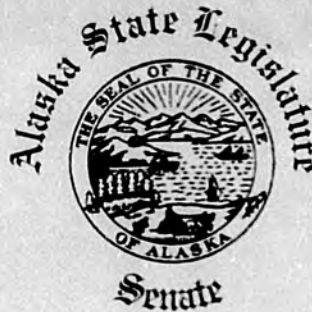


SCOMM

151:1

GARY WILKEN
SENATOR
Fairbanks



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SPONSOR STATEMENT

Senate Bill 219 Governor Panel on District Cost Factors

Senate Bill 219 offers a unique opportunity for the Legislature to step back from the current debate over the accuracy of the proposed geographic cost indices used in the education funding formula and encourages the legislative body to consider a new approach to this difficult, recurring policy issue.

Senate Bill 219 establishes a *Select Panel on District Cost Factors* within the Office of the Governor for the purpose of developing an updatable and durable model to measure actual relative cost differences in providing public education. Placement of this important panel under the purview of the governor affords an open, statewide perspective and fosters cooperation between all school districts.

How to accurately measure the relative cost variances between Alaska's 53 school districts has been a constant source of aggravation, discourse, and contention within the legislature and the education community for the past 24 years. The Legislature has attempted many times to develop an updatable model to measure the differences in cost between school districts, but unfortunately an acceptable plan has been elusive.

The *Select Panel* will take a fresh look at how to measure these differences with the goal of providing the State of Alaska with a fair, objective, accurate, and durable district cost model that educators and the public can support. The panel's finished work product will remove a perennial source of frustration for many.

It is time to try the approach outlined in Senate Bill 219. Please join me in support of this legislation.



25th ALASKA STATE LEGISLATURE
SENATE REPUBLICAN CAUCUS
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SENATOR GENE THERRIAULT, MINORITY LEADER
STATE CAPITOL, ROOM 427, 465-4797 (FAX 465-3884)

SENATOR CON BUNDE
SENATOR FRED DYSON
SENATOR TOM WAGONER
SENATOR GARY WILKEN

Fact Sheet for : Senate Bill 219
Sponsor: Senator Gary Wilken

Contact: Sheila Peterson 465-3709

Short Title: Governor's Select Panel on School District Cost Factors.

Summary:

- Establishes a Select Panel within the Office of the Governor for the purpose of developing a durable model to measure actual geographic cost differences in providing public K-12 education.
- Affords the public an opportunity to comment on the panel's proposed cost difference model and enables the panel to modify the model based on that public comment and review.
- Requires the panel to provide a final report to the Legislature and the Governor no later than September 1, 2010. That report will include the recalculated school district cost factors based on the panel's best and final model.
- Repeals the current district cost factors in 2011, thus allowing the legislature time to adopt the Select Panel's recommendation.

Benefits:

- Provides a sixty-day public review and comment period and ensures an open process that ensures a statewide perspective.
- Removes the development of a new district cost factor model from parochial legislative advocacy by placing the Select Panel within the Office of the Governor.

Background:

- Alaska's school funding formula includes a component that recognizes that the actual cost of providing education is different for each district depending on its location. This component used in the state's K-12 education funding formula, called the "district cost factors," was last adopted by the legislature ten years ago.

In an effort to update the district cost factors, the legislature has funded two separate district cost factor studies leading to disparate results. Uncertainty about the validity of those studies and controversy over their underlying assumptions and economic analysis has inspired debate and contention among educators, the public, and legislators. Acknowledging the controversy surrounding these reports, the recent Education Task Force recommend phasing in the district cost factors propose by one of these studies. This phased approach affords the state time to develop a model that will accurately measure the relative cost differences between school districts.

SB 219 creates a Select Panel that will take a fresh look at the cost differences between districts with the goal of providing the state with a fair, objective, accurate, and durable district cost model that educators and the public can support.

Governor's Panel on District Cost Factors

Timeline for the Governor's Select Panel on DCFs

	2008	2009				2010				2011
Select Panel Tasks	May	Mar 1	June	Sep 1	Nov 1	Mar 1	June	Sep 1	Dec 31	Jan
Selects vendors & recommends model	12 - 16 months									
Opens a 60-day public comment period on model	2 months (depends on public comment period)									
DCF's decided, final report to gov & legis			12 - 16 months							
Select Panel on District Cost Factors sunsets	2 years, 8 months									
Repeal of the District Cost Factor statutes										★

Alaska School District Cost Study Update

January 31, 2005

Prepared for
Alaska Legislative Budget and Audit Committee

Prepared by
Bradford H. Tuck
Matthew Berman
Alexandra Hill

Institute of Social and Economic Research
University of Alaska Anchorage





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

JOHN C. FLANAGAN RESEARCH CENTER

1791 ARASTRADERO ROAD | PALO ALTO, CALIFORNIA 94304-1337

Alaska School Operating Cost Study

Final Report

Prepared for:

**Senator Randy Phillips, Chair
Legislative Budget and Audit Committee
State Capitol
Juneau, Alaska 99801**

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March, 1998



PROPERTY

Public School Funding

A Historical Review

Some critics of Senate Bill 36 focus attention on the impact the legislation has on several rural school districts, specifically the loss of state revenue in comparison to the dollar amount previously received. In order to fully understand this argument, it is necessary to put the current funding formula in a historical perspective.

1985

**A one year
stop-gap
funding
scheme
was
adopted.**

1985 marked the second year of a three year study to determine a "resource cost model" to fund schools. California consultants were asked to assess the costs involved in educating Alaskan students in three differently sized, hypothetical classrooms. During this lengthy review, school districts were anxious for a change and pressure on the Legislature mounted. For a variety

of reasons, the "resource cost model" was never implemented. Unable to decide upon the funding level, the Legislature approved a stop-gap measure.

An Alaska Geographic Differential Study was conducted in 1985 by Homan-McDowell. The study was based solely on the household cost of living and provided differential data for 19 election districts.

1986

**A re-write
proved
impossible;
another
one year
solution.**

Still under pressure to adopt a new formula, the Legislature approved SB 408, sponsored by Sen. Frank Ferguson, for one year.

• "[The ACD] has always been a tool used to . . . bring a number up or down, depending upon what a legislator was interested in."

Mike Scott, staff to Sen. Ferguson

• "... most districts generate more special ed. money than they need."

• "... noted the increased need for consolidation of school districts."

Bob Green, School Boards' Assoc.

• "... real equity between urban and rural districts cannot be achieved."

LeRoy Owens, Aleutian Schools

1987

**After two
years of
different
stop-gap
measures,
a new pro-
posal
was con-
sidered.**

The Legislature convened and found itself still in a tenuous position. The funding formula was under attack by the Southwest Region School District and the federal government. (Subsequently, the federal government required \$11 million to be repaid by the state to several school districts.)

Governor Cowper proposed a funding formula based on "instructional units" and the cost of living study conducted in 1985 by

Homan-McDowell. City and borough school districts were required to contribute 4 mills of their assessed property value or 35% of their district's basic need. A district's allocation was determined, in part, by the number of "funding communities" within the district.

The House Finance Committee amended the original bill and increased twenty-nine area cost differentials.

1987

As a result of several years of turmoil, the proposal was adopted even though the legislation "would be a further setback for railbelt taxpayers and students."

Sen. Joe Josephson (5/19/87)

• "[The new area cost differentials] are not based on the benefit of specific supporting data. For this reason, I do not feel these numbers should be included in the Foundation Formula."
Rep. Steve Rieger (4/16/87)

• "[The new area cost differentials] presented are not based on a solid basis of school costs. I do not have confidence in their accuracy."
Rep. Pat Pourchot (4/16/87)

• "[The House HESS Committee] urges that the issue of taxation in the unorganized areas be given serious consideration."
Rep. Johnny Ellis (3/19/87)

• "... would like a survey of the [unorganized] areas to know the potential of the people being able to pay a percentage of the cost of education in their own areas."
Rep. Dave Donley (3/18/87)

• "[I] express concern that surplus funding would be siphoned off by central offices and used to increase administrative hierarchy."
Sen. Paul Fischer (5/19/87)

• "... in the rush to adjournment, the Senate Finance CS was reported out of committee without an opportunity for public testimony. [I] prevailed upon the Senate to return the bill to committee for a public hearing."
Sen. John Binkley (5/19/87)

• "... if the 4 mill rate was in place ... North Slope and Valdez would be paying an unrealistic amount in relationship to [their need]."
Marshal Lind, DOE Commissioner

• "... noted that [House Finance] had proposed twenty-nine [new ACDs] totaling approximately \$4.2 million for all REAAs."
Sen. Paul Fischer (5/19/87)

• "I believe it is dangerous for the Legislature to adjourn without enacting a new formula. Urban members of the Senate HESS Committee acquiesced in a measure that includes area differentials less favorable to urban areas."
Sen. Joe Josephson (5/19/87)

• "... there appears to be no objective definition of funding communities."
Bill Berrier, small districts' lobby

1998

SB 36 proposes a funding formula that is based on actual school costs.

During the past ten years, the Foundation Formula has remained relatively stable. However, the current distribution scheme, developed under pressure with very limited cost data, has proven to be an experiment that has failed.

Issues raised in 1987 – special education spending, administrative overhead, "funding communities," local contribution inequities, inflated area cost differentials – are

still areas of concern and are addressed in SB 36.

Senate Bill 36 is based on a school operating cost study that treats all Alaskan schools equally and fairly. This is the first review of actual school costs in the thirty-nine years of Alaskan statehood.

It is important to remember the historical perspective of the current formula when comparing SB 36 to the existing formula.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 219
 () Publish Date: _____

Identifier (file name): SB219-OOG-EO-2-4-08
 Title: "An Act establishing the Governor's Select Panel on School District Cost Factors; ... effective date."
 Sponsor: Senators Wilken, Bunde
 Requester: (S) Special Committee on Education
 Dept. Affected: OOG
 RDU: Executive Operations
 Component: Executive Office
 Component Number: 6

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services							
Travel	29.0	0.0	29.0	14.5	0.0	0.0	0.0
Contractual	530.0	0.0	530.0	20.0			
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	559.0	0.0	559.0	34.5	0.0	0.0	0.0

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	559.0	0.0	559.0	34.5	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	559.0	0.0	559.0	34.5	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Analysis assumes contractual costs for model and data development of 1M. 29.0 travel assumes statewide representation and 4 face-to-face meetings annually, one Juneau, one Fairbanks and two Anchorage through FY10, with final meetings in Anchorage and Juneau in FY11. Teleconference costs for additional meetings, public notice, printing and other administrative costs are estimated at 30.0 for FY09, 30.0 for FY10 and 20.0 for FY11.

Consideration of a multi-year operating appropriation of 1,152.5 with a 1/01/12 lapse date is recommended. This would facilitate the unknown timeframes relating to anticipated contract expenditures for model and data development.

Prepared by: Linda Perez, Administrative Director Phone 465-3876
 Division: Division of Administrative Services Date/Time 2/4/08 12:00 AM
 Approved by: Linda Perez, Administrative Director Date 2/4/2008
Division of Administrative Services

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 219
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU Public Assistance
 Component Child Care Benefits

ID(File name) SB219-DHSS-CCB-2-4-08
 Title GOV PANEL ON SCHOOL DISTRICT COST FACTORS
 Sponsor WILKEN
 Requester SENATE SED

Component No. 1897

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation		Information				
	Required						
OPERATING EXPENDITURES	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES (0)							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1037 GF/Mental Health							
Other(Specify Type-do not abbreviate)							
Other(Specify Type-do not abbreviate)							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

AS 47.25.071 authorizes the Child Care Grant Program, which provides assistance for the operation of child care facilities. Under current law, grants to qualifying providers are adjusted on a geographic basis by the same factor as funding for a school district. Grants are also capped at \$50 per month for each qualifying child.

Sec. 3. of SB 219 amends 47.25.071 (c) by eliminating the school district cost factors in the geographic adjustment for the Child Care Grant Program, and gives the authority for setting a geographic adjustment to the Commissioner of the Dept. of Health of Social Services.

Prepared by: Ellie Fitzjarald, Director
 Division Division of Public Assistance
 Approved by: Karleen Jackson, Commissioner
 Agency Department of Health and Social Services

Phone 465-2680
 Date/Time 02/04/2008
 Date 02/04/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

BILL NO: SB 219

ANALYSIS CONTINUATION

We do not anticipate that the proposed legislation will have a significant fiscal impact on the Child Care Grant Program as the proposal does not remove the \$50 monthly cap for each qualifying child.

This legislation would give DHSS the opportunity to simplify administration of the program by reducing the number of geographic adjustments that are currently required, and will require changes to the Alaska Administrative Code.

The bill has an immediate effective date, however, time will be needed to complete the analysis to set the new geographic rate structure and promulgate regulations.