

12/12/2013
SENATE
FINANCE
EDUCATION
SUBCOMMITTEE

<TARGET><BILL></BILL><SUBJECT>12-12-2013 SENATE FINANCE
EDUCATION
SUBCOMMITTEE</SUBJECT><COMM>SFIN28</COMM></TARGET>

Chart 1: BSA Required to Fund Projected Increases in School District Operating Costs

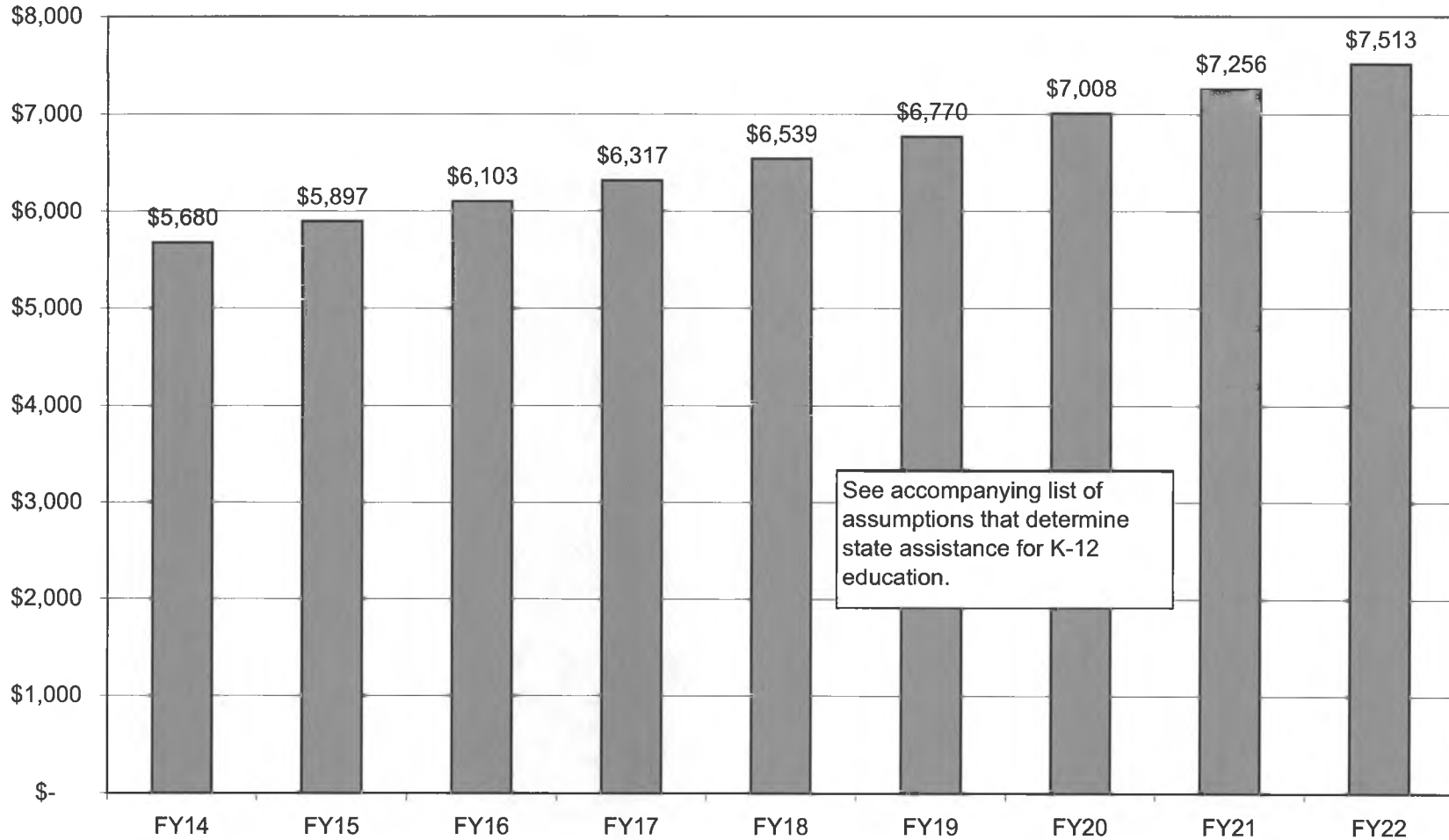
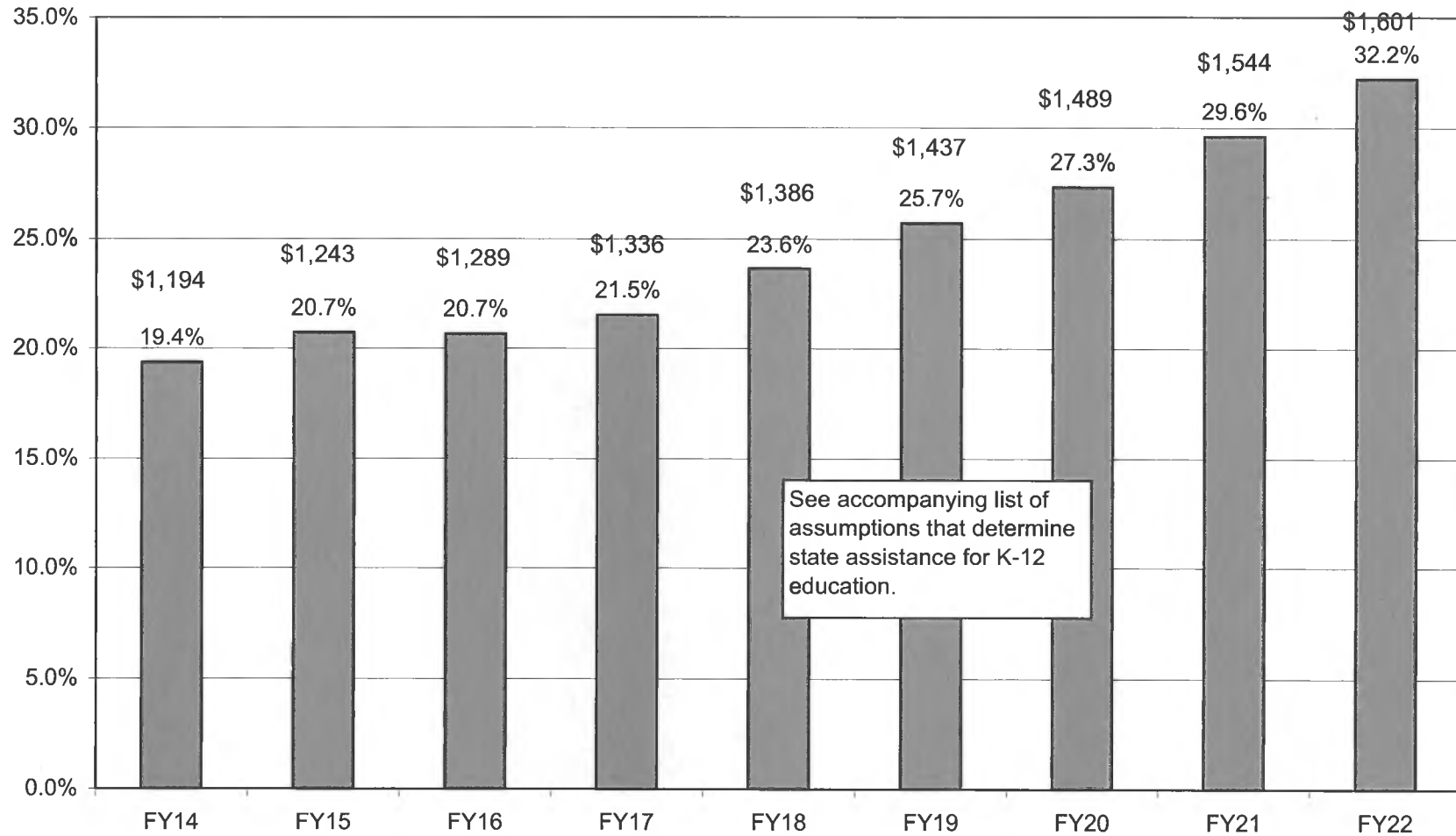
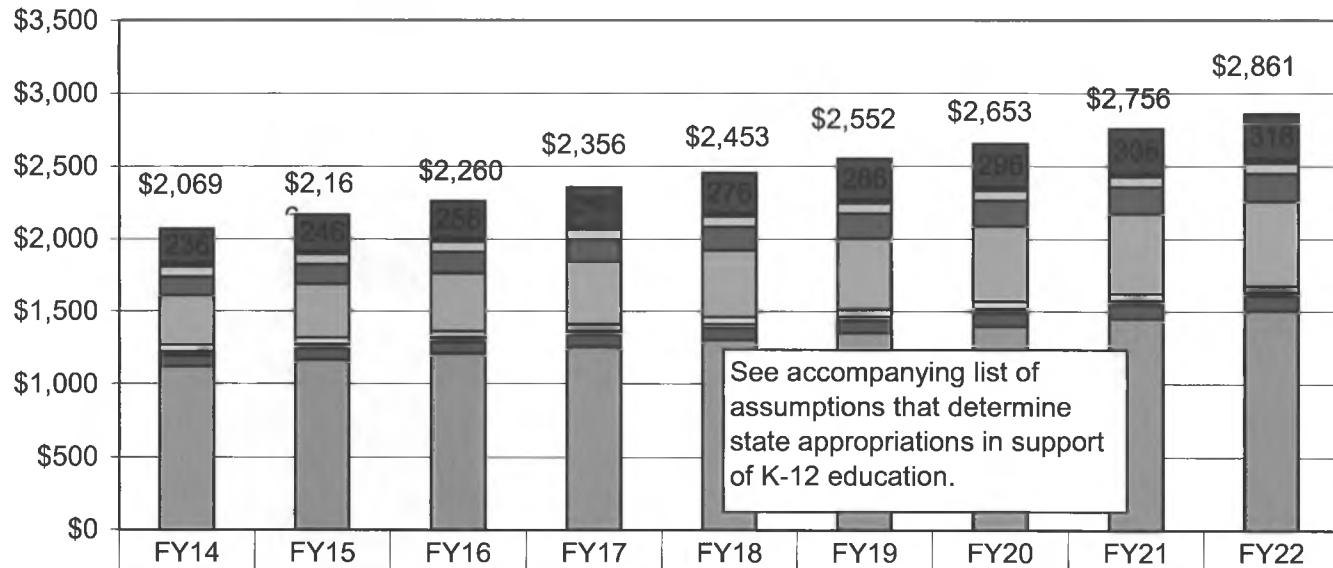


Chart 2: Projected State Aid for K-12 Formula Programs as a Percentage of Projected UGF Revenue (Revenue shown in \$ millions)



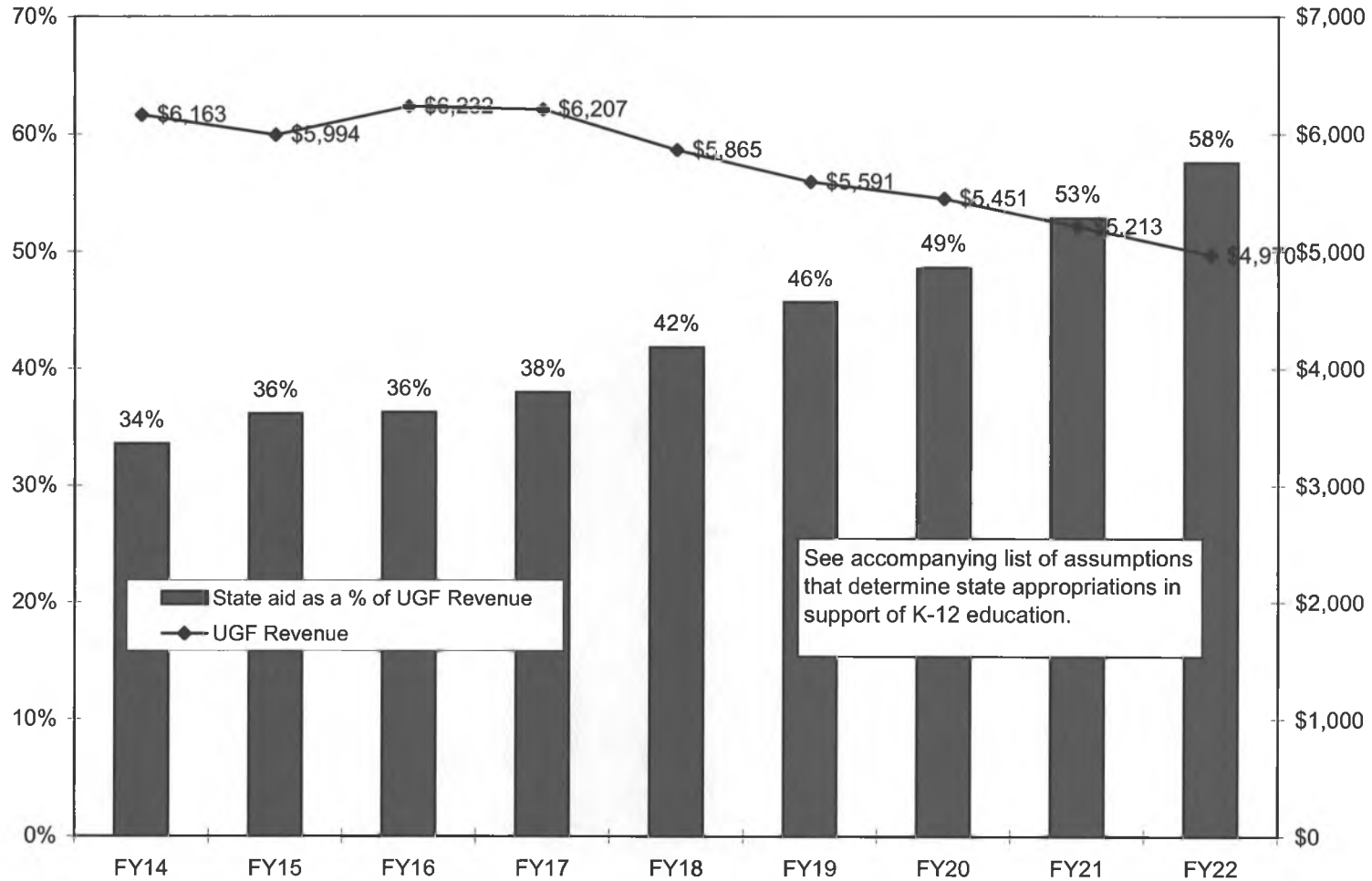
**Chart 3: Projected State Appropriations in Support of K-12 Education
(\$ millions)**



	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
■ DEED Operating Costs for K-12	236	246	256	266	276	286	296	306	316
■ School Major Maintenance	23	23	23	23	23	23	23	23	23
□ School Construction	71	71	71	71	71	71	71	71	71
■ Debt Service Reimbursement	128	136	144	152	160	168	176	184	192
■ Retirement Assistance	344	374	404	434	464	494	524	554	584
□ State Grants to School Districts	49	49	49	49	49	49	49	49	49
□ One-Time Items	25	25	25	25	25	25	25	25	25
■ Pupil Transportation	73	76	79	82	85	88	91	94	98
■ Foundation Formula	1,121	1,167	1,210	1,255	1,301	1,349	1,398	1,450	1,503

Chart4

Chart 4: Projected State Appropriations in Support of K-12 Education as a Percentage of UGF Revenue (Left Axis) and Projected UGF Revenue (Right Axis in \$ millions)



Projecting K-12 Costs to FY22—An Explanation of Assumptions

Assumption	Annual Rate of Change	Change (FY14 to FY22)	Change in State Aid FY14 to FY22 (\$millions)	Explanation
ADM				
ADM-regular students	-0.05%	(473)	\$ (4.8)	The 10-year trend has been slightly downward and there is nothing to indicate a reversal of the trend.
ADM-intensive needs students	0.50%	89	\$ 6.6	Trend has been upward.
ADM-correspondence students	1.00%	882	\$ 4.0	Trend has been upward.
Total ADM		409	\$ 5.8	Correspondence ADM increases at the expense of regular ADM, and the number of intensive needs students increases slowly. The result is a \$5.8 million increase attributable to student counts.
ADM Adjustments				
ADM Adjustments	0.00%	-	\$ -	The legislature controls the variables by which ADM are adjusted for school size, geographic cost differentials and other factors. Unless the legislature acts to change these factors, the conversion of ADM to AADM will remain as it is. ADM then drives Basic Need, which increases by \$5.8 million.
Federal Funding				
Federal Funding	0.00%	-	\$ -	There is no firm indication of trends in federal funding. It remains unchanged in the model.
Local Contributions				
Property Values (\$ billion)	4.00%	\$ 31		Property values increase not only with inflation, but also with new construction. The rate of increase is no more than a guess.
Mil Rate	0.00%	-	\$ -	Assume that the rate remains at 2.65 mils.
Required Local Contributions (\$ million)		\$ 82	\$ (81.7)	Local effort is directly dependent on property values. As local effort increases, the state share of basic need declines dollar for dollar.
Voluntary Local Contributions (\$million)		\$ 1	\$ -	Voluntary effort is capped at 23% of basic need. The cap increases as basic need increases, but the state share of basic need is not affected by voluntary effort.
<p>Conclusion: If the BSA does not increase, the local share of school district costs can be expected to increase by \$83 million, and the state share to fall by \$76 million. Despite the reduction in state aid, the percentage of available UGF revenue required to fund the K-12 formula would increase from 18% in FY14 to 21% in FY22.</p> <p>To this point in the modeling effort, total funding to school districts is effectively flat, and state aid would decline. The next step is to project district expenditures based on past trends. Because required local contributions and federal aid are not a function of basic need or of expenditure trends, the model assumes that the state covers the full cost of expenditure increases via increases in the BSA.</p>				
District Expenditures				
Salaries	2.30%		\$ 150.0	Growth rates in district costs are based on information provided by DEED for 2008 through 2012. Salaries account for 56% of expenses.
Benefits	4.90%		\$ 190.0	Benefits account for 24% of expenses.
Non-personal Services	4.00%		\$ 125.0	Non-personal services items account for 20% of expenses.
Total			\$ 465.0	This level of expenditures would increase the share of UGF required to fund the formula to 30% by FY22. If the amount were provided by increasing the BSA, the BSA would increase by \$1,833 to reach \$7,513.
Pupil Transportation				
Pupil Transportation			\$ 25.0	Pupil transportation cost is assumed to be 6.5% of the cost of state assistance.
Other Items				
One-Time Items			\$ -	The following items are controlled by the legislature and do not typically provide additional operating funds to school districts. The assumptions are mere guesses. Remain at the FY14 level of \$25 million annually.
State Grants to School Districts			\$ -	Remain at the FY14 level of \$40 million annually.
DEED Operating Costs for K-12			\$ 80.0	Increase by \$10 million annually.
Retirement Assistance			\$ 240.0	Increase by \$30 million annually.
Debt Service Reimbursement			\$ 64.0	Increase by \$8 million annually.
School Construction			\$ -	Remain at the FY14 level of \$71 million annually.
School Major Maintenance			\$ -	Remain at the FY14 level of \$23 million annually.

Education Principles

1. Public Education is a core state program and constitutionally mandated.
2. The Legislature is charged by the constitution to establish and maintain a public school system.
3. Currently student achievement and school performance is based upon assessment data.
4. Public education is now less a local affair with more control being assumed by the state and federal government.
5. The student population has decreased over the last decade statewide.
6. Alternative programs such as charter schools and homeschool/correspondence schools are growing.
7. The cost of health insurance is rising at a rate faster than other cost drivers.
8. In 2012 the TRS/PERS retirement systems had an unfunded liability estimated to be \$12 billion.
9. Alaska reimburses municipal school districts for capital bonding at a minimum rate of 60/40 percent.
10. Technology offers greater access to distance delivered coursework.
11. The cost of public education for each child varies depending upon the approach. The cost can range from as little as \$4,544 in public Homeschool/Correspondence programs to as much as \$48,449 per student in Aleutian Region.

Senate Finance Education Subcommittee Take-Aways

General Education Issues

No.	Issue	Description	Member Comments
1	Alaska Education Survey	A statewide scientific, comprehensive survey of Alaska families' views on education will help form decisions.	
2	Purpose of Education	There appears to be little consensus as to the goals, out-comes and performance desired from educational systems.	
3	Common Core	Questions remain regarding who has authority to adopt, what is the cost and what is meant by "Common Core."	

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Cost Efficiency Measures

No.	Issue	Description	Member Comments
4	Health Care Costs	Health Care Costs have increased more than 130% over ten years and may not be sustainable.	
5	Workers' Compensation	One school district reduced its workers' comp claims 43 % over 5 years, but the cost per claim increased over 400%.	
6	School Energy Savings	AHFC recommended an energy savings loan program to districts, but statutes make it is difficult for districts.	
7	District Admin Costs	Administrative work is similar in most school district. There may be several ways to achieve cost-efficiencies.	
9	Statewide Assessments	Several statewide assessments are required and each cost time and money for students, educators and districts.	
10	Performance Scholarship	Districts must determine eligibility for all students but only a small percentage of seniors are interested in the APS.	
11	Percent for Instruction	Only GF is used to determine 70/30 percent for instruction while schools use all funds in their instructional programs.	
12	Reduction in Force	Current statutes make it difficult for a growing school district to base personnel decisions on qualifications.	
13	Retire/Rehire Educators	Can a school district hire a retired educator to teach an elementary grade or a high school class?	
14	Adjunct Professors	Partnering with UA to have a qualified adjunct professor teach a H.S. class may be cost-effective to a school district.	
15	School Board Compensation	High financial compensation for school board members takes funds away from instruction.	
16	Contract Services	Contracting food and custodial services may be a cost-effective savings for some school districts.	

No.	Issue	Description	Member Comments
17	Statewide Salary Schedule	Twenty-one states have statues relating to a statewide teacher salary schedule.	

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K-12 Education Funding

No.	Issue	Description	Member Comments
18	Foundation Formula	Districts find it difficult to plan for the future if they do not know the anticipated amount of state support.	
19	Foundation Formula	Many school districts anticipate a revenue shortfall in the 2014-2015 school year.	
20	Unfunded Liability	PERS/TRS unfunded liability is growing and will have a substantial impact on available state revenue in the future.	
21	Capital Budget Grants	Funding district projects within the capital budget does not distribute funds equally among all school districts.	
22	District Fiscal Notes	School districts are expected to absorb all the additional costs of new programs created by statute or regulations.	
23	Intensive Need Students	More children with multiple disabilities are surviving and are enrolling in schools.	

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School Construction and Debt Reimbursement

No.	Issue	Description	Member Comments
24	School Construction Costs	New schools are expensive to design, build and maintain and may not be sustainable.	
25	Maintenance Costs	Preventative maintenance is important to preserve school buildings, but it is costly and sometimes difficult to achieve.	
26	Private Ownership of Schools	In the past, the private sector has constructed, owned and leased certain buildings to the state.	
27	Teacher Housing Units	In some school districts, adequate teacher housing is not readily available.	
28	Schools in Small Villages	If student enrollment drops below 10, the school is often closed, leaving an unoccupied school building.	
29	Residential High Schools	State money is available for new school construction, but not residential facilities.	
30	Charter Schools	State money is available for new school construction, but not charter schools.	
31	Debt Reimbursement	School debt reimbursement amounts to over 50% of the total bond debt for the State of Alaska.	

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Technology in School Districts

No.	Issue	Description	Member Comments
32	Comprehensive Audit	A comprehensive technology audit of all school districts will show the state's needs.	
33	Invest in Technology	Technology is rapidly changing how students learn and districts may not have available the necessary revenue.	

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Help for Students and Teachers

No.	Issue	Description	Member Comments
34	High School Credit	Not all districts grant high school credit for a college course completed through AK Native Science & Engineering Prog.	
35	Challenge a H.S. Course	Colleges allow a student to obtain course credit if mastery of the course can be shown by passing a required test.	
36	Accuplacer as a Tool	The Accuplacer Test is given to all college freshmen to help accurately place the student.	
37	Remediation	University staff and high school teachers should collaborate on remediation and developmental approaches.	
38	School Rating System	Performing students and schools will continue to achieve without oversight; DEED efforts could assist others.	
39	Home School Oversight	Performing home school parents will continue to achieve without oversight from DEED.	
40	Four Years of H.S Math	The State of Maryland requires all students to take four years of math.	
41	Differentiated Diploma	A high school diploma tells only if the student passed the HSGQE test and completed district course requirements.	
42	Teacher Mentor Program	Research shows that a teacher who is mentored achieves greater student success than a teacher who is not.	
43	Board Certified	The process for a teacher to become nationally board certified is expensive and time consuming.	
44	Mt. Edgecumbe School	A statewide high school should represent the population statewide, including low performing students.	
45	Replication of Success	Replication or expansion of successful programs benefits all students throughout Alaska.	

No.	Issue	Description	Member Comments
46	Students on Waiting Lists	The demand for some school programs exceeds the capacity of the school and students are placed on a waiting list.	
47	Parent Engagement	Academic success by students from Alberta, CA, has been attributed, in part, by the strong empowerment of parents.	

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Pre-K Education

No.	Issue	Description	Member Comments
48	Early Lang Development	Language development begins at birth and it is often difficult to make up the loss of development later on.	
49	Private/Public Partnerships	The establishment and expansion of Pre-K programs needs to be based on research.	

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