

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2848 SCOMM 125: HOUSE SPECIAL COMMITTEE ON EDUCATION 2001-02



Public School Funding Formula District Cost Factors

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.

FY99 Computation of District Cost Factors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
School District	FY99 Instructional Level Expenditures	FY99 District Level Expenditures	FY99 School Level Expenditures	FY99 District Level Expenditures	Impact of School Level Revisions	Weighted Impact of School & District Level Revisions	Current (FY 99) Basic Need	Revised Basic Need	Current (FY 99) Basic Need Per Student	Unadjusted Multiplier	District Cost Factor
Total	622,823,619	338,506,511	65%	35%			813,867,788		5,516		
Alaska Gateway	2,997,683	2,048,003	59%	41%			4,977,441		6,468	1.173	1.296
Aleutian Region	492,197	546,358	47%	53%			975,111		8,208	1.488	1.644
Aleutians East	2,302,187	2,676,885	46%	54%			3,670,346		6,728	1.220	1.348
Anchorage	209,452,072	76,372,647	73%	27%			258,251,043		4,991	0.905	1.000
Annette Island	2,489,601	1,724,851	59%	41%			2,448,946		4,939	0.895	1.000
Bering Strait	11,706,858	12,267,042	49%	51%			20,512,192		7,266	1.317	1.455
Bristol Bay	1,632,441	1,265,562	56%	44%			2,751,026		6,098	1.105	1.221
Chatham	1,664,365	1,316,342	56%	44%			2,688,735		5,497	0.996	1.101
Chugach	839,298	859,828	49%	51%			1,234,166		7,866	1.426	1.576
Copper River	3,050,705	2,516,105	55%	45%			5,624,665		6,186	1.121	1.239
Cordova	2,459,543	1,757,664	58%	42%			3,372,679		5,274	0.956	1.056
Craig	1,837,411	1,260,688	59%	41%			2,866,823		4,986	0.904	1.000
Delta Greely	3,930,540	3,063,337	56%	44%			6,603,913		6,323	1.146	1.266
Denali	2,077,774	1,803,864	54%	46%			3,510,658		6,243	1.132	1.251
Dillingham	3,531,431	1,966,385	64%	36%			4,204,216		6,042	1.095	1.210
Fairbanks	72,876,411	32,879,603	69%	31%			88,576,188		5,214	0.945	1.044
Galena	3,720,080	9,516,538	28%	72%			11,747,583		33,105	6.001	6.631
Haines	2,121,521	1,347,464	61%	39%			2,873,678		4,949	0.897	1.000
Hoonah	1,634,172	1,444,138	53%	47%			1,855,937		5,327	0.966	1.067
Hydaburg	419,259	568,515	42%	58%			978,223		5,235	0.949	1.049
Iditarod	2,976,552	4,075,269	42%	58%			5,240,176		7,825	1.419	1.568
Juneau	26,149,536	9,738,260	73%	27%			30,632,003		5,021	0.910	1.006
Kake	917,143	1,133,529	45%	55%			1,450,472		4,982	0.903	1.000
Kashunamiut	1,409,301	1,533,516	48%	52%			2,751,775		6,811	1.235	1.365
Kenai	48,259,961	24,656,506	66%	34%			59,675,398		4,859	0.881	1.000
Ketchikan	11,276,914	6,223,865	64%	36%			14,774,370		4,887	0.886	1.000
Klawock	1,269,410	931,150	58%	42%			1,537,191		5,055	0.916	1.012
Kodiak	14,370,291	8,486,571	63%	37%			17,811,243		5,325	0.965	1.066
Kuspuk	3,523,450	3,125,405	53%	47%			5,531,642		6,878	1.247	1.378
Lake & Peninsula	4,087,174	4,169,360	50%	50%			7,378,871		7,369	1.336	1.476
Lower Kuskokwim	25,163,924	18,855,045	57%	43%			36,670,132		7,138	1.294	1.430
Lower Yukon	11,255,759	8,504,546	57%	43%			19,427,864		6,840	1.240	1.370
Matanuska	61,906,788	22,150,470	74%	26%			70,235,033		5,158	0.935	1.033
Nenana	1,094,922	1,525,356	42%	58%			2,220,939		9,389	1.702	1.881
Nome	4,025,758	2,726,728	60%	40%			5,734,040		6,258	1.134	1.253
North Slope	20,020,075	19,098,608	51%	49%			19,700,591		7,132	1.293	1.429
Northwest Arctic	12,323,886	11,813,417	51%	49%			21,898,559		7,381	1.338	1.478
Pelican	276,916	348,793	44%	56%			338,328		6,099	1.106	1.222
Petersburg	3,176,667	1,957,271	62%	38%			4,708,300		4,850	0.879	1.000
Pribilof	885,092	1,236,683	42%	58%			1,816,576		6,783	1.230	1.359
Sitka	8,038,682	3,207,312	71%	29%			9,500,317		4,958	0.899	1.000
Skagway	668,697	754,929	47%	53%			1,135,902		5,465	0.991	1.095
Southeast Island	1,794,504	1,632,270	52%	48%			2,933,015		5,440	0.986	1.090
Southwest Region	5,764,965	4,143,933	58%	42%			8,643,414		6,774	1.228	1.357
St. Mary's	688,727	703,215	49%	51%			1,355,439		6,388	1.158	1.280
Tanana	540,615	1,235,715	30%	70%			1,230,895		7,128	1.292	1.428
Unalaska	2,063,788	1,720,125	55%	45%			2,924,426		5,926	1.074	1.187
Valdez	4,907,866	3,000,547	62%	38%			5,608,590		5,289	0.959	1.060
Wrangell	2,325,866	1,426,328	62%	38%			3,264,842		4,815	0.873	1.000
Yakutat	1,025,300	916,127	53%	47%			1,345,234		5,095	0.924	1.021
Yukon Flats	2,959,179	3,362,200	47%	53%			5,077,399		7,941	1.440	1.591
Yukon Koyukuk	4,125,363	3,898,453	51%	49%			6,917,970		7,225	1.310	1.448
Yupit	2,314,999	3,013,190	43%	57%			4,673,273		7,095	1.286	1.421

Notes to columns:

- Columns (1) and (2) are from 1999 school district audited financial statements
- Column (1), The term "Instructional Level Costs," includes aggregated costs for instructional personnel. This is also referred to as "School Level Costs," in the McDowell report.
- Columns (5), (6), and (8) are represented on the spreadsheet to show comparison to the 1998 study calculation, but these are not used in FY99 because there were no changes in school or district level components contained in the instructional size table after the 1998 study changes, therefore actual basic need is used for FY99.
- Column (7) current basic need is taken from the FY99 foundation calculation
- Column (9) per student basic need is determined by dividing column (7) by the size-adjusted student count in each district.

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

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Juneau • Anchorage

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Executive Summary

The Alaska Department of Education and Early Development retained the McDowell Group to review the 1999 updates to the District Cost Factors. We have examined the new calculations, the underlying database and assumptions, and have discussed changes in the education environment with Department representatives.

Our recommendations are as follows:

1. The methodology used to adjust Average Daily Membership (ADM) for the impact of school size is sound and amenable to update. This methodology is based on an empirical analysis of school level (instructional) costs. The Department should use recalculated ADM's using the most recent census in their revised calculation of Basic Need.
2. The methodology used to calculate District Cost Factors (DCF's) is **not** amenable to update for a number of reasons discussed in this report. We find the re-calculated results to not be meaningful. We recommend that the Department use the 1998 factors for the revised calculation of Basic Need.
3. We reiterate our recommendation in the 1998 *Alaska School Operating Cost Study* that further study is required for the district level costs. On the other hand, the standards for school level costs remain valid today. Readers are reminded that the District Cost Factor is a single number resulting from the blending in two costs - school level (instructional) costs and district level (administration and non-personal services) costs. The methodology selected in that report to allocate district level costs was simply a first step in transitioning the State of Alaska toward using an empirical basis for identifying actual school cost. Because school districts have greater discretion in controlling non-personnel and administrative costs, a methodology that develops standards or goals and directs funding in accordance with achieving the standards/goals may be a preferable option.

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 part 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.

Review of District Level Cost Factors

To accomplish this review, the McDowell Group examined the worksheets used to recalculate the District Cost Factors (DCF's), as well as the underlying data used in the calculation. We noted that several adjustments needed to be made to audited financial statement information, consistent with the 1998 study. We also examined the additional data manipulation required to account for the increased roles of correspondence study and accounting transfers.

How is DOE helping districts to improve their financial mgmt practices?

The purpose of DCF's is to account for wide variations in district level costs depending on geographic location. For example, remote districts with several small schools may pay eight times as much per student for heating oils as does a large urban district, even though the shelf price for oil is only two times as high. Non-personal services and administrative costs were combined into the district level cost pool for simplification, although it is clear that these costs have unique cost drivers. The use of actual expenditures had the effect of taking into account all of each district's unique geographic variables such as climate, insulation of buildings, utility and fuel costs, and so forth, including each district's local policies that affect spending. The disadvantage of this method is the absence of standards that resulted in compensation of districts for their current financial management practices - whatever they may be.

The McDowell Group report found that data limitations precluded the determination of a consistent standard for these costs across school districts. Therefore, a simple methodology of comparing actual per-student spending on non-personnel and administrative costs by each school district to the State average was employed. This methodology is far less rigorous than that used to account for variations in school level cost, but it was considered reasonable insofar as district level costs are comparatively small. However, district level costs are often most significant in smaller, multi-site rural districts where a larger portion of the total budget must be allocated to non-personal services out of necessity. As a result, the 70/30 rule (that was neither a part of the 1998 study nor a recommendation of it), forces many districts to skimp on necessary non-personal services costs or seek an exemption. While the intent of the rule is commendable - to address administrative costs and to encourage maximizing the money spent on instruction - its effects are impractical for many smaller districts.

The 1998 *Alaska School Operating Cost Study* presents the computation of DCF's in Table VII on page 18 of the report. In response to a request by the Legislative Budget & Audit Committee, a single adjustment factor was calculated blending two components - school level costs and district level costs. DCF's are therefore calculated by dividing each district's estimated Basic Need per student by the statewide estimated Basic Need per student (Basic Need was used as these revenues are a good proxy for district expenditures).

This methodology is simple and represents a reasonable first step in accounting for district cost differences. It also, unfortunately, contains several features that make their continued use problematic:

- The methodology's basis accepts 1996 expenditure patterns as reflective of a district's needs and drives future spending to approximate and/or exceed this baseline. This basis was largely driven by the state of the database at the time the study was conducted. Financial statement expenditure data was considered to have the greatest accuracy, although several adjustments were made to the audited numbers for several districts in an attempt to level the comparison.

The net result is to accept that the 1996 expenditures for each district are reflective of their need, rather than alternative methods of independently assessing the need or developing a standard for cost. This is a reasonable method for a "point in time" analysis but is clearly less preferable to the other two alternatives in future years.

Assuming that districts essentially spend what they receive, this methodology reinforces itself, that is, it drives the district to the same level of spending each year. The lack of a standard means that districts that were relatively underfunded prior to 1998 continue to be hampered in their district level cost allocation. For districts with ample funding, there is little incentive to economize. Further, extraordinary events, such as unexpectedly high fuel costs, can have a devastating effect on districts with tight budgets. In fact, the major incentive, if this methodology remains in place, is for the districts to increase spending levels resulting in a higher average versus the state average. This is a driver the state may wish to avoid.

- Some factors have increased in significance in school operational and accounting practices that were not considered by the 1998 study. Correspondence study has increased markedly at some school districts. This effect was not analyzed in the 1998 report and will skew results when included in the recalculation of cost factors.

For the present cost factor re-calculation, the Department has to contend with the increased practice of transfers. Again, this practice was not considered in the 1998 report and results may be skewed when factored into the recalculation.

Financial statements serve a number of purposes, but are not designed as cost research tools. While some accounts may be useful for comparisons, we are of the opinion that the analysis of cost drivers for district level costs may not be adequately served by financial statement data alone.

- Recalculation using Fiscal Year 1999 data illustrates that the underlying methodology is an inappropriate driver and/or does not hold up to accounting/operational changes. Trial runs to re-calculate cost factors show two main effects. The first is that the large majority of district cost factors are unchanged (as predicted). The second is that a small number of districts have very large changes, primarily due to the operational or accounting changed that were not analyzed in the 1998 report. It is our recommendation that these changes to the DCF's should not be implemented without further study.

- Improvements to financial and operational data initiated by the Alaska Department of Education cannot be incorporated into the current calculation. The Department of Education has undertaken initiatives to ensure financial statement standardization and improve the quality of enrollment data using the Oasis database. These advances set the stage for better school cost data that can support more detailed cost study. Hence, a data quality limitation that existed at the time of the 1998 study has been removed. The improvement in data means that a new method for calculating administrative and non-personal services cost factors can be considered. Again, a new method should consider standards and the goals of the State of Alaska that underlie Alaska's huge fiscal commitment to education.
- Variations in district level costs are diluted by school level costs in this calculation. For the sake of "simplicity," two distinct cost pools - non-personnel and administrative costs - were combined and then further blended with instructional costs. What results is a very large - and complex - cost pool. It is entirely possible that the portfolio effect has damped critical variations, punishing some districts with higher than average costs and thereby rewarding others.
- Waiver requests to the 70/30 instructional/non-instructional regulations have increased each year and are an indication that review of this methodology is required. As previously mentioned the 70/30 regulation was not part of the study and would not have been recommended by the study team if our opinion had been sought. It is our understanding that the original intent was to encourage districts to minimize administrative costs and allocate more money to instruction. This is certainly a commendable goal. However, most district level costs are non-personal services costs that provide the basic infrastructure of education, such as books, building utility, fuel and maintenance costs, insurance and the like. Smaller districts with inefficient buildings, severe climates and other factors out of their control are the most likely to have district level costs in excess of 30%, some in excess of 40%.

*Who is
punished?
Who rewarded?*

*What reasons
are being
given by
districts requesting
waivers?*

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.



Public School Funding Formula Comparison of Old to New Funding Formula

Introduction

The passage of Senate Bill 36, Ch. 83, SLA 1998, carried with it certain reporting requirements for the Department of Education & Early Development to the 22nd Alaska State Legislature by January 15, 2001. This report responds to the requirement under Section 47 that the department review *Funding Communities* versus *School* adjustments in the public school funding formula. In addition, a letter of intent adopted by the legislature provided further direction to the department in completing the required reports. This report will highlight key components and adjustments within Alaska's public school funding formula and illustrate the application of these components and adjustments from the previous funding community based formula to the current school based funding formula.

For the past 20 years, Alaska's public school funding formula has historically contained four major adjustments to the formula. These same adjustments can be found in most public school funding formulas in the nation. These adjustments include:

1. sparseness and size of student population;
2. special needs or categorical funding;
3. regional cost differences;
4. equalization; and
5. supplemental funding floor.



Public School Funding Formula *Comparison of Old to New Funding Formula*

Fiscal year 1999 was the first year of implementation of Senate Bill 36 and distribution of public school funding based on the new school based funding formula. Table 1 provides a comparison of the prior community based funding formula and the current school based funding formula using the same fiscal year 1999 data set. This comparison required the conversion from instructional units under the old community formula to per student units under the newly adopted school formula. Fiscal year 1999 is the only year school district state aid was calculated using the old and new formula. This comparison was required for the first year of implementation to determine the supplemental funding floor for the school districts that needed additional funding to help transition to the new formula.

The department has analyzed each of these adjustments and compared their use with the prior funding community formula and under the new school funding formula.

Sparseness and size of student population

Senate Bill 36 changed the method that the State of Alaska used to determine adjustments for sparseness and size of student population. The previous funding formula utilized a concept known as *funding communities*. The average daily membership of schools within a school district were grouped into funding communities and a formula was applied to determine the number of instructional units for the purpose of calculating each school district's basic need.

The McDowell Group assembled a panel of Alaskans with many years of experience in the field of education to review and make recommendations to improve the



Public School Funding Formula Comparison of Old to New Funding Formula

adjustment mechanism in the public school funding formula. The group reviewed the funding community concept and its application under the instructional unit funding formula. The group determined that although the definition of funding communities was not being applied consistently across school districts, that even a consistent application would not result in an equitable distribution system of resources. The group determined that the **school**, not the **community**, is the fundamental cost center for delivering instructional services. The panel determined that adopting the school as the basis for funding would result in a more equitable allocation of instructional resources by providing comparable levels of instructional staffing in all schools regardless of district size and location. The group determined that schools of similar size should receive similar resources for staffing regardless of location. *old way community*
Were different needs at different schools/regions taken into account?

Table 2 shows the change in the distribution of resources from the funding community concept model to the school model that was adopted by the legislature under Senate Bill 36. This comparison does not include other adjustments due to changes in district cost factor or special needs funding. As shown in Table 1, the range of change is an increase of 15.8% for the Alyeska Central School to -36.8% for the Aleutian Region School District by the elimination of the funding community concept and basing the allocations on the number of students at each school. The school district with the largest increase was Petersburg at 11.2%. *What changes in CAT scores?*

It should be noted that the McDowell Group review panel did not suggest that any school districts were over funded under the previous funding community model rather some districts appeared to be under funded under the school funding model. Table 3 shows the change in dollars per student under the new formula as compared *They were never asked*



Public School Funding Formula Comparison of Old to New Funding Formula

to the old formula. This table shows that under the old formula for the first 10 to 20 students, the allocation remains the same at \$12,200 per student. This flat level of funding for the first group of 20 students was to provide funding for fixed cost associated with operating a school facility. The change in funding on a per student basis gradually decreases after the first 20 students to accommodate for economies of scale, while the new formula provides a larger allocation initially for the first 10 students, it decreases to below \$8,000 per student by the time you reach 20 students.

Table 4 demonstrates the reduction in resources being allocated to small schools serving less than 100 students.

Another issue that contributes to the change in funding is the number of items that receive adjustment. For example in FY 99, using the funding community model there were 267 funding communities that received the adjustment for size while with the per school model there were 499 adjustments for size. Of the 499 adjustments for schools there were 143 schools serving less than 100 students. Table 5 shows the number of funding communities compared to the number of schools by district and the number of schools serving less than 100 students by school district.

The funding community formula had a hold harmless provision for school districts that experienced a 10% drop in K-12 instructional units from one year to the next. The year before the school district experienced a decrease in K-12 instructional units by 10% or more became the base year. In addition to its current K-12 instructional units a school district was awarded in the first year of decline, 75% of the difference from the base year, in the second year 50% of the difference between the current year and the base year, and in the third year 25% of the difference between the current year and the base year.

But if you add the amounts for first 20 students it's still \$24,000

but did not scale up at same rate



Public School Funding Formula Comparison of Old to New Funding Formula

Special needs or categorical funding

Fed requirements?

Categorical funding for special education, gifted and talented education, vocational education and bilingual/bicultural educational programs changed from the funding community model to the school funding model. The funding community model provided resource allocations to school districts based on the numbers of students and the types of special need services provided to each student. The program adjustments were based on the average cost of providing various levels of service within each of the program areas. For example, special education provided four adjustments ranging from \$1,525 for each student identified as gifted and talented to \$20,300 for each student identified as requiring special education intensive services. Bilingual/bicultural educational programs had three levels of adjustments for the various types of services that students were identified as needing and vocational education had one adjustment for each student identified as enrolled in a vocational program course.

With the passage of Senate Bill 36, and the implementation of the school based funding formula, the legislature approved a block funding approach for allocating resources for special need programs. The school funding model provides an increased adjustment of 20% to the districts' average daily membership after it has been adjusted for school size and district cost factor. The 20% increase is intended to allocate resources for special education, gifted and talented education, vocational education and bilingual/bicultural educational programs. This change has resulted in an increased allocation for categorical programs of approximately \$13 million dollars under the school funding model over the funding community model. It is important to understand that although there are additional resources allocated for



Public School Funding Formula Comparison of Old to New Funding Formula

special needs programs under both funding models, school districts are not required to expend these funds on special needs programs. In other words, the funds are discretionary and local school boards have the responsibility to determine the appropriate expenditures for these funds.

why not?

Regional cost differences = District cost factors

Senate Bill 36 continues to provide an adjustment for regional cost differences. The McDowell Group report defined these costs as "District Cost Factors." The District Cost Factors differ from the previous Area Cost Differentials in how they were derived. There is also a slight change in the way they are applied in the two funding formulas. The previous Area Cost Differentials were applied to all instructional units which included the K-12 and categorical units. The current District Cost Factors are applied to the student counts at the point they have been adjusted for school size and carry through to the 20% special needs adjustment. The District Cost Factors are not applied to the adjustments for students requiring intensive services or correspondence program counts.

The previous Area Cost Differentials were calculated using a market basket approach measuring the differences in items such as fuel and utilities between districts. The current District Cost Factors were calculated using school district audited financial data and reflect the per student district operating cost, compared to per student statewide operating costs, as well as other adjustments. The District Cost Factors represent the cost of goods, numbers of students, dispersion of schools, cost of travel, and other factors that affect district operational costs. Because the

what other adjustments?



Public School Funding Formula Comparison of Old to New Funding Formula

District Cost Factors reflect factors other than the price of goods, neighboring districts will not necessarily have similar cost factors.

Senate Bill 36 requires the department to review the District Cost Factors and recommend changes to the legislature every other year beginning January 2001. The department intends to employ the McDowell Group methodology in order to update the current District Cost Factors. The first report on the District Cost Factors and the results of the department's review are presented to the legislature under a separate report.

Is the McDowell Group methodology flawed? Section 1?

Equalization

The funding community and the school models both make adjustments for instructional units or average daily membership then apply dollars to the base to arrive at Basic Need. Basic Need is the starting point of the equalization formula and provides all districts with needed resources based on the various formula adjustments. Funding components of Basic Need include required local effort, federal impact aid, and state aid. These three components determine the shares of local, federal, and state resources that make up Basic Need.

The State of Alaska must meet a federal equalization test known as the "disparity test" in order to consider federal impact aid dollars in the public school funding formula. The disparity test measures the amount of revenue per student among the 53 school districts. The federal law limits the per student wealth between districts to 25%. The wealthiest district in the state is not allowed to have more than a 25% increased per pupil revenue over the poorest district in the state. The state



Public School Funding Formula *Comparison of Old to New Funding Formula*

*So local
s.d. districts
can't spend
to improve
their schools*

maintains this standard by placing a cap on local contributions that exceed the required local effort. The state imposed cap on excess local contributions is equal to 23% of the districts' basic need. Again, all districts are considered equal at basic need so by placing a cap on excess local revenues equal to 23% of the districts' basic need, the state will continue to meet the federal equalization standard of 25%.

Supplemental funding floor

The supplemental funding floor is a mechanism to assist school districts in the transition from the funding community based formula to the school formula. In the first year of the new formula, districts that qualified for more state aid under the funding community formula than they did under the new school formula were allocated transition funding called the "Supplemental Funding Floor."

For example, under the funding community formula a district may have qualified for \$10,000 per student but under the new school formula calculation, will qualify for \$9,000 per student. Using the supplemental funding floor, under the school formula the district was allocated \$9,000 per student plus an addition \$1,000 per student as a supplemental funding floor to ease the transition to the new funding level. As the school districts' student population changes, the \$1,000 per student of supplemental funding floor will erode. The erosion of the supplemental funding floor will eventually bring the school districts' per student allocation down to a total of \$9,000 per student as determined by the new school funding formula.

This transitional provision differs substantially from other transitional or hold harmless clauses previously used when the funding formula was modified.



Public School Funding Formula Comparison of Old to New Funding Formula

So what's the complaint?

Previous transition language required a school district to adjust to its new funding level in a three-year period. The supplemental funding floor only erodes due to changes in the district student population providing a much more gradual change to the new funding level.

Less money for fewer students.

School districts qualified for a total of \$17.4 million dollars in supplemental funding floor in fiscal year 1999. As the supplemental funding floor erodes, the money is lost from the funding formula. This means the public school funding formula will have \$17.4 million less in state support once the supplemental funding floor is completely eroded.

Because they have less just earlier

Recommendations

The department recommends the repeal of AS 14.17.490(d), erosion of the supplemental funding floor.

The department recommends that AS 14.17 be amended to include a hold harmless provision for school districts that experience a decrease in student enrollment of 10% or more from one year to the next.

Why?

- why 10%? why not 5% or 20%?*
- wouldn't that shatter the whole concept of per-student funding?*

Alaska Department of Education and Early Development
Public School Funding Formula
Funding Community versus Per School Funding FY 99

Table 1

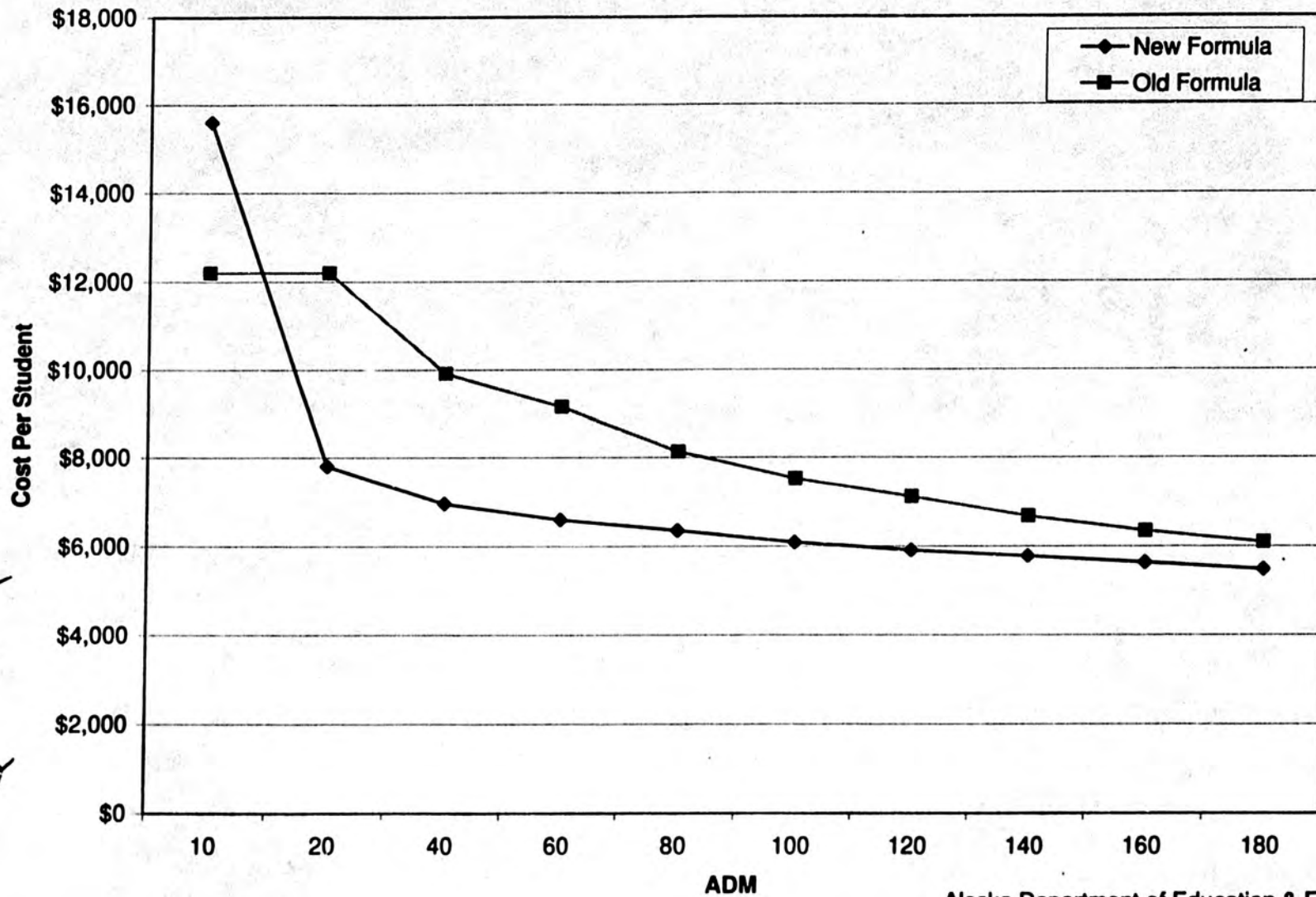
	Prior Funding Community Formula	SB36 Per School Formula	Change
Size Adjustment Including correspondence programs	614,147,116	606,662,800	(7,484,316)
Categorical Programs Special Ed., Gifted and Talented, Vocational and Bilingual/Bicultural	131,352,520	144,362,544	13,010,024
District Cost Factors	63,619,950	71,898,973	8,279,023
Basic Need	809,119,586	822,924,317	13,804,731
Required Local	(136,790,501)	(140,608,152)	(3,817,651)
Impact Aid	(43,363,354)	(41,830,973)	1,532,381
FY99 Cap on Increases @ 60%	-	(9,070,746)	(9,070,746)
Military Impact Aid and Contracts	24,592,406	24,592,406	-
State Aid	653,558,137	656,006,852	2,448,715
REAA Supplemental Funding	1,256,335	-	(1,256,335)
Quality School Grants	-	3,341,825	3,341,825
Supplemental Funding Floor	-	17,379,523	17,379,523
Total State Aid	654,814,472	676,728,200	21,913,728

Table 2

	Old Formula Funding Communities	New Formula Per School	Difference	Percentage Change
Alaska Gateway	3,656,340	3,154,640	(501,700)	-13.7%
Aleutian Region	740,540	468,072	(272,468)	-36.8%
Aleutians East Borough	2,475,990	2,149,432	(326,558)	-13.2%
Anchorage	197,508,240	203,848,863	6,340,623	3.2%
Annette Island	1,810,480	1,953,643	143,163	7.9%
Bering Strait	12,261,000	11,122,730	(1,138,270)	-9.3%
Bristol Bay Borough	1,690,310	1,777,566	87,256	5.2%
Chatham	2,144,760	1,927,251	(217,509)	-10.1%
Chugach	1,409,100	892,410	(516,690)	-36.7%
Copper River	4,381,020	4,072,806	(308,214)	-7.0%
Cordova	2,388,760	2,519,426	130,666	5.5%
Craig	2,124,630	2,268,376	143,746	6.8%
Delta/Greely	5,059,950	5,080,161	20,211	0.4%
Denali Borough	2,410,720	2,215,647	(195,073)	-8.1%
Dillingham	2,651,670	2,741,495	89,825	3.4%
Fairbanks North Star Borough	67,542,860	68,352,636	809,776	1.2%
Galena	13,368,150	10,844,692	(2,523,458)	-18.9%
Haines Borough	2,319,220	2,335,041	15,821	0.7%
Hoonah	1,304,790	1,372,615	67,825	5.2%
Hydaburg	805,810	736,169	(69,641)	-8.6%
Iditarod Area	4,152,270	3,125,888	(1,026,382)	-24.7%
Juneau Borough	23,771,090	24,084,720	313,630	1.3%
Kake	1,121,790	1,147,194	25,404	2.3%
Kashunamiut	1,500,600	1,591,839	91,239	6.1%
Kenai Peninsula Borough	49,004,960	48,661,963	(342,997)	-0.7%
Ketchikan Gateway Borough	11,558,890	12,155,735	596,845	5.2%
Klawock	1,199,870	1,213,993	14,123	1.2%
Kodiak Island Borough	13,451,110	13,428,860	(22,250)	-0.2%
Kuspuk	3,847,270	3,168,793	(678,477)	-17.6%
Lake & Peninsula Borough	5,302,730	3,948,231	(1,354,499)	-25.5%
Lower Kuskokw.m	21,763,580	20,242,022	(1,521,558)	-7.0%
Lower Yukon	11,325,870	11,190,132	(135,738)	-1.2%
Mat-Su Borough	57,596,810	55,059,952	(2,536,858)	-4.4%
Nenana	2,220,400	1,732,576	(487,824)	-22.0%
Nome	3,567,280	3,610,291	43,011	1.2%
North Slope Borough	11,112,370	10,882,926	(229,444)	-2.1%
Northwest Arctic Borough	12,067,020	11,721,480	(345,540)	-2.9%
Pelican	334,890	218,575	(116,315)	-34.7%
Petersburg	3,439,180	3,825,064	385,884	11.2%
Pribilof	1,216,340	1,055,234	(161,106)	-13.3%
Sitka Borough	7,316,950	7,714,756	397,806	5.4%
Skagway	888,770	831,553	(57,217)	-6.4%
Southeast Island	3,119,540	2,152,677	(966,863)	-31.0%
Southwest Region	5,347,260	5,027,109	(320,151)	-6.0%
St. Mary's	894,260	836,060	(58,200)	-6.5%
Tanana	772,870	689,855	(83,015)	-10.7%
Unalaska	1,801,940	1,944,260	142,320	7.9%
Valdez	3,837,510	4,178,380	340,870	8.9%
Wrangell	2,526,620	2,671,443	144,823	5.7%
Yakutat	1,138,870	1,040,318	(98,552)	-8.7%
Yukon Flats	3,625,230	2,554,020	(1,071,210)	-29.6%
Yukon/Koyukuk	4,668,330	3,772,625	(895,705)	-19.2%
Yupit	2,723,650	2,595,178	(128,472)	-4.7%
Alyeska Central School	6,259,546	7,250,037	990,491	15.8%
Mt. Edgecumbe High School	1,617,110	1,505,390	(111,720)	-6.9%
Totals	614,147,116	606,662,800	(7,484,316)	

Per Student Cost Between Formulas

Table 3



12

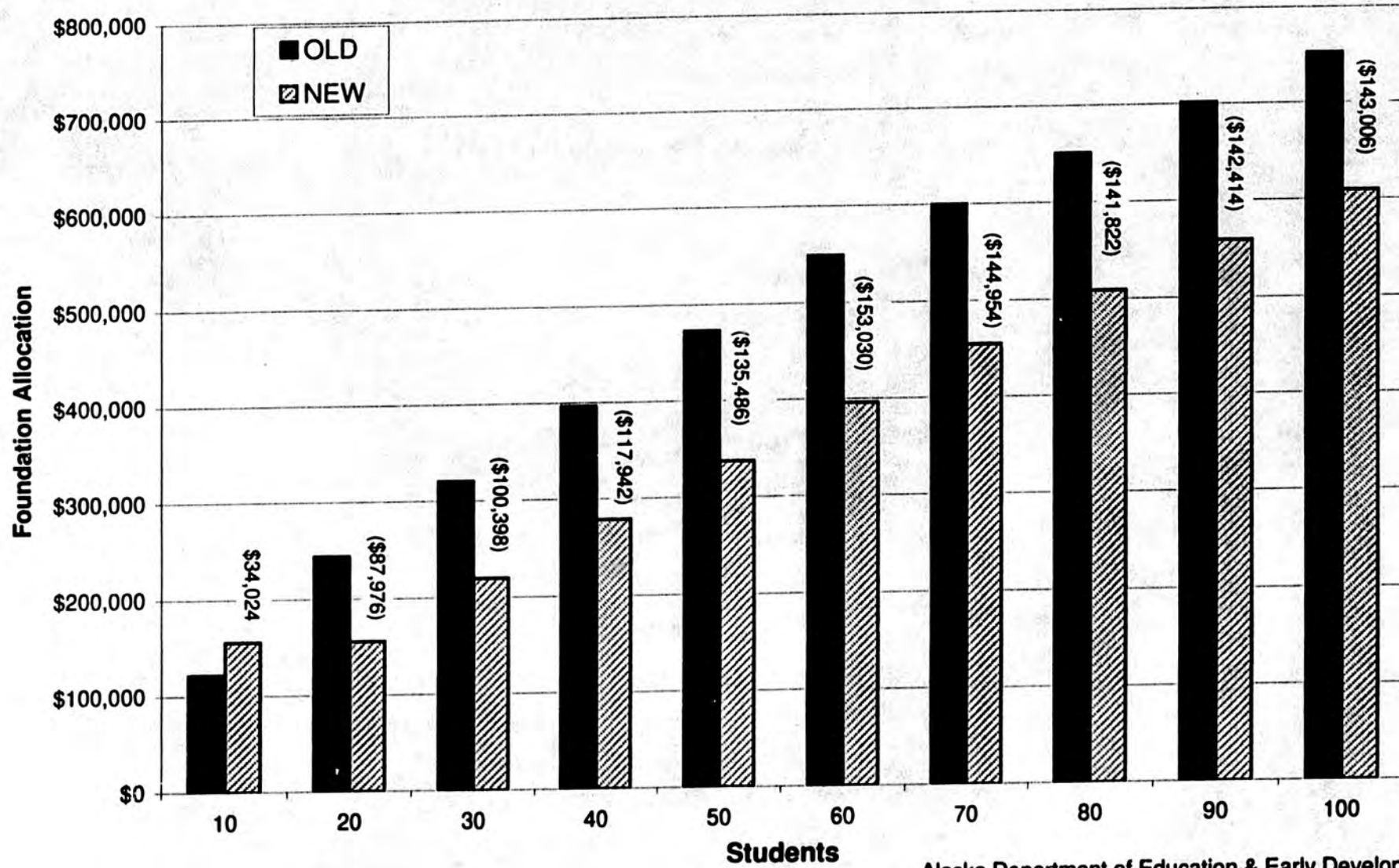
New
 $\frac{16,000}{8,000}$
 $\frac{24,000}{12,000}$

Old
 $\frac{24,000}{2,400}$

Alaska Department of Education & Early Development

School Size Adjustment / Old Vs. New Formula

Table 4



Alaska Department of Education & Early Development

Table 5

1999 OLD versus NEW ADM

DISTRICT	# OF FUNDING COMM.	# OF SCHOOLS FOR ADJUST.	# OF SCHOOLS LESS THAN 100 ADM
ALASKA GATEWAY	7	8	6
ALEUTIANS EAST	6	3	3
ALEUTIAN REGION	3	8	4
ANCHORAGE	4	84	0
ANNETTE ISLANDS	1	2	0
BERING STRAIT	15	22	8
BRISTOL BAY	2	3	1
CHATHAM	5	6	4
CHUGACH	3	3	3
COPPER RIVER	7	9	5
CORDOVA	1	2	0
CRAIG	1	2	0
DELTA/GREELY	2	4	1
DENALI	3	4	2
DILLINGHAM	1	2	0
FAIRBANKS	5	28	0
GALENA	1	2	0
HAINES	2	2	0
HOONAH	1	2	0
HYDABURG	1	2	0
IDITAROD	9	9	7
JUNEAU	1	11	0
KAKE	1	2	0
KASHUNAMIUT	1	2	0
KENAI	21	39	9
KETCHIKAN	1	6	0
KLAWOCK	1	2	0
KODIAK	9	13	7
KUSPUK	8	9	8
LAKE AND PENINSULA	15	15	15
LOWER KUSKOKWIM	23	34	13
LOWER YUKON	11	19	3
MAT-SU	15	29	6
NENANA	1	2	0
NOME	1	2	0
NORTH SLOPE	8	13	4
NORTHWEST ARCTIC	11	19	3
PELICAN	1	1	1
PETERSBURG	1	3	0
PRIBILOF	2	3	1
SITKA	1	4	0
SKAGWAY	1	2	0
SOUTHEAST	11	9	7
SOUTHWEST	9	12	6
ST. MARY'S	1	2	0
TANANA	1	2	0
UNALASKA	1	2	0
VALDEZ	1	3	0
WRANGELL	1	2	0
YAKUTAT	2	2	0
YUKON FLATS	11	10	7
YUKON/KOYUKUK	10	11	9
YUPIIT	3	6	0
ALYESKA CORRES*	1	0	0
MT. EDGE CUMBE	1	1	0
TOTALS	267	499	143

Minimum expenditure on instruction

- DOE helped schools

Districts' Uniform Chart of Accounts

- DOE helped

Educational Adequacy

- broad-based group
- definition, data needs, methodology
- revenue needs
- components

Changes in funding

- anchorage
- State, federal, local

Accountability = spending more money

- 70/30
- uniform & detailed accounts
- DOE helped
- assessment

Foundation Formula

- changes in funding
- state, local, federal
- accountability = more money spent

Teachers

- shortage
- incentives
- salaries
- unqualified
- state aid at fault - decrease due to inflation

Inflation

- 25% over 10 years
- \$200 million to catch up
- PE inflation proofing

Facilities

- age not related to cost

Conclusions

- DOE, districts: menus have responded w/ more accountability.
 - teacher salaries
 - reduced admin spending
 - more local spending
 - new accounting procedures
 - student assessment
 - inflation

Recommendation - spend more

tie spending to inflation automatically

i would
have gotten an
F if I'd written
this in H.S.



Public School Funding Formula Educational Adequacy

This section reports that adequacy is based on how much is spent by whom, not how it is spent.

The passage of Senate Bill 36, Ch. 83, SLA 1998, included specific reporting requirements for the Department of Education & Early Development to the 22nd Alaska State Legislature by January 15, 2001. This report responds to the requirement to prepare a review of *educational adequacy* in the schools of Alaska.

There has been significant effort in implementing the new formula, developing regulations, and working with districts to improve the quality and comparability of financial data. The department has worked with school districts to meet the minimum expenditure on instruction requirement and to improve the school districts' uniform chart of accounts for collecting expenditure data.

The Department of Education & Early Development convened a broad-based group of Alaskans concerned with public education to address the issue of educational adequacy in Alaska. Participants included representatives from the Alaska Parent-Teachers Association (PTA), NEA-Alaska, Alaska Association of School Boards, Alaska Association of School Administrators, Alaska Association of School Business Officials, and Alaska Municipal League.

who? experience in educational finance?

The group deliberated for two-and-one-half-days and reached agreement on the definition, data needs, and methodology to be used in measuring educational adequacy. The group defined educational adequacy as:

An adequate education shall provide all students opportunities to acquire the *knowledge and skills* necessary to prepare them to take a productive role in society.

Parents, Inc would hate this.



Public School Funding Formula Educational Adequacy

Where did this come from?

The school finance system must provide sufficient revenues to assure all students meet or exceed Alaska performance standards in all areas.

These are the necessary components of an adequate education:

Where is the discussion of these points?

So the standards adopted in 1993 are still out there, discussed, widely known?

1. Students are exposed to locally adopted curricula that meet or exceed Alaska State Standards in English/Language Arts, Mathematics, Science, Geography, Government and Citizenship, History, Skills for a Healthy Life, Arts, World Languages, Technology, Employability and Library/Information Literacy.

— standards?

2. Students are taught by qualified educators who are provided the time and support for professional development.

3. Students learn in a safe environment.

4. Facilities are well maintained.

5. Students have their diverse learning needs met.

6. There are effective partnerships between schools, families, and the community.

7. School buildings support appropriate technology for programs.

8. All students are given age-appropriate opportunities to participate in all aspects of school life including all student activities.

Where is the discussion of these points?



Public School Funding Formula Educational Adequacy

Although the decisions of this group were reached independently, they are consistent with decisions of educational policy makers across the nation in terms of defining educational adequacy and identifying the conditions necessary to accomplish it. An important item to note is that the group identified that the educational adequacy of the public school funding formula must be measured against the base student allocation set in Alaska Statute 14.17.470.

Where is this noted?

The department considered the [?]suggested data needs identified in the report and has provided some general statewide statistics that demonstrate the changes that have occurred in education funding over the past ten years. (See attached *Bullet Sheet*.) The department also focused on changes to the Anchorage School District because Anchorage is considered the base by which all other school district adjustments in the foundation formula are measured from. Anchorage is considered the base because of its large and dense student population and because it is a main distribution center for many Alaska communities.

② The Anchorage School District provided the department with statistics that illustrate the changes that have occurred over the past ten years on a per student basis. The information clearly demonstrates that the district has increased per-pupil expenses, but state aid has increased as well. The increase in state aid is due mainly to enrollment increases that have occurred in the past ten years. In addition to the statistics, the Anchorage School District provided information on the state and federal changes to the bilingual and special education programs. They provide an in-depth discussion of how those program costs have escalated over the past ten years. Copies of the reports from the educational adequacy retreat and the



Public School Funding Formula *Educational Adequacy*

information provided by the Anchorage School District are attached to this report as appendixes.

Accountability

The Alaska legislature is requiring that the department and school districts be accountable for the funding it receives. In SB 36, the legislature added a requirement that districts spend 70% of their school operating funds on instructional services. In addition, the legislature directed the department to collect more uniform and detailed financial data from school districts. The department and school districts have responded to both of these directives.

The department has worked with school districts to develop a revised chart of accounts that clarifies code descriptions with new required codes to provide more accurate and detailed expenditure reporting. The State Board of Education & Early Development adopted the revised chart of accounts at its December 8, 2000 meeting. The new chart of accounts becomes effective July 1, 2001. *What took so long?*

The department has also been working with school districts in meeting the 70% instructional requirement. Districts that cannot meet the new requirement may apply to the state board for a waiver. The waiver request must demonstrate that there are costs beyond the control of the school district as justification for their waiver.

In response to legislative concerns over how much school districts are spending on administrative expenses, districts have been reducing costs over the past ten years. In FY1990, school districts were spending \$618 per student or 8.5% of the school



Public School Funding Formula Educational Adequacy

operating fund on district administrative services. By FY2000, school districts were spending \$469 per student or 5.9% of the school operating fund on district administrative services. This represents a 2.6% reduction in school operating fund expenses on district administrative services. *That's good, right?*

In addition to the previous two requirements, SB 36 required the department to develop an assessment system to measure student performance. The tests are based on Alaska standards in reading, writing, and math and are given at grades 3, 6, 8, and the high school qualifying exam is administered for the first time to sophomores in high school. High school students are allowed to take the high school qualifying exam twice a year and for two additional years after they have completed other high school graduation requirements.

The results of the assessments given to students in grades 3, 6, and 8 will assist the department and school districts in identifying areas of weakness within the educational delivery system and develop action plans or strategies to assist students to improve performance.

School districts are utilizing the Quality Schools Grant funds, a component of the school funding formula, to develop intervention strategies and remedial programs. Currently, school districts are using these grant funds for activities such as focus programs for reading, writing, math, summer school, extended days, tutors, and additional staff.

Is there an accounting of these activities by district?



Public School Funding Formula Educational Adequacy

Foundation Formula

The money distributed through the foundation funding formula provides Alaska school districts with the majority of the state's contribution to K-12 education. The funding formula allocates resources for general operations, routine maintenance, and operations of school facilities. General operations include: staff salaries and benefits, teaching supplies, textbooks, communications, contracted services, school, and district administrative services. Operations of school facilities include: custodial and maintenance staff salaries and benefits, utilities, and other expenses associated with routine maintenance to operate school facilities.

The foundation program funding has increased from FY1990 to FY2000 mainly due to enrollment growth. From FY1990 to FY2000 enrollment increased 25%. The legislature has continued to fully fund enrollment increases during the 1990's. Each \$100 increase in the base student allocation set in Alaska Statute 14.17.470 requires approximately \$21 million in additional state support.

The foundation funding formula program base has been increased twice during this ten-year period. Once, in FY93 by 1.7% or approximately \$12 million, and again in FY99 by 3.3% or approximately \$21 million. The combined total of the two increases is 5% or approximately \$33 million in ten years. In FY90, basic need was about \$625 and FY2000 basic need was about \$816, an increase of almost 31%. This increase was due to the combination of the 25% increase in enrollment and the combined increased funding of 5% for FY93 and FY99.

Federal impact aid has also increased approximately 26% from FY90 to FY2000. Federal impact aid funds increased from \$73 million in FY90 to almost \$92 million in

What services does fed impact aid pay for? What district got what %?



Public School Funding Formula Educational Adequacy

FY2000. The number of students being served drives the Public School Funding Formula and the Federal Impact Aid Program. Because enrollment increased by 25% from FY90 to FY2000, both programs increased resource allocations by approximately the same percentages, excluding the 5% increase in the foundation formula base. No, 31% in funding formula (5% base + 25% enrollment) 26% fed. impact aid.

However, this is not true for local contributions to schools. The required local contribution to the schools is based strictly on the value of the property within the municipality and not the number of students being served. During this same ten-year period, required local effort increased from \$105 million to \$144 million. This represents an increase in required local effort of almost 37% or \$39 million. More importantly is how local municipalities responded with additional local contributions to schools from FY90 to FY2000. Actual local contributions to schools increased by 55% or \$98 million. Municipalities increased their contribution by \$59 million more than the formula required, in essence offsetting a portion of inflation while the state and federal governments were covering enrollment growth.

Municipalities have responded to the legislature's desire for accountability and participation by providing increased local contribution over the amount required by the foundation funding formula over the last ten years.

Accountability isn't money, it's results. What are the results for the money? Where has the money gone?

Nice.
Another example of shifting the financial burden to municipalities is to look at the proportion of state aid to other revenues. The department looked at the school operating revenues for the Anchorage School District for FY90 and FY2000.

In FY90, the state applied for impact aid for the Anchorage military students then paid Anchorage state tuition for those students. Beginning in FY94, the state



Public School Funding Formula Educational Adequacy

discontinued the tuition payments and started allocating the impact aid it received directly to the Anchorage School District. For the purpose of this comparison, the FY90 state tuition payments or approximately \$6.2 million was reclassified as federal impact aid funds. With this adjustment, federal impact aid accounted for approximately 3.5% of the school operating fund revenues for both FY90 and FY2000.

Impact aid aside, the major change in revenues occurred between the state foundation program and the local revenue support for education. In FY90, the municipal appropriation to schools in Anchorage was approximately \$62.2 million. In FY2000, the municipal appropriation to schools in Anchorage was approximately \$97.5 million, almost a 57% increase for the ten-year period. While state foundation aid in FY90 was approximately \$145.6 million and in FY2000 was \$198.6 million, an increase of almost 36%.

If the state were to match the local contribution effort of the Anchorage municipality, state foundation aid would have been almost \$228.6 million in FY2000. This would represent a \$30 million increase in state foundation aid to the Anchorage School District. To accommodate the \$30 million increase for Anchorage, the current base student allocation of \$3,940 would have to be increased by \$456 to \$4,396. The estimated total cost for increasing the base student allocation to \$4,396 statewide in FY2000 would have been approximately \$95.2 million.

And just where do you suppose that money would have come from?

In FY2001, the state foundation formula required \$19.2 million less in state support over the previous year. This decreased effort was due to three factors; declining enrollment, increased required local effort, and increased federal impact aid. The



Public School Funding Formula Educational Adequacy

FY2002 budget will require \$10.5 million less than the FY2001 foundation formula budget due to increases in required local contribution and federal impact aid funds for a drop in state aid for education of approximately \$29.7 million for the two years. However, the legislature did approve a one-time appropriation in FY2001 of \$6.2 million for Learning Opportunity Grants. The last shift to municipal districts results

in

Teachers

Recruitment of qualified and experienced teachers continues to become more difficult in Alaska as it is for much of the United States. Many states and outside school districts offer incentives as: signing bonus, down payment on a home, mortgage subsidy, and student loan repayment programs. (See examples of teacher incentives offered in other states.) These are examples of the recruiting techniques used beyond the annual salary to entice teachers to sign contracts. Due to limited resources, Alaska school districts continue to struggle to be competitive with other states and outside school districts when recruiting teachers.

From FY99 to FY2000 the average teacher salary in Alaska increased less than 1%. This reflects the smallest increase in average teacher salary in the nation from FY99 to FY2000. For the ten-year period from FY90 to FY2000, the average teacher salary stated in constant dollars decreased 11.7% and is the largest decrease in the nation for this time period. (See National Education Association attachment.)

Demand for teachers in Alaska has already exceeded supply, leaving unfilled positions across the state in math, special education, and speech pathology. For the 1999-2000 school year, 1,335 new teachers were hired in Alaska. On the first day of school 84 teaching positions were still unfilled, and some remained unfilled for up to



Public School Funding Formula Educational Adequacy

two months. Districts report that they are scraping the bottom of the barrel, forced to hire unqualified teachers on emergency certificates, and teachers with minimal paper qualifications who are unsuitable for the positions.

The amount of state support through the foundation program impacts the level of wages, benefits, and incentives that school districts can offer to recruit and retain teachers. State support through the foundation program has remained relatively flat in current dollars for ten years, but when stated in constant dollars to reflect inflation it has actually decreased. Alaska school districts have had to hold the line when negotiating new salaries and benefits with its certified and non-certified staff.

As recently as 1989 Alaska was reported to have the highest average teacher salaries in the nation. According to the NEA, Alaska's average teacher salary in 1989 was \$42,818. In 1999, Alaska is reported to have slipped to number eight in the nation with an average teacher salary of \$48,085. The average teacher salary in Alaska has increased about 12.3% for the past ten-years, but when stated in constant dollars to reflect inflation it has decreased by approximately 11.7%.

As discussed in the foundation formula section of this report, the state foundation formula was increased approximately 5% in current dollars excluding increases for enrollment growth. This means the additional 7.3% increase in current dollars has come through additional local contributions and increased designated grants. Municipalities continue to increase local contributions and school districts continue to apply for and receive supplemental grants from other sources. These are more examples of municipalities and school districts being accountable to the state legislature by seeking and securing supplemental resources. *What are they?*



Public School Funding Formula *Educational Adequacy*

Inflation

The foundation program statute does not have an inflationary adjustment for the base student allocation of \$3,940. To place an inflationary adjustment in Alaska Statute 14.17 would not bind future legislatures. The legislature would continue to have the power to determine the appropriate level of funding each fiscal year. The inflationary adjustment would amend the base student allocation that is used to calculate school district entitlements under the foundation funding formula.

The consumer price index for Anchorage has risen approximately 30% from 1990 to 1999. The January-to-January index rose 29.57% and the July-to-July index rose 30.7% in ten years. Between 1990 and 1999, the legislature has increased the base foundation funding formula approximately 5%. Many school districts have had to absorb the effects of the additional 25% of inflation. Many municipalities have increased the local contribution to offset the effects.

Increasing the base student allotment by the additional 25% inflation factor would result in an increase of \$985, or a revised student allotment of \$4,925. If the base student allotment were \$4,925, overall state foundation aid would increase by more than \$200 million.

The FY2002 foundation program budget request is \$665 million to educate an estimated 133,300 children statewide. In FY2001, Alaska spent \$664 million to inflation proof the permanent fund. It is estimated in FY2002 Alaska will spend \$714 million to inflation proof the permanent fund. In FY2002, Alaska will spend



Public School Funding Formula Educational Adequacy

approximately 7.4% or \$49 million dollars more to inflation proof the permanent fund than it will spend on the state's 133,300 children's K-12 education.

Facilities

In 1990, the average age of a school facility was 19 years and in 2000, the average is 26. With the increasing age of school facilities one would expect the annual operating and routine maintenance cost to increase. In FY1990, school districts were spending a statewide average of \$1,266 per student for facility operations and maintenance and in FY2000, only \$1,244 was spent. *Why?*

In FY1998, the legislature passed a law requiring all school districts to have a preventative maintenance plan in place by July 1, 1999 in order to be eligible for state funding for school construction or major maintenance projects. The plan must include documented evidence of a maintenance management program, energy management, custodial care program, training program for staff and a renewal and replacement schedules for the electrical, mechanical, structural and other components of the facility. While the preventative maintenance plan is necessary to protect the state's interest in school construction projects, there was no new money provided to assist districts in meeting these new reporting requirements. School districts are forced to use existing resources to meet the new reporting requirements.

Conclusion

The Alaska state legislature has required increased accountability for the funds it appropriates for K-12 education before it considers increases to the foundation formula program. This report has identified many areas in which the department, school districts, and municipalities have responded.



Public School Funding Formula Educational Adequacy

*and then complain
salaries are too low*

School districts have held the line when negotiating contracts with staff and reduced administrative expenditures. Local municipalities have increased local contributions above the amounts required in law to support local schools. The department has implemented new laws and regulations that have improved school district reporting and accountability. The department has implemented the statewide assessment system to demonstrate how well children are learning, and to identify weaknesses with the current delivery model.

The burden of financing the educational system in Alaska has been shifting from the state to local governments over the last ten years. Inflation has eroded school districts' purchasing power for supplies, operational cost, and their ability to recruit and retain qualified teachers.

Recommendations

Based on the adequacy group's work and the department's analysis, the department recommends that changes be made to the public school funding formula to recoup losses due to inflation and to provide for future inflationary adjustments. These recommendations and others included in Tab 1 and 2 will be forwarded to the governor's education funding task force. The task force recommendations are due to the governor and the State Board of Education & Early Development on February 1, 2001.

Educational Adequacy Retreat

August 2-4, 2000

Anchorage, Alaska

FINAL REPORT

EDUCATIONAL ADEQUACY

Background

The passage of SB 36 carried with it certain reporting requirements for the Department of Education and Early Development to the Alaska State Legislature. A letter of intent was adopted by the legislature and approved by the Governor directing the department to include as one of the reports a review of *educational adequacy* in the schools of Alaska. It is recommended that the department use this document as framework in preparing the final educational adequacy report. The final report is due to the legislature by January 1, 2001.

In early August of 2000, Commissioner of Education & Early Development Richard S. Cross convened a broad-based group of Alaskans concerned with public education to address the issue of educational adequacy in Alaska. Participants included representatives from the Alaska Parent-Teachers Association (PTA), NEA-Alaska, Alaska Association of School Boards, Alaska Association of School Administrators, Alaska Association of School Business Officials, and Alaska Municipal League.

The group deliberated for two-and-one-half-days and reached agreement on the definition, data needs, and methodology to be used in measuring educational adequacy. Although the decisions of this group were reached independently, they are consistent with decisions of educational policy makers across the nation in terms of defining educational adequacy and identifying the conditions necessary to accomplish it. An important item to note is that, the group identified that the educational adequacy of the public school funding formula must be measured against the base student allocation set in Alaska Statute 14.17.470.

AS 14.17.470. Base student allocation. The base student allocation is \$3,940.

EDUCATIONAL ADEQUACY

Definition

An adequate education shall provide all students opportunities to acquire the *knowledge and skills* necessary to prepare them to take a productive role in society.

The school finance system must provide sufficient revenues to assure all students meet or exceed Alaska performance standards in all areas.

These are the necessary components of an adequate education:

1. Students are exposed to locally adopted curricula that meet or exceed Alaska State Standards in English/Language Arts, Mathematics, Science, Geography, Government and Citizenship, History, Skills for a Healthy Life, Arts, World Languages, Technology, Employability and Library/Information Literacy.
2. Students are taught by qualified educators who are provided the time and support for professional development.
3. Students learn in a safe environment.
4. Facilities are well maintained.
5. Students have their diverse learning needs met.
6. There are effective partnerships between schools, families, and the community.
7. School buildings support appropriate technology for programs.
8. All students are given age-appropriate opportunities to participate in all aspects of school life including all student activities.

Data Needs

See Appendix A for data definitions.

- I.
 - A. Achievement information based on standards and related costs:
 - Quality Staff
 - Curriculum
- II. Information regarding the financial impact of:
 - A. Loss of Buying Power
 - B. Special Needs
 - C. Facilities
 - D. Violence/Social Issues
 - E. Staffing

EDUCATIONAL ADEQUACY

Methodology

- I. Measurable standards for student achievement have been set by the State of Alaska to meet the higher expectations of the public. "Making the connection between school dollars and student achievement is the principal school finance challenge of the next century."¹
- II. To meet that challenge, we must identify and reflect on the changes that have occurred over the last 10 years.
 - A. The basic amount of school funding per student has not changed since 1993.
 - B. Inflation has eroded buying power.
 - C. New requirements have been added without the dollars to cover their costs.
 - D. Societal changes such as concerns for student safety and changing demographics have impacted schools.

APPENDIX A

¹ Source, *20/20 Vision, a Strategy for Doubling America's Achievement by the Year 2020*, The Consortium on Renewing Education, November 1998.

EDUCATIONAL ADEQUACY

Appendix A

Data Definitions

Quality Staff – Discussion and information related to years of experience including relevant training and appropriate licensure of teaching staff.

Curriculum – Discussion of course offerings.

Loss of Buying Power – The purchasing power of the dollar when adjusted for inflation.

Special Needs – Changes in school districts' revenues and expenditures for categorical programs such as special education, gifted and talented, bilingual/bicultural, and vocational education. New requirements within these program areas.

Facilities – Age and condition and cost to operate school facilities in a manner that is safe and compliant with state building codes.

Violence/Social Issues – Discussion of new requirements on districts.

Staffing – Average teacher salaries, turnover rates, pupil teacher ratios, and numbers of administrative staff.

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SCHOOL BOARD

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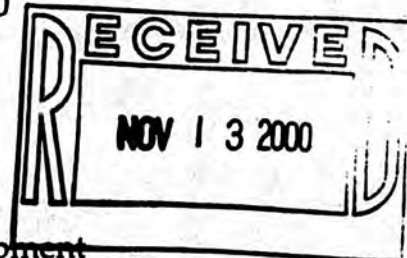
Harriet A. Drummond

Debbie Osslander

ACTING SUPERINTENDENT

Carol Comeau

November 9, 2000



Mr. Eddy Jeans
School Finance Manager
Alaska Department of Education and Early Development
801 West 10th Street, Suite 200
Juneau, AK 99801-1894

Dear Eddy:

The Anchorage School District appreciates being asked to participate in the Department's effort to provide information to the Legislature regarding educational adequacy. The Educational Adequacy Retreat brought together urban and rural communities, school districts and interested parties to identify common interests and concerns regarding educating the students of Alaska.

Pursuant to your request, we are enclosing comparative information about the Anchorage School District for FY 1987-88 and the current year. For certain items, if information was not available for those particular years, then we have so indicated and provided information closest to that date.

We hope that the statistical/cost comparisons and narrative information relative to special needs mandates will help support the need for additional funding. This information along with all of the other mandates that have been imposed on the districts have resulted in increased per student costs.

If you have any questions or we can be of further assistance, please contact me at 742-4369.

Sincerely yours,

Janet Stokesbary
Chief Financial Officer

Enclosures

cc Carol Comeau, Superintendent (Acting)

APPENDIX B

ANCHORAGE SCHOOL DISTRICT SUMMARY FOR STATE DOE PROJECT

Description of Item	Starting Fiscal Year	Amount	Actual			Actual(3)/Budgeted		
			Ending Fiscal Year	Amount	Percentage Change	Ending Fiscal Year	Amount	Percentage Change
State Foundation Calculations (per ADM) [1]								
State Foundation Basic Need	87/88	4,824.76	99/00	5,409.02	12.11%	00/01	0	-100.00% [3]
State Foundation Aid	87/88	3,149.10	99/00	4,122.87	30.92%	00/01	0	-100.00% [3]
State Supplemental Budgetary Expenditures (per ADM)								
Instruction (Reg., VocEd., Gifted, Bilingual)	87/88	2,449.55	99/00	3,153.58	28.74%	00/01	3,389.16	38.36%
Special education instruction (Instruction, Support)	87/88	589.26	99/00	972.34	65.01%	00/01	1,037.42	76.05%
Pupil support (Students, Instruction)	87/88	292.76	99/00	490.14	67.42%	00/01	508.50	73.69%
School administration	87/88	364.39	99/00	413.27	13.41%	00/01	417.95	14.70%
District administration (Admin., Support)	87/88	364.78	99/00	296.98	-18.59%	00/01	271.85	-25.48%
Operation and maintenance of plant	87/88	797.53	99/00	933.39	17.04%	00/01	915.26	14.76%
Community service	87/88	5.03	99/00	7.83	55.61%	00/01	7.78	54.45%
Debt service	87/88	-	99/00	0.78	#DIV/0!	00/01	-	#DIV/0!
Pupil activity (Student Activities)	87/88	53.75	99/00	54.66	1.70%	00/01	56.92	5.89%
Total expenditures	87/88	4,917.06	99/00	6,322.99	28.59%	00/01	6,604.82	34.32%
CAFR GAAP Expenditures, 00/01 based on Budgetary Expenditures (per ADM)								
Personnel Services	87/88	3,567.67	99/00	4,501.79	26.18%	00/01	4,690.51	31.47%
Employee Benefits	87/88	883.94	99/00	1,166.46	31.96%	00/01	1,235.80	39.81%
Purchased Services	87/88	455.06	99/00	769.31	69.06%	00/01	718.84	57.97%
Supplies and Materials	87/88	169.79	99/00	258.11	52.02%	00/01	228.43	34.54%
Capital Outlay	87/88	36.64	99/00	102.70	180.28%	00/01	50.33	37.35%
Other Expenses	87/88	40.72	99/00	37.92	-6.89%	00/01	31.10	-23.63%
Total	87/88	5,153.82	99/00	6,836.29	32.65%	00/01	6,955.02	34.95%
Purchased Supplies								
6th Grade English Textbook	92/93	\$ 22.44	00/01	\$ 35.88	59.89%			
Xerographic Paper, white 8.5 x 11	92/93	18.30	00/01	21.30	16.39%			
Paper, newsprint ruled, grades 1-2	92/93	3.91	00/01	5.66	44.76%			
Students & Buildings								
ADM K-12 & Special Ed.	87/88	38,734.41	99/00	48,157.22	24.33%	00/01	48,576.00	25.41% [3]
Bilingual/Bicultural ADM Category A (Non-English)	87/88	560.50	99/00	911.00	62.53%			
Bilingual/Bicultural ADM Category B (Mostly Non-English)	87/88	280.50	99/00	2,319.00	726.74%			
Bilingual/Bicultural ADM Category C (Bilingual)	87/88	177.00	99/00	544.00	207.34%			
Bilingual/Bicultural ADM Category D (Mostly English)	87/88	271.00	99/00	457.00	68.63%			
Bilingual/Bicultural ADM Category E (English/slight foreign)	87/88	349.50	99/00	115.00	-67.10%			
Total Bilingual ADM	87/88	1,638.50	99/00	4,346.00	165.24%	00/01	5,003.00	205.34% [3]
Special Education ADM Gifted	87/88	1,448.00	99/00	1,874.00	29.42%	00/01	2,109.00	45.65% [3]
Special Education ADM Resources	87/88	2,809.00	99/00	5,422.00	93.02%	00/01	5,242.00	86.61% [3]
Special Education ADM Self-Contained	87/88	1,060.00	99/00	1,037.00	-2.17%	00/01	1,243.00	17.26% [3]
Special Education ADM Intensive	87/88	415.00	99/00	734.00	76.87%	00/01	780.00	87.95% [3]
Total Special Education ADM	87/88	5,732.00	99/00	9,067.00	58.18%	00/01	9,374.00	63.64% [3]
Special Ed - Intensive + Bilingual ADM	87/88	6,955.50	99/00	12,679.00	82.29%	00/01	13,597.00	95.49% [3]
# of School Buildings	87/88	72.00	99/00	87.00	20.83%			
Salary History								
Average Budgeted Teacher's Salary	87/88	40,693.00	00/01	48,748.00	19.79%			
Teachers - Low	87/88	23,863.00	00/01	32,600.00	36.61%			
Teachers - High	87/88	51,245.00	00/01	62,766.00	22.48%			
Bus Driver - Low	87/88	9.60	00/01	11.68	21.67%			
Bus Driver - High	87/88	11.50	00/01	15.88	38.09%			
Bus Attendant - Low	87/88	7.30	00/01	8.73	19.59%			
Bus Attendant - High	87/88	9.00	00/01	13.28	47.56%			
Toten - Low	87/88	7.25	00/01	10.90	50.34%			
Toten - High	87/88	11.00	00/01	17.73	61.18%			
Custodian - Low	87/88	8.00	00/01	8.99	12.38%			
Custodian - High	87/88	14.56	00/01	16.20	11.26%			
Maintenance - Low	87/88	12.38	00/01	16.20	30.86%			
Maintenance - High	87/88	18.13	00/01	23.75	31.00%			
Principal - Low	87/88	52,165.00	00/01	62,830.00	20.44%			
Principal - High	87/88	71,470.00	00/01	80,584.00	26.74%			
ACE - Low	89/90	113.00	00/01	125.90	11.42%			
ACE - High	89/90	292.68	00/01	377.51	28.98%			
Major Medical Insurance (per eligible employee)								
Total Cost	87/88	2,429.40	00/01	7,144.80	194.10%			
District Contribution	87/88	2,384.00	00/01	5,121.80	114.83%			
Utilities (per sq. foot)								
Heat for Buildings [2]	88/89	0.36	99/00	0.27	-22.81%	00/01	0.27	-22.96%
Water and Sewer	88/89	0.07	99/00	0.08	15.29%	00/01	0.07	2.84%
Electricity	88/89	0.76	99/00	0.93	21.22%	00/01	0.94	22.98%
Refuse	88/89	0.09	99/00	0.10	13.42%	00/01	0.09	3.89%

[1] Includes full FTE funding for Family Partnership Charter School in 1999-2000 which is not permanent.

[2] Contract with Aurora Gas gave ASD a 10.9% discount starting 7/1/98. It expires 6/30/01, we have been informed to expect a price increase.

[3] Numbers based on 2000-2001 actuals.

APPENDIX B

**ANCHORAGE SCHOOL DISTRICT
BILINGUAL/MULTICULTURAL EDUCATION PROGRAMS**

MEMORANDUM

October 4, 2000

TO: Alden Thern
FROM: Maxine Hill, Supervisor
Bilingual/Multicultural Education Programs
SUBJECT: BILINGUAL EDUCATION PROGRAM

Since 1987-88 have there been any mandates with regards to Bilingual?

Since 1987-88 there have been changes in the regulations, Alaska Education Regulations Chapter 34, which govern the provision of bilingual education in the State of Alaska. The purpose as stated in 4 AAC 34.10 is to meet the needs of students of limited English-speaking ability by providing educational opportunity to identified students through the establishment of bilingual education programs. Reauthorization of the regulations occurred during the 1998-99 school term. The reauthorization brought about many changes.

Each school district that enrolls limited-English-proficient (LEP) pupils is responsible for taking appropriate steps to develop their English-language skills and to provide them meaningful participation in the school district's academic program consistent with applicable state and federal standards (4 AAC 34.055). Meaningful participation is defined in Title VI of the Civil Rights Act of 1964 as equal educational opportunities. In assessing compliance with Title VI a twofold standard applies: (1) English language development; and (2) meaningful participation of LEP students in the district's educational program. "There is no equity of treatment merely by providing students with the same facilities, textbooks, teachers, and curriculum; for students who do not understand English are effectively foreclosed from any meaningful education." *Lau v. Nichols*

The District has an obligation under Title VI to implement a program of services designed to provide LEP students with equal educational opportunities. The District is expected to effectively implement the educational approach that they have adopted and are expected to provide the necessary resources to implement the program.

What expenses have been incurred because of the new regulations?

The change, which impacts ASD most, focuses on assessment and identification of limited-English-proficient students. Prior to the 1999-2000 school-term the District was responsible for identification and assessment of language dominance for the purpose of categorizing students in one of the five Lau categories. In this process only one instrument was used to assess oral language proficiency. Since the new regulations were adopted in the 1999-2000 school-term the assessment procedure mandates measuring English-language proficiency with respect to each student's ability to speak, read, write, and comprehend English. This has necessitated increased costs to select and purchase the appropriate and necessary assessment instruments; orient and train qualified staff to administer the assessment instruments and evaluate the results.

APPENDIX B

Are there trends relative to the increase in budget?

The Bilingual Education Program has been in existence in the ASD since the 1977-78 school year. Beginning with a program serving 361 students in grades K-12. The program has grown to serving approximately 12.5 times the number of students originally served. The most recent count, September 2000, confirms 3035 students in grades K-6, and 1816 students in grades 7-12.

During the 1987-88 school-term a total of 2,265 students were served in grades K-12. These students spoke a total of 55 different languages. Student demographics have changed tremendously since that time. With the increased number of students has come an increase in the number of languages spoken by students. That number as of last year was 87 different languages. Since the 1994-95 school-term ASD has experienced an increase in the number of students from war-torn countries which include students who have been orphaned or were refugees. Students speaking 7 different languages made a dramatic increase as depicted in the chart below:

Year	Serbo-Croatian	Mien	Hmong	Lao	Albanian	Russian	Total # of Languages
94/95	13	41	0	188	50	72	71
95/96	12	75	0	199	53	87	84
97/98	17	119	0	306	52	89	86
98/99	18	169	95	345	58	95	87
99/00	18	166	170	346	76	113	87

Bilingual/ESL education is organized conceptually to view the student holistically and to help students clarify options compatible with their individual goals. The evolving academic, social, and linguistic needs and potential of each student must be understood, assessed, and addressed. The program supports the English language development of students and promotes the timely acquisition of content by building on students' prior knowledge and experiences through strategic use of native languages and the learners' evolving proficiency in English.

In order to provide a program to meet the growing needs of the students it has been necessary to also increase the number of staff working with students.

Year	Learning Centers	Elementary Teachers	Tutors	Secondary Teachers	Counselors
94/95	7	7	66	10	0
95/96	7	7	76	14	0
97/98	12	10	90	16	2
98/99	11	10	98	23.8	3.7
99/00	14	12.5	102	34	4.7

Changing Student Population

The Newcomer Center opened in September of 1997 with eleven newly immigrated, non-English-speaking students. All were Spanish-speakers from only three different countries. A relatively homogenous class resulted. By January of 1998, the group had

grown to 19 students from six countries. These students spoke three languages - Spanish, Russian, and Lingala. Movement toward greater diversity had begun.

In the fall semester of 1998, the Newcomer Center served 24 students from 13 different countries; these newcomers spoke seven different languages - Spanish, Russian, Tagalog, Korean, Polish, Chichewa, and Wolof. Presently, in the spring of 1999, Newcomer Center enrollment has grown to 27 students from 14 countries. Chinese brings the current language total to eight.

All together, over the course of the past four semesters, 53 different students have attended the Newcomer Center, 22 in 1997-98 and 34 in 1998-99 (including three from 1997-98 who attended for a second semester). Twenty-nine attended for two semesters and 24 attended for one semester; approximately 10 of the latter group may remain in the program in the fall of 1999.

Another interesting trend parallels this increase in number and diversity. There is a steady decline in enrollees' ability to read English, as measured by the IPT - Reading assessment. At the same time, more recently enrolled newcomers lack functional literacy in their first language. In the fall of 1997, all entered with some degree of first language literacy. In the spring of 1998, three students possessed only minimal literacy in their first language. Eight students served during the 1998-99 school year could not read in their first language. This finding is particularly disturbing since first language literacy is an important indicator of academic success in English. Learning to read for the first time in a second language has proven to be especially difficult.

These demographics reveal a noticeable need for intensive English language instruction for recently immigrated, non-English-speakers in the Anchorage School District. Over the past four semesters, students served by the Newcomer Center have grown steadily in number, in linguistic complexity, and in cultural and ethnic diversity. Unfortunately, the prior academic preparation of the student group as a whole shows a decline. These factors combine to dramatically increase the difficulty of an already daunting instructional challenge.

DECISIONS AT THE STATE AND FEDERAL LEVEL THAT HAVE IMPACTED SPECIAL EDUCATION PRACTICE AND FINANCIAL EXPENDITURES FOR THE ASD SINCE 1987

Special education in the Anchorage School District has experienced many new mandated requirements, technological improvements assisting those with medical needs, and student enrollment increases since 1987. The Individuals with Disabilities Education Act (IDEA) was reauthorized in 1990 and 1997, in 1994 (OSEP) and the 9th Circuit Court supported inclusionary practice recommendations, and the state had a federal compliance audit in 1996. Each of these events put additional obligations and requirements on ASD that have increased our expenditures in the provision special education supports and services. Summarized below are the major changes in the special education program over the last 13 years. (not in order)

1. ASD must provide counseling to students certified for special education if required as part or the student's IEP.
2. ASD must provide mobility training to students certified for special education if needed as part of the IEP.
3. In 1993 the policies and practices for the provision of students with disabilities in the least restrictive environment with a focus on the regular education class was re-emphasized. This has required the IEP team to first consider the neighborhood school for students with disabilities. The landmark case heard before the 9th Circuit in 1994-Rachel Holland vs. Sacramento School District set the floor. This has increased the number of teacher assistants, health service providers, related services staff, and special education training to all the regular education teachers.
4. The IEP meetings must include a regular education teacher. Many more substitute teachers are needed to provide classroom coverage. Staff is paid an addenda if they must stay after working hours for an IEP.
5. There is a requirement to provide special education services to students with disabilities beginning at age 3.
6. There are more partnership requirements with charter and private schools requiring more administrative and personnel time. Students with disabilities are entitled to special education services if they attend either charter or private schools.
7. New medical improvements require the district to provide both the equipment and training.
8. A Manifestation Determination meeting is required when a special education student is suspended from school for more than 10 days within a school year. The IEP team must meet and determine if the student's disability impacted their behavior and if the district was providing the appropriate supports and services for the student as designated on the IEP.
9. Students, certified for special education, not in school must receive their special education supports and services as designated on the IEP. New alternative programs for students who are expelled or on long term suspension had to be created. Students, up to age 22, who are certified for special education when last attending public schools but now reside in correctional facilities must receive special education.
10. Due to medical advances and technology more children with severe disabilities survive infancy and are attending public schools. This has lead to an increased number of students with more significant disabilities and the need for more teachers and specialists. Educational services are provided in a variety of locations to include home, hospital or school.
11. Assistive technology may be required for a student with disabilities to receive educational benefit. This may require specialized and expensive equipment and extensive training for staff and parents. This district has experienced a large increase in this area due to the new medical and learning technology that has recently become available and which the district is

required to provide. As an example; the district, at a cost of \$8000 each, may have to purchase a computerized speech system, Dynavox, that is used to assist students in basic communication. The student must also have the assistive technology available to them both at school and at home thereby having the district purchase two. Some of the Dynavoxes at home have been broken and must be replaced by the district.

12. The district may have to provide recreational therapy and / or social services for students with disabilities if required by the IEP team in order for the child to receive educational benefit. There is a large amount of parent counseling and training that is now required also.
13. More paperwork and meeting requirements are now included in the IEP and in dealing with evaluations and assessments. IEP meetings with parents have gone from 1 meeting to 3 meetings per year, requiring all ASD members of the team to be present.
14. Increased numbers of health services staff due to the requirement for medical intervention. Districts must provide the level of health services up to what a doctor would be needed to provide.
15. Additional disabilities were classified for certification for special education over the last 13 years. In 1990 Other Health Impaired, Autism, and Traumatic Brain Injury were added. The district has experienced a significant increase in the number of students served. Attention deficit disorder is an area where special education gets involved and does the evaluations, holds the parent meetings, hears the complaints, and provides the specialized programs, however the state does not include them in the special education ADM counts. ASD currently has 200-300 students with this disorder. Students may qualify for special education as Other Health Impaired or a 504 plan. We have experienced a significant increase in students certified as Emotionally Disturbed. In 1987 we had 271 enrolled, while we had 698 students in 1999. Autism was added as an area of disability in 1990, the district has gone from 0 to 115 currently served. While the total numbers may seem small each student receives substantial specialized supports and services from the district.
16. There has been an increase in the number of students who are sent out of state for special education placement at the request of parents or DFYS. The district has to pick up the educational expenditure for each child if the placement is required for the student to receive educational benefit according to the IEP team decision..
17. There has been an increase in the district's litigation expenditures from parents who want specific teaching methodology and services provided to their child in which the district disagrees.
18. The district is required to prepare a functional behavioral assessment for a student's behavior that interferes with their education. A Positive Behavioral Intervention Plan must then be prepared which requires 3 to 4 teachers to spend 3 to 4 hours preparing. This has created many more meetings requiring more of the teachers and psychologists time.
19. IDEA 97 has extended the age required for student transition plans to age 14. As a result of the audit in 1996 the district is now required to provide a more extensive plan involving a variety of stakeholders. This has increased the number of vocational education teachers and has resulted in the increase in expenditures for the district's middle school, high school and ACE / ACT programs. The district must also coordinate with other outside agencies to assist the student upon leaving the educational system.
20. Increased protections and due process rights for parents and students with disabilities, active involvement in all IEP team decisions to include initial referral for evaluation to all discipline meetings such as a manifestation determination. This has increased staff expenditures for IEP team meetings as school teams attempt to have meetings at times convenient for working parents and difficult schedules.
21. Increased requests for independent educational evaluations from parents. This is a right of a parent to obtain at full cost to the district (approximately \$600-\$1200 per evaluation) if the parent disagrees with a district evaluation.

22. Students with disabilities must be involved in all district and state wide educational assessments such as CAT testing and Benchmarks. This has increased costs for IEP meetings to make determinations and provision of appropriate accommodations.
23. Costs for Extended School Year has escalated dramatically in past years by at least 200% as the definition for qualification for ESY has been extended by the Federal Law. Transportation and provision of related services is especially expensive for this summer program.
24. Extended school day must be considered and provided if student qualifies via the IEP team. this is especially utilized in the preschool and kindergarten program where some students need access to a full day program.
25. Provision of special education services in Headstart programs is now required at district expense.
26. The least restrictive environment clause and opportunity to be with non-disabled peers has resulted in increased costs for itinerant special education staff providing training and services to preschool students with disabilities in private preschools.
27. Increased costs for recruitment and training of special education staff. Required TA training offered on Saturdays. Recruitment teams sent out of state to recruit teachers and the need for recruitment bonuses for new staff.

**SUMMARY TABLE G. ESTIMATED AVERAGE ANNUAL SALARIES OF
TOTAL INSTRUCTIONAL STAFF AND OF CLASSROOM TEACHERS**

REGION AND STATE	1998-99 (REVISED) AVERAGE SALARY FOR CLASSROOM TEACHERS				1999-2000 AVERAGE SALARY FOR CLASSROOM TEACHERS				% CHANGE OVER	
	INSTRUC- TIONAL STAFF	ELEMENTARY	SECONDARY	ALL TEACHERS	INSTRUC- TIONAL STAFF	ELEMENTARY	SECONDARY	ALL TEACHERS	1998-99 (CURRENT \$)	1989-90 (CONSTANT \$)
1	2	3	4	5	6	7	8	9	10	11
50 STATES AND D.C.	42,459	40,293	41,155	40,582	43,440	41,310	42,212	41,575	2.45	6.9
NEW ENGLAND	51,454	45,333	45,321	45,044	52,588	46,341	46,370	46,065	2.27	6.9
CONNECTICUT	53,429	52,386	54,594	51,584	54,400	53,300	55,600	52,500	1.78	4.6
MAINE	36,125	34,576	35,650	34,906	36,903	35,294	36,390	35,631	2.08	6.9
MASSACHUSETTS	56,829	44,877	44,877	45,075	58,053	45,924	45,924	46,127	2.33	7.2
NEW HAMPSHIRE	45,187	37,405	37,405	37,405	46,161	38,162	38,162	38,162	2.02	6.2
RHODE ISLAND	51,689	50,262	50,396	50,322	52,803	52,166	52,305	52,228	3.79	16.8
VERMONT	37,081	37,496	36,062	36,800	37,880	38,014	36,560	37,308	1.38	3.7
MID EAST	50,223	48,056	49,755	48,704	51,410	49,173	50,979	49,636	1.91	9.4
DELAWARE	44,916	43,026	43,330	43,164	45,884	43,920	44,230	44,061	2.08	6.5
DISTRICT OF COLUMBIA	42,974	47,640	46,404	47,150	43,900	48,630	47,368	48,130	2.08	1.1
MARYLAND	44,873	41,620	43,592	42,526	45,840	42,405	44,414	43,328	1.89	-3.8
NEW JERSEY	54,342	50,088	53,079	51,193	55,513	51,048	54,096	52,174	1.92	17.9
NEW YORK	50,300	48,785	50,744	49,437	51,384	49,511	51,499	50,173	1.49	3.9
PENNSYLVANIA	49,566	48,157	48,781	48,457	51,086	50,338	51,212	49,765	2.70	20.4
SOUTH EAST	37,065	35,434	36,422	35,817	38,046	36,551	37,541	36,936	3.12	9.3
ALABAMA	36,740	35,820	35,820	35,820	37,532	36,564	36,564	36,564	2.08	18.8
ARKANSAS	32,879	31,445	33,220	32,350	33,587	32,199	34,017	33,126	2.40	19.5
FLORIDA	37,048	35,916	35,916	35,916	37,846	36,662	36,662	36,662	2.08	2.6
GEORGIA	41,591	39,076	40,532	39,675	42,487	40,703	42,220	41,327	4.16	19.0
KENTUCKY	37,251	35,076	36,580	35,526	38,054	35,846	37,383	36,306	2.20	11.4
LOUISIANA	33,943	32,510	32,510	32,510	34,674	33,186	33,186	33,186	2.08	10.1
MISSISSIPPI	30,743	29,129	30,056	29,530	31,405	29,735	30,681	30,144	2.08	0.1
NORTH CAROLINA	37,279	35,919	36,399	36,098	39,590	38,146	38,657	38,336	6.20	10.9
SOUTH CAROLINA	36,217	34,240	35,110	34,506	36,997	35,915	36,828	36,194	4.89	7.2
TENNESSEE	37,491	36,109	37,545	36,500	38,299	36,998	38,470	37,399	2.46	11.5
VIRGINIA	38,265	36,255	39,426	37,475	39,089	37,067	40,309	38,314	2.24	-0.1
WEST VIRGINIA	35,451	33,961	34,842	34,244	36,215	34,667	35,566	34,956	2.08	23.4
GREAT LAKES	45,014	43,169	45,014	43,634	46,151	44,364	46,279	44,850	2.79	9.9
ILLINOIS	47,312	43,655	50,140	45,569	48,331	44,893	51,562	46,861	2.84	15.2
INDIANA	42,501	41,328	40,997	41,163	43,417	42,262	41,923	42,093	2.26	9.9
MICHIGAN	48,207	48,207	48,207	48,207	49,246	49,209	49,209	49,209	2.08	7.0
OHIO	41,986	40,184	41,335	40,566	43,600	41,800	43,000	42,200	4.03	9.0
WISCONSIN	43,507	40,423	44,161	40,657	44,444	41,263	45,079	41,502	2.08	4.9
PLAINS	37,385	35,326	36,074	35,687	38,155	36,150	36,923	36,523	2.34	5.1
IOWA	36,209	34,143	35,588	34,927	36,989	34,988	36,468	35,791	2.47	7.9
KANSAS	39,690	37,405	37,405	37,405	40,340	38,527	38,527	38,527	3.00	8.1
MINNESOTA	40,707	39,816	39,092	39,458	41,584	40,643	39,904	40,278	2.08	0.9
MISSOURI	36,512	34,208	35,293	34,746	37,299	35,014	36,125	35,565	2.36	5.9
NEBRASKA	36,571	32,880	32,880	32,880	37,359	33,473	33,473	33,473	1.80	5.8
NORTH DAKOTA	29,215	29,199	28,571	28,976	29,844	29,838	29,196	29,610	2.19	3.7
SOUTH DAKOTA	29,387	28,610	28,422	28,552	30,020	29,204	29,012	29,145	2.08	10.3
SOUTH WEST	37,367	33,984	35,042	34,462	38,208	34,799	35,949	35,314	2.47	5.1
ARIZONA	45,785	35,025	35,025	35,025	46,771	35,650	35,650	35,650	1.78	-2.2
NEW MEXICO	33,714	32,242	32,786	32,398	34,810	32,724	33,774	32,937	1.66	7.3
OKLAHOMA	32,783	30,969	31,343	31,149	33,489	31,612	31,994	31,796	2.08	11.1
TEXAS	36,999	34,388	35,703	35,041	37,796	35,303	36,653	35,973	2.66	5.5
ROCKY MOUNTAINS	36,123	34,912	35,358	35,125	37,139	35,759	36,220	35,980	2.43	6.6
COLORADO	39,421	37,901	38,150	38,025	40,270	38,700	38,955	38,827	2.11	1.8
IDAHO	35,643	34,167	33,954	34,063	37,055	35,520	35,299	35,412	3.96	19.7
MONTANA	30,034	30,979	32,150	31,356	31,551	31,623	32,819	32,008	2.08	2.9
UTAH	33,982	33,007	32,887	32,950	34,714	33,693	33,571	33,635	2.08	14.5
WYOMING	34,683	33,714	33,302	33,500	35,633	34,500	34,100	34,300	2.39	-1.7
FAIR WEST	45,113	43,632	44,457	43,905	46,113	44,549	45,406	44,830	2.11	0.2
ALASKA	48,085	46,845	46,845	46,845	49,121	47,262	47,262	47,262	0.89	-11.7
CALIFORNIA	48,393	44,763	47,262	45,400	47,597	45,694	48,245	46,344	2.08	-1.6
HAWAII	41,547	39,871	39,871	40,377	42,442	40,699	41,216	40,699	2.08	3.7
NEVADA	41,007	38,552	39,338	38,883	41,891	39,353	40,155	39,691	2.08	4.6
OREGON	43,142	42,496	42,805	42,833	44,072	43,379	43,694	43,723	2.08	14.3
WASHINGTON	40,596	38,723	38,651	38,692	41,471	39,528	39,454	39,496	2.08	4.6

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C-16. PERCENT CHANGE IN AVERAGE SALARIES OF PUBLIC SCHOOL TEACHERS, 1988-89 TO 1989-90

1. NEW HAMPSHIRE	8.6
2. CONNECTICUT	8.3
3. LOUISIANA	8.1
4. NORTH CAROLINA	8.1
5. NEW JERSEY	8.0
6. MARYLAND	8.0
7. MISSISSIPPI	7.9
8. MAINE	7.8
9. NEBRASKA	7.0
10. FLORIDA	6.8
11. VIRGINIA	6.8
12. PENNSYLVANIA	6.7
13. VERMONT	6.3
14. NEW YORK	6.2
15. SOUTH CAROLINA	6.2
16. NEVADA	6.1
17. MASSACHUSETTS	6.1
18. DELAWARE	5.7
19. TENNESSEE	5.6
UNITED STATES	5.4
20. KENTUCKY	5.4
21. RHODE ISLAND	5.3
22. ILLINOIS	5.3
23. OHIO	5.2
24. NEW MEXICO	5.1
25. CALIFORNIA	5.0
26. MINNESOTA	5.0
27. IDAHO	5.0
28. OREGON	4.9
29. KANSAS	4.8
30. MISSOURI	4.7
31. DIST. OF COL.	4.6
32. WASHINGTON	4.4
33. WEST VIRGINIA	4.3
34. HAWAII	4.1
35. COLORADO	4.1
36. INDIANA	4.0
37. UTAH	3.9
38. IOWA	3.8
39. SOUTH DAKOTA	3.8
40. WISCONSIN	3.7
41. TEXAS	3.7
42. GEORGIA	3.6
43. NORTH DAKOTA	3.4
44. MICHIGAN	3.4
45. ALASKA	3.4
46. ARIZONA	3.2
47. OKLAHOMA	3.1
48. ARKANSAS	2.9
49. MONTANA	2.7
50. WYOMING	1.8
51. ALABAMA	1.2
MEAN	5.4
MEDIAN	5.0
RANGE	7.4
SDEV.	0.7
CV	13.0

Computed from NEA Research, Estimates data bank.

*Data estimated by NEA.

C-17. ESTIMATED AVERAGE SALARIES OF INSTRUCTIONAL STAFF IN PUBLIC SCHOOLS, 1988-89 (REVISED)

1. ALASKA	942,818*
2. DIST. OF COL.	42,310
3. CONNECTICUT	38,708
4. MASSACHUSETTS	38,419
5. NEW YORK	38,100
6. CALIFORNIA	35,882
7. MICHIGAN	35,741*
8. RHODE ISLAND	35,564
9. MARYLAND	35,072
10. NEW JERSEY	34,627
11. DELAWARE	32,736
12. WISCONSIN	32,500
13. ILLINOIS	32,207
14. ARIZONA	31,985
15. HAWAII	31,945
16. MINNESOTA	31,750
17. PENNSYLVANIA	31,555
UNITED STATES	30,969
18. OHIO	30,934
19. OREGON	30,680
20. COLORADO	30,614
21. WASHINGTON	30,525
22. INDIANA	30,357
23. NEVADA	30,150
24. GEORGIA	29,752*
25. VIRGINIA	29,655
26. KANSAS	29,248
27. WYOMING	28,844
28. FLORIDA	28,697
29. MONTANA	28,415
30. TEXAS	27,565
31. NEW HAMPSHIRE	27,448*
32. VERMONT	27,265*
33. MISSOURI	27,020
34. NORTH CAROLINA	26,833
35. SOUTH CAROLINA	26,762
36. IOWA	26,590
37. TENNESSEE	26,512
38. ALABAMA	26,150
39. KENTUCKY	26,026
40. MAINE	25,779
41. NEBRASKA	25,335
42. NEW MEXICO	25,003
43. UTAH	23,955
44. IDAHO	23,640
45. MISSISSIPPI	23,297
46. OKLAHOMA	23,200
47. LOUISIANA	23,150
48. NORTH DAKOTA	22,994
49. WEST VIRGINIA	22,897
50. ARKANSAS	22,193
51. SOUTH DAKOTA	21,250
MEAN	30,969
MEDIAN	29,248
RANGE	21,568
SDEV.	7461.4
CV	24.1

NEA Research, Estimates data bank.

C-18. ESTIMATED AVERAGE SALARIES OF INSTRUCTIONAL STAFF AS PERCENT OF NATIONAL AVERAGE, 1988-89 (REVISED)

1. ALASKA	138.3*
2. DIST. OF COL.	136.6
3. CONNECTICUT	129.0
4. MASSACHUSETTS	124.1
5. NEW YORK	123.0
6. CALIFORNIA	115.9
7. MICHIGAN	115.4*
8. RHODE ISLAND	114.8
9. MARYLAND	113.2
10. NEW JERSEY	111.8
11. DELAWARE	105.7
12. WISCONSIN	104.9
13. ILLINOIS	104.0
14. ARIZONA	103.3
15. HAWAII	103.2
16. MINNESOTA	102.5
17. PENNSYLVANIA	101.9
UNITED STATES	100.0
18. OHIO	99.9
19. OREGON	99.1
20. COLORADO	98.9
21. WASHINGTON	98.6
22. INDIANA	98.0
23. NEVADA	97.4
24. GEORGIA	96.1*
25. VIRGINIA	95.8
26. KANSAS	94.4
27. WYOMING	93.1
28. FLORIDA	92.7
29. MONTANA	91.8
30. TEXAS	89.0
31. NEW HAMPSHIRE	88.6*
32. VERMONT	88.0*
33. MISSOURI	87.2
34. NORTH CAROLINA	86.6
35. SOUTH CAROLINA	86.4
36. IOWA	85.9
37. TENNESSEE	85.6
38. ALABAMA	84.4
39. KENTUCKY	84.0
40. MAINE	83.2
41. NEBRASKA	81.8
42. NEW MEXICO	80.7
43. UTAH	77.4
44. IDAHO	76.3
45. MISSISSIPPI	75.2
46. OKLAHOMA	74.9
47. LOUISIANA	74.8
48. NORTH DAKOTA	74.2
49. WEST VIRGINIA	73.9
50. ARKANSAS	71.7
51. SOUTH DAKOTA	68.6
MEAN	100.0
MEDIAN	94.4
RANGE	69.7
SDEV.	24.1
CV	24.1

Computed from NEA Research, Estimates data bank.

State of Alaska
Department of Education and Early Development
Average Age of School Facilities

YEAR	AGE

1990	19
1992	20
1994	22
1996	23
1998	24
2000	26

Examples of Teacher Incentives Offered in Other States

- **Increased Salaries**

- Maryland-10%

- Virginia-\$90 million over 2 years

- New York City-15% increase for teachers in schools on academic watch list

- Detroit-\$3000 for high-need subject areas

- Los Angeles-\$5000 for bilingual

- **Scholarship-loan Programs**

- Virginia-\$3000 forgivable loans

- North Carolina-\$6500 annually, requiring 4 years of teaching after graduation (3 if they work in "low performance" schools)

- **Signing Bonuses**

- Massachusetts-\$20,000 over 4 years for 150 teachers in urban areas

- Virginia-\$1000 for hard-to-fill areas

- Maryland-for top graduates

- Texas-\$3000 for special education

- Philadelphia-\$4500 for teachers who stay for 3 years

- **Tax Exemptions**

- California-proposed exemption from state income tax for certificated teachers

- **Student Performance Bonuses**

- California-proposed \$5000 bonus for each teacher in a school with student test score improvement of 20%; lesser amounts for lower improvement rates

- **Low Interest Home Mortgages**

- Maryland

- California-for teachers to live within school boundaries

- **Double Dipping**

- Maryland-retired teachers who return to classroom can continue to draw pension

- Continuing Education

Ohio-\$1.8 million for 30 math and science teachers who commit to 3 years
in the district to obtain master's degrees

Many States and Districts-mentoring programs for new teachers

- Miscellaneous Goodies

Various States and Districts-laptop computers, gym memberships, 401Ks,
moving costs

"A tax exemption or signing bonuses may not be the right answer here. But
when states from New York to California are wading into a teacher bidding war,
Oregon had better offer something more than scenery" *Portland Oregonian*, May 2000

**Alaska Department of Education & Early Development
Public School Funding Formula Review
FY90 - FY00**

- FY88 public school funding formula was revised to instructional unit method.
- FY93 the base of the public school funding formula increased 1.7% or approximately \$12 million.
- FY99 public school funding formula was revised to students per school method.
- FY99 the base of the public school funding program increased 3.3% or approximately \$21 million.
- From FY90 to FY00 enrollment increased 25% and the legislature fully funded the increase.
- From FY90 to FY00 inflation has increased approximately 30% but the public school funding program was increased 5% during this time.
- Property values and federal impact aid increased in FY01 and FY02 reducing the state share by \$29 million.
- Property values statewide should continue to increase 2% to 5% annually.
- From FY90 to FY00 municipalities have increased local contributions to education by 55% or \$98 million.

Foundation Formula Hearing - DoE's Adequacy Study.

Jan. 24, 2001

Sen. Wilken

1. agrees w/ tab 1
2. strongly disagrees w/ Tab 2
3. strongly agrees w/ Tab 3 - inflation a thief in the night.

Controversial
Areas

Categorical Funding
Excessive Admin Costs.
Local Contribution

1995 - Formula was campaign issue. Ed Summit didn't come up w/ anything.

1996 - State Education Survey
- $\frac{2}{3}$ said more \$ = better ed.
- 80% supported per student funding

1997 - Gov's SB 85 re formula
Very similar to SB 36
- Both bills rolled together in 1998
- June 11, 1998 bill signed; eff date July 1

Complex instructional unit formula in old bill. Only Eddie jeans understood it. Only state that used it.

SB 36 - much simpler
Simplicity = Trust

Mc Dowell Study - What does it cost to educate students.

- Problems:

different cost charts made comparisons very difficult.

One district (a) is pencils. Another (a) is fuel oil.

Can't compare unless there's a common chart of accounts.

Study not perfect but best ever done.

With common charts funding changes will be easier.

Categorical Funding - special ed needs, voc-ed etc.

- Old formula

difficult to monitor "creative accounting."

- Creative accounting solved by static 20% funding for categorical.

Rep Wilson - is it possible that lawsuits, more careful evaluation?

Wiken - maybe

Con - data still says s.d. have 19% categorical kids.

Local Participation

8-10% of AK Students in Unorganized
Boroughs
about 21% of state funding goes to
unorganized.

Kapsner - impact aid.

August mtg of parents ~~made~~ recommended
new dollars invested, not re-write of
formula.

? 60/40 issue (Rep Jovle) Transition.

Transition to New formula - Very Slow.
- see chart on this.
- average transition 20 years.

To take the transition out is to break the
deal.

→ F.F. is simple & fair.

→ List of things that could be changed, but
we'll need good data before we open the
formula back up.

Stevens - formula measures what it currently costs, but not necessarily what it should cost.

Wilken - that's right. But first we need good data.

Con - SB 36 encourages spending increases.

Guess - formula based on expenditures rather than cost.

Wilken - McDowell did a study of what should be spent based on cost of providing service.

REPORT FROM DOE: EDDY JEANS - SCHOOL FINANCE MANAGER

Con Questions:

1. Cost differentials - compare old & new? Yes. Also other changes.
2. Transition ~~up or~~ down. Why not up?
- Formula already has this transition up built into it.
3. Small school districts - 32 kids, 10 kids. A one kid change would meet the 10% transition figure. Jeans - this # is just a starting point for the discussion.
4. Cost Diff. → What illustrations can you give? 1.0 in Anchorage. 1.3 is highest differential.
5. Discussion w/ Rep. Wilson re: spending vs. cost (can't spend more than you get). Wrangell should have higher differential. Jeans - That's why DOE wants \$ for new studies.

Peter Crane - McDouell Group.

Recommend some different approaches to a new study.

- data approach
 - goals of group approach.
 - understand why there are differences between districts & set standards.
- Would need lots of data.
- Set goals for district. Smaller study.

Guess

~~Wilson~~ wants to go back to market basket method. That would come under first approach or a blending of both.

Porter - are charts of accounts compatible now?

Trans - lps. And also give more detailed data.

We need to identify the data elements that will be used in methodology.

Again - DoE has provided more guidance on accounts & better definitions.

Porter - Will your new methodology move toward figuring what districts should spend?

Bunde - Conflict between funding needs & wants.

→ Ogdenblink Study^{is author phone #} may be made available to interested members?

Educational Adequacy.

Con - Will Gov introduce legislation to amend
SB 36.
After Vasil Force recommendations.

Due to time - we'll address adequacy
when there's a bill.

- Members of group who addressed
adequately.



Senate Bill 36

A proposal to bring
Simplicity & Fairness
to the way Alaska
funds its public schools

A Review of the History of Senate Bill 36

January 24, 2001



Since 1988, State of Alaska
General Fund dollar
support of the public
school Foundation Formula
has increased

54.3%.

(\$409 m to \$631 m)

In that same time, the
number of public school
students to be educated in
Alaska

has increased

27.9%.

(101,142 to 129,426)

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 proposal was considered.

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.

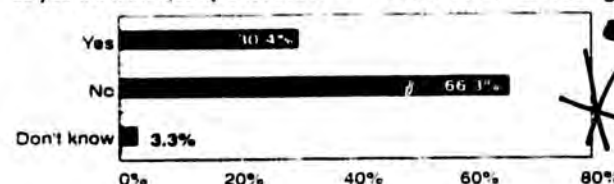
ALASKA EDUCATION SURVEY

January 1996

School Funding

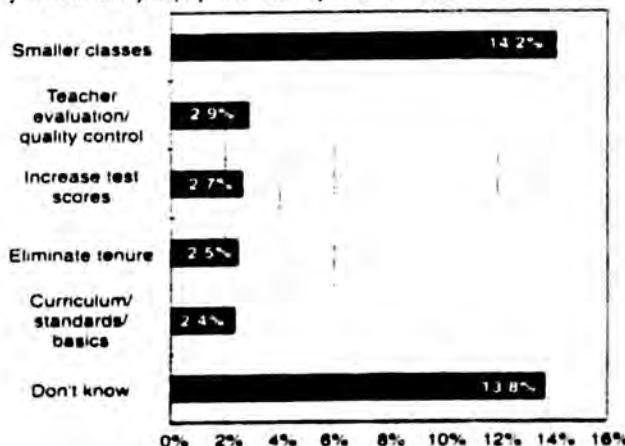
The survey found that only one in three Alaska voters believes that significant increases in education funding would improve the quality of education.

"If state funding of education was increased significantly tomorrow, do you think the quality of education in the state would increase?"



In an open-ended question, respondents reported some of the changes they would need to see that would make them more likely to support increased funding for education. Smaller class size, teacher quality and tenure issues, higher test scores, and better curriculum, higher standards and back-to-basics were the most frequent responses.

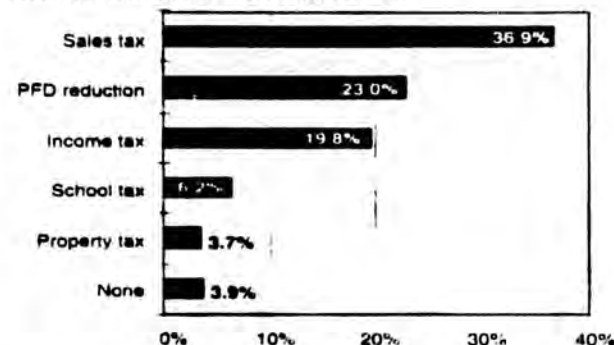
"What's the main thing you'd like to see happen that would make you more likely to pay more money for education?"



Five tax options were presented to respondents: a 1.5% sales tax, a 1% income tax, a 3 mill property tax, a \$160 Permanent Fund deduction, and a \$200 school tax. All of the proposed taxes yield annual revenue in the range of \$60 million to \$80 million. When

asked to make a choice among the options, more voters favored the sales tax.

"If the State needed to raise funds in some way to pay for education in Alaska, which of the five revenue sources we discussed would you be most supportive of..?"



The survey also found:

- Nearly half the state's voters think that Alaska is in financial trouble.
- Alaska voters are three times more likely to support cutting expenditures than raising taxes to alleviate state financial problems.
- More than 52% of voters believe that some districts receive too much funding while others receive too little.
- 57% of voters are unaware of the Foundation Formula for school funding. Another 9% are aware of its existence but unfamiliar with how it works.
- 81% believe the state's method of funding schools should be simplified.
- 73% of voters support funding education based on an amount per student, with additional amounts added for special needs, rather than the current instructional unit method.
- Half of those surveyed feel it is reasonable for rural school districts to receive twice the per student funding of urban schools.
- 43% say it makes sense to place all schools into one of four cost brackets representing costs in urban communities, small communities on the road system, rural hubs such as Bethel, and remote rural communities.

School Funding Analysis

Comparison of SB 85 and SB 36

Senate Bill 85 Introduced by the Governor – 2/12/97	Governor's Transmittal Letter Several Excerpts – 2/12/97	Senate Bill 36 Passed by the Senate – 3/11/98
• Allocations are distributed on a per student basis, and then weighted according to the cost of operating schools.	• <i>[recommend] a per pupil basis instead of the complicated instructional unit method now in use.</i>	• Allocations are distributed on a per student basis, and then weighted according to the cost of operating schools.
• Special needs students are classified as 20% of total students enrolled in schools. An across the board allocation is made to each school district for its special needs students, to be spent as each local district deems appropriate. Categorical funding is abolished.	• <i>Eliminating the need to unnecessarily label children as "special needs students" [allows] districts to receive a block entitlement of 20 percent above their base funding for students currently labeled gifted and talented, vocational, bilingual, and most categories of special education.</i>	• Special needs students are classified as 20% of total students enrolled in schools. An across the board allocation is made to each school district for its special needs students, to be spent as each local district deems appropriate. Categorical funding is abolished.
• Funding provides for students identified with intensive needs in <u>addition</u> to the 20% allocation.	• <i>Districts will get categorical funding only for students with the most serious, or intensive, disabilities.</i>	• Funding provides for students identified with intensive needs in <u>addition</u> to the 20% allocation.
• Minimum size for funding is set at 10 ADM.	• <i>[SB 85] is bold. It is imaginative.</i>	• Minimum size for funding is set at 10 ADM.
• Requires an area cost differential study to be completed and implemented in three years.	• <i>Funds a statewide study to determine the cost of operating schools.</i>	• Implements the <i>Alaska School Operating Cost Study</i> conducted by the McDowell Group.
• Area cost differentials are assigned at the funding community level.	• <i>The proposed foundation formula distributes [funding] . . . in a fairer and easier to understand method.</i>	• District cost factors reflect non-personal services and administrative costs for each district.
• Equalization is based on 3 mills plus supplemental equalization formula.	• <i>The foundation formula was developed over the past two years by the State Board of Education.</i>	• Equalization is based on 4 mills.
• Allows additional local contributions without cap.	• <i>Lifting the current local funding cap that prevents local governments from contributing above a certain level of funding for schools [is recommended].</i>	• Allows for additional local contributions capped at 23% of the district's state share of public school funding.
<i>The description of SB 85 was taken from information provided by the Department of Education</i>		

Comments on Senate Bill 85 – Public School Funding

Senate Bill 85, relating to public school funding, was introduced by Governor Knowles on February 12, 1997. On February 19, 1997, this legislation was discussed in Senate HESS Committee. Mr. Rick Cross, Deputy Commissioner, Department of Education, spoke in favor of SB 85. The following excerpts were taken from the minutes of that meeting.

Relating to the block entitlement of 20% for special needs students:

- "SB 85 would eliminate unnecessary labeling of students."
- "20% is close to the current total effort on a statewide basis."
- "Considerable disparity [exists] between districts regarding how many students are identified for [special education, bilingual, and vocational educational programs]."
- "In one district, nine percent are special needs . . . while another district has 33 percent identified."
- "Such disparities cannot simply be explained by the student population or demographics alone."
- "... some districts have been more aggressive in the identification of students."
- "Over-identification and labeling of students is a concern and cannot continue."
- "The solution is to recognize the cost for such programs, not by unnecessarily labeling children. This needs to be addressed this session."

Relating to the need for a new area cost differential study:

- "[SB 85] allocates funding per student. [A new] area cost differential study . . . is linked to the elimination of the instructional unit."
 - "The study . . . would [review] the cost to educate a child and operate a school, not the cost of operating a district."
 - "The cost of operating a district must be justified with the impact on the classroom."
 - "[I am] pleased that . . . everyone indicated the need for an area cost differential study [and I] acknowledge that an area cost differential study redistributes the wealth which results in winners and losers."
 - "[I] agree with the assessment that cost differences [between districts] have diminished, but the study will confirm or deny that suspicion."
-

SB 36 gets high marks

Bill signing grabs spotlight

By LIZ RUSKIN
Daily News reporter

A flock of legislators, children and news reporters crowded into the Baxter Elementary School library on Thursday to watch Gov. Tony Knowles sign what used to be a highly controversial education bill, Senate Bill 36.

"This is one of the grossest photo ops I've ever seen," grouched Sen. Robin Taylor, the Wrangell Republican who is running for governor. Despite his complaint, of the dozen legislators present, Taylor grabbed the largest share of the media spotlight, standing and smiling within easy camera range of the podium while Knowles called others up to speak.

"I've worked on it. This man never did," said Taylor, nodding in the direction of Knowles, who was across the room.

SB 36, a rewrite of the state school funding formula, began as a measure that shifted millions of state dollars from rural schools to urban ones while holding overall state education aid steady.

Please see Page B-3, SB 36

SB 36: Credit-taking marks Knowles' signing ceremony

Continued from Page B-1

Although its Republican sponsors said it corrected a longstanding inequity, rural residents complained that the bill discriminated against Bush children, and Knowles promised a veto.

The version of SB 36 that eventually passed the Legislature in the final minutes of the session is much different from the original. Instead of reducing funding for Bush districts, it gives more money to all districts except the North Slope, with urban districts generally gaining more than most rural ones. Overall, it increases state education spending by more than \$26 million.

On Thursday, politicians of all stripes were taking credit for it.

Knowles said he was pleased the bill also includes parts of his Quality School initiative, which establishes new academic standards, calls for more student testing and requires substandard school districts to improve. He downplayed his earlier criticism of a late addition to the bill that says some districts will get only 60 cents on the dollar as the districts grow and become eligible for more state money. If the provision proves too

Senate Bill 36 gives more money to all districts except the North Slope, and increases state education spending by more than \$26 million.

damaging, the Education Department may ask the Legislature to fix it, Education Commissioner Shirley Holloway said.

Republican sponsors say they're pleased the bill does away with the old formula for distributing education dollars they considered arcane and unfair.

SB 36 sponsors Sens. Randy Phillips, R-Eagle River, and Gary Wilken, R-Fairbanks, stood amid a cluster of Republicans as Knowles spoke. The area in front of the podium was choked with television cameras and children taking a break from summer-school classes, so the Republicans stood to the side, cor-

ralled by waist-high bookcases.

"Congratulations, Randy," said Sen. Dave Donley, R-Anchorage, approaching Phillips to shake his hand.

"Thanks for your help," Phillips responded.

After the official ceremony ended, the Republicans posed for a series of group photos, some with members of the Anchorage School Board.

Several lawmakers running for reelection took the opportunity to have their photos taken among schoolchildren. Rep. Con Bunde, R-Anchorage, sat at a child-size table with a group of children as his aide, Dan Saddler, snapped pictures.

"Dan, we got one more here," Bunde said, posing for another picture while holding a child's hand across the table.

Rep. John Davies, D-Fairbanks, had a videographer there, and Rhonda Roberts of the governor's office herded children to the foreground for the actual signing, during which Knowles was surrounded by children.

"That is perfect," said one of the teachers watching from the back of the library as Roberts composed the shot.

"It is beautiful," agreed another.

Anchorage Daily News
June 12, 1998

The New Foundation Formula

SB 36

Annual Commitment of the Student Dollar

X

Actual Number of Students**

+

Additional Dollars for Intensive Need Students

-

Local Required Support

=

STATE FOUNDATION SUPPORT

**** [Number of Students adjusted for: (1) Size and location of school
& (2) Foundation support for special education needs]**

Alaska School Operating Cost Study

Final Report

Prepared for:

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

**Telephone: (907) 465-6590
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March, 1998

Categorical Funding

**Monies identified through the
foundation formula for special
education needs.**

i.e.

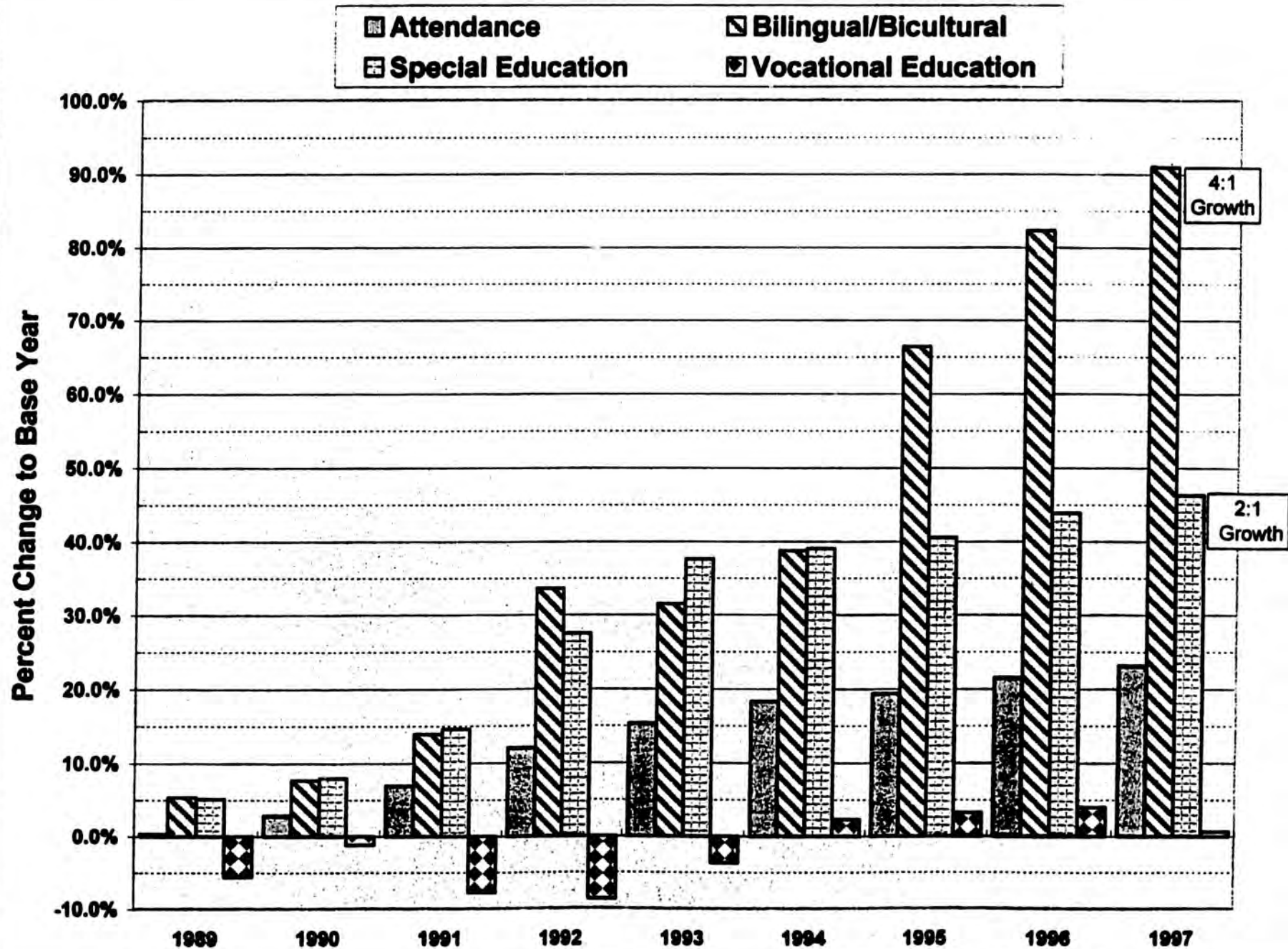
**GT, Bi-Lingual, Bi-Cultural,
Voc Ed.**

Current Formula

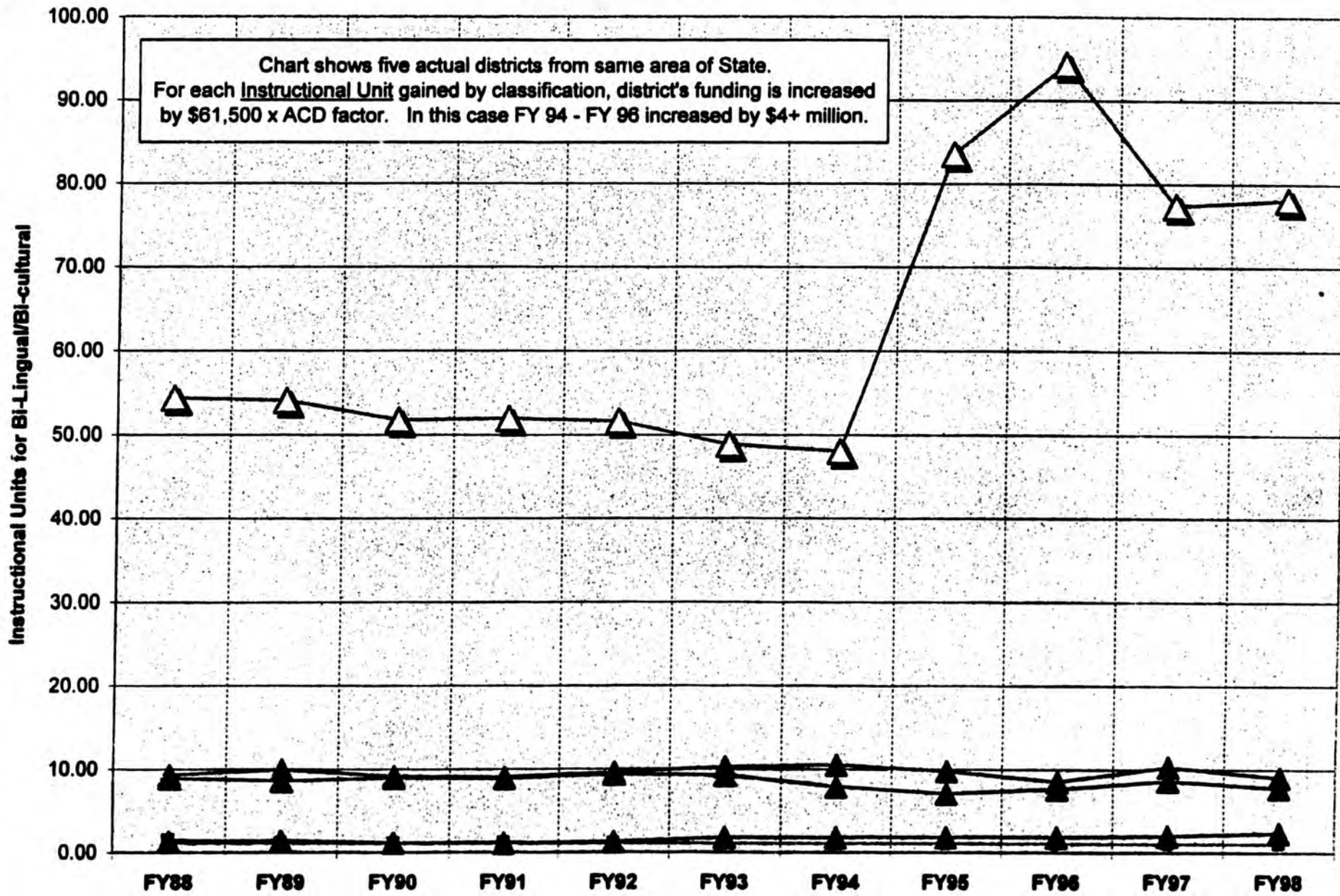
**Districts define & count, then State Provides Funding
based on definition & count, but...**

**Audits are minimal and Districts are not required to
spend them for categorical needs**

Growth in Categorical Funding Requirements (1988 to 1997) Percent Change to Base Year (1988)



Bi-Lingual/Bi-Cultural Instructional Units
1988 to 1998
Actual Example Districts



Local Required
Participation
(organized)

REQUIRED LOCAL CONTRIBUTION

Applies to Organized Areas only

Current

**4 mills of property value
or**

35% of prior year's state support

Proposed

**4 mills of property value
or**

100% of local education requirement

Local Required Funding by School District - 1996

