aleutian, Shumagin, and Pribilof Islands.

We send this letter to express our strong support of HB72, your bill that uses 100% of the ISER numbers for district cost factors.

The fact that you were able to get 25% of those numbers last year was of great help to all of our districts. Full implementation of the ISER numbers will mean so much more to the students, parents, teachers and administrators out here.

We agree with you that this issue is really one of fairness. The legislature must recognize the differences in energy costs as well as the greater difficulty to recruit and retain teachers in areas more isolated than Anchorage. To say that we are on an equal playing field as far as education is concerned is unreasonable and shows a poor understanding of the hurdles rural Alaska perpetually faces.

These factors have been studied and debated again and again. It's time to acknowledge the evidence and adjust all school districts across the state to the 100% level.

We thank you for your hard work on this issue. If there's anything any of us can do to help you in your efforts to get this bill passed, please let us know.

Sincerely,

The Superintendents of District 37 Schools

Steve Atwater
Lake & Peninsula Borough S.D.

Arne Watland
Dillingham S.D.

Darrell Sanborn
Unalaska S.D.

Randy Swenson
Aleutians East Borough S.D.

Jamie Stacks
Pribilof S.D.

Joe Beckford
Aleutian Region S.D.

Jack Foster
Southwest Region S.D.

Woody Wilson
Bristol Bay Borough S.D.

State Capitol Building

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Email: Rep_Bryce_Edgmon@legis.state.ak.us