

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2884 SCOMM 125: HOUSE SPECIAL COMMITTEE ON EDUCATION 2001-02

Subject: [Fwd: SB 36 Effects on Dillingham City School District]

Date: Tue, 29 Jan 2002 13:51:40 -0900

From: Representative Bill Williams <Representative_Bill_Williams@legis.state.ak.us>

Organization: Alaska State Legislature

To: Randall Rauro <Randall_Rauro@legis.state.ak.us>

Subject: SB 36 Effects on Dillingham City School District

Date: Fri, 25 Jan 2002 14:39:55 -0900

From: "DCSD" <loren@dcsd.k12.ak.us>

To: <Representative_Bill_Williams@legis.state.ak.us>

For FY 03, Dillingham City School District will be proposing staff cuts for the 4th year in a row. If the floor remains in place, DCSD will continue the decline of instructional staff. Dillingham maintains one of the highest percentages of budget spent on instruction, at 76%, yet nearly 20 other districts receive waivers and continue to have multiple levels of administration. Dillingham maintains a one administrator central office, yet there appears to be limited incentive for those districts that maintain over the 70% level that legislators requested. The young people of Dillingham need your support to suspend the funding floor provision and strengthen foundation dollars.

Thank you

Loren E Berkoski, Superintendent

tion shall be deposited in the fund, and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund. (§ 5 ch 5 SLA 1990)

Sec. 14.11.007. Major maintenance grant fund. There is created a major maintenance grant fund as an account in the general fund. The fund shall be used to make grants for the costs of school major maintenance. Legislative appropriations for school major maintenance shall be deposited in the fund. (§ 4 ch 78 SLA 1993)

Sec. 14.11.008. School district participation in grant program. (a) In order to receive a grant under this chapter or an appropriation under AS 37.05.560, a district must provide a percentage share of the project cost, as determined under (b) or (c) of this section. A district shall provide the required participating share within three years after the date that the appropriation bill funding the grant is passed by the legislature.

(b) The required participating share for a municipal school district is based on the district's full value per average daily membership (ADM), which is calculated by dividing the full and true value of the taxable real and personal property in the district, calculated as described in AS 14.17.510 by the district ADM as defined in AS 14.17.990, for the same fiscal year for which the valuation was made. The municipal district's full value per ADM determines the district's required participating share, as follows:

Full Value Per ADM	District Participating Share
\$1 — \$100,000	5 percent
100,001 — 200,000	10 percent
200,001 — 600,000	30 percent
over 600,000	35 percent.

This is for local Port & Etc.

(c) The required participating share for a regional educational attendance area is two percent. The participating share for any district may be satisfied by money from federal, local, or other sources, or with locally contributed labor, material, or equipment.

(d) If a district with full value per ADM of \$200,000 or less can demonstrate in writing that it is unable to provide the required participating share or that the participating share required under this section will jeopardize receipt of federal assistance, the commissioner may waive all or a portion of the required participating share.

(e) State funds provided under this chapter may not be a source of the participating share required under (b) or (c) of this section. (§ 4 ch 78 SLA 1993; am § 17 ch 83 SLA 1998)

Enclavin had a school bond last year

Effect of amendments. — The 1998 amendment, effective July 1, 1998, rewrote the introductory language of subsection (b).

Editor's notes. — Section 23(a), ch. 78, SLA 1993 provides that this section applies to grants awarded under AS 14.11.005 — 14.11.019 after June 30, 1993.

NOTES TO DECISIONS

Applied in Matanuska-Susitna Borough Sch. Dist. State, 931 P.2d 391 (Alaska 1997).

Sec. 14.11.010. Recommendations and evaluations of projects. [Repealed, § 15 ch 5 SLA 1990.]

Sec. 14.11.011. Grant applications. (a) A municipality that is a school district or a regional educational attendance area may submit a request to the department for a grant under this chapter.

(b) For a municipality that is a school district or a regional educational attendance area to be eligible for a grant under this chapter, the district shall submit

(1) a six-year capital improvement plan that includes a description of the district's asset inventory system and preventive maintenance program no later than September 1 of the fiscal year before the fiscal year for which the request is made; the

Alaska Dept of Education

Urban/Rural List
FY01 Participating Share Requirements

URBAN (>30%)		RURAL (<30%)	
SCHOOL DISTRICT	ELECTION DISTRICT	SCHOOL DISTRICT	ELECTION DISTRICT
ALEUTIANS EAST BOROUGH	40	ALASKA GATEWAY	36
ANCHORAGE	10-26	ALEUTIAN REGION	40
BRISTOL BAY BOROUGH	39	ANNETTE ISLAND	1
CORDOVA	35	BERING STRAIT	38
CRAIG	5	CHATHAM	5
DENALI BOROUGH	34	CHUGACH	35
DILLINGHAM	39	COPPER RIVER	35-36
FBX NORTH STAR BOROUGH	29-34	DELTA/GREELY	35
HAINES BOROUGH	5	GALENA	36
JUNEAU BOROUGH	3-4	HOONAH	5
KENAI PENINSULA BOROUGH	7-9	HYDABURG	5
KTN GATEWAY BOROUGH	1	IDITAROD AREA	36
KODIAK ISLAND BOROUGH	6	KAKE	5
MAT-SU BOROUGH	26-28	KASHUNAMIUT	38
NOME	38	KLAWOCK	5
NORTH SLOPE BOROUGH	37	KUSPUK	36
NORTHWEST ARCTIC BOROUGH	37	LAKE & PENINSULA BOROUGH	39
PELICAN	5	LOWER KUSKOKWIM	38-39
PETERSBURG	2	LOWER YUKON	36-38
SITKA BOROUGH	2	NENANA	36
SKAGWAY	5	PRIBILOF	40
UNALASKA	40	SAINT MARY'S	38
VALDEZ	35	SOUTHEAST ISLANDS	5-6
WRANGELL	2	SOUTHWEST REGION	39
YAKUTAT	5	TANANA	36
		YUKON FLATS	36
		YUKON/KOYUKUK	36
		YUPIIT	39

Alaska Department of Education and Early Development

FY2002 Participating Share Requirement

District	FY2000 Full Values	2000 ADM	Value Per ADM	LocalShare
Alaska Gateway	\$0	485.4	0.00	2 %
Aleutian Region	\$0	75.15	0.00	2 %
Aleutians East	\$97,167,900	299.55	324,379.58	30 %
Anchorage	\$16,573,238,790	48157.22	344,148.59	30 %
Annette Island	\$0	368	0.00	35 %
Bering Strait	\$0	1775.45	0.00	2 %
Bristol Bay Borough	\$204,802,200	278.6	735,111.97	35 %
Chatham	\$0	257	0.00	2 %
Chugach	\$0	157.35	0.00	2 %
Copper River	\$0	727.29	0.00	2 %
Cordova	\$173,796,950	485.45	358,012.04	30 %
Craig City	\$103,150,100	420.6	245,245.12	30 %
Delta/Greely	\$0	898.78	0.00	2 %
Denali Borough	\$121,643,100	326.5	372,566.92	30 %
Dillingham City	\$148,150,600	561.8	263,707.02	30 %
Fairbanks	\$4,840,563,260	15804.16	306,284.12	30 %
Galena	\$18,043,700	3660	4,929.97	5 %
Haines	\$204,022,700	413.45	493,464.01	30 %
Hoonah City	\$25,060,000	236.75	105,850.05	10 %
Hydaburg City	\$8,141,600	107.85	75,490.03	35 %
Iditarod Area	\$0	568.1	0.00	2 %
Juneau City Borough	\$2,632,035,700	5646.85	466,106.88	30 %
Kake City	\$17,642,900	166.7	105,836.23	10 %
Kashunamiut	\$0	298.2	0.00	35 %
Kenai Peninsula	\$4,246,869,760	9982.41	425,435.31	30 %
Ketchikan	\$1,116,923,700	2598.9	429,767.88	30 %
Klawock City	\$31,525,500	206	153,036.41	10 %
Kodiak Island	\$977,967,800	2810.05	348,025.05	30 %
Kuspuk	\$0	493.85	0.00	2 %
Lake & Peninsula	\$69,030,900	480.95	143,530.30	35 %
Lower Kuskokwim	\$0	3614	0.00	2 %
Lower Yukon	\$0	1936.15	0.00	2 %
Mat-Su Borough	\$3,256,885,340	12513.08	260,278.47	30 %
Nenana City	\$16,800,100	1005	16,716.52	35 %
Nome City	\$211,123,500	769.1	274,507.22	30 %
North Slope Borough	\$10,851,387,110	2008.9	5,401,656.12	35 %
Northwest Arctic	\$381,186,000	2151.5	177,172.21	10 %
Pelican City	\$12,621,800	33.65	375,090.62	35 %
Petersburg City	\$254,224,500	699.1	363,645.41	30 %
Pribilof Island	\$0	158.25	0.00	2 %
Sitka City Borough	\$658,298,100	1722.11	382,262.52	30 %
Skagway City	\$177,458,900	131.3	1,351,552.90	35 %
Southeast Island	\$0	294.5	0.00	2 %
Southwest Region	\$0	758.25	0.00	2 %
St Marys	\$4,535,700	144.15	31,465.14	35 %
Tanana City	\$5,771,200	92.75	62,223.18	5 %
Unalaska City	\$383,163,500	351.91	1,088,811.05	35 %
Valdez City	\$986,219,470	865.2	1,139,874.54	35 %
Wrangell City	\$150,471,600	505.05	297,934.07	30 %
Yakutat City	\$44,561,300	159.75	278,943.97	30 %
Yukon Flats	\$0	352.1	0.00	2 %
Yukon-Koyukuk	\$0	535.85	0.00	2 %
Yupit	\$0	398	0.00	2 %

Post-It Fax Note 7671

Date 6/25/01

To: Beth L. Dorman

Co. Dept. Rep. Bunde

Phone #

Fax # 269-0229

Page 1

think **T**ransition

SCHOOL FUNDING

A Summary of the Supplementary Public School Funding Floor

Historical Review

Why was a new school funding formula adopted in 1998? Why was the "supplementary public school funding floor" added to the school funding formula? A historical review helps answers these questions.

Prior to 1998, the education funding formula was based on the concept of an "instructional unit," a complex and nebulous idea understood by few, mistrusted by many. This old formula, established in 1987, and the subsequent regulations, contained several loopholes that benefited school districts to varying degrees. In 1996, the Department of Education began the process of developing a new formula to rectify some of these known inequities. The governor's subsequent proposal became the blueprint for the current funding formula.

SB 36 Funding Formula

The new Student Dollar K-12 funding formula allocates state general fund dollars to school districts based on the number of students enrolled, with appropriate consideration and adjustments for the size of the school and its location in Alaska. The public school funding formula recognizes that differences do indeed exist be-

tween our large, urban school districts and Alaska's isolated rural districts and funds them accordingly. For example, a student in Pelican receives more than four times the amount per student from the state than a youngster enrolled in Anchorage.

A Fair Transition

During the discussion of implementing the new formula, the legislature, not wanting to negatively impact any school district, wrestled with how to transition the school districts from the old formula to the new. The results of this effort provided that no district would lose funding under the new formula even if the district may have financially benefited from the loopholes in the prior funding plan.

The Department of Education calculated each district's funding entitlement under both the old and new

formula. The difference between the plans was the "supplementary public school funding floor" or the "transition dollar amount." The Transition Dollar **supplements** the school district's state support.

100 Percent of Increase

If a school district's student enrollment grows, the district's state aid is increased based on the number of students, adjusted for size and location. Or if the Student Dollar is increased, each student gets 100 percent of the added revenue. In either instance, the school district receives 100 percent of its full entitlement under the education funding formula. **In addition** to this full formula funding, 32 districts also receive an additional supplementary funding floor or transition dollar amount. Since FY99, this transition amount has totaled over \$59 million.

Benefits of the New SB 36 School Funding Formula

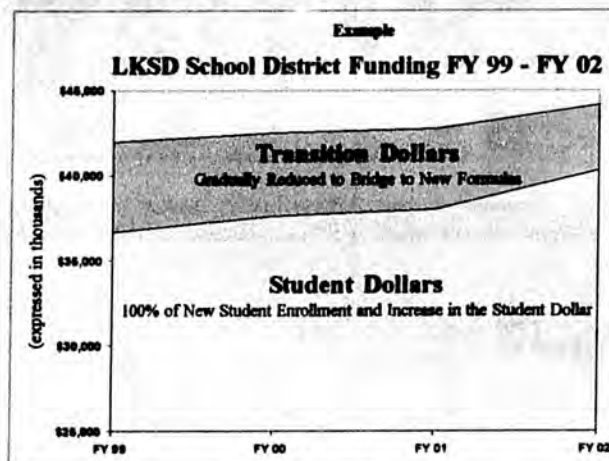
- Created an equitable distribution of state aid based, for the first time, on the actual costs of operating a school in different areas of the state
- Allocated school funding on a per student basis
- Provided for a fair, simple, and easily understood distribution of state education dollars
- Created a school funding formula less subject to manipulation
- Increased confidence in the funding formula led to increased funding for all school districts
- Provided transition dollars to ensure no school district lost funds

Summary of the Supplementary Public School Funding Floor

As the graph to the right illustrates, the Student Dollar formula is fully funded; LKSD school district's Basic Need is funded at 100 percent. While the district's Transition Dollar, the amount determined in 1998, provides a safe, cushioned change between education formulas.

Gradual Reduction

However, in order to act as a true transition, this dollar amount must be gradually reduced. Annually the Department of Education compares each district's formula funding to the previous year. Using this information, the department calculates the amount of additional state support each district receives as a transition between formulas. For many school districts, this transition mechanism will provide additional state funding for many years to come, ensuring that



each school district can plan and provide for an excellent education program for its students.

Conclusion

It is important to remember that the supplementary transition money is given to school districts **over and above** what each district receives under the current funding formula.

The reduction to the Transition Dollars has been very gradual. In spite of what we might have heard about draconian cuts between FY99 and FY02, the total transition dollar amount distributed to school districts has been reduced by just 8.7 percent. This added state support is

a very generous and stable transition between two different funding mechanisms and must be maintained.

The Student Dollar is funded at 100 percent.

The Transition Dollar is gradually reduced.

Additional Transition Dollars Received by Eligible Districts

School District	FY99	FY00	FY01	FY02 Preliminary
Alaska Gateway	323,832	323,832	307,640	213,670
Aleutian Region	295,191	172,799	172,799	172,799
Aleutians East Borough	14,054	-	-	-
Anchorage	-	-	-	-
Annette Island	-	-	-	-
Bering Strait	-	-	-	-
Bristol Bay Borough	-	-	-	-
Chatham	-	-	-	-
Chugach	591,834	591,834	591,834	482,622
Copper River	15,984	15,984	15,984	-
Cordova	49,421	49,421	49,421	36,324
Craig	-	-	-	-
Delta/Creely	543,353	445,549	405,450	306,215
Denali Borough	-	-	-	-
Dillingham	215,224	140,553	79,814	79,814
Fairbanks N. Star Borough	-	-	-	-
Galena	2,575,827	2,066,937	2,066,937	1,564,082
Haines Borough	8,572	7,886	7,807	7,261
Hoonah	52,143	45,067	38,495	36,570
Hydaburg	156,987	156,987	145,998	141,618
Iditarod Area	800,310	791,223	705,331	705,331
Juneau Borough	-	-	-	-
Kake	80,018	72,016	71,296	47,666
Kashunamiut	-	-	-	-
Kenai Peninsula Borough	-	-	-	-
Ketchikan Gateway Borough	-	-	-	-
Klawock	222,049	205,123	205,123	178,457
Kodiak Island Borough	-	-	-	-

* Denotes an REAA School District

School District	FY99	FY00	FY01	FY02 Preliminary
Kuspuk	284,722	168,066	168,066	152,940
Lake & Peninsula Borough	240,029	211,226	202,777	190,610
Lower Kuskokwim	5,271,665	4,898,831	4,740,900	4,139,773
Lower Yukon	-	-	-	-
Mat-Su Borough	-	-	-	-
Nenana	589,331	-	-	-
Nome	110,360	110,360	95,798	95,798
North Slope Borough	-	-	-	-
Northwest Arctic Borough	-	-	-	-
Pelican	272,282	258,208	198,820	170,985
Petersburg	-	-	-	-
Pribilof	34,693	31,305	28,488	27,348
Sitka Borough	-	-	-	-
Skagway	243,759	232,128	211,782	199,075
Southeast Island	510,505	510,505	479,875	422,290
Southwest Region	-	-	-	-
St. Mary's	244,591	161,977	161,977	128,079
Tanana	128,795	114,628	100,873	86,751
Unalaska	421,009	421,009	421,009	344,603
Valdez	617,369	574,801	565,707	492,498
Wrangell	-	-	-	-
Yakutat	292,006	292,006	227,374	188,115
Yukon Flats	995,219	935,506	823,245	727,989
Yukon/Koyukuk	634,345	625,503	530,443	530,443
Yupit	544,044	544,044	479,208	334,069
Alyeska Central School	-	-	-	-
Mt. Edgecumbe High School	-	-	-	-
TOTAL	17,379,523	15,175,314	14,320,271	12,323,795

Prepared by the Department of Education and Early Development

ALASKA EDUCATION SURVEY

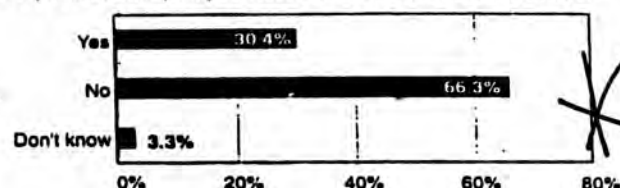
Provided by
Gary Wilken

January 1996

School Funding

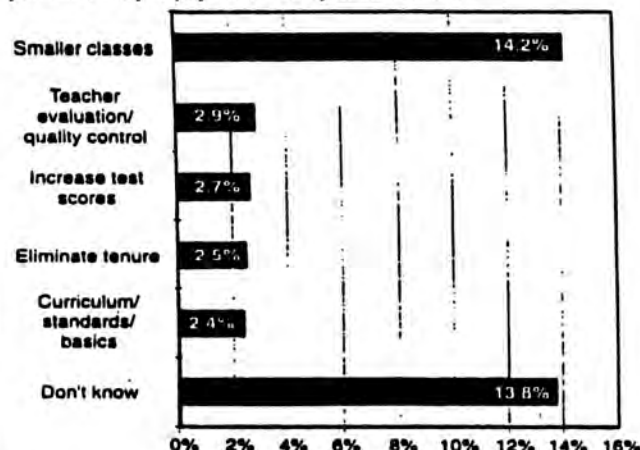
The survey found that only one in three Alaska voters believes that significant increases in education funding would improve the quality of education.

"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.

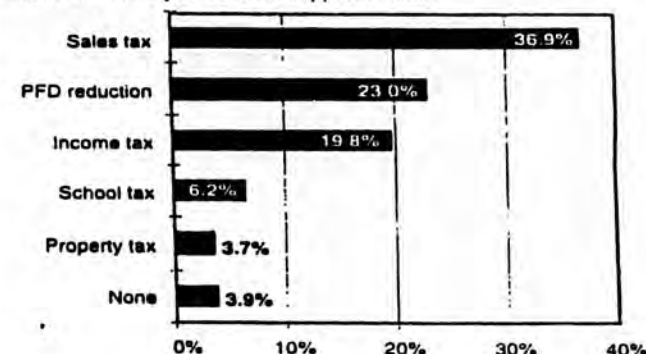
"What's the main thing you'd like to see happen that would make you more likely to pay more money for education?"



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 tax 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.

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.



A Strategy for Year Two Funding

**From the
Education Funding Task Force**

Prepared October 19, 2001

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Central Microfilm Services
Department of Education & Early Development
State of Alaska

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* * * * *

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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.



A Strategy for Year Two Funding

**From the
Education Funding Task Force**

Prepared October 19, 2001

Executive Summary

This report presents Year 2 recommendations of the Education Funding Task Force.

Appointment and Charge

On December 8, 2000, Governor Tony Knowles appointed the Education Funding Task Force "as the next step toward fulfilling the goals of his Quality Schools Initiative." The Governor asked the task force to develop a five-year funding plan and report back to him and the State Board of Education & Early Development by February 1, 2001.

Guiding Principles

1. Alaska adopted the Quality Schools Initiative with the belief that *ALL* children can reach higher standards. Furthermore, the Quality Schools Initiative offers the promise that no child will be left behind. This is an enormous undertaking and is the first time Alaska has made such a promise to all children.
2. In conducting its work, the task force followed a four-point framework: Quality, Performance, Fairness, and Accountability.
3. The goal was to increase student performance through a variety of new programs tied directly to holding schools accountable for increased student performance.

Findings

1. Adequate state funding has not been provided so that schools are able to maintain an appropriate level of education services, including
 - a. updating appropriate and necessary instructional materials,
 - b. aligning curriculum and lesson plans,
 - c. maintaining facilities,
 - d. providing direct student intervention,
 - e. meeting the needs of Alaska's unique and increasingly diverse student population, and
 - f. providing competitive salaries and benefits to attract and retain teachers.
2. As a result, it is likely that many students have not had the opportunity to meet higher state academic standards.

Recommendations

The task force framed its discussions, and ultimately its recommendations, around two major factors: increased student performance, and increased school accountability. After examining extensive data and concluding that Alaska's schools needed a substantial increase in financial support above existing levels, the task force issued its report and recommendations on February 1, 2001.

The Governor and the State Board of Education & Early Development endorsed the report and all recommendations therein. Legislation was introduced to implement most of the recommendations. The Legislature passed legislation that made significant progress towards implementing task force recommendations, focusing on funding within the foundation formula, Learning Opportunity grant funding, and a District Cost Factor study.

The task force reconvened in September 2001, and decided to renew its efforts to seek approval of a multi-year effort to improve Alaska's schools. Below is a summary of the original task force recommendations, what was approved by the Legislature, and what the task force recommends in Year 2.

1. **Funds need to be appropriated through the foundation program.** The task force recommended a \$164 increase in the per student allocation, with a 1.5% increase in each additional year. The recommended \$164 per student increase included a \$115 per ADM increase in the base student allocation and a \$49 per ADM increase in Quality School Grants. The total cost of this recommendation would have been \$34.6 million in Year 1. The Legislature approved a total increase of \$26.3 million, which was comprised of a \$70 per ADM increase in the base student allocation and an unadjusted \$93 per ADM Learning Opportunity Grant. The latter amount is outside the Foundation Program.

Year 2 recommendation: The base student allocation in the foundation program should increase by \$108 per student, with approximately a 1.5% increase each additional year. Year 2 costs total \$22.9 million. Total per student increase over the five-year period would be \$365. This funding is needed to update instructional materials, align curriculum to state standards, increase teacher salaries, to maintain facilities, keep up with the costs of serving special needs students, and provide direct intervention programs for students not meeting standards.

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2. **Funds need to be appropriated outside the foundation program.** The task force recommended funding additional programs over five years outside the foundation program to address the specific needs of students at risk of not passing the High School Graduation Qualifying Examination or not meeting proficiency levels on the standards-based Benchmark Examinations at grades three, six, and eight. The cost is estimated at \$7 million for the first year, increasing slightly each year to \$8.6 million in year five. Programs include rewards for exemplary schools, creating a center to analyze data, perform research and assist low performing schools, and to provide distance delivered core courses to small high schools. Budget amendments were forwarded in the last legislative session to implement and fund these recommendations, but not approved.

Year 2 recommendation: The additional programs and funding continue to be recommended in full.

3. **Funding is needed to attract and keep new teachers.** The task force recommended that the state implement a student loan assumption program as key to attracting and retaining teachers. This program will cost \$800,000 in the first year, increasing annually as more teachers are attracted into the schools. In addition, the task force recommended investigating placing all teachers in Tier One of the Teacher Retirement System. Introduction of legislation to implement and fund this program is pending.

Year 2 recommendation: The task force continues to recommend the establishment of a student loan assumption program.

4. **The task force recommended suspending the reduction of the funding floor** in the foundation program pending the outcome of the new district cost factor study. Legislation was introduced in the last session to implement and fund this recommendation, but was not approved.

Year 2 recommendation: The task force continues to recommend suspending the reduction in the foundation program pending the completion of the district cost factor study.

Conclusions

The task force recommends an increase of \$32.7 million in year two of its five-year plan. If all recommendations are funded, year five spending will be \$73.6 million more than we are spending in FY2002, excluding new enrollment. The

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task force continues to strongly recommend that, with any new funds, schools be held accountable for measurable gains in student performance.

The task force reiterated its firm belief in the promise of the Quality Schools Initiative, which is based on high quality academic standards and clear accountability measures for schools and students.

The task force recognized that schools need the understanding and support of their communities to accomplish their mission successfully and continues to recommend that schools, working in conjunction with parents, teachers, business, communities, and state and local agencies, develop clearer policies on student attendance and other student behaviors key to academic success.

The task force has renewed its offer to help the Governor and the State Board of Education & Early Development and the Legislature to secure funding for the recommendations described in this report.

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Education Funding Task Force DRAFT Year Two Budget Recommendations DRAFT

Recommendations Requiring Legislation		YEAR 1	YEAR 1	YEAR 2
Purpose		FY2002 Requested	FY2002 Funded	FY2003 Requested
Increase School Funding – Base Student Allocation The task force recommended the Base Student Allocation be increased from \$3,940 to \$4,055. The legislature funded an increase to the Base Student Allocation at \$4,010. Therefore, the task force recommends the difference be rolled into the year two requests to stay on target with the original five-year plan.		24,322.5	14,000.0	10,322.5
The task force recommended the Base Student Allocation be increased from \$4,010 to \$4,118 as recommended for year two. The increase will take effect in FY2003.				12,677.5
Increase School Funding – Direct Student Intervention Program The task force recommended that the Quality School Grants be increased from \$16 to \$65 per adjusted ADM for direct student intervention programs. The legislature funded intervention programs at a level higher than the task force had recommended outside the formula program. Intervention programs have the same type of regional cost differences as regular school programs and should be distributed based on formula adjustments. The task force recommends that these funding be moved within the funding formula increasing the intervention grant amount from \$16 to \$74 per adjusted ADM. The task force also recommends renaming the Quality School Grant Program to the Learning Opportunity Grant Program. This name change better describes the program and the intent that these funds be used for direct student intervention programs that improve student achievement. This change will not have a fiscal impact in FY2003.		10,363.3	12,372.0	
SB36 Supplemental Funding Floor Fix Suspends provision of the current formula which funds enrollment growth in some districts at only 60% of the amount paid to other districts until FY2004 when district cost factor study is complete.		1,149.5	0.0	1,200.0
Teacher Loan Assumption - pending introduction		800.0	0.0	800.0
Subtotal Fiscal Notes		36,635.5	26,372.0	25,000.0
Operating Budget Requests				
Purpose		FY2002 Requested	FY2002 Funded	FY2003 Requested
District Cost Factor Study recommended by Education Funding Task Force. Funded through Legislative Budget & Audit.		350.0	350.0	0.0
Non-statutory Education Funding Task Force recommendations-incentives for exemplary schools (2,000.0), Center for School Excellence (2,000.0), and assistance for low performing schools (2,000.0).		6,000.0	0.0	6,000.0
Education Funding Task Force recommendation for distance delivered core courses to small high schools.		1,000.0	0.0	1,000.0
Education Funding Task Force recommendation to increase department capacity for data collection, research, and analysis.		730.0	0.0	730.0
Subtotal Operating Budget Request		8,080.0	350.0	7,730.0
Total Task Force Recommendations		44,715.5	26,722.0	32,730.0

Governor's Education Funding Task Force Recommendations Year 2 An A+ Report Update

The Department of Education & Early Development held a teleconference on September 5, 2001, with the Governor's Education Funding Task Force to discuss year two recommendations. The task force members discussed education legislation that was passed during the 2001 legislative session and how it compared to the task force first year recommendations to the Governor. The task force concluded that the Legislature should be commended for considering its first year recommendations, and for making substantial progress towards their implementation. The task force is recommending that the Governor propose legislation that will implement the second year recommendations of the task force as outlined in the A+ report dated February 1, 2001. Following is an outline of the Governor's Education Funding Task Force recommendations for the FY2003 legislative budget process. A spreadsheet that estimates the cost of the Education Funding Task Force recommendations as outlined below is included on page 5 of this report.

Recommendations Requiring Legislation

The Education Funding Task Force A+ report update recommends that the base student allocation, AS 14.17.470, be increased to \$4,118 for FY2003. It is projected that this increase will cost approximately \$22.9 million. Districts will use the increased funds for items such as instructional materials, curriculum alignment, and support for special needs students as detailed in the original A+ report.

The funding task force is recommending that the Quality School Grant amount in AS 14.17.480 be increased from \$16 to \$74 per student, and that the \$12.4 million currently appropriated for the Learning Opportunity Grants be used to fund this increase. The task force commends the Legislature for its increased appropriation for Learning Opportunity Grants last session, and further recommends that the Quality School Grant Program be renamed the *Learning Opportunity Grant Program*. This is important for four reasons:

1. It integrates funds into funding formula.
2. It provides reoccurring grant revenue through the funding formula.
3. It requires school districts to be accountable in order to receive funding.

4. It allocates funds among districts equitably based on the funding formula.

The task force recommends that these funds be made available on an ongoing basis through the foundation program so districts have the ability to plan and budget these revenues on a reoccurring basis for direct intervention programs to improve student achievement. The task force believes that this proposal is consistent with the original A+ recommendation by making the funds reoccurring, distributed on the adjusted student and is instructionally based. The name change also acknowledges the legislature for recognizing the need for targeted funding to improve student achievement.

The task force continues to recommend that the state implement a student loan assumption program as being key to attracting and retaining teachers. The program would be available to all new teachers in Alaska, regardless of the postsecondary school where teachers earned their teaching degree or the entities from which teachers borrowed their student loans. Loans would be repaid at the rate of \$2,000 per year up to a maximum of \$10,000. Teachers would need to teach for five consecutive years in order to realize the maximum benefit under this plan. The task force estimated a first year cost of \$800,000, and the same amount, cumulative, over the remaining four years of the plan.

Operating Budget Request (Does not require separate legislation)

The Education Funding Task Force recommends the following budgetary request intended to target funding to improve student achievement outside the foundation funding formula. For a complete description of each proposal please refer to the A+ report dated February 1, 2001.

Incentives for High Performing Schools - Based on the state school designator system, schools identified as distinguished would earn financial incentives. Awards would range from \$10,000 to \$100,000 annually depending on the type and size of school. The task force recommends \$2 million in funding for the first year of the plan. With \$400,000 increases cumulative annually, year five funding would be \$3.6 million.

Center For School Excellence -The Center for School Excellence will provide technical assistance to schools; analyze data on school improvement and student achievement, and conduct research to determine the effectiveness of efforts to improve instruction for all students. The center would place a priority on low-performing schools. The center would be formed using a consortium model and be comprised of school districts, the Department of Education & Early

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Development, public and private Alaska universities, employers, professional education organizations and other entities. While the center would have only a modest number of full-time staff, the training cadre would be supplemented with contract staff matched to the particular need of the school requesting assistance. The task force recommends funding the center at \$2 million in the first year with \$200,000 annual increases.

Assistance for Low Performing Schools - Schools designated as low performing would be able to access funds based on a plan of improvement approved by the State Board of Education & Early Development. Awards would range from \$10,000 to \$100,000 annually depending on the type and size of school. The task force recommends funding this program at \$2 million the first year and decreasing the appropriation by \$200,000 each year over the remaining four years of the plan.

Distance Delivered Courses - Distance delivered core courses based on state standards need to be offered to high schools with fewer than 50 students. Courses developed and offered through competitive grants would support students and teachers in these high schools. The courses would enable students to have better access to subject matter specialists while still having on-site teachers serve as facilitators and coaches to make sure students get the extra help they need. These courses would be offered free to qualifying schools. The task force recommends funding this competitive grant program at \$1 million per year.

Increased Capacity for Data Collection and Analysis - The task force recommends the legislature increase the Department of Education & Early Development's capacity to gather data from schools that will be used by the department and the Center for School Excellence for analysis and research. The results of the research and analysis will be used to assist schools to improve student achievement and to assist the department in the assignment of the school designators. The task force recommends funding this activity at \$730,000 per year.

Conclusion - Continuous Improvement

The task force members would like to thank the Governor and the Alaska Legislature for their consideration of, and substantial progress towards, implementing the first year recommendations of the February 1, 2001, A+ report. This report is intended to supplement the February 1, 2001, A+ report to the Governor and members of the State Board of Education & Early Development. The Education Funding Task Force continues to believe the recommendations

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outlined in this proposal are essential to afford every student in Alaska the opportunity to excel and meet high student achievement.

The Education Funding Task Force also applauds the Governor and the Alaska Legislature for the school construction and major maintenance funding appropriated for FY2002 and for following the statutorily required priority list. While the task force was not directed to address school construction and major maintenance funding needs, its members do recognize the need and importance of safe and healthy school environments so students can meet Alaska's high academic standards. The task force members encourage the Alaska Legislature to provide funding to address FY2003 school construction and major maintenance funding needs at a level comparable to the FY2002 funding level.

The Education Funding Task Force encourages the Governor, the State Board of Education & Early Development, and the Alaska Legislature to look favorably on the recommendations presented and aggressively seek the additional programs and funds outlined in this report.

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Report

To the
Governor

and
State Board of Education
& Early Development

From the
Education Funding Task Force

February 1, 2001

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Letter of Transmittal

February 1, 2001

Dear Governor Knowles and Members of the State Board of Education:

The Education Funding Task Force is pleased to present this report to you.

On December 8, 2000, Governor Tony Knowles gave this Task Force the formidable job of recommending to you and the State Board of Education & Early Development a five-year plan to fulfill the goals of the Alaska Quality Schools Initiative (QSI), your administration's major school reform plan.

We firmly believe in the promise of the QSI. It is based on challenging student performance standards and clear accountability measures for schools and students. It also is an excellent and important blueprint for a bright future for Alaska's young people and developing a competent workforce for Alaska.

Two major factors provided the framework for the task force's discussions and ultimately our recommendations: increased student learning and performance; and increased school accountability. The goal was to increase student performance through a variety of new programs tied to school accountability.

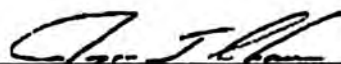
Our eleven task force members met six times to examine the challenges facing our schools in implementing the QSI over the next half decade. We examined extensive data and have concluded that schools need considerable financial support above current levels.

We hope you and the State Board will favorably consider our report. We are available to work with you in an effort to implement the recommendations described in this report.

Sincerely,



Bob Weinstein, Chair



Roger Chan, Vice Chair

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Report

Education Funding Task Force

Table of Contents

Narrative

Executive Summary	4
I. Introduction	6
II. Excellence in Schools	8
III. Improving the Academic Performance of Students	14
IV. Conclusion	17
V. Appendix	
a. Cost Comparisons for Schools	19
b. Average Age in Years of School Facilities	20
c. Governor's Press Release	21

Charts

Annual Foundation Formula Funding	9
Annual Funding For Teacher Loan Assumption	12
Annual Non-Formula Funding	15

Executive Summary

Appointment and Charge

On December 8, 2000, Governor Tony Knowles appointed his Education Funding Task Force "as the next step toward fulfilling the goals of his Quality Schools Initiative." He asked the task force to develop a five-year funding plan and report back to the governor and State Board of Education & Early Development by February 1, 2001.

Guiding Principles

1. Alaska adopted the Quality Schools Initiative with the belief that **ALL** children can reach higher standards. Furthermore, the Quality Schools Initiative offers the promise that no child will be left behind. This is an enormous undertaking and is the first time Alaska has made such a promise to all children.
2. In conducting its work, the task force followed a four-point framework: Quality, Performance, Fairness, and Accountability.
3. The goal was to increase student performance through a variety of new programs tied directly to holding schools accountable for increased student performance.

Findings

1. A general loss of purchasing power has resulted in schools not being able to maintain an appropriate level of education services, including
 - a. updating appropriate and necessary instructional materials,
 - b. aligning curriculum and lesson plans,
 - c. maintaining facilities,
 - d. providing direct student intervention,
 - e. meeting the needs of Alaska's unique and increasingly diverse student population, or
 - f. providing competitive salaries and benefits to attract and retain teachers.
2. As a result, it is likely that many students have not had the opportunity to meet higher state academic standards.

Recommendations

1. Funds need to be appropriated through the foundation program. First year funds total \$34.6 million, with approximately a 1.5% increase each additional year. The base student allocation in the foundation program would increase by \$164 per student for the first year. Total per student increase over the five-year plan would be \$414. New programs are being recommended to update

2. instructional materials, to align curriculum to state standards, increase teacher salaries, to maintain facilities, keep up with the costs of serving special needs students, and provide direct service intervention for students not meeting standards.
3. Funds need to be appropriated outside the foundation program. The cost is estimated at \$7 million for year one, increasing slightly each year to \$8.6 million in year 5. Programs include rewards for exemplary schools, creating a center to analyze data, perform research and assist low performing schools, and to provide distance delivered core courses to small high schools.
4. Funding is needed to attract and keep new teachers. A teacher loan assumption plan will cost \$800,000 in the first year, increasing annually as more teachers are attracted into the schools. In addition, the task force recommends investigating placing all teachers in Tier One of the Teacher Retirement System.
5. The task force recommends the following regarding the foundation program:
 - a. seek funds necessary to develop a new and appropriate methodology, and prepare statistically defensible district cost factors, and
 - b. suspend the reduction of the funding floor pending the new district cost factor study.

Conclusions

The task force recommends an increase of \$42.4 million in year one of the five-year plan. If all recommendations are funded, year five spending will be \$100.3 million more than we are spending today, excluding new enrollment. The task force strongly recommends that with any new funds schools be held accountable for measurable gains in student performance.

The task force expressed its firm belief in the promise of the Quality Schools Initiative, which is based on challenging student performance standards and clear accountability measures for schools and students.

The task force recognized that schools need the understanding and support of their communities to accomplish their mission successfully and recommended that schools, working in conjunction with parents, and state and local agencies, develop clearer policies on student attendance and other student behaviors key to academic success.

The task force offered to help the governor and State Board of Education & Early Development secure funding for the recommendations described in this report.

I. Introduction

On December 8, 2000, Governor Tony Knowles announced the appointment of an Education Funding Task Force as his next step in fulfilling the goals of his Quality Schools Initiative. The 11-member task force included:

- Carl Marrs, president and CEO, Cook Inlet Region Inc.;
- Janice Loudon, president, Alaska Parent-Teacher Association;
- Jim Palmer, vice president, BP Exploration;
- Bob Weinstein, mayor, City of Ketchikan;
- Rich Kronberg, president, NEA-Alaska;
- Carl Rose, executive director, Association of Alaska School Boards;
- Roger Chan, vice president and chief financial officer, VECO, Corp.;
- Pat Abney, Anchorage assembly member and longtime teacher;
- Darroll Hargraves, executive director, Alaska Council of School Administrators;
- Roy Nageak, State Board of Education & Early Development; and
- Ernie Hall, State Board of Education & Early Development.

With the appointment of the Education Funding Task Force the Governor offered the following mission statement to guide the task force effort:

The task force will recommend to the governor and the state Board of Education & Early Development a five-year funding plan to meet the primary goal of the Quality Schools Initiative, which is to prepare all Alaska students for a successful future. The task force recommendations will be based upon, but not limited to, the best available information on funding issues such as the impact of inflation on education in Alaska, including the education workforce; the cost of remedial efforts like summer school, individual tutoring, and academic assistance before and after school; the cost of extending the school year to achieve more time on task; and other programs proven to improve student learning.

The task force, in conducting its work, built a framework around four important principles:

- **Quality,**
- **Performance,**
- **Fairness, and**
- **Accountability.**

These principles were linked to task force recommendations, especially those that involve increased funding for schools. Further, when considering recommendations members of the task force recognized the tremendous diversity of students and geography that exist in Alaska, the strong commitment to local control of public schools, and the wide variation of student performance.

The task force members believe that, in determining excellence for all students, the measurement of accomplishment must be based on achievement results appropriately determined by our current standards-based assessments and nationally norm-referenced examinations. In summary, the task force recommended that **schools be held accountable by demonstrating academic progress for all students based on achievement data.**

The task force recommendations are separated into two major categories: (a) programs funded by adding dollars to the school foundation formula (entitled Excellence in Schools); and (b) programs funded outside the school foundation formula (entitled Funds Earmarked for Improving Academic Performance of Students). The task force also offers its reactions to the report of the Department of Education & Early Development entitled *Alaska's Public School Funding Formula: A Report to the Alaska State Legislature* (January 15, 2001).

II. Excellence in Schools

The task force recommended an infusion of new funds into the foundation formula to address the goal of providing a quality education for all students.

Members recognized a general loss of purchasing power has resulted in schools not being able to maintain an appropriate level of education services, including

- a. updating appropriate and necessary instructional materials,
- b. aligning curriculum and lesson plans,
- c. maintaining facilities,
- d. providing direct student intervention,
- e. meeting the needs of Alaska's unique and increasingly diverse student population, or
- f. providing competitive salaries and benefits to attract and retain teachers.

The task force believes that local school boards are in the best position to decide how to distribute increased foundation funds. School boards understand local conditions and are responsible for deciding how best to reach the goal of educating all students to high standards. The task force endorsed the concept of "educational adequacy" as outlined in *Alaska's Public School Funding Formula: A Report to the Alaska State Legislature* (January 15, 2001) as one that "provides all students opportunities to acquire the knowledge and skills necessary to prepare them to take a productive role in society."

While considering the impact on schools of the loss of purchasing power over the past decade, the task force linked recommendations for new educational funding to the costs of educating all students to high academic standards. The task force identified several key components for demonstrating the need for additional funds distributed through the foundation formula. The base student allocation in the foundation program (AS 14.17.470) would increase by \$164 per student for the first year of the plan and by an additional \$63 in year five of the plan. Total per student increase over the five years would be \$414.

The chart below outlines the justification for additional funds over a five-year period.

Annual Foundation Formula Funding
(Dollars In Millions)

Item	Year 1	Year 2	Year 3	Year 4	Year 5
Instructional Materials	5.4	5.4	5.4	5.4	5.4
Curriculum Alignment	0.5	0.5	0.0	0.0	0.0
Special Needs Students	5.3	5.3	5.3	5.3	5.3
Direct Student Intervention	10.0	10.0	10.0	10.0	10.0
Facilities Upkeep	4.0	8.0	12.0	16.0	20.0
Teacher Salaries	9.4	18.8	28.2	37.6	47.0
Total	34.6	48.0	60.9	74.3	87.7
Increase Over Prior Year		13.4	12.9	13.4	13.4
Increase In Per Pupil Allocation (in dollars)	\$164	\$63	\$61	\$63	\$63
FY2001 Per Pupil Allotment = \$3,940	\$4,104	\$4,167	\$4,228	\$4,291	\$4,354
% Increase Over Prior Year	4.16	1.54	1.46	1.49	1.47

The recommendations for programs needed under the foundation program are:

- **Instructional Materials** - Schools have a general lack of available and up-to-date textbooks, appropriate technology, and general classroom supplies. It is not uncommon for students in Alaska's schools to share textbooks or for schools to possess books copyrighted in the 1970s and 1980s. In addition, costs for instruction materials have not remained static over that time; some costs have increased 20-, 25-, and 30-percent and more since the early 1990s. The task force recommended an increase of \$5.4 million per year to the foundation formula to update instructional materials in our schools. The task force recommendation is based on multiplying Alaska's 135,000 students by an average cost of \$40 per textbook. (135,000 students x \$40 per textbook = \$5.4 million).
- **Curriculum Alignment** - Schools need to carefully align curriculum to the state adopted performance standards in order for students to have the opportunity to learn so they can be successful on state examinations. This

seemingly simple task is actually a radical departure in the usual way schools deliver instruction. To accomplish this, schools will not only need to align their language arts and math curriculum to state standards, they will need to integrate those standards into all curriculum areas, such as science, social studies, the arts, and other subjects. The task force estimates a cost of \$1 million over two years, at \$500,000 per year, to complete the curriculum alignment.

- Special Needs Students** - Over the past decade, schools experienced continued growth in the number of students with disabilities and students with a primary language other than English. In addition, more students are being identified with more severe disabilities, like autism, which require more extensive services. The task force concluded that the 20% block grant fails to sufficiently address this growth. The growth occurs in districts with declining as well as stable enrollment. Students with special needs continue to represent a larger percentage of the total Alaska student body. Due to state and federal requirements, the costs of providing education services to the growing numbers of special needs students, including gifted and talented, special education, and bilingual students, reduces funding for regular instruction. For example, during 1987-88 some 2,265 bilingual students speaking 55 different languages attended Anchorage schools alone. By September 2000, that number had more than doubled to 4,831 students speaking 87 different languages. Through an increase to the per student allocation, additional funds would automatically be available to support students with unique needs through the 20% block grant in the foundation program. The task force recommends a first year appropriation of \$5.3 million to meet this growing demand and equal appropriations over the remaining four years of the plan.
- Direct Student Intervention Programs** - Because of the diverse student needs around the state, a single intervention program can not be prescribed for each school offering extended learning activities targeted at bringing students up to state standards and those at risk of not passing benchmark and high school exams. Programs could include summer schools, extended day and tutorial programs, classes beyond the traditional course offerings to assist students in acquiring the essential skills, and other unique learning activities determined at a local school level. The task force recommends increases of \$10 million per year for funding this program. The funding would be distributed contingent upon an accountability component within the foundation program requiring districts to demonstrate a positive impact on student achievement. The

\$10 million was derived from estimating that 250 schools would offer one-third of all students (44,000) a summer school program at an average cost per program of \$40,000. (250 schools x \$40,000 per program = \$10 million).

- **Facilities Upkeep** - Ample evidence suggests new funds need to be budgeted to ensure the preservation of school facilities and the general upkeep of facilities. The lack of sufficient funding has caused districts to either divert instructional dollars to maintenance, defer critical maintenance, or both. As the age of school facilities continues to increase, districts must spend more dollars on operation and maintenance. Task force members adopted the model of good business practices followed by business and industry to allocate 5% of the replacement value of facilities for operation and maintenance. Excluding facilities less than five years old, the statewide total replacement value of public school facilities is \$3.6 billion. The schools expended \$161 million, through legislative, local and federal funds, for operation and maintenance of facilities in FY 1999. That amount is \$20 million short of the 5% industry practice. The task force recommends that schools adopt industry standards in this area. To do so, the task force recommends an increase of \$20 million over five years, at a rate of \$4 million per year.
- **Teacher Recruitment/Retention** - Alaska's colleges and universities supply about 30% of our state's annual demand for new teachers. More than two-thirds of new teachers come from out-of-state. A national shortage of teachers and administrators forces Alaska to compete with other states for an ever-shrinking pool of applicants. Other states are offering teachers signing bonuses, down payment on homes, mortgage subsidies, and student loan repayment plans. One California school district attended Alaska's fall Teacher Job Fair offering signing bonuses of \$1,000 for regular teachers and \$3,000 for special education teachers. With attractive salaries and incentives in their home states, far fewer out-of-state teachers are applying for available Alaska teaching positions, some of which go vacant for a year or more. Three important areas need immediate consideration:
 - **Teacher Salaries** - Alaska teacher average salaries have dropped from the highest in the nation to the eighth position. For the 10-year period from FY90 to FY 2000, the teacher average salary stated in constant dollars decreased 11.7% and is the largest decrease in the nation during this time period. (*Alaska's Public School Funding Formula: A Report to the Alaska State Legislature*, Jan. 15, 2001). The task force recommends providing funds to allow local school

boards to adjust teacher salaries to a competitive level. The amount of funding needed for this effort would be the equivalent of a 2% increase over the current teacher average salary of \$47,262 over each of the next five years. This will require first year costs of \$9.4 million, cumulative annually, over the remaining four years of the plan.

- o **Teacher Retirement** - The current Tier Two of the Teacher Retirement System (TRS) retirement plan removes a critical incentive for teachers to teach in Alaska and remain. The loss of paid individual and dependent medical coverage as part of the Tier Two TRS package was and remains an important factor for teachers considering and continuing an educational career in Alaska. The task force recommends that the governor and State Board of Education & Early Development investigate eliminating Tier Two under the TRS, and placing all teachers, including new teachers, into the Tier One system. Because of the short timeline required for this report, TRS was unable to provide cost estimates sufficient for the task force to make a specific funding recommendation on this item.
- o **Student Loan Assumption** - The task force recommends that the state implement a student loan assumption program as key to attracting and retaining teachers. The program would be available to all new teachers in Alaska, regardless of the postsecondary school where teachers earned their teaching degree or the entities from which teachers borrowed their student loans. Loans would be repaid at the rate of \$2,000 per year up to a maximum of \$10,000. Teachers would need to teach for five consecutive years in order to realize the maximum benefit under this plan. The task force estimated a first year cost of \$800,000, and the same amount, cumulative, over the remaining four years of the plan. The Alaska Commission on Postsecondary Education may be the appropriate agency to administer this program. The funding recommendation is derived from the assumption that one-third, or 400, of the 1,200 new teachers hired each year would be eligible under the loan assumption program. (400 teachers x \$2,000 loan assumption = \$800,000 per year). The chart below summarizes the additional funds recommended over a five-year period.

Annual Funding For Teacher Loan Assumption (Dollars In Millions)

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Item	Year 1	Year 2	Year 3	Year 4	Year 5
Loan Assumption	0.8	1.6	2.4	3.2	4.0

Reaction to SB36 Report to the Legislature

The task force reviewed *Alaska's Public School Funding Formula: A Report to the Alaska State Legislature* presented by the Department of Education & Early Development to the legislature on January 15, 2001 and concluded:

- **District Cost Factors:** The task force agreed that the current district cost factor methodology is flawed because it is based on what school districts spent over time, and during a time of scarcity, rather than on the actual costs of operating schools. **The task force recommends the governor seek funds necessary to develop a new and appropriate methodology, and prepare statistically defensible district cost factors. Until this new study is completed and implemented, the current cost factors should be maintained.**
- **Old versus New Formula:** The task force recommends suspending the reduction of the funding floor pending the new district cost factor study. The committee reached this conclusion based, in part, on the acknowledgement by the Department of Education & Early Development that the non-applicability of the current (or former) district cost factor methodology in turn causes the reduction in the funding floor to be suspect. The task force also agreed that the foundation program needs a hold harmless provision for districts that experience substantial student enrollment declines. The hold harmless provision should apply when a district loses five percent of its enrollment in a single year, or 10% over two years, rather than the 10% enrollment reduction in one year as suggested in the publication *Alaska's Public School Funding Formula: A Report to the Alaska State Legislature*.
- **Education Adequacy:** The task force concludes that, while school districts have consistently received additional foundation support for increased enrollment, school districts have clearly lost purchasing power over the past decade due to significant increases in costs. It is important to note that the task force recommendations address the eight components for an adequate education listed in the publication *Alaska's Public School Funding Formula: A Report to the Alaska State Legislature*, tab three, page two.

III. Improving the Academic Performance of Students

Task force members recommended additional programs and funds over five years be made available beyond the foundation program to address the specific needs of students at risk of not passing the High School Graduation Qualifying Examination or not meeting proficiency levels on the standards-based Benchmark Examinations at grades three, six and eight. These funds would be allocated at \$7 million the first year; \$7.4 million, the second year; \$7.8 million, the third; \$8.2 million, the fourth; and \$8.6 million, the final year.

In the opinion of task force members, early intervention for students not meeting proficiency levels is key to achieving the primary goal of preparing all Alaska students for a successful future. Early intervention also will keep students on track during their school careers to ultimately pass the high school exam. The foundation program, as currently conceived, needs to provide the funds to deliver an essential education to all students. However, in recognition of our goal to educate all students to high standards, additional funds must be made available outside the foundation program for the extra learning opportunities to achieve this goal.

The task force recommends that the continued access of school districts to the funds outlined in this section of the report be allowed only if schools demonstrate student progress toward the goal of preparing all Alaska students for a successful future. Schools would demonstrate progress by showing student gains on the benchmark and high school exams, as well as on the state required norm-referenced test. Schools that could not show student academic achievement gains over a prescribed period would be denied access to the funds. Under this scenario, future funding would be linked, in part, on the school's capacity to report achievement data and outline specific uses for the funds. In short, schools would be held accountable for the design of their programs and required to report student achievement data to demonstrate the effectiveness of the local initiative in order to access future funds.

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The chart below outlines justification of additional funds for improving academic performance over the next five years.

Annual Non-Formula Funding (Dollars In Millions)

Item	Year 1	Year 2	Year 3	Year 4	Year 5
Incentives for High Performing Schools	2.0	2.4	2.8	3.2	3.6
Center for School Excellence	2.0	2.2	2.4	2.6	2.8
Assistance for Low Performing Schools	2.0	1.8	1.6	1.4	1.2
Distance Delivered Courses	1.0	1.0	1.0	1.0	1.0
Total	7.0	7.4	7.8	8.2	8.6
Increase Compared To Prior Year		0.4	0.4	0.4	0.4

The task force proposed targeting funds outside the foundation program in four areas:

- Incentives for High Performing Schools** - Based on the state school designator system, schools identified as distinguished would earn financial incentives. Awards would range from \$10,000 to \$100,000 annually depending on the type and size of school. The task force recommends \$2 million in funding for the first year of the plan. With \$400,000 increases cumulative annually, year five funding would be \$3.6 million. The reason for the increase is the expectation that a growing number of schools annually will reach the goal of improving student achievement. Over time, they will receive the state designation as a distinguished school, making them eligible for this program. The recommended first year funding was derived from the assumption that 50 schools would be designated distinguished and each school would receive an incentive averaging \$40,000. (50 schools x \$40,000 incentive = \$2 million). The task force estimated 10 additional schools would be designated distinguished each year.
- Center For School Excellence** -The Center for School Excellence will provide technical assistance to schools, analyze data on school improvement and student achievement, and conduct research to determine the effectiveness of efforts to improve instruction for all students. The center would place a priority on low-performing schools.

The center would be formed using a consortium model and be comprised of school districts, the Department of Education & Early Development, public and private Alaska universities, employers, professional education organizations and other entities. While the center would have only a modest number of full-time staff, the training cadre would be supplemented with contract staff matched to the particular need of the school requesting assistance. The task force recommends funding the center at \$2 million in the first year with \$200,000 annual increases. The task force also recommends the state explore increasing the capacity of the Department of Education & Early Development to gather data from schools, which the center will use for analysis and research, and to provide assistance for schools.

- **Assistance for Low Performing Schools** - Schools designated as low performing would be able to access funds based on a plan of improvement approved by the State Board of Education & Early Development. Awards would range from \$10,000 to \$100,000 annually depending on the type and size of school. The task force recommends funding this program at \$2 million the first year and decreasing the appropriation by \$200,000 each year over the remaining four years of the plan. The reason for the decrease in funding is the expectation that fewer numbers of schools annually will receive the state designation as a low-performing school, making fewer schools eligible for this program. The recommended first year funding was derived from the assumption that 50 schools would be designated in-crisis in the initial year, and each in-crisis school would receive an incentive averaging \$40,000 for assistance. (50 schools x \$40,000 in assistance = \$2 million). The task force estimated five fewer schools would be designated in-crisis each year. The Center for School Excellence would be available to assist the in-crisis schools.
- **Distance Delivered Courses** - Distance delivered core courses based on state standards need to be offered to high schools with fewer than 50 students. Courses developed and offered by Alyeska Central School would support students and teachers in these high schools. The courses would enable students to have better access to subject matter specialists while still having on-site teachers serve as facilitators and coaches to make sure students get the extra help they need. These courses would be offered free to qualifying schools. The task force recommends funding this program at \$1 million per year.

IV. Conclusion - Continuous Improvement

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

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

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

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

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

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

Task force members support local control of school districts and believe that local decisions are best made at the local level. Members agreed that the majority of any funding increase should be tied directly to the foundation formula for distribution. Members believed just as strongly that **any new funds, whether distributed through the formula or otherwise allocated, should be strictly linked to improvement in student academic achievement and school accountability.**

The task force members also concluded that funds outside the foundation formula be targeted for specific school purposes. These funds will provide

- additional learning opportunities for students,
- enable school districts to accelerate curriculum alignment and train teachers to the standards-based system,
- reward schools making significant gains in student achievement,
- provide financial assistance for schools experiencing the greatest difficulties, and
- supplement course offerings in the smallest of Alaska's high schools.

The task force also recognizes that schools need the understanding and support of their communities to accomplish their mission successfully. Task force members recommend that schools, working in conjunction with parents, and state and local agencies, develop clearer policies on student attendance and other student behaviors key to academic success.

The task force encourages the governor and members of the State Board of Education & Early Development to look favorably on the recommendations presented and aggressively seek the additional programs and funds outlined in this report.

V. Appendix

Cost Comparisons For Schools

- In 1993, Kodiak paid \$12.95 each for a first grade math textbook. In 2001, the same textbook cost the district \$19.98 each, a 54% increase.
- In 1988, Anchorage School District's share of its employee major medical policy was \$2.4 million. In 2001, the district's share increased to \$5.1 million, a 113% spike.
- In 1993, Yukon Koyukuk School District paid \$25.90 each for a math textbook. In 2000, the same book cost the district \$47.49 each, an 83% increase.
- In 1990, Petersburg School District paid an annual fuel and electric bill of \$325,000. In 2000, the fuel and electric bill was \$433,000, more than a 33% hike. Over the same time period, Petersburg constructed no new school buildings.
- In 1990, Kodiak High School paid an annual electric bill of \$118,600. In 1999, the same school paid \$139,000, a 17% increase.
- In 1990, Yukon Koyukuk School District paid an annual electric bill of \$243,557. In 2000, the district's electric bill climbed to \$378,922, a 56% increase.
- In 1990, Kodiak School District paid 78-cents a gallon for heating fuel. In 2001, costs jumped to \$1.40 a gallon, a 79% spike.
- In 1993, a sixth grade English textbook cost the Anchorage School District \$22.44. In 2001, the same textbook cost \$35.88, almost a 60% increase.
- On January 22, 2001, a local supply company notified Kodiak School District of upcoming 6% to 8% increases in the cost of paper towels, toilet paper and trash can liners. The company warned additional increases are probable beginning in the summer of 2001.
- In 1990, Yukon Koyukuk School District paid an annual bill for fuel oil of \$175,507. By 2000, the district paid \$201,439 for the same product, a 15% increase.
- In 1990, Petersburg School District paid \$277,000 for its employee health care package. In 2000, the district paid \$341,000, more than a 23% increase, plus the district now is partially self-insured.
- In 1990, Kodiak School District paid \$402 for each employee's family health coverage. In 2001, the cost for the same policy increased to \$865, a 115% increase.
- In 1992, Anchorage School District paid \$3.9 million for ruled newsprint paper for grades one and two. In 2001, the district paid \$5.7 million for the same product, a 46% increase.
- In 1990, Yukon Koyukuk School District paid an annual bill for water and sewer of \$57,840. In 2000, that increased to \$80,773, a 40% increase.

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Average Age in Years of School Facilities
Department of Education & Early Development

Year	Average Age in Years
1990	19
1992	20
1994	22
1996	23
1998	24
2000	26



OFFICE OF THE GOVERNOR

Press Releases



KNOWLES NAMES EDUCATION FUNDING PANEL

Education, Business, Elected Leaders to Draft 5-Year Plan for Student Success

As the next step toward fulfilling the goals of his Quality Schools Initiative, Gov. Tony Knowles today appointed 11 Alaskans to an Education Funding Task Force. The task force will recommend to the governor and the State Board of Education & Early Development a five-year funding plan to fulfill the goals of the Quality Schools Initiative and improve education in Alaska.

"This is an outstanding group of Alaskans and I'm pleased they've agreed to serve," Knowles said. "Their task is vitally important—making sure our schools have the resources necessary to improve student achievement and success."

"Alaskans have agreed to raise academic standards, require important tests with responsible timelines and demand accountability if schools aren't measuring up," Knowles added. "Obviously, it's critical to provide adequate resources for schools to do the job."

The panel will report to the governor and the board by Feb. 1 so the first-year funding recommendation can be submitted to the Legislature for inclusion in the upcoming budget cycle.

The task force members are:

- Carl Marrs, president and CEO of Cook Inlet Region Inc.;
- Janice Loudon, president of the Alaska Parent-Teacher Association;
- Jim Palmer, vice president of BP Exploration;
- Bob Weinstein, City of Ketchikan mayor and a former school superintendent;
- Rich Kronberg, president of NEA-Alaska;
- Carl Rose, executive director of the Association of Alaska School Boards;
- Roger Chan, vice president and chief financial officer, VECO, Corp.
- Pat Abney, Anchorage assembly member and a longtime teacher;
- Darroll Hargraves, director of the Alaska Council of School Administrators;
- Roy Nageak, first vice chair, State Board of Education and Early Development; and
- Ernie Hall, member, State Board of Education and Early Development.

The task force, staffed by the Department of Education and Early Development, will meet several times between now and the end of January. Its recommendations then will go to the state board and the governor for final approval. Knowles pledged this fall at Alaska Education Summit 2000 that the group's suggestions then will be quickly forwarded to the Legislature in time for consideration in the upcoming FY2002 budget. The group's first meeting has not yet been set.

Alaska's Public School Funding Formula:

A Report to the Alaska State Legislature



January 15, 2001

**Alaska's Public School
Funding Formula:**

**A Report to the Alaska
State Legislature**

January 15, 2001

TABLE OF CONTENTS

	<u>Pages</u>
Executive Summary	1-4
TAB 1- District Cost Factors.....	1-16
TAB 2- Comparison of Old to New Funding Formula	1-14
TAB 3- Educational Adequacy	1-34

**Shirley J. Holloway, Ph.D.
Commissioner, Department of Education & Early Development**



Public School Funding Formula *Executive Summary*

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 legislature by January 15, 2001. Following is a brief summary of each of the three required reports.

Tab 1 District Cost Factors

Background

This report addresses the requirement of: SB 36 section 41. TRANSITION: PROPOSED DISTRICT COST FACTORS. The Department of Education shall submit the initial proposed district cost factors, required under AS 14.17.460(b), enacted in sec. 2 of this Act, to the Alaska State Legislature by January 15, 2001.

Legislation requires the department to monitor district cost factors and submit a report to the legislature every other year beginning January 15, 2001. Cost factors are specific to each district and adjust funding to account for regional cost differences between districts. The lowest factor is 1.000 and the highest is 1.736.

Current district cost factors were adopted by the legislature and became effective July 1, 1998. These factors were based on the best data available at the time as provided by the McDowell 1998 Alaska Cost Study. To recalculate current district cost factors the department again utilized the 1998 McDowell Alaska School Operating Cost Study methodology.

Findings

The department utilized the 1998 McDowell Alaska Cost Study methodology to calculate updated district cost factors that created results that were not defensible or supported by underlying data. The department contracted with the McDowell group to verify the accuracy of the calculation.

The McDowell Group reviewed the department's calculations and found that the results were not meaningful. The McDowell Group determined that the 1998 methodology is not usable to update district cost factors for a number of reasons as outlined in their report included under Tab 1.

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



Public School Funding Formula *Executive Summary*

department also recommends that a new district cost model be developed to properly account for cost differences between districts on an ongoing basis.

Tab 2 Comparison of Old to New Funding Formula

Background

This report addresses the requirement of: SB 36 Sec. 47. REQUIRED REPORT. The Department of Education shall compare the use of per school funding required under this Act to the use of funding communities required in AS 14.17 before the effective date of the Act and submit a report to the Alaska State Legislature by January 15, 2001.

This required report compares the per school funding under SB 36 to the previous funding formula. The old formula uses student enrollment grouped by community and the new formula uses enrollment grouped by school to determine basic need. This report compares adjustments between the old and new funding formulas such as size, special needs and supplemental funding floor.

The 1998 McDowell Alaska Cost Study review panel did not suggest that any school districts were over funded under the previous funding formula, rather that some districts appeared to be under funded under the new school funding model. The McDowell group report suggested that no district lose money. The legislature adopted as a component of SB36 the supplemental funding floor that erodes over time.

Findings

The supplemental funding floor is subject to erosion as school district enrollments increase. As district enrollments increase these additional students are only funded at 60% of entitlement. In the department's analysis of the district cost factors and comparing the old and new funding formula, there is no data to support the erosion of the supplemental funding floor that penalizes districts that have increased enrollment.

The previous funding formula had a hold harmless provision for school districts that experienced a substantial decrease in student enrollment from one year to the next. The current funding formula has no such provision and school districts immediately absorb the reduction in revenue due to decreased enrollment.



Public School Funding Formula *Executive Summary*

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.

Tab 3 Educational Adequacy

Background

This report addresses the requirement of: SB 36 Letter of Intent. "It is the intent of the Legislature to direct the Department of Education to include in the required report of Section 47 a thorough review of educational adequacy in the schools of Alaska, paying particular attention to differences in costs of school operations between communities, differences in costs of school operations depending on their size, and the particular effects and impacts described in AS 14.17.490 section (d), and to report to the Legislature no later than January 15, 2001."

The department brought together a broad based group of Alaskan's to define educational adequacy and the underlying factors. The group focused primarily on the impact of inflation on education funding.

Based on direction from the adequacy group, the department examined the changes that have occurred in education funding over the past ten years and the impacts of those changes on school districts. The effects of inflation over the past ten years are identified in the report. The department found that a significant effect of inflation is that school districts are limited in their ability to recruit and retain teachers.

Findings

From FY90 to FY00 inflation has increased approximately 30% but the public school funding program was increased only 5% during this time.

From FY90 to FY00 enrollment increased 25% and the legislature fully funded the increase.



Public School Funding Formula *Executive Summary*

School districts in Alaska are having a difficult time recruiting and retaining teachers due to the competitiveness of teacher salaries in other states and the vast number of incentives being afforded to new hires in other states.

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.



Public School Funding Formula *District Cost Factors*

Introduction

Alaska's public school funding formula includes a provision to adjust funding for each district for regional cost differences; this adjustment is contained within district cost factors that are in AS 14.17.460. Each district is assigned a factor by which funding is increased to compensate for cost differences.

This report responds to the direction in AS 14.17.460 (b) District cost factors, that the department shall monitor the cost factors established under (a) of this section and shall prepare and submit to the legislature by January 15 of every other fiscal year proposed district cost factors.

The current district cost factors in statute were arrived at as part of the 1998 Alaska School Operating Cost Study and adopted beginning fiscal year 1999. Previously, cost factors were last updated in 1988.

The department has reviewed the 1998 Alaska School Operating Cost Study in detail and compiled current data for analysis in the same manner as the study utilized. The department has calculated cost factors with current FY99 data based on the study's methodology and has reached conclusions and makes recommendations based on the outcome of our calculations and evaluation.



Public School Funding Formula District Cost Factors

The department has contracted with the authors of the 1998 Alaska School Operating Cost Study, The McDowell Group, to:

- Review, comment, and make recommendations to the department's current recalculation of district cost factors derived from using the Alaska School Operating Cost Study methodology.
- Review, comment, and make recommendations for any changes to current district cost factors.
- Review, comment, and make recommendations for any changes to the cost factor methodology.

The McDowell Group's report is included after this report.

Summary of the 1998 Alaska School Operating Cost Study Methodology and Calculations

The 1998 Alaska School Operating Cost Study presents the calculation for determining cost factors on page 18 of that report. The district cost factors are calculated by dividing each district's estimated average basic need per student by the statewide estimated average basic need per student. Basic need is the amount of required funding the foundation formula assigns to each district.

The 1998 Alaska School Operating Cost Study was able to use basic need in calculating cost factors because basic need revenues are essentially what a district has available to spend, therefore basic need approximates expenditures.



Public School Funding Formula

District Cost Factors

The 1998 Alaska School Operating Cost Study investigated the issue of basic need and cost factors in two pieces, the instructional component and the district level component (non-personal services and administration).

The development of the instructional component of basic need and cost factors used a team of education experts and statistical modeling to develop a school size table that is in AS 14.17.450. The school size table was developed to account for instructional operating costs that are influenced by school size. The instructional portion of a district's basic need is dependent on the multipliers in the table as applied to each school in the district.

The study's review of the district expenditures used an analysis of 1996 audited expenditure reports from all 53 school districts. The study pursues a rigorous examination of district level expenditures. The study examined district level costs by measuring each district's expenditures per student and also repeats the analysis by examining a "market basket," or subset, of expenditures per student. The market basket of expenditures included travel, supplies, utilities, insurance, and communication expenditures. The report concludes that no consistent standard could be applied for computing a relationship between student enrollment and district level costs, and that the short run solution is to compensate districts based on their actual costs. Therefore, the final methodology resorted to using basic need in the calculation for cost factors rather than expenditure data.

The estimated basic need used in the study to determine cost factors was arrived at by adjusting each district's original basic need by changes developed in the school



Public School Funding Formula District Cost Factors

table. Because a conclusion relating to district costs was not achieved, no changes were suggested for these non-personal services and administrative costs. The cost factors in AS 14.17.460 represent each district's estimated average basic need per student divided by the statewide estimated average basic need per student.

Results of using FY99 Data to Calculate District Cost Factors following the McDowell 1998 Alaska School Operating Cost Study

For the current period, actual FY99 student data and actual basic need dollars were used to recalculate cost factors as presented on page 18 of the 1998 Alaska School Operating Cost Study.

Because the instructional portion of basic need is set in statute with the school size table and because there is not a mechanism to adjust basic need for district costs, one would not expect districts' basic need dollars to significantly change from one year to the next unless there was a drastic change in a district's school size configuration. Correspondingly, if basic need remains stable, then the cost factors derived from dividing each district's basic need per student by the statewide basic need per student would not be expected to change.

The results obtained from recalculating cost factors using FY99 data are presented in appendix A. The results do not provide a basis, or insight, to recommend changes to existing cost factors. The results do however point to several areas of concern in the current cost factor methodology.



Public School Funding Formula

District Cost Factors

The current cost study methodology does not account for the changes that SB 36 made to the foundation formula for calculating correspondence study dollars or special education intensive dollars. The results of using FY99 data with the cost study methodology shows that those schools with correspondence students have an elevated cost factor. For example, Galena's cost factor is set in statute at 1.348 but using the cost study methodology with FY99 correspondence dollars assigns Galena a cost factor of 6.631. The increases the methodology calculates for districts with correspondence students are not warranted by increased costs. Additionally, because the formula simply divides each district's average basic need per student by the statewide average basic need per student, the impacts affecting districts with correspondence studies are also carried into the statewide average.

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

Conclusion

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



Public School Funding Formula *District Cost Factors*

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

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

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

Recommendation

The department recommends that district cost factors remain at their current levels as designated in statute under AS 14.17.460 because there is not any empirical data to support changing the district cost factors at this time. The department also



Public School Funding Formula *District Cost Factors*

recommends that a new district cost model be developed to properly account for cost differences between districts on an ongoing basis.



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

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~~ ^{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. 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.



Public School Funding Formula

Comparison of Old to New Funding Formula

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.

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.

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

Alaska Department of Education & Early Development
Changes in funding from funding communities to per school model FY 99

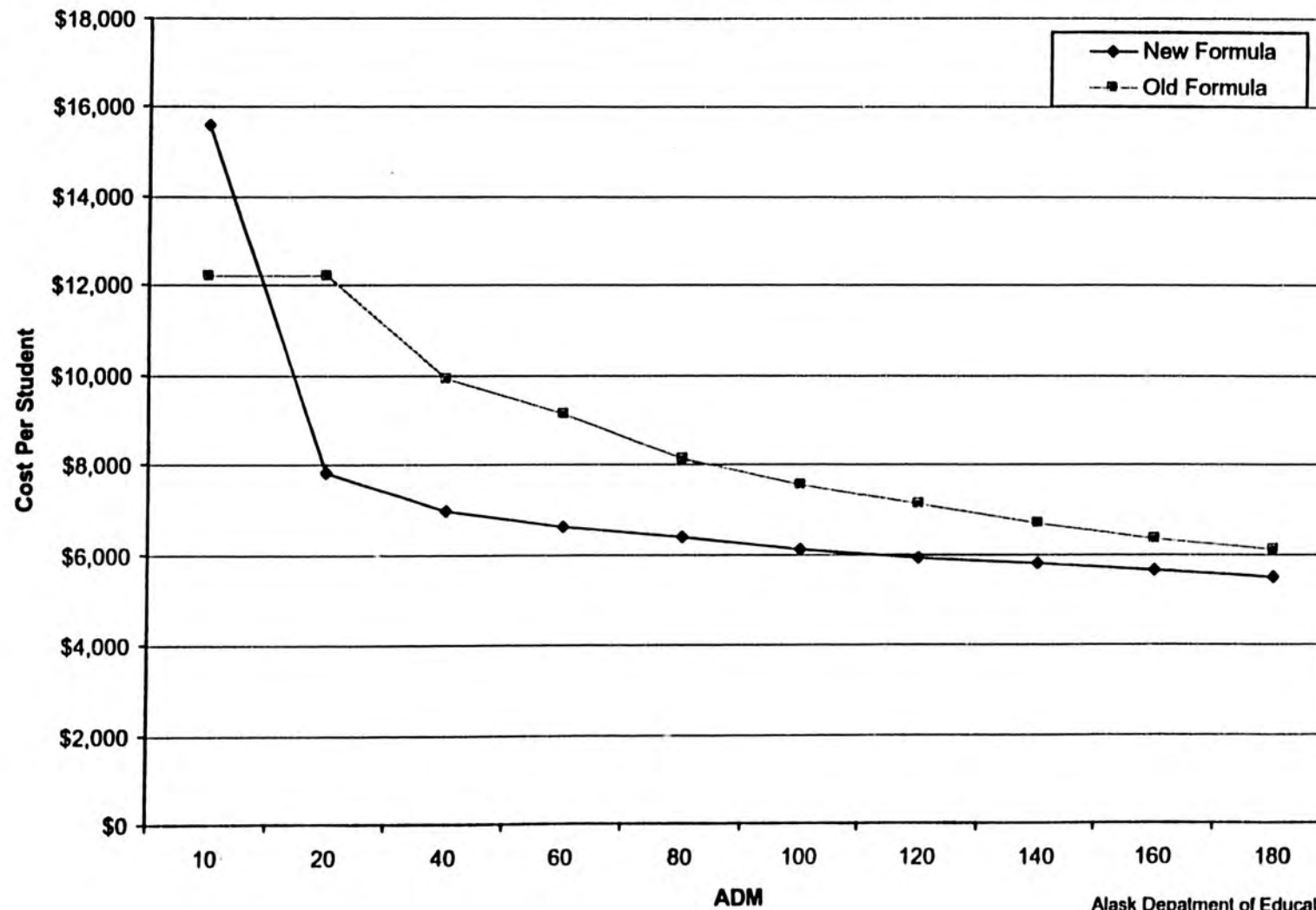
Table 2

	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	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	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	2,410,720	2,215,647	(195,073)	-8.1%
Dillingham	2,651,670	2,741,495	89,825	3.4%
Fairbanks	67,542,860	68,352,636	809,776	1.2%
Galena	13,368,150	10,844,692	(2,523,458)	-18.9%
Haines	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	4,152,270	3,125,888	(1,026,382)	-24.7%
Juneau	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	49,004,960	48,661,963	(342,997)	-0.7%
Ketchikan	11,558,890	12,155,735	596,845	5.2%
Klawock	1,199,870	1,213,993	14,123	1.2%
Kodiak Island	13,451,110	13,428,860	(22,250)	-0.2%
Kuspuk	3,847,270	3,168,793	(678,477)	-17.6%
Lake & Peninsula	5,302,730	3,948,231	(1,354,499)	-25.5%
Lower Kuskokwim	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	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	11,112,370	10,882,926	(229,444)	-2.1%
Northwest Arctic	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	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%

ACS	6,259,546	7,250,037	990,492	15.8%
Mt. Edgecumbe	1,617,110	1,505,390	(111,720)	-6.9%
TOTAL	\$614,147,116	\$606,662,800	(\$7,484,316)	

Per Student Cost Between Formulas

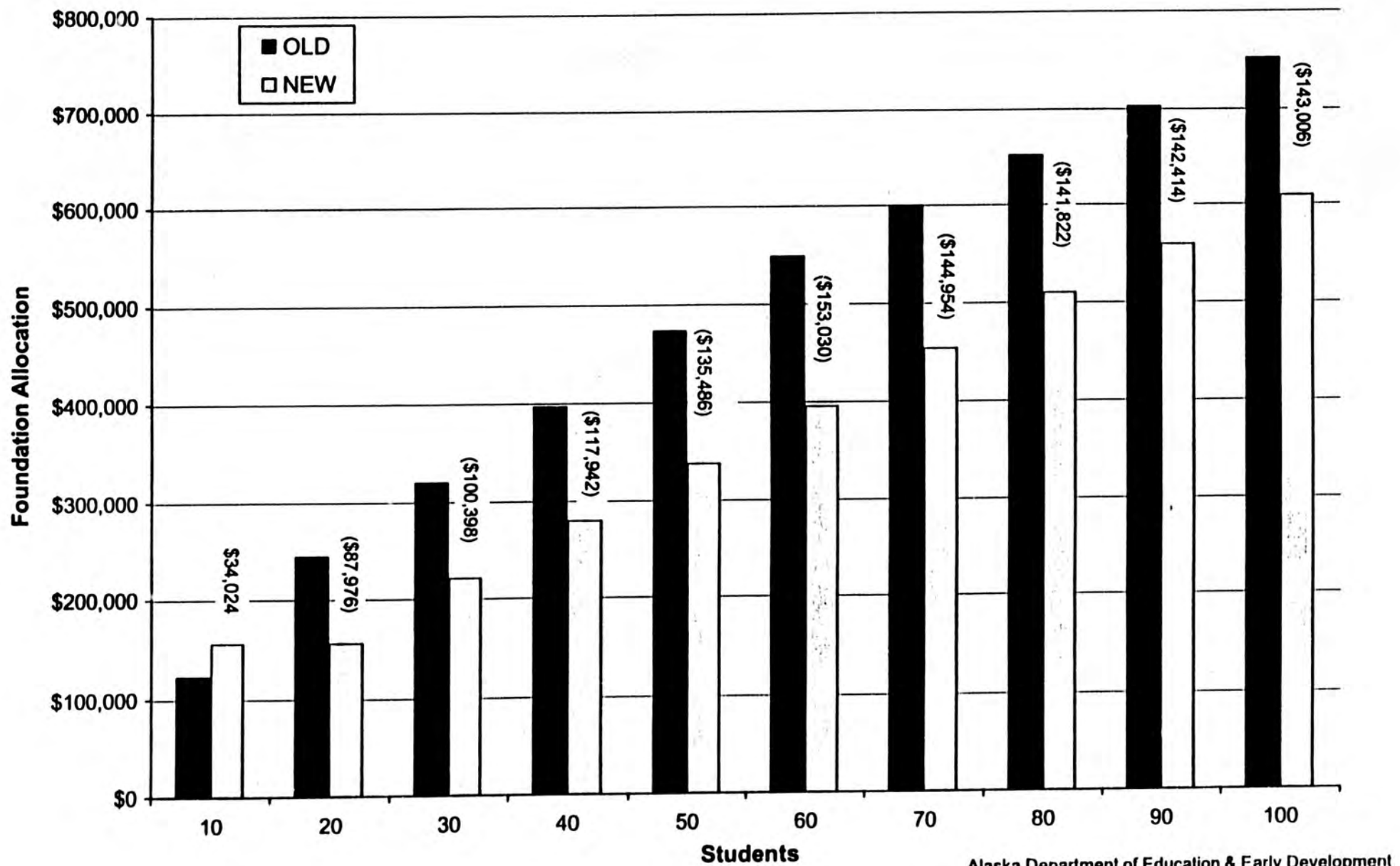
Table 3



Alask Department of Education & Early Development

School Size Adjustment / Old Versus New Formula

Table 4



SCOMM

125:41

Alaska State Legislature

SESSION ADDRESS:

Alaska State Capitol
Juneau, Alaska 99801-1182
(907) 465-4925
Fax: (907) 465-3517
Toll Free: 1-800-821-4925

INTERIM ADDRESS:

112 Mill Bay Road
Kodiak, Alaska 99615
(907) 486-4925
Fax: (907) 486-5264

Representative Gary Stevens

SPONSOR STATEMENT – HB 342

An Act Relating to Appropriations for Operating Expenses for Primary and Secondary Public Education

HB 342 would let school districts know the amount of state aide they will be receiving for the succeeding school year by April 1st of each calendar year.

By state statute, school districts are required to submit funding requests to their municipal governments by May 1st of each year. In many instances, the legislature and the governor have not passed the operating budget until well after the first of May. This situation makes it difficult for school districts to prepare an actual financial plan and puts an added burden on local government officials developing their budgets. Over the years, the uncertainty has also caused school districts to layoff educators only to attempt to hire them again once the final budget has been approved.

HB 342 solves this dilemma in two ways. Section one of the bill requires the governor to submit a separate appropriation bill to the legislature for public elementary and secondary schools before the fourth day of each regular session. It also requires the legislature to pass and transmit to the governor a bill to fund education for the succeeding fiscal year. Section two amends a provision in the Executive Budget Act to reflect that a separate appropriation bill to fund education must be submitted by the governor as part of the budget package.

School districts throughout Alaska are dealing with many issues including recruiting and retaining teachers, meeting new pupil performance standards and inflationary costs. The legislature can assist school districts by giving them early notice of their state funding. Please join me in supporting this bill.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 342
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Education & Early Development
 Title: "An Act relating to appropriations for operating
expenses for primary and secondary public education; and ..." BRU: K-12 Support
 Sponsor: Representative Stevens Component: Foundation Program
 Requester: House Special Committee on Education Component Number: 141

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would require the legislature to make an appropriation for the Public School Funding Program (Foundation Program), by April 1, each year. An early appropriation for the succeeding fiscal year will help school districts as they prepare to submit their budgets to the local municipalities by May 1, as outlined in AS 14.14.060(c).

Prepared by: Eddy Jeans, School Finance Manager Phone 465-8679
 Division: Education & Early Development Date/Time 02/04/02
 Approved by: Ed McLain, Deputy Commissioner Date 2/5/02
 Agency: Education & Early Development

For distribution information, call the Governor's Legislative Office

Bill Analysis: HB 342

Bill Title: "Education Funding"

Sponsor: Rep. Stevens

Bill Would:

- 1) Amends the Executive Budget Act to require the governor to submit a separate appropriation bill to fund education before the fourth day of every legislative session.
- 2) Requires the Legislature to pass and transmit to the governor a bill to fund education for the next fiscal year by April 1.
- 3) Rationale for this is that state law requires districts to submit their budgets to their municipal governments by May 1 each year and the current legislative budget cycle makes that difficult.

Possible Questions:

- 1)
- 2)
- 3)

Available to Testify:

- 1) Bruce Johnson, Association of Alaska School Boards
- 2) Vern Marshall, NEA
- 3) Maybe Darroll Hargraves for the Alaska Council of School Administrators

They all have expressed concern that education funding would be better off if it remained in the budget "end game."

Teleconference Sites:

Wrangell, Kotzebue, Kodiak and Anchorage.

- 1) Dave Jones, Finance Director for the Kodiak School District
- 2) Betty Walters, Superintendent of the Kodiak School District
- 3) Eddy Jeans, DEED, will be available

2/12/02: distributed to cmte
& House Records ✓

TO: Representative Con Bunde
Chair: House Special Committee on Education
FROM: Rich Kronberg
President: NEA-Alaska
RE: Forward funding of education
DATE: February 12, 2002

NEA-Alaska supports HB 342 that provides for the forward funding of education. Our resolution P-48, adopted by our Delegate Assembly in 1995, says in part:

"NEA-Alaska supports full forward funding of education..."

Our delegates adopted this position for three reasons that I will share in this memorandum.

- Full forward funding of education would be a concrete demonstration that education is a priority of the legislature. By adopting the education budget in the prior year's session, legislators would, in essence, be saying, "We are fulfilling our Constitutional responsibility first, before we deal with other budgetary requests"
- Full forward funding of education will give school districts and their communities the knowledge they need to best utilize the resources they will receive. Planning is an important component in the design of a district's educational delivery model. The current system does not build in such time for planning. School districts have been preparing their budgets for next year since October, but they will not have certainty around their funding until May. The fiscal year for our districts begins in July. Under the current system districts have had only two months to finalize their plans and begin implementation.
- Full forward funding will allow serious bargaining to begin earlier than is currently the case. This will provide more time to work out differences and come to win-win resolutions at the bargaining table.

While we are very much in support of HB 342, we must add that forward funding is not a substitute for adequate funding. We strongly support looking at the legislation presently proposed (SB1, HB 211, HB 312, HB 379) as the bare minimum necessary to move forward with our very ambitious statewide education program. If we are serious about creating the opportunity for all students to meet or exceed standards, then we need to invest significantly more resources in their education.

Appeals Processes for the Alaska Department of Education & Early Development

Under Administrative Procedures Act (APA)	Not Under Administrative Procedures Act (APA)
Teacher Certification Licensing	School funding decisions
Child Care Facility Licensing	Capital improvement project priority decisions
	Special Education placement, identification & evaluation (School district decisions appealed to a state appointed hearing officer)
	Special Education complaint review and investigation (no hearing)
	Preschool Certification
	District bid procedures for school transportation
	Child care assistance eligibility determinations
	*High School Graduation Qualifying Exam Waivers
	*School Designators

*These areas will each have specialized appeal procedures set out in regulation.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 22, 2002

SUBJECT: Sectional Summary (HB 342)

TO: Representative Gary Stevens
Attn: Doug Letch

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. Requires the governor before the fourth legislative day to submit a separate appropriation bill to the legislature limited to appropriations for operations of public elementary and secondary schools. Requires the legislature to pass and transmit to the governor by April 1 a bill to fund education for the succeeding fiscal year.

Sec. 2. Amends a provision in the Executive Budget Act to reflect that a separate appropriation bill to fund education must be submitted by the governor as part of the budget package.

TBC:med
02-041.med

SECTIONAL ANALYSIS

SCOMM

125:42

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 8, 2002

SUBJECT: Sectional analysis - HB 352

TO: Representative Con Bunde
Attn: Karen

FROM: Michael F. Ford 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Changes the date for including a public school performance designation under AS 14.03.123, in a report on performance of public schools under AS 14.03.120, from 2003, to 2005. Also makes a technical change to a reference in AS 14.03.123, and substitutes "most recent" performance designation in place of a performance designation received "during the prior school year".

Section 2. Changes the beginning date for assigning performance designations to public schools from "August 2002", to "September 2004". Adds language to specify that a performance designation is based on multiple student measures, including student achievement "of essential skills".

Section 3. Changes the date that the Department of Education and Early Childhood Development is required to begin monitoring progress of each school improvement plan prepared under AS 14.23.123(e), from "August 1, 2002", to "January 1, 2005".

Section 4. Effective date.

MFF:med
02-125.med

SECTIONAL ANALYSIS

Bill Analysis

HB 352

Bill Title: "School Performance Reports"

Sponsor: House Rules at the Request of the Governor

The Bill Would:

- 1) Change the due date for school designations from August, 2002 to September, 2004; change the date school designations are reported in the Report Card to the Public; change the date that DEED would monitor progress of each school improvement plan from August, 2002 to September, 2005. Also makes technical changes.
- 2) Adds language to specify that designations are based on essential skills measured by state tests.
- 3) The Department wants these changes to allow time to align state programs with the new federal requirements contained in the Elementary and Secondary Education Act (ESEA), collect the state test data to show status and growth, and build the capacity to collect, analyze and use local data. Some data will be available by August 2002, but growth measures will not be available for all grades until 2003.
- 4) The **Bill Backup contains:** the current statute on school designations, present and former designator committee membership lists, resolutions supporting the delay, chart of 2000 graduation rates for each school district, Summary of Issues and Questions & Answers from DEED, a sample School Report Card, a resolution from the Anchorage School District supporting the delay and asking that caution be used in designating districts based on test scores alone.

Possible Questions:

- 1) Why is the growth score based on school averages instead of individual students' achievement? Wouldn't individual student achievement provide better information about special populations and avoid problems with transient student scores?
- 2) When will the Student Identification Number system be up and running?
- 3) Is the acceptable measure of growth one school year or to bring students up to grade level? Will this be required to show Adequate Yearly Progress (AYP) for special education students also?
- 4) Some have questioned whether schools can be held accountable for students who have just transferred in and have not had the opportunity to learn Alaska's standards or benefit from the school's programs. Kind of an "opportunity to teach" issue. How would you respond to this?

Available to Testify:

- 1) Ed McLain, Deputy Commissioner of DEED
- 2) Mark Leal, Assessment Director, DEED
- 3) Bruce Johnson, Association of Alaska School Boards
- 4) Vernon Marshall, NEA ???

*How many schools now?
How many for two years?*

The Anchorage School District, the Fairbanks North Star Borough School District, and the Northeast Community Council have all submitted resolutions supporting the delay.

Teleconference Sites:

Wrangell, Kotzebue, Kodiak and Anchorage. It is unknown if there will be anyone at any of those sites interested in testifying on this bill.

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DP: Guess Doyle
Stevens
Wilson
NR: Porter Green
Bonde

Mark Leal - School reform has focused ed on results rather than process, so test results should be core of designations.

Sample Report Card is not complete - more things can be added to show context.

Bunde - How many schools would be deficient or in crisis right now?

McLarn - Haff. That's one reason why they want to delay: because they have no growth scores.

Bunde - Will a 2 yr delay help schools focus on growth, provide other, better testing mechanisms?

McLarn - ESEA also has designation requirements. Status scores are already available. When they disaggregated the data, lots of concern. LOGs are meant for remediation this year. Results will begin to show.

Bunde - What can really be done w/ in crisis schools? Public embarrassment may not be agent of real change.

McLarn - ESEA provides for some remedies, they would be problematic for AK. AK legislation requires school improvement plan. Legis would have to fund AK Center for Ed Excellence, funds for school intervention & supporting good programs.

Guess - Student transiency: student id numbers & class averages?

Leal - Experts say little difference between matched student growth model vs. class growth model. Students moving in are often same characteristics of those moving out. Plans to do statistical analysis of student model. Important that schools know that transient students matter. High transient rates would require student match for growth.

Guess - are you going to report on poverty?

Leal - possibly. Info they have is self reported: lunch counts. They would have to be some other measure. No matter what the report criteria, the bottom line is student achievement. Plus, most movement is within one district.

Bunde - no correlation between socioeconomic status & capability.

AASB - supports delay.

Nick Staupack - Fbx NSB S.D. Supports delay.

School Designators- Summary of Issues

Background- Current Alaska statutes (Sec. 14.03.123 *School Accountability* and Sec. 14.03.120 *Education Planning*) require the Department of Education and Early Development to develop a system to assign each school in Alaska a designation of Distinguished, Successful, Deficient, or in Crisis by August 2002. The Department is also charged annually to publish a "Report Card to the Public" that includes those school designations beginning January 2003.

To develop a system for designating school performance the Department convened a School Designators Committee to advise in the design and implementation of the school designator system. The Department hired consultants from the National Center for the Improvement of Educational Assessment, Inc. (Center for Assessment) to work with the Committee and Department towards establishing principles and guidelines within which the school designator system would be developed.

Goals- We assume that the primary intent of assigning school designation labels is to spur strengthened educational services to all students and to inform the public. The desired long-term outcome of the School Designator System therefore should be better schools, better-educated students, and more informed public and policymakers. The school designator system has been designed to contribute to strengthened education, be appropriate for the wide range of circumstances of Alaska public schools, and be technically sound, legally defensible, and politically acceptable to a wide range of stakeholders.

Indicators Used To Determine School Designations- The School Designator System (SDS) will base assignment of school designations upon, student performance on state benchmark and HSGQE assessments, commercial norm-referenced tests, and dropout rate (for high schools). Student performance measures will include Status (most recent performance of students in the school) and Growth (improvement over time of students in successive grades/years). Results from these indicators will be combined to inform a decision about assigning a designation. Additional indicators will be reported, as part of the School Report Card to the Public, but will not be used for determining school designations.

Calculating a Score for Status- The Status score will represent the average performance of all students in the school on the various assessments (i.e., benchmark and NRTs). The Status score will be calculated through an index assigning points for each student score in a designated performance level. Scores will be averaged across subjects and grade levels.

Performance on Benchmark Test	Accountability Points
Above Standard	150
Meets Standard	100
Nearly Meets Standard	50
Does Not Meet Standard	0

Calculating a Score for Growth- The Committee determined that growth will account for 2/3 of the total designator score. Growth will be measures based on the improvement made by a class of students from one year to the next year. This measure of improvement, is sensitive to "where students started" and uses classes of students; rather than tracking exactly the same students. Scores will be averaged across subjects and grade levels.

Persistence/Dropout Index- The Committee recommended that dropout or persistence rates should be included as an indicator for high schools. We recommend that persistence rate be used instead of dropout rate, where persistence is the inverse of dropouts: the percentage of students who continue in school.

Report Degree of Certainty-A degree of certainty (reliability) will be reported with each school designation. The degree of certainty should be taken into consideration when interpreting the school designation. The degree of certainty of the school designation would reflect the reliability or decision consistency of the assignment of the designation.

Implementation Date-The Department and Board are proceeding to implement as much of the proposed plan as possible by August 2002. This will include status measures on the benchmark exams and TerraNova CAT/6 in grades three through nine, but few if any growth measures. Due to standard setting for the refocused High School Graduation Qualifying Exam results from the grade 10 students will not be available until late September 2002.

Growth measures on state tests, which require at least two years' data, will first be available for all grades in 2003. It is expected that additional enhancements and refinements will be available in 2004 and after. A possible implementation schedule is indicated on the sample report.

The committee and the Department have expressed concern regarding the designation of schools on the basis of status scores only. The Department is recommending implementation of the designator system in 2004 to allow for the inclusion of growth data, and to more fully develop the capacity of the state and districts to collect, manage and analyze the data gathered by schools and districts.

The reauthorization of the Elementary and Secondary Education Act (ESEA) in December of 2001 also contains a significant number of school and district accountability requirements. The Department of Education and Early Development and the School Designator Committee believe that is critically important to incorporate the new Federal requirements into the Designator System that will be implemented in the state. Implementing the designator system in 2004 will allow the Department to ensure that our state accountability system is consistent with these new federal requirements.

Description of School Designator System And Questions and Answers

Alaska Department of Education and Early Development

What is the purpose of the School Designator System (SDS)?

The Alaska Department of Education and Early Development is charged statutorily (Sec. 14.03.123) to develop a system for assigning designations and providing assistance to schools. The purpose of the school designation system is to communicate school quality and performance to the public, educators, and others. It is expected that this program will recognize good performance and help lower performing schools get better through increased attention and targeted assistance.

What is the status of the SDS?

The Department will present a proposal to the state Board of Education in March 2002. The Board is responsible for issuing regulations that will direct the specific implementation of the SDS by August 2002. The specifications for the SDS will be set when the Board approves its final regulations. Therefore, the information presented here is a proposal from the Department, subject to change.

Who is developing the SDS?

The SDS is benefiting from input from many sources. The Department has convened a School Designator System Committee. The SDS Committee consists of over two dozen members who represent much of the diversity of Alaska. Members include very experienced educators, school principals, superintendents, school board members, parents, and businesspersons. A nationally experienced firm, the Center for Assessment, is helping with the design of the SDS. The Technical Review Committee established by the Department, consisting of Alaskans with measurement expertise, will also review the SDS design.

As part of the process, the Department is soliciting comments from many educator and policy-making groups. The state Board's regulations will also be subject to a period for public comment.

What will be reported?

The law requires that each school be assigned one of four labels: Distinguished, Successful, Deficient, or In Crisis. These labels will be based on school performance on a number of indicators which will also be reported, including students' performance in relation to the state standards on reading, mathematics, and writing; performance on norm-referenced tests; learning growth of students over the past year in reading, mathematics, and writing; dropout rates; and graduation rates. In addition, the SDS Committee recommended adding results from other performance indicators as they become available, including an early primary

assessment, post-graduation success, and local performance assessment. The degree of confidence in the designation will also be reported.

It may be desirable to combine elements from the existing school report with the information for the school designator system. This could provide information about the school context and quality, such as percent of students living in low-income families, special education, racial/ethnic diversity, and remoteness of the school. Attendance, expulsions, truancy, physical plant, course offerings, and teacher qualifications could also be reported. Although the SDS Committee did not recommend including these other indicators in the school designation rating, most of these elements are collected and reported, and could be combined into a single school report. A sample possible report is attached.

Why does the SDS emphasize student test scores?

In compliance with the state legislature's requirement that the SDS be built on "student measures, including student achievement," a very large part of the school's designation will reflect the performance of its students on the state benchmark and high school graduation qualifying exams. These exams provide a valid and reliable assessment of student performance on the content standards determined to be of most importance for Alaska. Standardized test scores provide a common "measuring stick" across all schools.

The Department and SDS Committee recognize that standardized tests are not the only indicator of school quality and student performance. However, very few other measures were available that met minimum criteria for rigor and fairness. As mentioned above, a number of other indicators have been identified that may be developed and included in the future.

How are status and growth included in the SDS?

One agreed upon indicator of school performance was how its students performed in relation to state standards—for example, how many of its students were passing the high school qualifying exam or performing in relation to the similar proficiency standard for the benchmark exams in grades 3, 6, and 8.

However, it was also agreed that it is more important how much students are learning, or how much their scores are improving from year to year. Thus, the SDS will include how much student test scores have increased from year to year.

Growth will count twice as much as status in assigning school designations. Provisions will be made for schools that are performing so high that it is not reasonable to expect much growth.

How will the system be fair to all schools?

Fairness is a primary concern for the Department and all those who have worked on the design of the School Designator System. There are several ways the system has been designed to be fair to all schools.

The SDS will apply objective, common measures to all schools.

Schools whose students have less advantaged backgrounds will "get credit" for helping those students progress. The growth component gives as much credit to helping a student who started low and learned "one year's standard growth" as it does helping a student who started high. Schools are not competing with each other; they are recognized for helping their students grow, no matter where they started.

Much thought has been taken to make the system as reliable as possible for small schools. This includes including as many grades and students as possible.

The reporting of the degree of confidence in the designator is also an important safeguard against basing decisions on uncertain or unstable evidence.

For schools with substantial student transience, while the individual student tracking system is being developed, the Department will allow schools that can track individual students to present evidence for consideration if the results are substantially different than those based on the state's unmatched data.

It is anticipated that on-going studies will alert the Department if there are changes in school circumstances, population shifts, or unforeseen situations.

Can you give an example of how the system is fair to a school serving less advantaged students?

It is recognized that students from lower socio-economic positions, or who have less proficiency in English, usually score lower on achievement tests. Often these are racial or ethnic minority students, although most studies indicate a stronger relationship with socio-economic status. It is not true, however, that these less advantaged students cannot learn. In fact, one of the underlying tenets of the standards movement is that all children can learn, most to higher levels than are currently being achieved. This view that all children can learn is supported by extensive research on the effectiveness of teachers, the power of expectations, and the effect of schools with powerful instructional programs.

If schools were only evaluated on how high their students scored—such as how many were Proficient on a benchmark exam or what percentage passed the HSGQE—then schools serving less advantaged students might be expected to rank low. However, the proposed SDS gives credit to schools for helping their students learn, no matter where they started. So, for example, a school whose grade 4 students were all reading one grade level below would receive credit for helping those students progress one grade's worth on the exam by the end

of grade 5, as would a school whose students were all reading on level from grade 4 to grade 5. That is, schools get credit for helping students learn, no matter how low or high they start.

Some schools serve high percentages of students who are mobile. How does the system treat them?

Statistically speaking, in large enough sample sizes, if the students moving into a school are like the students moving out, then transience should not affect the school's results. Schools should monitor and document changes in population from year to year.

The proposed SDS system includes all students who are enrolled and tested in the school each year, with certain exceptions. One reason for this is to recognize that "all students count" and not to provide any incentive to push students out of the accountability and educational system. A study done by the Department on the limited Alaska data available indicates that using a matched student system would not result in very different school results than the proposed system that compares groups of students. However, the Department is very interested in studying a true student longitudinal growth system that will track growth from year to year for each individual student.

There is a difference between students who are transient within the state, within a district, or who move in or out of the state or in and out of the public school system. The Department is working on establishing a system that will allow student scores to be matched no matter where a student moves within the public school systems within the state, and is planning to study how much such a system should be used in the SDS and what differences it might make.

When will the school designator system be implemented?

The Department and Board are proceeding to implement as much of the proposed plan as possible by August 2002, which is required by law. This will include status measures on the benchmark exams and TerraNova CAT/6 in grades three through nine, but few if any growth measures. Due to standard setting for the refocused High School Graduation Qualifying Exam results from the grade 10 students will not be available until late September 2002.

Growth measures on state tests, which require at least two years' data, will first be available for all grades in 2003. It is expected that additional enhancements and refinements will be available in 2004 and after. A possible implementation schedule is indicated on the sample report.

The committee and the Department have expressed concern regarding the designation of schools on the basis of status scores only. The Department is recommending implementation of the designator system in 2004 to allow for the inclusion of growth data, and to more fully develop the capacity of the state and districts to collect, manage and analyze the data gathered by schools and districts.