

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 153 3278

June 3, 2007

School cost study proposes radical change in wage policy

By Dermot Cole

EDUCATED GUESS: It costs more to run schools in rural Alaska than it does in Anchorage.

No one disputes this, which is why there are "district cost factors" built into state law to allow for higher costs.

More than 60 percent of the money to run a school system goes to hire teachers and administrators, so an accurate measure of the cost of living in each district is essential.

But when it comes to determining how much teachers and administrators should be paid in areas outside of Anchorage, the Institute of Social and Economic Research contends that it's not enough to raise rural wages to compensate for the higher cost of living.

The state should provide bonus pay so that village jobs will become as attractive as those in Anchorage, ISER contends.

The extra pay should be enough so that the best applicants will compete for jobs in all areas of the state, the university agency recommended.

Once hired, the level of compensation should be sufficient to keep people in village jobs long enough so that the turnover rate is as low as Anchorage.

This proposal to restructure educational salaries is buried in a 2005 ISER report that many legislators are relying on as a guidepost to justify raising education funding for communities outside Anchorage.

This year the Legislature provided 50 percent of the money recommended by ISER for cost differentials.

Implementing the other 50 percent of the ISER increases is the main motivation behind the formation of a legislative task force on education that is supposed to come up with a plan for school spending by Sept. 1.

Before adopting the ISER report, however, legislators should read it.

As I said here Saturday, my guess is that few legislators — if any — have studied the document because it is not exactly a page-turner. Lawmakers have probably read the four-page ISER summary of the report, which suggests that teachers in some remote districts should earn two-thirds more than those in Anchorage.

The ISER summary said, "to have similar educational opportunities across Alaska, all districts need to get and keep personnel with similar qualifications."

Alaska's news media and most politicians have not asked whether this proposed radical change in state policy on educational pay is a good idea or whether it would work.

The 2005 ISER report neglected to include the results of a separate 2002 ISER survey that said teacher pay was not a significant reason for high turnover in village teaching jobs.

Teachers were more likely to leave because of family reasons, dissatisfaction with the administration, lack of community support, lack of school board support or poor housing than because of salaries.

To conclude the compensation alone is enough to change hiring and employment patterns in Alaska's educational system is an untested theory.

Also missing from the ISER report is any recognition that its pay plan would certainly lead the teachers' unions in Anchorage and other communities to immediately push for higher wages, arguing equal pay for equal work. It would also encourage teachers to spend the last few school years of their careers in high-wage districts and push up costs for the state.

The implication in the ISER report is that rural districts do not attract or retain the most qualified applicants because the pay is too low, though the sensitive topic of teacher quality is not addressed in the most direct manner.

"When you look at the price that is paid to a teacher or administrator, that doesn't necessarily reflect the market equilibrium price," Bradford Tuck, one of the report's authors, testified to a legislative committee in 2005 about the report.

"If you have several teachers applying for each available position, it's a different situation than if you simply have one or two applicants for a position," he said.

If there is a longer "queue" of applicants for jobs in Anchorage than a village, then it may be that those looking for the village job are not the most qualified, ISER said.

"The existence of that queue, at least in some instances, implies that there may be quality differences in the pool of candidates available to different school districts," Tuck said.

ISER said that "districts possessing a combination of financial resources and community quality of life" can pay more, while "districts with less money and poor perceived community quality of life may have difficulty filling positions and may have to accept staff of lesser quality."

As part of its calculations, ISER made assumptions about community characteristics so that it could produce a formula to "to estimate the relative attractiveness of different communities."

Some of the assumptions are debatable. What is too cold, too rainy, too remote or too far from Anchorage for some people may be just right for others.

The unexamined ISER pay plan is clear proof that the legislative task force on education is in no position to adopt a new formula on school funding until more research takes place.

The thrust of the ISER report is that people who don't want to live in remote areas will do so if the pay is high enough.

Perhaps we should encourage people who enjoy life in remote communities to become teachers.

July 14, 2007

University report suggests teacher pay hikes everywhere but Anchorage

By Dermot Cole

SCHOOL DAZE: A legislative committee charged with overhauling education funding appears likely to accept the flawed study that suggests raises for teachers who live almost everywhere except Anchorage.

Here are three reasons why that's a bad idea.

First, the committee is operating under an unreasonable schedule in which it is supposed to have a cure-all for education by Sept. 1.

The political imperative driving the group is to accept the study because it provides political cover for a \$100 million increase in education funding for the portion of Alaska that is not Anchorage. About half of that money has already been approved by lawmakers and added to the budget.

It remains to be seen how much extra money it will take to appease lawmakers from the state's largest city as part of this deal.

The task of creating a durable funding formula requires a couple of years of work, not a couple of more meetings and a political settlement.

Second, the proposal by the University of Alaska's Institute of Social and Economic Research to raise teacher pay everywhere but Anchorage is politically naive and based on questionable assumptions.

Third, the ISER report doesn't deal with the multitude of social and economic problems that hamper rural education in Alaska, such as unemployment and community support.

The University of Alaska would better serve the state with research that recognizes something in addition to money is necessary to solve the complex challenge of improving education in Alaska.

The 2005 ISER report proposing new district cost factors claims that the way to make sure that the teachers in remote villages are as competent and as likely to stay for the long term as those in Anchorage is to pay them more.

ISER researchers say salaries should be set so that the best teachers would not care whether they live in the Aleutians or Anchorage.

ISER says teachers should get bonus pay, beyond the cost of living, to make up for the lack of amenities in villages, the weather, the distance from Anchorage, the unemployment rate, the cost of flying to Anchorage, the availability of alcohol and other factors.

"Teachers and administrators prefer jobs that pay more and are located in communities that offer a better quality of life," ISER said. "We assume that it is possible to observe a tradeoff of pay for certain desirable community characteristics."

That's a big assumption.

The bonus pay in exchange for what ISER claims is a lower quality of life would be anywhere from 5 percent to 67 percent above Anchorage. The median bonus would be 39 percent, according to ISER.

I interpret this as saying it should be state policy to hire teachers in rural areas who don't want to live there and don't like living there, but will do so if the money is right.

ISER assumes that money alone will solve the teacher recruitment problem for rural Alaska. I don't buy it.

Salaries are important, but teachers and other people consider other things when they decide where to live and work. Many of those factors can not be reduced to dollars and cents.

Quality of life is a subjective matter and a fuzzy notion of this sort has no place in a mathematical formula used to determine how much is spent on education. The best teachers for rural Alaska would be those who do not consider it a hardship to be far removed from Anchorage.

As a practical matter, the ISER strategy on teacher pay won't work. The extra money supplied by the state would not necessarily go to salaries, which are negotiated in union agreements in each of the districts. The districts might want to use the money to hire more teachers or buy more supplies.

If by some chance salary increases were negotiated, the leadership of the teacher unions in Anchorage, Fairbanks and other towns would face demands from their members for equal pay for equal work.

That would eliminate the differential that is supposed to make all communities in Alaska equally attractive to the best teachers now in Anchorage.

If the biggest increases were limited to rural areas, as ISER proposes, then more teachers working under the old retirement system would be tempted to teach in the Bush for three years to raise their retirement pay. That would increase retirement costs to the state and do nothing to slow turnover.

Most of the legislators on the joint committee that held two days of hearings this week appear ready to endorse the ISER study, the complete adoption of which will add about \$50 million more to the budget. If that is approved, Anchorage legislators would naturally want to add more for their community, in part to raise salaries.

This is not a rational way to create a formula for education funding.

The two Fairbanks legislators on the committee, Sen. Gary Wilken and Rep. Mike Kelly, are clearly in the minority on this panel. But they are asking the right questions about the ISER report and pointing out its flaws.

A new study is needed before the foundation formula is revised.

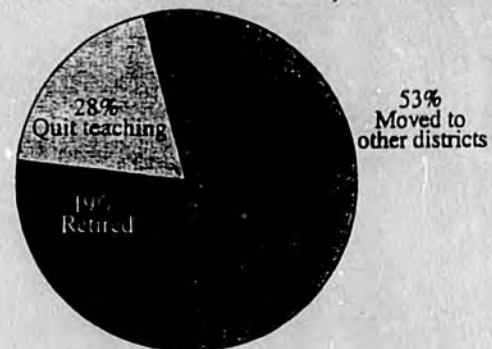
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Why Teachers Leave Jobs: Personal and Professional Reasons

Having looked at how many teachers leave their jobs, we then looked at why they leave. We surveyed a sample of 239 teachers who left their jobs in Alaska schools at the end of the 2000-2001 school year. We had a 51 percent response rate from the urban surveys and a 59 percent response rate from the rural surveys. Figures 3 through 7 summarize what we they told us.

- More than half the teachers who left their jobs after the 2000-2001 school year moved to new districts—either in Alaska or elsewhere—while about 28 percent quit teaching and the remaining 19 percent retired (Figure 3).
- Rural teachers were more likely to leave their jobs to teach elsewhere, while urban teachers were more likely to retire. Roughly equal shares of urban and rural teachers also said they left their jobs to work outside education or to care for family members (Figure 4).
- Most teachers who retired said they did so because they became eligible for pensions. But more than half also said they were unhappy with some aspect of their jobs (Figure 5). Our sample of retiring teachers was so small that we didn't look separately at responses of urban and rural teachers.

Figure 3. Composition of Alaska Teacher Turnover
(Urban and Rural Teachers)

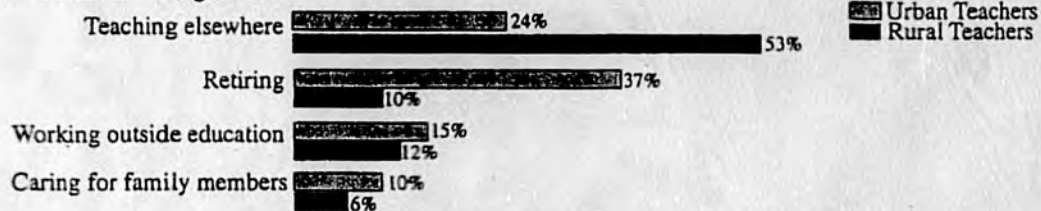


Source: ISER survey of exiting Alaska teachers, 2001-02

Figure 4. Top Reasons Why Alaska Teachers Left Jobs, 2000-01

(Includes all Teachers Who Moved to Other Districts, Retired, or Quit Teaching)

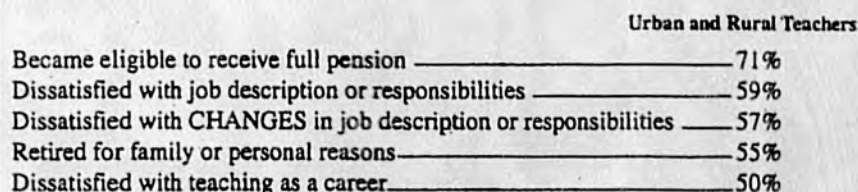
Percentages of Teachers Citing Reason



Source: ISER survey of exiting teachers, 2001-02 N=112

Figure 5. Selected Reasons Alaska Teachers Retired, 2000-01

(Percentages of Retiring Teachers Citing Reason As Very Important or Important)



Source: ISER survey of exiting teachers, 2001-02 N=21

- More than half those who quit teaching—including both urban and rural teachers—cited family and personal reasons or pursuing another career (Figure 6). Nearly half were also dissatisfied with their jobs. But less than one-quarter were unhappy with their pay or benefits.

- Urban and rural teachers changed districts for significantly different reasons (Figure 7). All urban teachers cited family or personal reasons, while only about three-quarters of rural teachers did. A third of rural movers were looking for better medical care, while virtually no urban movers were. And half of urban movers wanted better pay or benefits, while only about 15 percent of rural movers did.

Figure 6. Selected Reasons Why Alaska Teachers Quit Teaching, 2000-2001

Percentage Rating Reason as Important

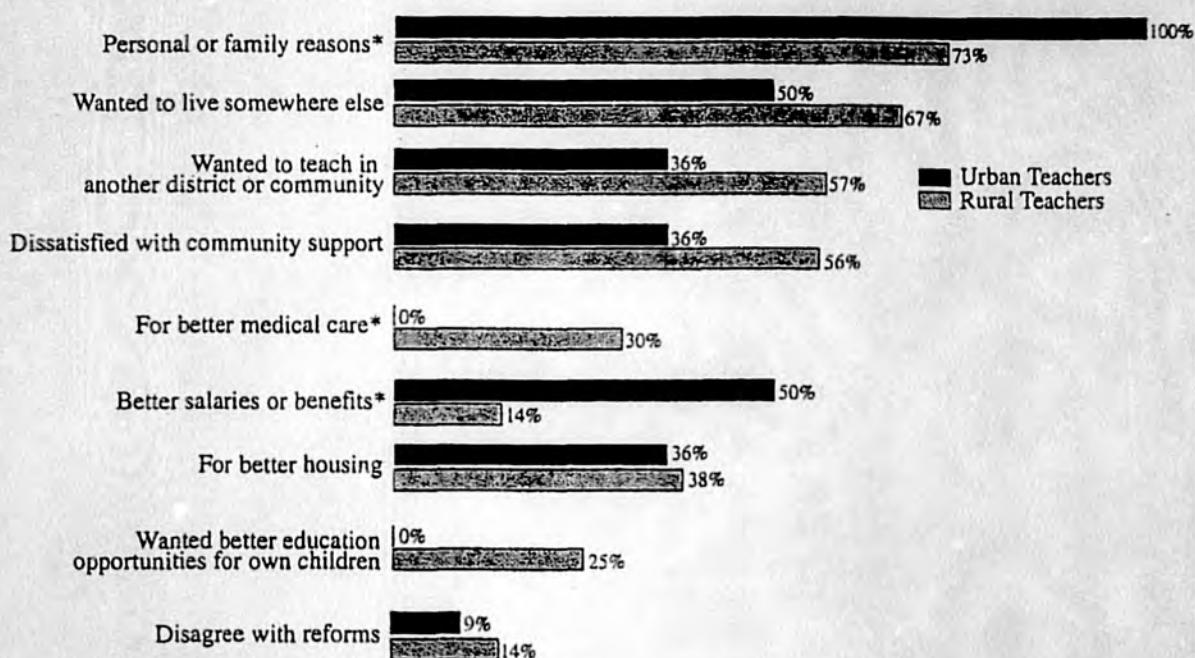


Sources: ISER survey of exiting teachers, 2001-02

N=30

Figure 7. Selected Reasons Why Teachers Changed Districts

Percentage of Teachers Rating Reason as Important



*Difference in urban-rural responses is statistically significant.
Sources: ISER survey of exiting teachers, 2001-02

N=55

Joint Legislative Education Funding Task Force

Recommendation Proposed by Gary Wilken

August 16, 2007

District Cost Factor – Teacher Compensation Component

Issue Summary: The teacher compensation component of the *Alaska School District Cost Study Update*, prepared by the Institute of Social and Economic Research (ISER), January 31, 2005 reflects "how much each school district would need to pay to recruit and keep teachers and administrators with equivalent qualifications." (ISER Research Summary, March 2005) In other words, the teacher component of the proposed district cost factor is to provide sufficient funds so that districts could increase teacher salaries, if needed to attract and retain quality teachers.

ISER has acknowledged that the upward adjustment of the proposed district cost factor is based largely on the teacher cost component.

Recommendation: The Joint Legislative Education Funding Task Force recognizes that the district cost factor proposed by ISER includes a teacher compensation component that provides school districts with additional dollars to increase teacher salaries to help attract and retain highly qualified teachers.

The Task Force proposes a statutory change that requires the Department of Education and Early Development to account separately, by each individual school district, the dollars generated as a result of the "teacher compensation component" of the district cost factor as identified by Ms. Lexi Hill, Institute of Social and Economic Research. The statutory change would further state that the funds in this separate account shall only be awarded as grants to the corresponding school district for the purpose of attracting and retaining qualified school teachers and administrators.

Discussion: At the request of the Task Force, Ms. Lexi Hill re-calculated the district cost factor proposed by ISER without the teacher compensation component. The difference between the original proposed district cost factor and the re-calculated factor highlights the dramatic impact the teacher compensation component has on ISER's district cost factor. The effect of the salary component

Teacher Cost Compensation Recommendation
Proposed by Gary Wilken
Page 2

on each cost factor varies remarkably among the 53 school districts. This component compromises between 29 percent to 84 percent of ISER's district cost factors.

The teacher compensation component is one of eleven components of the cost factor and is intended to provide the necessary funds to attract and retain highly qualified teachers. The dollars generated by this component should be spent only for its intended purpose. By requiring the Department of Education and Early Development to account for these funds separately and award the dollars as grants to attract and retain qualified teachers and administrators will provide a mechanism to ensure that the funds are appropriated for its designated use.

Governor's Select Panel

Alaska Schools' District Cost Factors

Proposed by Gary Wilken
August 16, 2007

Preface Statement: In the *Moore, et. al. v. State of Alaska* decision of June 21, 2007, Judge Sharon Gleason, Superior Court Judge, determined that the funding for Alaska's K-12 public education was adequate and that "the current formula was carefully considered and represents a rational approach to educational funding." (page 182, paragraph 26)

However, one aspect of the funding formula has been a constant source of aggravation, discourse, and contention within the legislature and the educational community: how to measure the relative geographic cost differences between school districts. If the proposed *Governor's Select Panel on Alaska Schools' District Cost Factors* can develop a cost factor model acceptable to the governor, legislature and the general public, the panel's finished work product will remove a perennial source of frustration for many. This Select Panel will remove the district cost factors (DCFs) from manipulation, negotiation, and aggravation for the next generation, a goal worthy of attainment.

The following proposal outlines a committee structure in which this important, yet divisive aspect of our funding formula, can be addressed and resolved:

Who: Governor's Select Panel on Alaska Schools' District Cost Factors

- Governor appoints panel members, based on recommendations submitted to the governor
- Governor selects the chair of the panel
- Governor informs the legislature by the 45th day of the 2008 session that the Select Panel has been appointed and has held its initial meeting
- Governor controls the panel's budget (dollars appropriated specifically for the panel's work)
- Make-up of the Select Panel shall be composed of the following:
 - One representative of Alaska Association of School Business Officials (ALASBO)
 - One representative of the Anchorage School District
 - One representative from the Governor's administration

- One representative from the Alaska State Senate
- One representative from the Alaska House of Representatives
- One professionally trained statistician
- One certified public accountant
- One member of the general public with a statistical or numbers background
- One representative of Legislative Finance, serving as a non-voting member

What: Select Panel will develop a valid, durable model to calculate relative geographic district cost factors that are able to be accurately updated every four years

- Panel serves as a technical, specialized team to develop a model to measure actual geographic cost differences in providing a K-12 public education throughout Alaska
- Model includes a method to accurately measure and weight several components in a school district's budget, including, but not limited to,
 - Personal Services
 - Travel
 - Services (excluding utilities)
 - Commodities and Equipment (excluding utility and energy costs)
 - Energy and Utility Costs
 - Facility Maintenance
- Panel selects at least two vendors to draft a model to measure actual educational cost differences and submit the model without calculating individual factors
- Panel works closely with the selected vendors and frequently reviews the work products of the vendors and provides specific direction throughout the process
- Panel determines the best model or combination model that measures the actual relative geographic cost differences accurately and can be updated every four years
- Panel opens a public 60-day public comment period on the recommended model
- Panel considers all comments on the chosen model and modifies the model based on the submitted comments, if deemed appropriate
- Panel requests the vendor who developed the recommended model to collect, analyze, and compute the necessary data to calculate new district cost factors

- Panel recommends the chosen model and accompanied new district cost factors to the legislature for implementation
- Current district cost factors sunset the first day of the 2011 legislative session

Where: Select Panel serves under the Office of the Governor

- Panel is appointed by the governor and serves at her pleasure
- A different venue with a statewide view is necessary to foster statewide cooperation
- Support by the governor is necessary to achieve a final resolution
- Department of Education and Early Development provides the necessary administrative support

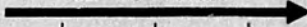
When: Select Panel exists from 2008 – 2010

- Panel holds its initial meeting prior to the 45th day of the 2008 legislative session
- Panel opens a 60-day public comment period on the suggested model no later than September 1, 2009
- Panel submits its final report to the governor and legislature by September 1, 2010
- Panel sunsets by December 31, 2010

Why: Select Panel's work will provide 53 school districts an assurance that the relative regional cost differences are measured correctly

- The current district cost factors were adopted by the legislature ten years ago
- Within the last 10 years the legislature has sponsored two DCF studies with disparate results
- Uncertainty regarding the validity of two proposals exists, fostering frustration and skepticism
- Since 1998, state law has required the Department of Education and Early Development to update the district cost factor, but the current district cost factor computations cannot be updated

Timeline for the Governor's Select Panel on DCFs

	2008	2009				2010				2011	
Select Panel Tasks	Mar 1	Mar 1	June	Sep 1	Nov 1	Mar 1	June	Sep 1	Dec 31	Jan	
Selects vendors & recommends model	12 - 18 months 									△	
Opens a 60-day public comment period on model	2 months (depends on public comment period) 										
DCF's decided, final report to gov & legis		10 - 16 months 									
Select Panel on District Cost Factors sunsets	2 years, 10 months 										
Repeal of the District Cost Factor statutes										★	

District Cost Factors – not a silver bullet

An Education Funding Review

The Legislature has long recognized the importance of adjusting state education aid for geographic cost differences, but it has proven difficult to quantify. Changing the cost factors has frequently been a convenient, and divisive, subject upon which to focus and leverage additional school funding. Given the current climate one might believe that a change in the district cost factors is a silver bullet for school funding. It is not, so it is important to take a moment to step back from the current debate and review the history leading up to the two conflicting reports which we have before us today. To accept new cost factors based on flawed data is to repeat history and undermine the foundation of our school funding formula.

1987

**Cost of living
ACDs are
adopted.**

In 1987, the Legislature, under a great deal of federal pressure, adopted a new education funding formula that included an area cost differential (ACD) multiplier to address statewide differences in costs. These ACDs were based on a 1985 Department of Administration study that compared differences

in the cost of living (not education) but in 19 of the 40 election districts of our state.

During the legislative deliberations of the funding formula, the House Finance Committee amended the original proposal and increased 29 cost differentials. *Appendix A* recaps the early history of this debate.

1997 - 1998

**After ten
years, a new
study was
commissioned
to review the
cost differen-
tials**

In 1997, answering the clamor from the Alaska public, Governor Knowles and several legislators sponsored legislation to rewrite the education funding formula. The need for an accurate and objective ACD for each school district was stressed over and over again.

So the Legislature appropriated \$275,000 for a study that compared the cost of operating schools based on size and geographical location. On March 4, 1998 the

McDowell Group submitted the *Alaska School Operating Cost Study*. This study was the first empirical review ever undertaken in Alaska to identify actual school costs. Not only did the McDowell Group review cost differences at the district level, but also at the school level. As noted above, prior cost differentials were based on the *cost of living*, while the McDowell Group report was based on the *cost of education*.

1998

**The Legisla-
ture adopted
DCF's based
on actual
school costs.**

On May 12, 1998 the Legislature passed Senate Bill 36, a comprehensive rewrite of the Alaska's education funding formula. The Legislature adopted the new District Cost Factors (DCF) as proposed in the McDowell Group study. The Legislature did not amend or change the proposed DCFs.

Senate Bill 36 required the Department of Education to monitor the DCFs and update the cost factors every other year, start-

ing January 15, 2001. A letter of intent that accompanied Senate Bill 36 asked the department to report on the educational adequacy in the schools of Alaska, paying particular attention to differences in cost of school operations. Unfortunately, the Department of Education reported that given the format of the current differential data, the department was unable to update the district cost factors.

2001 - 2004

American
Institute of
Research
(AIR)
conducted a
DCF study.

An ISER
Peer Review is
conducted
on AIR study,

With a desire to obtain more accurate cost data, in 2001 the Legislature paid \$350,000 to the American Institute for Research (AIR) to study the cost of providing K-12 education in each school district. The AIR research team collaborated closely with eight school business officials representing a diverse sample of districts across Alaska.

To determine the cost index for teachers, AIR studied the costs for *comparable levels* of experience, education, and other demographic characteristics. As reported in the January 2003 study, the American Institute of Research noted that the highest-cost districts paid about 18 percent more than Anchorage for comparable teachers while the

lowest-cost districts paid about 6 percent less than Anchorage.

A number of questions regarding data accuracy and methodology were raised by a few legislators. At the request of the Legislative Budget and Audit (LB&A) Committee, the Institute of Social and Economic Research (ISER) conducted a peer review of the AIR study. On January 29, 2004 ISER reported that the peer review had determined the methodology used by AIR was appropriate, but the review team raised concerns about how AIR estimated some of the components. Primarily ISER felt that AIR did not adequately address the issue of *teacher turnover rates* in its Personnel Cost Index.

2005

ISER's
conclusions
based on
flawed
assumptions.

Based on this peer review of the AIR study, ISER was asked to update data sets, adjust the index for actual energy costs, and address teacher turnover rates.

On January 31, 2005, the ISER report, *Alaska School District Cost Study*, was presented to the LB&A Committee. ISER acknowledged that the upward adjustment of the district cost factor was based largely on the teacher cost component, an increase to address the *issue of teacher turnover*

rates. The ISER team attempted to estimate the amount of funds needed by all districts to recruit and retain teachers of equivalent quality to teachers in Anchorage.

The 2005 ISER report concluded that the additional dollars provided to school districts would help recruit and retain teachers and, therefore, address the turnover rate in some districts. But this report directly contradicted an earlier 2002 ISER report that measured the causes of teacher turnover.

2005

Report in
conflict with a
2002 ISER
study, *Retain-
ing Quality
Teachers fo
Alaska*

So on February 28, Senator Therriault, Chair, LB&A, sent a letter to all legislators regarding ISER's 2005 report. The letter referenced the prior ISER study completed in December 2002 entitled, *Retaining Quality Teachers for Alaska*. The report, in part, summarized why Alaska teach-

ers leave their jobs; *why there is teacher turnover*. When it came to why rural teachers changed districts (rural teachers defined as teachers from districts outside Anchorage, Fairbanks, Juneau, and Mat-Su), salary was tied for last place, as shown in the following list:

1. personal or family reasons,
2. wanted to live somewhere else,
3. wanted to teach in another community,
4. dissatisfied with community support,

5. better housing,
6. better medical care,
7. better educational opportunities, and
- 8/9. better salaries & disagreement with reforms

Conclusion: Today if there are certain areas of our state struggling with inadequate education funding, let's have the patience and courage to fix the root causes of those particular struggles. Indeed, to simply step back and use as a proxy for repair District Cost Factors based on flawed assumptions, not only repeats the subjective, unilateral, and harmful actions taken in 1987, but jeopardizes the future of our foundation formula.

Public School Funding

A Historical Review

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

1985

A one year stop-gap funding scheme was adopted.

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

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

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

1986

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

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

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

Mike Scott, staff to Sen. Ferguson

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

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

Bob Green, School Boards' Assoc.

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

LeRoy Owens, Aleutian Schools

1987

After two years of different stop-gap measures, a new proposal was considered.

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

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

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

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

1987

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

Sen. Joe Josephson (5/19/87)

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

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

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

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

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

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

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

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

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

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

1998

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

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

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

still areas of concern and are addressed in SB 36.

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

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

Appendix B

A Comparison of District Cost Factors

School District	Current Cost Factor	AIR Cost Factor	ISER Cost Factor
Alaska Gateway	1.291	1.28	1.594
Aleutian Region	1.736	1.46	1.939
Aleutians East Borough	1.423	1.49	1.991
Anchorage	1.000	1.00	1.000
Annette Island	1.011	1.03	1.338
Bering Strait	1.525	1.55	1.998
Bristol Bay Borough	1.262	1.19	1.478
Chatham	1.120	1.20	1.576
Chugach	1.294	1.29	1.496
Copper River	1.176	1.15	1.316
Cordova	1.096	1.07	1.234
Craig	1.010	1.09	1.206
Delta/Greely	1.106	1.09	1.241
Denali Borough	1.313	1.09	1.332
Dillingham	1.254	1.13	1.346
Fairbanks N. Star Borough	1.039	1.08	1.070
Galena	1.348	1.26	1.391
Haines Borough	1.008	1.03	1.200
Hoonah	1.055	1.12	1.399
Hydaburg	1.085	1.10	1.504
Iditarod Area	1.470	1.40	1.846
Juneau Borough	1.005	1.02	1.145
Kake	1.025	1.09	1.459
Kashunamiut	1.389	1.25	1.619
Kenai Peninsula Borough	1.004	1.03	1.171
Ketchikan Gateway Borough	1.000	1.01	1.170
Klawock	1.017	1.04	1.302
Kodiak Island Borough	1.093	1.12	1.289
Kuspuk	1.434	1.21	1.734
Lake & Peninsula Borough	1.558	1.46	1.994
Lower Kuskokwim	1.491	1.39	1.663
Lower Yukon	1.438	1.40	1.861
Mat-Su Borough	1.010	0.99	1.070
Nenana	1.270	1.17	1.338
Nome	1.319	1.16	1.450
North Slope Borough	1.504	1.58	1.791
Northwest Arctic Borough	1.549	1.48	1.823
Pelican	1.290	1.14	1.477
Petersburg	1.000	1.01	1.244
Pribilof	1.419	1.29	1.691
Sitka Borough	1.000	1.03	1.195
Skagway	1.143	1.00	1.174
Southeast Island	1.124	1.07	1.403
Southwest Region	1.423	1.26	1.685
St. Mary's	1.351	1.28	1.624
Tanana	1.496	1.29	1.786
Unalaska	1.245	1.19	1.441
Valdez	1.095	1.05	1.170
Wrangell	1.000	1.00	1.159
Yakutat	1.046	1.17	1.412
Yukon Flats	1.668	1.46	2.116
Yukon/Koyukuk	1.502	1.44	1.835
Yupit	1.469	1.31	1.723
Mt. Edgecumbe High School	1.000	1.03	1.195

Appendix 1

Senate Concurrent Resolution 11

**STATE OF ALASKA
THE LEGISLATURE**

2007

Source
SCR 11

**Legislative
Resolve No.**
26



Establishing and relating to the Joint Legislative Education Funding Task Force.

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

WHEREAS Alaskans clearly believe in the value of the quality of education for our children; and

WHEREAS, under art. VII, sec. 1, Constitution of the State of Alaska, a system of public schools is required to be established and maintained; and

WHEREAS the legislature finds that the present system of providing assistance to the public school system is a complex matter and should be studied for possible modification and improvement; and

WHEREAS, during the period of study, an alternative mechanism to the existing system of financial support for public schools may be desirable; and

WHEREAS a study conducted in the state in 2004 by the Institute of Social and Economic Research recommended that the school district cost factors under AS 14.17.460(a) be increased to more accurately reflect the cost differentials in rural school districts;

BE IT RESOLVED by the Alaska State Legislature that the Joint Legislative Education Funding Task Force is established for the purpose of examining school district cost

differentials and the existing formula for distributing state aid for education; and be it

FURTHER RESOLVED that the duties of the task force include

(1) evaluating proposals that are based on available facts and conclusions pertaining to school district cost factors and the foundation formula;

(2) recommending improvements or additions to the laws providing for education funding; and

(3) taking public comments on education funding and school district cost factors; and be it

FURTHER RESOLVED that the task force consists of 11 members as follows:

(1) five shall be from the senate appointed by the president of the senate;

(2) five shall be from the house of representatives appointed by the speaker of the house of representatives; and

(3) one shall be appointed by the governor; and be it

FURTHER RESOLVED that the president of the senate and the speaker of the house of representatives shall jointly appoint the chair and vice-chair of the task force; and be it

FURTHER RESOLVED that the task force shall meet during the interim between sessions; and be it

FURTHER RESOLVED that the task force shall submit a report of its findings and proposed legislative changes to the governor and the legislature by September 1, 2007, and may make any additional reports it considers advisable; and be it

FURTHER RESOLVED that, if the task force is not able to propose a solution for school funding, including the treatment of school district cost factors, the governor is encouraged to call the legislature into a special session before the date the Second Regular Session of the Twenty-Fifth Legislature convenes in order to address school funding; and be it

FURTHER RESOLVED that the Joint Legislative Education Funding Task Force is terminated on October 15, 2007.