SCOMM

125:34

AMENDMENT #2 BY REPRESENTATIVE BUNDE

Page 2, Line 3:

Add to the intent language:

(e) that the secondary student competency examination (or test) focus on the minimum competencies in the areas of reading, English, and mathematics that a student should have to know in order to function in our society.

AMENDMENT #1 BY REPRESENTATIVE BUNDE

Page 2, Line 4:

Change "**Secondary pupil competency testing**" to either

Secondary student competency testing OR

Secondary student competency examination

Amendment
Rep Guess

AS 14.03.120(d) is amended to read:

(5) a description of the school's attendance, retention, dropout, and graduation, **including the number and percentage of students who received a diploma under a waiver from the competency examination required under AS 14.03.075(a)**, as specified by the state board.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
SECTIONAL ANALYSIS
SB155/HB204

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
1	Findings and purpose.	1 2	12 1-25	Emphasize ACPE/ASLC joint missions to expand economic benefit of education and training as broadly in the state as possible; providing benefits to individuals, institutions, and industries.	New Language	Immediately
2	ACPE advisory functions.	2 3	26-31 1-14	Remove archaic and/or unfunded functions.	Amended Language	Immediately
3	ACPE mandated functions.	3	15-23	Emphasize financial aid administration, regulation of in-state postsecondary institutions; and administration of federal student financial aid.	Repeal and Reenacting Language	Immediately
4	ACPE authorized (permissive) functions.	3 4	24-31 1-25	Clarify: (1) regulation adoption authority to administer state and federal financial aid programs and postsecondary institutional authorization; (2) authority to delegate operational administration to ACPE executive director or subcommittees; (3) establish and collect fees for review of non-Alaska institutions; and, (4) collect financial aid debts from individuals, including collection fees.	Moves Existing Language and Adds New Language	Immediately
5	ACPE authorized role re: postsecondary consortia in Alaska	4 5	26-31 1-7	Authorization to negotiate agreements between the University of Alaska and other consortia institutions.	Amended Language	Immediately
6	ASLC purpose	5	8-18	To include creating financial aid administration efficiencies. Provide operating principles to guide corporation action.	Amending and Clarifying Language	Immediately
7	ASLC general powers	5 6 7 8	19-31 1-31 1-31 1-16	Revise and clarify collection authority and to insure ASLC activities are financially self-sustaining.	Amending and Clarifying Language	Immediately

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
8	ASLC to finance education loan programs.	8 9	17-31 1-11	Provide direction for establishment of state supplemental education loan programs. Provide operating principles to insure flexibility for developing various state loan products and that such products be designed to attract and retain students in Alaska, including offering terms and conditions that are more attractive than prevailing market terms.	New Language	Immediately implement, but loans disbursed on or after July 1, 2002
9	Clarifies the purpose of the education loan fund and describes appropriate uses of the fund.	9 10	12-31 1-8	By reference, specifically authorize financing for integrated state and federal financial aid programs.	Amended Language	Immediately
10	Education loan fund.	10	9-16	Conforming change to incorporate the new programs that have an effective date of 7/01/02.	Amended Language	Immediately implement, but loans disbursed on or after July 1, 2002
11	Education loan fund.	10	17-26	Conforming change to incorporated the new programs that have an effective date of 7/01/02.	Amending Language.	Immediately implement, but loans disbursed on or after July 1, 2002
12	Bonds of the corporation.	10 11	27-31 1-2	Extend maximum time period for ASLC bond maturities when longer terms are financially beneficial.	Amended Language.	Immediately
13	Bonds of the corporation.	11	3-6	Increase two-year aggregate ASLC bonding capacity to insure adequate cash flow to meet integrated programs loan demand.	Amended Language.	Immediately
14	Trust indentures and trust agreements.	11 12	7-31 1-8	Conforming change clarifying broad collection authority on all assets and obligations to the corporation.	Amended Language	Immediately
15	Pledge and agreement of state.	12	9-18	Conforming change.	Amended Language	Immediately

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
16	General provisions.	12 13	19-31 1-7	Provide definitions of terms used throughout this chapter.	Moves Existing Language and Adds New Language	Immediately
17	Education loan program.	13	8-20	Secs. 17 through 28 retain existing Alaska Student Loan Program until AKAdvantage is operating in 2002-2003.	New Language to Replace AS 14.43.090	Immediately
18	Conditions of loans.	13	21-26	Conforming change.	Amended Language	Immediately
19	Conditions of loans.	13 14	27-31 1-2	Conforming change.	Amended Language	Immediately
20	Conditions of Loans.	14	3-11	Conforming change.	Amended Language	Immediately
21	Consolidation of loans.	14	12-20	Conforming change.	Amended Language	Immediately
22	Eligibility of Students.	14	21-25	Conforming change.	Amended Language	Immediately
23	Discrimination prohibited.	14	26-30	Conforming change.	Amended Language	Immediately
24	Default.	14 15	31 1-24	Provide administrative collection power through authority to issue liens against real property as a means of recovering on defaulted loans.	New Language	Immediately
25	Default.	15	12-24	Extend uniform collection methods for all loans serviced by the Commission. Recognize that default threshold under AKAdvantage will be set according to federal standards (currently at 280 days delinquency).	Amended Language	Immediately implement, but loans disbursed on or after July 1, 2002.
26	Default.	15 16	25-31 1-6	Provide default appeal process to borrowers regardless of the specific loan type. Establish a timely response standard for the ACPE executive director to act upon a default appeal.	Amended Language	Immediately implement, but loans disbursed on or after July 1, 2002.

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
27	Lien.	16	7-18	Describe the lien authority of the ACPE regarding defaulted student loans.	New Language.	Immediately
28	Definitions.	16 17	19-31 1-14	Conforming changes.	Amended Language.	Immediately
29	Establish the federal guaranteed AKAdvantage and the Alaska Supplemental Education Loan Programs.	17-22			New Language.	Immediately implement, but loans disbursed on or after July 1, 2002.
29	Sec. 14.43.161 Purpose; creation.	17	16-20	Sec. 29 as a whole, describes the new, integrated loans programs. AKAdvantage to be first loan offered to borrowers.		
29	Sec. 14.43.162 Eligibility.	17 18	21-31 1-11	Recognize that the eligibility criteria is established by federal student loan rules. Additional AKAdvantage criteria are that a borrower be an Alaska resident or attending school in Alaska. Defines residency criteria.		
29	Sec. 14.43.163 Restrictions on award.	18	12-22	Recognize that annual lending limits under this program are set by federal student loan rules.		
29	Sec. 14.43.164 Use of loan.	18	23-25	Recognize that permitted use of funds determined by federal student loan rules.		
29	Sec. 14.43.165 Interest.	18 19	26-31 1-9	Recognize: (1) that the formula for setting the interest rate on the loan is determined by federal rules (variable with current cap of 8.25%); (2) the rate may be no more than the federal student loan rate; (3) interest accrues from the time the loan is disbursed to the borrower; (4) during periods of enrollment or deferment the borrower may elect to pay the interest or to have it capped; and (5) for those borrowers who qualify, the federal government may pay interest on their behalf during qualifying periods.		
29	Sec. 14.43.166 Repayment.	19	10-17	Clarify that loan terms include a six-month grace period during which payments are deferred. Clarify that loans obtained in error or by falsification by borrower may be subject to accelerated repayment requirement permitted by federal student loan rules.		
29	Sec. 14.43.167 Consolidation of loans.	19	18-25	Clarify ACPE authority to offer consolidation of loans.		

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
29	Sec. 14.43.168 Default.	19	26-31	Authorize ACPE to establish default requirements that are compliant with federal student loan rules.		
29	Sec. 14.43.170 Creation; purpose.	20	1-10	Alaska non-federal loan to be provided to supplement AKAdvantage loan to address remaining financial need or to provide aid if AKAdvantage loan is unavailable.		
29	Sec. 14.43.171 Applicability of other laws.	20	11-14	Incorporate, by reference, certain specific existing Alaska Student Loan requirements. This section creates alignment of terms and conditions of the Supplemental loans with AKAdvantage loans to reduce consumer confusion and administrative complexity where possible. Applicable laws are regarding: minimum standards for institutional default rates; prohibited discrimination; contracting with minors; default and collection tools (PFD garnishment, leveraging licenses, administrative wage garnishment, creating liens); definitions; use of loans; loan consolidation, and, default.		
29	Sec. 14.43.172 Eligibility.	20 21	15-31 1-27	Provide for Supplemental loans to continue to be available to Alaska institutions that may not participate or qualify for participation in the federal student loan program and allow ACPE to establish certain standards with which the institutions may be required to comply. Provide the authority to perform credit review of applicants for Supplemental loans. Establish minimum credit standards. Specify conditions under which an applicant who fails to meet the standards may become qualified for a loan, including obtaining a credit-worthy co-signer.		
29	Sec. 14.43.173 Loan award maximums.	21 22	28-31 1-12	Establish annual and aggregate loan award maximum for the Supplemental loan. Provide that borrowers must be considered in good standing by their institution to continue to receive loan disbursements.		
29	Sec. 14.43.174 Interest.	22	13-21	Provide authority for the ASLC to set the interest rates and provides that the rate not exceed 8.25%. Clarify that interest accrues from the time a loan is disbursed and that interest may be paid or deferred and capped, as elected by the borrower.		
29	Sec. 14.43.175 Repayment of loans.	22	22-27	Provide for a six-month grace period following the in-school period when payments are deferred.		
30	Memorial Scholarship Loan Fund	22 23	28-31 1-5	Conforming change. Throughout this chapter references to "scholarship loans" are being amended to read "education loans" to eliminate any confusion about whether the aid is a scholarship or a loan.	Amending Language.	Immediate
31	Memorial loan payment.	23	6-12	Conforming changes.	Amended Language.	Immediate

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
32	Memorial loan administering authority.	23	13-17	Conforming changes.	Amended Language.	Immediate
33	Education Incentive Grant Administration.	23	18-22	Conforming changes.	Amended Language.	Immediate
34	Teacher Education Loan selection criteria.	23	23-27	Conforming changes.	Amended Language.	Immediate
35	Teacher Education Loan selection criteria.	23 24	28-31 1	Conforming changes to incorporate the two new programs.	Amended Language.	Immediate
36	Family Education Loan account.	24	2-14	Conforming changes.	Amended Language.	Immediate
37	Definitions.	24	15-17	Adding a chapter definition for corporation to mean ASLC.	New Language.	Immediate
38	Definitions.	24	18-24	Adding chapter definitions for "federal guaranteed student loan program" and approved FFEL institution."	New Language	Immediate implement, but loans disbursed on or after July 1, 2002.
39	Repayment condition for (WICHE) program participants.	24	25-27	Conforming changes.	Amended Language.	Immediate
40	Repayment.	24	28-31	Provide for collection authority in the event of default of a WICHE Professional Student Exchange Program loan.	New Language	Immediate
41	Duties of recorder.	25	1-3	Conforming change related to ACPE authority to place a lien as a means of collection on a defaulted loan.	New Language	Immediate
42	Repealer section.	25	4-5	Repeal 14.42.010(a), ACPE purpose and intent, and 14.42.030(c) ACPE functions. Replaced in Secs. 1-4 of this bill. Repeal 14.42.390, ASLC definitions, replaced in Sec. 16 of this bill.	Amending Language.	Immediate

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	TYPE OF CHANGE	EFFECTIVE DATE
				Repeal 14.43.090, creation of the scholarship loan fund, which is replaced in Sec. 17 of this bill. Repeal 14.43.255(c), memorial loan fund, authority to sell or assign loans to the corporation. Repeal 14.43.315, memorial loan discrimination prohibited section. Protection provided through incorporation by reference in Sec. 32 of this bill. Repeal 14.43.730; family education loan administration section. Authority provided through incorporation by reference in Sec. 3 of this bill. Repeal 14.48.050(10), ACPE power to establish fees for review of institution. Replaced in Sec. 4 of this bill.		
43	Transition language.	25	6-13	Provide ACPE with ability to immediately begin AKAdvantage implementation processes that are necessary in order to offer student loans under the new program for the 2002-2003 academic period.	Transition language.	Immediate
44	Transition language.	25	14-20	Provide ACPE with ability to immediately begin AKAdvantage regulation promulgation necessary to offer student loans under the new program for the 2002-2003 academic period.	Amended Language.	Immediate
45	Instruction to Revisor	25 26 27	21-31 1-31 1-9	Conforming changes to provide consistent use of terminology relating to loan programs administered by ACPE.		Immediate
46	Effective Date Section.	27	10-11			
47	Effective date section.	27	12			

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

TONY KNOWLES, GOVERNOR

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March 22, 2001

VIA FACSIMILE TRANSMISSION

The Honorable Con Bunde
Chair
Special Committee on Education
House of Representatives
State Capitol, Room 501
Juneau, Alaska 99801

Dear Representative Bunde:

I am writing to request that HB204, a bill relating to the establishment of the AlaskAdvantage Loan Program, be scheduled for a hearing before the Special Committee on Education at your earliest convenience.

In order for the Alaska Student Loan Corporation and Alaska Commission on Postsecondary Education to effectively implement the programs created by this legislation without undue delay, it is imperative that the authorizing statutes be amended before legislative adjournment in 2001.

Attached for your review is the agency's briefing brochure, developed to assist in educating the public about the broad-based benefits that will accrue to Alaska with successful implementation. Also, the fiscal note attached to the bill will be of interest to you.

Thank you in advance for not only your consideration of this request, but also for the strong and consistent support you have shown for our efforts in the past. As always, I am available to discuss this request with you at your convenience.

Respectfully,

Diane Barrans
Diane Barrans
Executive Director

DB/dm

Enclosures

CS FOR HOUSE BILL NO. 203(EDU)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON EDUCATION

Offered:
Referred:

Sponsor(s): REPRESENTATIVES WILSON, Lancaster, Cissna, Stevens

A BILL

FOR AN ACT ENTITLED

"An Act making an appropriation to the Legislative Council for a study of school district cost factors; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** LEGISLATIVE INTENT. The Alaska State Legislature intends that the Legislative Council use the appropriation made by sec. 2 of this Act to prepare or contract for the preparation of a study of the district cost factors used as a component of the formula for determining funding of public education under AS 14.17.460 and submit the study to the legislature by January 15, 2002. The study

(1) should be based on the cost of doing business in each school district;

(2) should consider the cost of living, including the cost of food, housing, utilities, transportation, medical expenses, property values, or other costs that contribute to the cost of doing business;

(3) should use Anchorage as a base value for comparing costs between school districts;

(4) may consider information from state, federal, or private sources to document cost differentials between districts; and

(5) may be completed by contract.

* **Sec. 2.** LEGISLATIVE COUNCIL. The sum of $350,000 is appropriated from the general fund to the Legislative Council for a study of school district cost factors for the fiscal year ending June 30, 2002.

* **Sec. 3.** This Act takes effect July 1, 2001.

BILL ANALYSIS
HB 203

Bill Title: "An Act making an appropriation to the Legislative Council for a study of school district cost factors; and providing for an effective date."

Sponsor: Representative Peggy Wilson

Overview:

Section 1: **Legislative Intent**

1) Legislative Council use the appropriation in Section 2 to prepare or contract for the preparation of a district cost factor study
2) That the study will be submitted to the Legislature by January 15, 2002.
3) The study
   a) should be based on the cost of doing business in each school district and
   b) should consider cost of living, property values, food, utilities, transportation, medical expenses and other costs associated with doing business
   c) should use Anchorage as a base value
   d) may consider information from state, federal or private sources to document cost differences between districts.

Section 2: **Appropriation**

1) $350,000 is appropriated from the General Fund to the Legislative Council for a study of school district cost factors for Fiscal Year ending June 30, 2002.

Section 3: **Effective Date**

1) July 1, 2001.

Fiscal Note: None. It's an appropriation bill for $350,000, so the cost is clear and we don't need a fiscal note.

Available to Testify:

In Person: Representative Wilson
Eddie Jeans, Manager, School Finance and Facilities Section, Dept. of Education

Alaska State Legislature

Representative Peggy Wilson
Putting Alaska's Families First

SPONSOR STATEMENT

HB 203

" An Act making an appropriation to the Legislative Council for a study of school district cost factors; and providing for an effective date."

Alaska has a constitutional obligation to provide a full education for all students. The challenge inherent in this mission is to account for diverse geographic, cultural and economic conditions.

The formula currently employed, while well-intentioned, has unintentional consequences. A design error, which tracked expenses a: opposed to actual costs of doing business in each school district, has resulted in flawed district cost factors. Failure to precisely measure differential costs across the state has resulted in inequitable funding.

What is the cost of providing an education in each school district as it relates to Anchorage as a base? What are the exact costs of electronic communications in Yakutat? What is the specific cost of fuel in Dillingham? What are the property insurance rates in Tok? What does it cost to get a school fire code inspector to Angoon?

HB 203 will provide factual answers to these questions. HB 203 proposes an independent study of school cost differentials to be contracted by the Legislative Council at the cost of $350,000.

Juneau: State Capitol, Rm. 409 • Juneau, AK 99801-1121 • *ph*: (907) 465-3824 • *fax*: (907) 465-3175
Wrangell [illegible]

ALASKA SCHOOL OPERATING COST STUDY

REVIEW OF CALCULATED COST FACTORS

PREPARED FOR:

Alaska Department of Education and Early Development

801 WEST 10TH STREET

JUNEAU ALASKA, 99801

PREPARED BY:

McDowell GROUP

Juneau • Anchorage

January 2001

BILL BACKUP

Statement of the Situation

In early 1998, the McDowell Group prepared the *Alaska School Operating Cost Study* for the State of Alaska Legislative Budget and Audit Committee. The purpose of the study was to determine adjustment factors that compensate for the impact of school size and geographical location on school operating costs. These factors were incorporated into the Public School Funding Formula.

It is important to stress that this study dealt with only one piece – operating costs - of a large and complex puzzle termed the School Foundation Formula. It was not intended to determine the cost of basic educational (Basic Need), but only how to allocate a portion of Basic Need (i.e., certain school operating costs) as defined by legislative appropriation. Also, Basic Need is only a starting point for public school funding; many adjustments are made for local contributions, federal impact aid, special needs, and other factors. Since the report was published, additional legislation has been enacted which has "adjusted" the District Cost Factors; all of these adjustments have been determined outside of the study analysis.

In our report, we cautioned the Committee that this was an important step, but only a first step in the process of transforming the funding process into one that has a scientific and empirical basis. Previous to 1998, District Cost Factors were based primarily on outdated (1985) household market basket costs unrelated to the cost of operating schools. A major advance of the Alaska School Operating Cost Study was, for the first time since statehood, to base District Cost Factors on what it cost to actually operate schools. The priority focus of the study effort was placed on the most significant port of operating costs, namely school level or instructional costs accounting for at least 70% of the total. The second major advance was to base school level (instructional) costs on standards for staffing schools of various sizes. The result was a sound defensible means of allocating instructional costs consistent from district to district that allows for updating based on changes in ADM.

However, such a standard was not possible for district level costs and the solution was an imperfect one that now prevents updating of the district level cost component of the DCF. Instead of a uniform standard like that calculated for school size, districts were simply allocated district level costs based on each district's actual expenditures per student in FY 1996, the most recent year available at the time of the study. As a result of this acknowledge shortcoming, we recommended that the Committee implement a transition period to evaluate if adjustments are needed, and put further work into understanding the non-personnel and administrative costs, research that eventually could lead to standards for district level costs.

The Alaska Department of Education and Early Development is now in the process of recalculating the cost factors using 1999 data. Several issues and concerns about the District Cost Factors have emerged in this work. The McDowell Group views this situation as an excellent opportunity to review the assumptions, strengths and limitations of our earlier study.

Recommendations for Further Work

The 1998 McDowell Study put significant analysis into school level (instructional) costs, which comprise the major percentage of school operating costs. This analysis produced a methodology that can be updated yearly with the assurance of providing meaningful allocations.

As stated in the 1998 report, the State of Alaska should continue to improve its Public School Funding Formula and engage a similar quantitative effort into district level costs. Though the magnitude of these costs is well below instructional costs, they comprise a value that is certainly significant and can impact many districts, especially those on the margin of adequate funding. Data collection and standardization has apparently improved to the point that such a study will produce meaningful results.

Updating the District Cost Factors using the current methodology with 1999 data will result in more questions than answers. We recommend that the current DCF's be maintained and the Department's efforts be placed in re-examining the methodology.

There are two primary approaches to an analysis of district level costs. The first is a study similar to the one in 1998 that seeks to understand the reasons for why these costs vary by school size and location. For these types of indirect costs, a typical study would be to determine major cost pools and identify unique drivers for the pools. A private industry approach to understanding indirect costs is to develop cost pools based on distinct activities, hence the name activity-based costing (or ABC). The ABC approach has become quite popular in the public sector as well, as it can lead to the creation of standards that can be used to monitor and control indirect costs.

The second approach is a rate-setting approach. Indirect cost would be examined to the extent that expenditure goals could be developed. A funding methodology could then be devised to provide incentives to school districts for achieving these goals. This approach requires a more clearly defined public policy component than the activity-based approach.

In closing, the McDowell Group offers a two-step recommendation. The first is to assemble a preliminary study team comprised of Alaska education experts with a mix of rural and urban school district operations experience. This study team would determine and examine critical issues and develop project objectives. The second step is to design an on-going cost research program that specifies data that will properly account for regional and school size differences in district level and administrative costs.

study methodology shows that those schools with correspondence students have an elevated cost factor. For example, Galena's cost factor is set in statute at 1.348 but using the cost study methodology with FY99 correspondence dollars assigns Galena a cost factor of 6.631. The increases the methodology calculates for districts with correspondence students are not warranted by increased costs. Additionally, because the formula simply divides each district's average basic need per student by the statewide average basic need per student, the impacts affecting districts with correspondence studies are also carried into the statewide average.

By using a calculation based on adjusted average daily attendance and average basic need to calculate cost factors any imperfections in the adjustment to average daily attendance or in the determination of basic need, are incorporated into district cost factors. Further, without identifying the underlying elements of true cost differences there is not a process to evaluate outcomes.

Conclusion

The 1998 Alaska School Operating Cost Study reported that compensating districts for actual district costs incurred was an unsatisfactory long-term solution. Based on our review of the methodology, and the outcome of calculations using FY99 data, we agree with the study's conclusion that the current methodology is unsatisfactory.

We recommend that a request-for-proposal be developed that requires identification of the underlying elements affecting school costs and determines a methodology for measuring those underlying elements. This will improve our cost factor methodology from that of compensating districts for current basic need to an improved method of allocating funding based on differences in applicable costs.

Consideration should be given to the elements that contribute to costs in school districts. The investigation should evaluate whether the previously studied elements of travel, supplies, utilities, insurance, and communication correctly identify cost elements in districts, or whether other items should be added, or if different factors driving school district costs are applicable. Once the underlying elements are identified, a measurement tool applicable to each element should be identified.

The results obtained from recalculating cost factors using FY99 data under the 1998 cost study methodology do not provide a basis to recommend changes to existing cost factors because the formula does not adequately evaluate for cost differences in district level costs and the methodology does not adequately account for changes in the foundation formula after SB 36.

Recommendation

The department recommends that district cost factors remain at their current levels as designated in statute under AS 14.17.460 because there is not any empirical data to support changing the district cost factors at this time. The department also recommends that a new district cost model be developed to properly account for cost differences between districts on an ongoing basis.

A+

IV. Conclusion – Continuous Improvement

Alaska adopted the Quality Schools Initiative with the understanding that *ALL* children can reach higher standards. Furthermore, the Quality Schools Initiative promises that no child will be left behind. This indeed is an enormous undertaking and is the first time the State of Alaska has made such a promise to *all* children.

That promise means every child will read, write and do math at higher levels than ever before. It means schools and parents will no longer let children move through the grades without gaining essential skills along the way. It means more children will have a bright future and will become good citizens.

It means Alaska's policy makers need to follow through and provide the support and necessary resources that teachers and schools need in order for Alaska to make good on its promise to youth.

Members of the task force recognized from the outset the challenge in estimating the funds needed to educate *all* Alaska students to high standards. In structuring the assignment for the task force, members relied on the staff of the Department of Education & Early Development to provide extensive background information. Issues related to prior statutory amendments to the foundation formula, cost-of-doing-business in relationship to annual allocations of funds through the formula, analyses of district expenditures of funds, and individual and professional experiences all played a significant role in the formulation of the recommendations.

Task force members extensively examined the recent report entitled *Alaska's Public School Funding Formula: A Report to the Alaska State Legislature.* In reviewing the report, the task force

- agreed that districts had lost purchasing power;
- concluded that a new methodology needs to be determined to more precisely fund the cost-of-doing-business in each Alaska community; and
- recognized that the foundation formula's funding floor reduction should be suspended until a new district cost factor study is conducted and fully implemented.

Alaska State Legislature

Representative Peggy Wilson
District 2

FOR IMMEDIATE RELEASE: March 26, 2001 **CONTACT:** Rep. Peggy Wilson (907) 465-3824

Bill Seeks Study of School Cost Differences
Wilson Hoping for More Accurate Education Funding Formula

(JUNEAU) – Saying Alaskans deserve proof the state is distributing education money fairly, Rep. Peggy Wilson (R-Petersburg) has introduced legislation calling for a study of how the funding formula should compensate for the extra costs of running schools in remote areas.

Wilson's House Bill 203 calls on the state to spend $350,000 on an independent study to identify the actual basis for the cost differences in operating schools in different parts of Alaska, a factor known as the area cost differential (ACD).

"The current area cost differential is not based on what it actually costs to teach children away from the big cities," Wilson said. "It just measures what districts have spent in the past, and brings that forward into the present. That's not right, and it's not fair to many districts, including some in Southeast Alaska."

The unfairness arises because districts may simply be doing without important but expensive goods or services, which the foundation formula interprets as demonstrating no need for them. Though the state rewrote the foundation formula in 1998's Senate Bill 36, the new formula retained ACD formulas dating to 1986, ignoring significant economic changes.

The Alaska Constitution obligates the state to provide free and appropriate public education to all Alaska children, regardless of where they live. But while the state education formula provides for some differences school districts incur, they are based on a flawed premise, she said.

HB 203 calls for the Legislative Council to contract for a study of the actual costs of doing business in each of the state's 53 districts, including the costs of food, utilities, transportation, medical expenses property values. The study must be presented to the Legislature by Jan. 15, 2002.

The bill was introduced in the House on March 22, and referred to the House Special Committee on Education and the House Finance Committee.

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Broadcasters note: Comments are available on the Majority Actuality Line 1 (800) 478-6540

PRESS RELEASE