

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9121 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

Ms Kaye O Robinson 883-5151
 PO Box 961

	Distribution	Affiliation	Reg Voter	
Tok AK 99780	28		U	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

I SUPPORT THIS BILL FOR OUR SCHOOLS.

Mrs Jill M Rusyniak 883-4219
 PO Box 122

	Distribution	Affiliation	Reg Voter	
Tok AK 99780	28		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

THANKS FOR INTRODUCING THIS BILL WHICH IS IMPORTANT IN THE EDUCATION OF OUR CHILDREN IN RURAL ALASKA.

Ms LeAnn L Schultz 882-2663
 PO Box 487

	Distribution	Affiliation	Reg Voter	
Tok AK 99780	28		U	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23 1998	N	HB 294	Supports	

I WOULD LIKE TO PERSONALLY THANKS YOU FOR INTRODUCING HOUSE BILL 294. WE. AT DOT LAKE SCHOOL. AS PART OF THE ALASKA GATEWAY SCHOOL DISTRICT GREATLY APPRECIATE YOUR EFFORTS.

Mrs Theresa Paulsen 883-5161
 PO Box 222

	Distribution	Affiliation	Reg Voter	
Tok AK 99780	28		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23 1998	N	HB 294	Supports	

THANK YOU FOR SUPPORTING THIS BILL

Mrs Joyce
PO Box 148

A Worner

547-2296

Eagle

AK 99738

Distribution
38

Affiliation

Reg Voter

Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

THANK YOU! AT LAST RURAL SCHOOLS ARE BEING RECOGNIZED! LOW RURAL BUDGET EQUALS ONE TEACHER INSTRUCTING ALL SUBJECTS FOR FOUR GRADE LEVELS AND OUTDATED TEXT BOOKS. THIS IS AN IMPOSSIBLE TASK! RURAL KIDS ARE PAYING THE

PRICE! THANK YOU FOR YOUR SUPPORT! FROM A PARENT AND CITY CLERK.

Mrs Pamala
PO Box 854

Mitchell

883-3301

Tok

AK 99780

Distribution
40

Affiliation

Reg Voter

U

Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

A CLEAR, WELL WRITTEN BILL THAT I AM VERY MUCH IN FAVOR OF PASSING. A GOOD BILL FOR OUR FUTURE-THE CHILDREN.

Mrs Jill
PO Box 508

Krannenberg

883-5151

Tok

AK 99780

Distribution
24

Affiliation

Reg Voter

U

Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

THANK YOU FOR INTRODUCING HOUSE BILL 294

Mrs Jeanne
PO Box 556

L Spittler

778-2287

Northway

AK 99764

Distribution
24

Affiliation

Reg Voter

Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

I WISH TO EXPRESS MY STRONG SUPPORT FOR HB 294 AND THANK THE LEGISLATORS WHO INTRODUCED IT. I FEEL THAT THE EDUCATION OF OUR CHILDREN SHOULD ALWAYS BE A HIGH PRIORITY. THIS BILL DOES JUST THAT.

Brendon A McMahon 778-2287
 PO Box 561
 Distribution Affiliation Reg Voter
 Northway AK 99764 24 U
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports

THANKS FOR ADOPTING SUCH A COMMON SENSE APPROACH TO THE FUNDING OF OUR PUBLIC SCHOOLS. 'HATS OFF' TO THE SPONSORS OF THIS BILL. GREAT JOB!

Mrs Rebecca J Gallen 778-2287
 PO Box 515
 Distribution Affiliation Reg Voter
 Northway AK 99764 24 Y
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports

THANK YOU FOR COMING UP WITH HB 294 THAT WILL HELP SUPPORT THE EDUCATION OF OUR YOUNG PEOPLE IN THE VILLAGES AND KEEPING EDUCATION FUNDING FAIR IN THE STATE OF ALASKA.

Mrs Lois Smith 778-2287
 PO Box 438
 Distribution Affiliation Reg Voter
 Northway AK 99764 24 Y
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports

I SUPPORT HOUSE BILL 294 AND HOPE FOR IT'S PASSAGE AND GOOD LUCK.

Kerry R Maher 778-2331
 PO Box 474
 Distribution Affiliation Reg Voter
 Northway AK 99764 24 U
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports

I SUPPORT THE HB 294 BILL

Rita
PO Box 411

Carroll

778-2287

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	24		Y
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

CONGRATULATIONS FOR INTRODUCING BILL 294 WHICH I FULLY SUPPORT. HOPEFULLY THIS BILL WILL PASS AND INCREASE FUNDING FOR PUBLIC SCHOOLS SUCH AS OURS, ALASKA GATEWAY SCHOOL DISTRICT.

Mrr Jeffrey
PO Box 446

P Manns

778-2287

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	24		U
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

I SUPPORT HB 294. GOOD JOB.

Mr James
PO Box 515

W Gallen

000-0000

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	24		Y
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

I SUPPORT HOUSE BILL HB 294. THANK YOU FOR YOUR TIME.

Mr Floyd
PO Box 465

J Clevidence

000-0000

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	24		Y
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

THANK YOU FOR INTRODUCING THIS BILL I HAVE SPENT SEVERAL HUNDERED DOLLARS ALREADY THIS YEAR OF MY OWN MONEY TO SUPPLY THE NEEDS OF MY CLASSES. I DO NOT EVEN HAVE TEXTBOOKS FOR TWO OF MY CLASSES.

Ms Tracie A Callos
PO Box 684

778-2287

	Distribution	Affiliation	Reg Voter	
Tok	24		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

I AM VERY APPRECIATIVE OF YOUR WORK ON THIS BILL. OUR DISTRICT IS ALWAYS UNDER A THREAT OF LOSING PROGRAMS OR FUNDING FOR THE KIDS WHO NEED THE RESOURCES MOST. THIS BILL CAN ONLY BENEFIT THE CHILDREN IN ALASKA'S SCHOOLS.

Mr Matthew D Cronk
PO Box 684

778-2287

	Distribution	Affiliation	Reg Voter	
Northway	25		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

THANK YOU FOR INTRODUCING HB294. AFTER YEARS OF INADEQUATE FUNDING IT IS EXCITING TO SEE A BILL THAT WILL INCREASE FUNDING FOR OUR CHILDREN'S EDUCATION. WAY TO GO!

Mr Richard Smith
PO Box 438

778-2287

	Distribution	Affiliation	Reg Voter	
Northway	25		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

I'M GLAD TO HEAR THAT THERE IS A BILL IN THE HOUSE THAT WOULD INCREASE OUR MUCH NEEDED FUND FOR THE SCHOOLS. I SUPPORT THIS BILL SO THAT WE CAN GIVE OUR KIDS THE QUALITY EDUCATION THEY NEED.

Mr Michael L Cronk
PO Box 418

778-2319

	Distribution	Affiliation	Reg Voter	
Northway	25		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

THANK YOU FOR THIS BILL. IT WILL GREATLY HELP OUR SCHOOLS AND ALLOW US TO DO THE BEST POSSIBLE JOB EDUCATING OUR STUDENTS.

Mrs Lorraine
PO Box 406

L Titus

778-2287

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	25		Y
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

YOUR HOUSE BILL 294 WILL BENEFIT OUR SCHOOL AND WOULD LIKE TO THANK YOU FOR YOUR IMPUT.

Peggy
HC 63 Box 1280

A Stanley

778-2251

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	25		U
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

THANK YOU FOR INTRODUCING THIS BILL TO OUR LEGISLATURE.

Mitchell
HC 63 Box 1280

D Stanley

778-2251

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	25		U
Date POM Sent	Constituency	Bill Number	Response	Subject	
01/23/1998	N	HB 294	Supports		

THANKS FOR INTRODUCING HB 294

Mr Don
PO Box 556

E Spitzer

778-2235

			Distribution	Affiliation	Reg Voter
Northway	AK	99764	25		U
Date POM Sent	Constituency	Bill Number	Response	Subject	
01 23 1998	N	HB 294	Supports		

THE PASSAGE OF YOUR BILL IS CRITICAL TO MANY SCHOOLS THAT WILL SUFFER IMMENSELY UNLESS THIS OR A SIMILAR BILL IS ENACTED THANK YOU FOR YOUR EFFORTS. DON'T GIVE UP

Mr Lee A Titus 778-2311
PO Box 406

Northway AK 99764 Distribution 25 Affiliation NW tribal Reg Voter Y
Date POM Sent Constituency Bill Number Response Subject
01/23/1998 N HB 294 Supports

PLEASE SUPPORT THIS BILL. THANK YOU.

Ms Joyce K Johnson 778-2311
PO Box 933

Northway AK 99764 Distribution 25 Affiliation NW tribal Reg Voter U
Date POM Sent Constituency Bill Number Response Subject
01/23/1998 N HB 294 Supports

THANKS YOU FOR YOUR SUPPORT. GREATLY APPRECIATED.

Violet Vandenberg 778-2311
PO Box 461

Northway AK 99764 Distribution 25 Affiliation NW tribal Reg Voter Y
Date POM Sent Constituency Bill Number Response Subject
01/23/1998 N HB 294 Supports

THANKS YOU FOR HB 294 AND I FULLY SUPPORT THEBILL.

Cora S Demit 778-2311
PO Box 484

Northway AK 99764 Distribution 25 Affiliation NW tribal Reg Voter Y
Date POM Sent Constituency Bill Number Response Subject
01/23/1998 N HB 294 Supports

I WOULD LIKE TO EXPRESS MY APPRECIATION FOR INTODUCING HB 294 IN SUPPORT OF ALL SCHOOLS
ESPECIALLY IN OUR DISTRICT ALASKA GATEWAY SCHOOL DISTRICT

Mrs Jennifer
PO Box 446

D Manns

778-2287

Northway

AK 99764

Distribution

Affiliation

Reg Voter

25

Y

Date POM Sent

Constituency

Bill Number

Response

Subject

01/23/1998

N

HB 294

Supports

GOOD JOB I FULLY SUPPORT BILL 294

Robert
PO Box 430

R Beach

778-2337

Northway

AK 99764

Distribution

Affiliation

Reg Voter

25

Y

Date POM Sent

Constituency

Bill Number

Response

Subject

01/23/1998

N

HB 294

Supports

I THINK HB 294 WOULD BE GREAT TO ALL THE SCHOOLS IN THE DISTRICT. THANKS

Jason
PO Box 462

O Torres

778-2360

Northway

AK 99764

Distribution

Affiliation

Reg Voter

25

U

Date POM Sent

Constituency

Bill Number

Response

Subject

01/23/1998

N

HB 294

Supports

HB 294 WAS A GOOD IDEA FROM WHAT I HEARD ABOUT IT

Shelly
PO Box 532

J Albert

778-2294

Northway

AK 99764

Distribution

Affiliation

Reg Voter

25

Y

Date POM Sent

Constituency

Bill Number

Response

Subject

01/23/1998

N

HB 294

Supports

THANK YOU FOR INTRODUCING HB 294 IN SUPPORT OF EDUCATION. GREAT JOB.

Sherri L Demit 778-2298
 PO Box 524
 Distribution Affiliation Reg Voter
 Northway AK 99764 25 U
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports
 I STRONGLY SUPPORT THE HB 294 BILL.

Ms Lynda Raymond 778-2317
 PO Box 48
 Distribution Affiliation Reg Voter
 Northway AK 99764 25 Y
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports
 I SUPPORT THIS BILL. IT IS IMPORTANT FOR KIDS!!

Mrs Judith A Harmon 883-3255
 PO Box 778
 Distribution Affiliation Reg Voter
 Tok AK 99780 25 Y
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports
 I APPRECIATE YOUR SPONSORING HOUSE BILL 294 AS IT ADDRESSES THE ISSUE OF INFLATION AND ACTUALLY INCREASES PURCHASING POWER FOR MOST OF THE SCHOOL SYSTEMS IN ALASKA. AS AN EDUCATOR AND PARENT OF 3 CHILDREN I AM PLEASED TO SEE AN INCREASE IN FUNDING FOR ALASKA GATEWAY SCHOOL DISTRICT.

Ms. Joanne M Burnett 883-2591
 PO Box 307
 Distribution Affiliation Reg Voter
 Tok AK 99780 25 Y
 Date POM Sent Constituency Bill Number Response Subject
 01/23/1998 N HB 294 Supports
 I SUPPORT HB 294 TO CHANGE THE FOUNDATION FORMULA AND INCREASE FUNDING PER INSTRUCTIONAL UNIT BUT DON'T THINK IT GOES FAR ENOUGH TO CLOSE 22% DECREASE IN REAL PURCHASING POWER EXPERIENCED SINCE THE FORMULA WAS LAST ADJUSTED IN 1988. PUBLIC EXPENDITURES FOR EDUCATION SHOULD BE ADJUSTED FOR INFLATION YEARLY

Mr Russell
PO Box 745

J Persson

883-5574

	Distribution	Affiliation	Reg Voter	
Tok	25		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/23/1998	N	HB 294	Supports	

MANY OF OUR RURAL DISTRICTS HAVE MADE REFORMS AND ARE CUTTING COSTS. NOW IT'S TIME TO KEEP UP WITH INFLATION BEFORE OUR STUDENTS SUFFER MORE.

Mrs Diane
PO Box 544

A Cronk

883-5161

	Distribution	Affiliation	Reg Voter	
Northway	25	self	Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/26/1998	N	HB 294	Supports	

THANK YOU FOR SUPPORTING EDUCATION BY SPONSORING HOUSE BILL 294.

Mrs Donna
PO Box 60

K Westphal

547-2391

	Distribution	Affiliation	Reg Voter	
Eagle	18		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/28/1998	N	HB 294	Supports	

THANK YOU FOR CONSIDERING LEGISLATION TO FUND OUR CHILDREN'S FUTURE. IT IS SO IMPORTANT TO KEEP IN MIND ALL CITIZENS, BOTH RURAL AND URBAN. PLEASE DO YOUR PART TO ENSURE ALASKA'S FUTURE FOR ALL ITS CHILDREN. WE APPRECIATE YOUR TIME, ENERGY AND EFFORTS. THANK YOU.

Mrs Patricia
PO Box 68

J Mitchell

547-2276

	Distribution	Affiliation	Reg Voter	
Eagle	18		Y	
Date POM Sent	Constituency	Bill Number	Response	Subject
01/28/1998	N	HB 294	Supports	

I WANT TO LET YOU KNOW OUR MY HEARTFELT APPRECIATION CONCERNING THIS BILL. OUR SCHOOL DISTRICT AND RURAL SCHOOL, EAGLE COMMUNITY, NEED FINANCIAL AID DESPERATELY IN ORDER TO CONTINUE. ONCE AGAIN, AS A ASB MEMBER AND A PARENT, THANK YOU.

Mr. John
Pouch Z

C Thomas

225-2118

Ketchikan

AK 99901

Distribution

12

Affiliation

Reg Voter

U

Date POM Sent

Constituency

Bill Number

Response

Subject

01/28/1998

N

HB 294

Opposes

INCREASING THE INSTRUCTIONAL UNIT NOT A SOLUTION. YOUR STATE FUNDING HAS DROPPED BY 22%. YOUR PROPOSED 5% INCREASE IS A SHORT-TERM FIX. NO INFLATION PROOFING IS PROVIDED. WHY NOT REWARD SCHOOL DISTRICTS AND BOROUGHES?

CONSIDER A BONUS FOR DISTRICTS FUNDED TO THE MAXIMUM ALLOWABLE LEVEL.

Opinion/Editorial By Representative Gene Kubina

Educational Funding: Smaller Dollars, Bigger Bills

Several weeks ago I was glancing through a file on education when I came across a letter from a woman representing one of our state's school boards. Her plea was simple and to the point. She wanted to know why a state wealthy enough to have a Permanent Fund, and billions of dollars in additional savings accounts, constantly "fudges" on adequately funding our children's education.

What she was referring to was this: during the last ten years, the amount of revenue the state of Alaska has spent on each public student has dropped by more than 22% when inflation and enrollment increases are taken into account.

Also significant, this writer is representative of the many Alaskans who volunteer to fill our school boards, our PTAs, and other educational organizations, and are aware of the financial crunch our schools are feeling. These people have families, own businesses, pay taxes, deal with the issues common to all of us, yet their direct involvement in our educational system makes them aware that our school districts are under funded.

In fact, I can flatly state that during my years in office I have never encountered a school board or PTA that did not support an increase in our educational funding formula. This educational "deficit" has been the topic of agenda at meetings and hearings across the state, and Alaskans generally agree that there is a problem.

Unfortunately, the approach undertaken by several colleagues of mine in the House and Senate has been more along the line of EdOpEd doc "borrowing from Peter to pay Paul." There is one bill in the Senate that would take funds from some school districts and give it to others, whereas another would apply a payroll tax to Alaskans in some regions while exempting those living elsewhere.

Aside from the constitutional issues, I believe that both approaches are unworkable and divisive, pitting school districts against school districts, and in effect, children against children.

In looking at this issue, I think there is one question that seems to be overlooked. Inflation is factored into other areas of the economy. Why not education? The Permanent Fund, Social Security, salaries, military pay, are adjusted for inflation. And in a number of cases on a yearly basis.

Yet the funds that provide the bulk of educational funding in our state have only been adjusted once for inflation since the inception of the program in 1988.

The result has been noticeable: larger classes and fewer programs; less teacher aides and deep cuts in maintenance and janitorial staff. In some communities like Anchorage, families have been asked to voluntarily pick up the cost of some "extras," and communities are being requested to pick up a larger share of the financial burden on a local level—even as they reach caps that will not allow them to contribute more. The Kenai Peninsula district is a good example.

Recently, one of the members of my local school board reminded me that the city of Valdez, considered to be a wealthy town by many Alaskans, has been at its local funding cap for years. In fact, in order to balance the school budget, the district is being forced to cut reading teachers out of the elementary school. His observation was that if a relatively wealthy town like Valdez is being forced to cut personnel, how are the less affluent communities doing? Although conditions vary from one region to another, my perception is that some of our schools are in serious trouble if this erosion of their budgets continues.

That is why I have introduced an education bill that does two things. First of all, it will raise the instructional unit from \$61,000 to \$64,000, gaining some of the ground that education has lost to inflation over the last ten years.

This increase will mean better funding for most of our schools: nearly \$12 million dollars for the Anchorage school district, \$4 million for Fairbanks, and \$3 million for the Kenai and the Mat-Su districts.

Secondly, my bill will address the issue of disparity between some of our districts by raising the local minimum contribution of 35% to 40% of the educational basic need. In brief, what this means is that the North Slope, Valdez, and Unalaska school districts will not receive any additional state dollars, while approximately \$37.6 million dollars will be distributed to other schools across the state.

With the passage of this bill, we will be putting state dollars toward the greatest educational need without playing to political or regional differences. It is my intent to work closely with members of both the minority and the majority to see that this legislation successfully passes into law.

We owe it to the children of this state to address this problem.

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE KUBINA

TO: HB 294

1 Page 1, following line 12:

2 Insert new bill sections to read:

3 ** Sec. 2. AS 14.17.031(a) is amended to read:

4 (a) The department shall adopt regulations defining funding communities
5 within each district that reflect geographic and attendance area factors. For the
6 purpose of determining instructional units, students are counted in the district and the
7 funding community from which they receive educational services. The total number
8 of instructional units in a school district is the sum of the following units for each
9 funding community within the district, as determined by the department:

10 (1) the number of units for elementary and secondary students
11 determined under AS 14.17.041(a), [OR] (b), or (e), whichever is greater:

12 (2) the number of units for vocational education determined under
13 AS 14.17.043;

14 (3) the number of units for special education determined under
15 AS 14.17.045; and

16 (4) the number of units for bilingual education determined under
17 AS 14.17.047.

18 • Sec. 3. AS 14.17.041 is amended by adding a new subsection to read:

19 (e) The instructional unit calculation for a school district with an ADM of 900
20 or less that consists of one funding community is increased by multiplying the
21 instructional units calculated under (a) or (b) of this section by the appropriate factor
22 set out in the following table:

23	District ADM	Factor
24	1 - 250	1.12
25	251 - 525	1.08

1

526 - 900

1.06."

2 Renumber the following bill sections accordingly.

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 294

Revision Date: <u>January 28, 1998</u>	Dept. Affected: <u>EDUCATION</u>
Title: <u>An act relating to local and state</u>	BRU: <u>K-12</u>
Funding: <u>education funding.</u>	Component: <u>Foundation Program</u>
Sponsor: <u>Representative Kubina</u>	
Requester: <u>H Hess, Finance</u>	COMPONENT SERIAL NO. <u>141</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4
MISCELLANEOUS						
TOTAL OPERATING	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES						
---------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4
1005 GF/Program Receipts						
Other:						
TOTAL	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4	37,895.4

Estimate of current year (FY98) cost: \$

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (attach a separate sheet if necessary.)

Section 1 will increase required local effort from the North Slope, Skagway, Unalaska, and Valdez by \$1.45 million. Section 2 will increase State Foundation Entitlements to all school districts across the state by \$39.45 million. The Impact Aid deductible for North Slope, Unalaska and Valdez school districts will increase. Section 1 and 2 combined will increase the total Foundation Entitlements by \$37.9 million.

Prepared by: Eddy Jeans, School Finance Manager
Division: Education Support Services

Phone: 465-8679

Date: 01/28/98

Approved by Commissioner: Shirley J. Holloway, Ph.D.

Date: 1/28/98

Agency: Department of Education

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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ALASKA DEPARTMENT OF EDUCATION PROJECTED FY99 FOUNDATION PROGRAM House Bill 294		A	B	C	D
School District:		Section 1: Change in Required Local Effort: From 35% to 40% of Basic Need.	Section 2: Change in Basic Need: Unit Value from \$61,000 to \$64,000	Change in Impact Aid Deductible: Impact Aid Adjustment	Change in State Aid
1	ALASKA GATEWAY	-	281,180	-	281,180
2	ALEUTIAN EAST	-	202,410	-	202,410
3	ALEUTIAN REGION	-	60,060	-	60,060
4	ANCHORAGE	-	12,218,430	-	12,218,430
5	ANNETTE ISLAND	-	124,140	-	124,140
6	BERING STRAIT	-	1,013,010	-	1,013,010
7	BRISTOL BAY	-	130,440	-	130,440
8	CHATHAM	-	144,540	-	144,540
9	CHUGACH	-	79,800	-	79,800
10	COPPER RIVER	-	307,470	-	307,470
11	CORDOVA	-	166,590	-	166,590
12	CRAIG	-	132,720	-	132,720
13	DELTA/GREELY	-	275,640	-	275,640
14	DENALI	-	153,960	-	153,960
15	DILLINGHAM	-	222,630	-	222,630
16	FAIRBANKS	-	4,236,900	-	4,236,900
17	GALENA	-	331,980	-	331,980
18	HAINES	-	139,020	-	139,020
19	HONAH	-	101,190	-	101,190
20	HYDABURG	-	54,600	-	54,600
21	IDITAROD	-	284,700	-	284,700
22	JUNEAU	-	1,453,590	-	1,453,590
23	KAKE	-	71,460	-	71,460
24	KASHUNAMUIT	-	121,770	-	121,770
25	KENAI	-	2,845,920	-	2,845,920
26	KETCHIKAN	-	654,570	-	654,570
27	KLAWOCK	-	78,510	-	78,510
28	KODIAK ISLAND	-	889,170	-	889,170
29	KUSPUK	-	294,990	-	294,990
30	LAKE & PENINSULA	-	354,870	-	354,870
31	LOWER KUSKOKWIM	-	2,102,400	-	2,102,400
32	LOWER YUKON	-	881,700	-	881,700
33	MAT-SU	-	3,348,720	-	3,348,720
34	NENANA	-	69,740	-	69,740
35	NONE	-	288,390	-	288,390

ALASKA DEPARTMENT OF EDUCATION PROJECTED FY99 FOUNDATION PROGRAM House Bill 294		A	B	C	D
School District:		Section 1: Change in Required Local Effort: From 35% to 40% of Basic Need.	Section 2: Change in Basic Need: Unit Value from \$61,000 to \$64,000	Change in Impact Aid Deductible: Impact Aid Adjustment	Change in State Aid
36	NORTH SLOPE	(966,784)	906,360	(110,606)	(171,030)
37	NORTHWEST ARCTIC	-	1,039,530	-	1,039,530
38	PELICAN	-	29,970	-	29,970
39	PETERSBURG	-	203,040	-	203,040
40	PRIBILOF	-	109,320	-	109,320
41	SITKA	-	429,210	-	429,210
42	SKAGWAY	(56,000)	52,500	-	(3,500)
43	SOUTHEAST ISLAND	-	156,510	-	156,510
44	SOUTHWEST REGION	-	421,020	-	421,020
45	ST. MARY'S	-	72,900	-	72,900
46	TANANA	-	64,260	-	64,260
47	UNALASKA	(152,160)	142,650	(39)	(9,549)
48	VALDEZ	(274,784)	257,610	(3,906)	(21,080)
49	WRANGELL	-	145,830	-	145,830
50	YAKUTAT	-	77,940	-	77,940
51	YUKON FLATS	-	330,030	-	330,030
52	YUKON/KOYUKUK	-	377,970	-	377,970
53	YUPIIT	-	247,830	-	247,830
54	ALYESKA CORRESPONDENCE	-	196,541	-	196,541
55	MT EDGE CUMBE	-	84,450	-	84,450

Totals: \$ (1,449,728) \$ 39,459,671 \$ (114,551) \$ 37,895,392

Column A: Section 1: Amends AS 14.17.025, increases local contribution percentage from 35% to 40%.

Column B: Section 2: Amends AS 14.17.056 increases instructional unit value from \$61,000 to \$64,000.

Column C: Impact Aid Adjustment - As local effort & Basic Need increase so does the deductible Impact Aid.

Column D: Total change in state aid.

HB

300

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 300

Revision Date (2/17/98) _____ Dept. Affected Commerce & Economic Development
 Title An Act relating to Health Insurance BRU Insurance
 Component Insurance
 Sponsor Representative Bunde
 Requester House HES Component Serial No. 354

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
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						
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 (FY98) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill has no fiscal impact on this component.

Prepared by Marianne K. Burke, Director *Marianne K. Burke* Phone 465-2515
 Division Insurance Date 2/17/98
 Approved by Commissioner Deborah B. Sedwick *Deborah B. Sedwick* Date 2-18-98
 Agency Commerce and Economic Development

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HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 12, 1998

FURTHER REFERRALS: Labor and Commerce

Date of Committee Action: 2/24/98

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 300

HOUSE BILL NO. 300

HEALTH CARE INSURANCE

"An Act relating to health insurance; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 300 (HES) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) CED

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>Clay Bunker</i>	✓			
<i>Frank J. Porter</i>		✓		
<i>[Signature]</i>		✓		

CHAIR'S SIGNATURE *Clay Bunker*

CHANGES CONTAINED IN CSHB 300 ()

The title is changed to reflect the emphasis of the bill, which is patient's rights.

Sect. 1 is changed, adding a new short title section that reflects the emphasis of the legislation.

Sect. 2 (b) is changed to require physician to physician contact in cases where a patients is denied care, reduced care, or terminated health care benefits.

The remainder of the bill is the same.

CS FOR HOUSE BILL NO. 300()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVES BUNDE, James

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to patients' rights under health insurance; relating to review of
2 health insurance treatment plans; prohibiting certain health insurance practices."

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

4 * Section 1. SHORT TITLE. This Act may be known as the Alaska Patients' Bill of
5 Rights.

6 * Sec. 2. AS 21.42 is amended by adding a new section to read:

7 Sec 21.42.390. Required health insurance coverage provisions. (a) A
8 health care insurer may not include in the health care insurance plan or contract a
9 provision that

10 (1) prohibits a covered person from obtaining health care services from
11 a health care provider of the person's choice, including a specialist;

12 (2) restricts a covered person's right to receive full information from
13 the person's health care provider regarding the care or treatment options that the health
14 care provider believes are in the best interests of the person.

1 (b) A health care insurer may not deny, reduce, or terminate health care
2 benefits for a covered person unless the denial, reduction, or termination is approved
3 by a physician who is licensed to practice in the United States.

4 (c) A health care insurer may not

5 (1) directly or indirectly reimburse a covered person at a different rate
6 because of the person's choice of provider;

7 (2) deny coverage, cancel a health care insurance plan or subscriber
8 contract, or otherwise take action against a covered person or a health care provider
9 because the person has asserted a right described under this section.

10 (d) A covered person may bring a civil action against a health care insurer to
11 enforce the person's rights under this section.

12 (e) In this section,

13 (1) "health care provider" means a person licensed in this state to
14 provide health care services;

15 (2) "health care services" means treatment of an individual for an
16 injury, illness, or disability and includes preventative treatment of an injury or illness.

Alaska State Legislature

CHAIR
HOUSE HEALTH, EDUCATION
& SOCIAL SERVICES COMMITTEE

VICE-CHAIR
HOUSE JUDICIARY COMMITTEE

MEMBER
LEGISLATIVE BUDGET & AUDIT COMMITTEE
HOUSE SPECIAL COMMITTEE ON OIL & GAS
SELECT COMMITTEE ON LEGISLATIVE ETHICS



REPRESENTATIVE CON BUNDE

District 18

DURING SESSION
STATE CAPITOL, ROOM 104
JUNEAU, AK 99801-1182
(907) 465-4843 (800) 892-4843

DURING INTERIM
716 W. FOURTH AVE.
ANCHORAGE, AK 99501-2133
(907) 258-8168

E-MAIL
Representative_Con_Bunde@legis.state.ak.us

SPONSOR STATEMENT

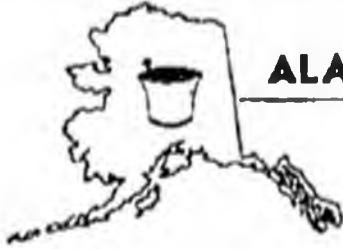
House Bill 300

"An Act relating to health insurance; and providing for an effective date."

Often, insurers use health care consumers as trading chips in order to obtain services for a lower price. The problem is that the patients involved don't know that they have been traded until they come to use the service, then many times, they become aware that they are not able to go to the provider of their choice.

HB 300 protects the rights of health care consumers to choose appropriate medical care. This legislation prohibits insurers from reimbursing a covered person at a different rate because of the person's choice of health care provider.

SPONSOR STATEMENT

**ALASKA PHARMACEUTICAL ASSOCIATION**

Box 101185 Anchorage, Alaska 99510
(907) 563-8880

Jan. 16, 1998

Representative Con Bunde
House of Representatives
Juneau, Alaska

Dear Representative Bunde,

We have received a copy of House Bill 300 that you have introduced. The Alaska Pharmaceutical Association appreciates your effort to support patients freedom of choice in health care. We look forward to working with you to move this legislation forward

Please feel free to contact me in Ketchikan at 907-225-6186 or you may contact our Executive Director, Erin Carey-Byrne, at our Association office at the above numbers. In addition, we are represented by our lobbyist Geoff Bullock in Juneau

Sincerely,

Barry Christenson
Chair, Legislative Committee
Alaska Pharmaceutical Association

SUPPORT

2/11/98

Karen Coombs-Marcey
6301 Bubbling Brook
Anchorage, AK 99516

Representative Con Bunde
Room 104
State Capital
Juneau, AK 99801

Dear Representative Bunde:

As a constituent of your district and an individual who has been involved in health care in the state of Alaska since 1981, I am writing in support of HB 300. There are many reasons why HB 300 is needed and makes sense in Alaska. The three main reasons are access, patient rights and economics.

Access to health care remains a primary problem in Alaska. Alaska has a small population base, spread out over a large geographic area, with few health care providers. Many "larger" towns lack basic services. Dutch Harbor does not have a physician, Bethel does not have a pharmacy. The State of Alaska needs to support the inclusion of all current and prospective health care providers in insurance contracts to increase accessibility, not limit or eliminate it. Also, many insurance companies only want to contract with "national providers", especially for pharmacy or infusion services. GEHA wants their patients to use Apna for infusion services, but Apria's infusion business in Alaska lasted less than a year. The State of Alaska employee who lives in Sitka is expected to get prescriptions at Fred Meyer's in Juneau. And this is just the beginning of "managed care".

Every patient should have the right to make decisions that effect their health and well-being, without intrusion. A patient should be able to receive complete information regarding treatment options available to them and should be allowed to choose the health provider(s) that meet their needs. The method by which insurance companies try to second guess medical decisions made between a patient and his physician, is a direct violation of that individual's rights and a direct threat to their health. An insurance agent negates a patient/physician decision from thousands of miles away, often with no medical background and without even knowing the patient.

Economics is the third issue. Many myths abound about the "cost savings" of restrictive health care systems. Cost savings should be more correctly referred to as revenue shifting; insurance companies and their intermediaries have increased revenue, health care providers have decreased revenue and patients' expenses can go up or down.

*Myth 1: Specialist care costs more.

In actuality, **specialist care is more cost effective.** This can be documented in a number of journal articles and in awarded capitated contracts in both cancer and HIV/AIDS care, by both private insurance and Medicaid. Where capitated contracts are awarded to Specialist Clinics because they are more cost effective, and achieve better outcomes.

*Myth 2: Restrictive drug formularies or decreased access saves money.

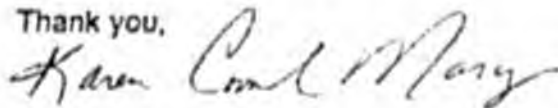
Susan Horn's study, which originally was designed to show that restrictive drug formularies decreased costs, actually ended up showing that **over all health care costs are significantly increased with strict drug formularies and decreased access.** Once again insurance companies may increase their profits by owning the PBM and accessing drug rebates.

*Myth 3: Consolidation or merging health care providers are more cost effective and hence reduce health care costs.

Alaska should pay attention to what's happened outside as the push for managed care works its way into our state. **Competition is what brings prices down.** As the Anchorage Daily News reported last week, what is happening in larger cities, where managed care pressure has caused providers to merge and become one, they have been left with only 1 or 2 providers and now even the HMO's that cause this phenomenon, are unable to stop the large increases that the remaining providers are demanding. Who can they turn to? There is no one left. Remember, even Anchorage only has 2 hospitals...the minimum requirement for competition!

We need HB300 to protect the health of all Alaskans. Without it, we will be at the mercy of insurance companies, who don't know or understand our state and are not looking out for the health of anyone but their stockholders or "non-profit" CEO's. Please do not hesitate to call me, if you would like copies of journal articles or published studies mentioned above.

Thank you,



Karen Coumba Marcuy

Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

February 17, 1998

Honorable Con Bunde
State of Alaska
House of Representatives
Health, Education, and Social Services Committee
Room 106, Capital
Junction, Alaska

RE: HB 300

Dear Representative Bunde:

The Alaska State Medical Association (ASMA) represents nearly 500 private practice physicians and their patients. Thank-you for the opportunity to provide commentary on HB 300.

ASMA's governing body, the House of Delegates, has long supported the concept of a patient's reasonable choice in the physician that provides his or her medical care. This concept is included in HB 300.

ASMA's interest in any health care plan focuses on what impact it would have on the quality of medical care and the patient/physician relationship. Generally, the physician community is interested in assuring that:

1. patients have a reasonable choice in which physician provides their health care;
2. patients have a clear understanding of all material benefits and restrictions involved with any health plan;
3. each physician desiring to participate as a contracted provider of care has a fair opportunity to do so;
4. any physician contract criteria, contracting procedures, and contract termination be on a fair and equitable basis;
5. any utilization review or medical necessity determination be accomplished on a peer review basis; and finally
6. patients aren't unreasonably denied benefits after receiving emergency care in a hospital or other emergency facility.

Section 1 of AS 21.42.390 (b) provides that a utilization review or review of a treatment plan must be done by a licensed health care provider. It is not clear that such review must be done by a peer. ASMA suggests this language be modified to make this clear. The same "peer" approach was adopted in HB 98, the tort reform measure, enacted last year in regards to expert witness qualifications (see AS 09.20.185).

Thank you for this opportunity.

Sincerely,



By: Kevin Tomera, MD, President

For: Alaska State Medical Association
Board of Trustees

cc: Representative Joe Green, Vice Chair, HESS
Representative Fred Dyson, HESS
Representative Brian Porter, HESS
Representative AJ Vezev, HESS
Representative Tom Bruce, HESS
Representative Allen Kempler, HESS

Does Managed Care Really Save Money?

By David S. Hiltzenrath

A Washington Post Staff Writer

When Charles W. Turner underwent a coronary triple bypass at Washington, D.C.'s Georgetown University Hospital in December 1992, the hospital was paid \$28,113.

When Shelby A. Fowler had the same operation at the same hospital less than three months later, the hospital was paid only \$10,297.

Turner, a retired road construction worker from rural Loudon, Md., was covered by a traditional fee-for-service insurance plan, which paid the hospital's full charges. Fowler, an engineer at a high-tech company in Tysons Corner, Va., was covered by a health maintenance organization, which paid a negotiated fee.

The hospital said it made a profit of \$12,181 on Turner but lost \$7,160 on Fowler because the deal it made with Fowler's HMO amounted to a below-cost discount. Georgetown lost \$62 million during its past fiscal year on inpatients covered by HMOs and other managed care plans that received discounts, the hospital says.

The story of Turner and Fowler, and a broader analysis of Georgetown Hospital's finances over a one-year period, show how many HMOs and other health insurance plans that are cited as models of cost effectiveness save money largely by shifting costs to their insurers.

Private insurance companies have long complained about cost-shifting, by which they pass on extra charges they pay to make for the money hospitals lose treating uninsured patients and are covered by government insurance programs for the poor and disabled.

Now many private health plans—chiefly those run by managed care companies and big employers—benefit from a new form of cost-shifting in which they receive discounts while other private insurers pay inflated rates for sick-care services.

The discounts may look as if they are helping to solve a nation's problem of rising medical costs. But many critics, including the Congressional Budget Office, say they merely redistribute the burden of paying for health care.

"You can't give everyone a discount," says health economist Harold S. Luft of the University of California at San Diego.

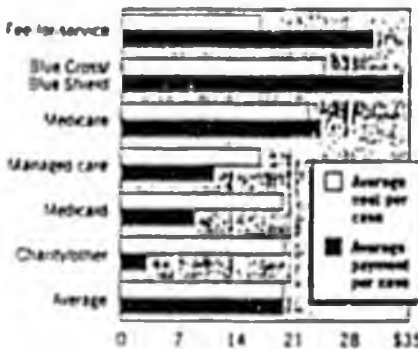
No portion of discount prices works only as long as a plan can compensate by cutting costs, lowering prices or raising somebody else's charges. Industry analysts frequently say that hospitals are running out of cost somebody else, because HMOs and other

SHIFTING THE COSTS

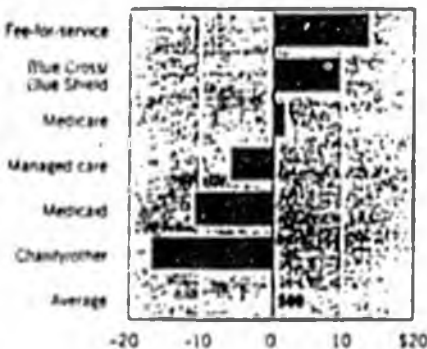
Some health insurers pay more than others for hospital care. Here's a look at Georgetown University Hospital's inpatient business in its 1993 fiscal year, broken down by insurance type.

CORONARY BYPASS OPERATIONS

The hospital's cost per procedure was similar for each group, but actual payments varied widely... IN THOUSANDS OF DOLLARS



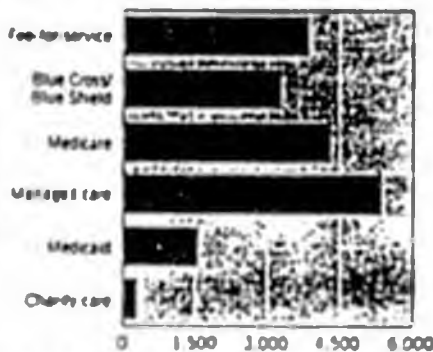
...so its average profit per case was far greater for patients with traditional insurance coverage AVERAGE PROFIT PER CASE, IN THOUSANDS OF DOLLARS



ALL INPATIENT BUSINESS

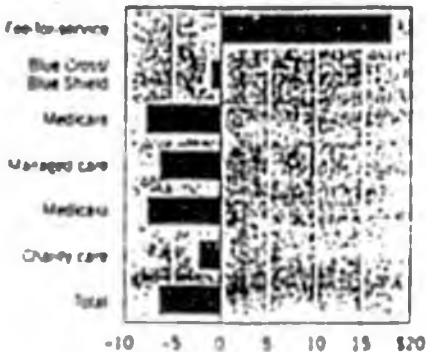
While only a minority of patients had traditional fee-for-service coverage...

1993 INPATIENT ADMISSIONS



...these patients were the sole major group on which the hospital made a profit

PROFIT OR LOSS, IN MILLIONS



SOURCE: Georgetown University Hospital

NOTE: Managed care patients are defined as those whose health plans have negotiated special rates with Georgetown. Fee-for-service patients are defined as those who, along with their health insurers, are obligated to pay Georgetown's full charges. Coronary bypass figures are based on 232 patients who underwent the procedure without cardiac catheterization, a related diagnostic test.

types of managed care are rapidly expanding their share of people covered by private insurance.

If the Georgetown example is any guide, the reliance of many health plans on discount prices poses two challenges for health care in the United States:

■ As HMOs and other plans that benefit from discounts grow, people already enrolled in those plans could find their insurance costs rising in relation to other people's premiums, because they could be forced to assume costs now shifted to others.

■ For the same reason, a new national health care system designed to save money by steering people into large purchasing groups, such as the systems proposed by President Clinton and many lawmakers, could experience an "erosion of diminishing returns."

Unlike traditional insurance plans, which provide the same coverage wherever their members seek treatment, HMOs and other managed care plans steer patients to approved doctors and hospitals that accept discounted rates.

Admission of HMOs, which coordinate patients' care

through medical gatekeepers, discounts can lead to lasting savings for all patients because it drive hospitals to operate more efficiently.

They say HMOs also save other ways, such as by emphasizing preventive medicine, controlling patients' access to expensive medical specialists, cutting down on unnecessary surgery, reducing hospital stays, and by urging the use of more cost-effective treatments.

"There is a tremendous potential savings from quality management and emphasis on prevention," says Karen Ignagni, president of Group Health Associates of America Inc., an HMO lobby.

However, a recent study by the Healthcare Leadership Council health care industry group that supports managed care, found that those medical management techniques account for only about a fifth of the savings that the most popular form of HMO offers over typical fee-for-service insurance.

The remaining 78.9 percent of the network-style HMOs' savings result from discounts from insurers and hospitals, according to the study, prepared by H research firm Levin-VIII Inc. and based on internal data from Arts Health Businesses.

Many health care networks known as preferred provider organizations rely almost entirely on discounts for their cost advantage.

GEORGETOWN, A LARGE teaching hospital, knows all too well what discounts do in the network of cost-shifting.

Georgetown finished its most recent fiscal year, which ended June 30, \$4.7 million in the red even though it made a profit of \$17.9 million on inpatients who had fee-for-service insurance.

That profit was erased by the \$62 million the hospital lost on managed care inpatients, combined with millions of dollars of losses on Medicare, Medicaid, Blue Cross/Blue Shield and charity care inpatients.

Although the hospital made an average profit of \$4.64 each time it admitted a fee-for-service patient, it lost an average of \$1,139 each time it admitted a managed care patient to the hospital.

Georgetown lost almost three times as much money on inpatient managed care as the \$2.1 million it lost on inpatient charity care.

Differences in patients' needs or treatments may account for part of the gap between Georgetown's profit on fee-for-service business and its loss on managed care. But the overriding explanation appears to be that the two groups paid different prices, as reflected in data on more than 700 surgeries done at Georgetown provided at The Washington Post's request.

For example, among 202 Georgetown patients undergoing the coronary bypass operation without cardiac catheterization,

Health Policy

BY STEVE KALMEYER

Absent major federal health-care legislation, most health policy took place in statehouses in 1997. Patient consumer protection topped a legislative agenda that also included hospital conversions, partial-birth abortions, expanding Medicaid to include more children, medical savings accounts, workers compensation and gag clauses.

The granddaddy of them all, however, was patient protection, especially for participants of managed care organizations. While not as comprehensive in regulating managed care organizations as some would have liked, the bills suggest a trend toward states being a watchdog over the growth of managed care.

In January 1997, nine states introduced a Managed Care Consumer Protection Act based on a model created through Women in Government, a bipartisan educational association. Nine Democratic and Republican state lawmakers in the group developed the model bill for states to establish consumer protection and quality-of-care standards for managed care organizations. Colorado, Kansas, New Jersey, Oregon and Texas passed versions similar to the model in 1997. Delaware, Georgia, Ohio and Tennessee should address pending legislation this year.

Additional patient protection legislation focused on banning gag clauses. At least 17 states addressed contractual clauses that prohibit doctors in managed care contracts from disclosing certain medical information to patients. Several states also included legislation that banned incentives for physicians to not refer patients to certain specialists or perform certain procedures. States looking to implement a similar measure have praised Kansas' S.B. 204. The Kansas law prohibits gag clauses in managed care contracts, bans incentives that might keep physicians from referring patients to specialists for further care, requires continuity of care provisions for terminated enrollees and requires the establishment of grievance procedures. Montana, Utah and Wyoming passed laws that focus exclusively on banning gag clauses.

At least 15 states passed legislation requiring managed care organizations to have written

standards for both utilization review and grievance procedures. Most notable are Connecticut's H.B. 6883, Missouri's H.B. 335 and New Hampshire's S.B. 122. Connecticut requires the commissioners of the departments of Insurance and Public Health to develop and distribute annual consumer report cards on all managed care organizations, beginning in 1999. The Missouri bill requires health maintenance organizations to develop procedures to allow an enrollee who needs ongoing care from a specialist to receive that care without first obtaining a referral from a primary care physician for each visit.

At least seven states passed legislation under which subscribers can select from among different delivery systems, including HMO, preferred provider organizations or fee-for-service when needed, rather than choosing between delivery systems during open enrollment periods at places of employment. Iowa's H.B. 133 requires carriers that offer a limited network plan with small employers to offer a point-of-service option allowing such choice. Large employers must offer a point-of-service plan in which the price is actuarially determined, a managed care plan that does not limit providers or an indemnity plan.

Virginia may consider similar proposals in 1998. Lawmakers in 1997 passed H.J.R. 631, which created a task force to explore point of service options for Virginia's businesses. The task force included legislators, consumers, providers, businesses and insurers. The state's Joint Commission on Health Care will submit its findings and recommendations to the governor and the 1998 General Assembly.

The federal government also is following the health advisory commission route. President Clinton, who in March 1997 appointed an Advisory Commission on Consumer Protection and Quality in the Health Care Industry, announced a Health Care Consumer Bill of Rights in late November 1997. While it has made only recommendations so far, the commission has received mixed reviews. Some states view it as federal intrusion, while others see it as a watered-down version of several state laws already in place.

In 1998, state officials should look for federal legislation that would set a national standard for ensuring quality care. To ensure that progress in patient protection continues, an open dialogue with providers, consumers, payers and government officials of all levels will be necessary. □

Guardians of patient care



Steve Kalmeyer is a health policy analyst with Program, Policy and Membership Services, The Council of State Governments.

Source:

Major State Health Care Policies

Fifty State Profiles, 1997

by
Health Policy Tracking Service

444 North Capitol Street, N.W., Suite 515
Washington, D.C. 20001

31st Edition
January 1998

Table 5. Managed Care: Major Legislated Strategies

State	HMO Penetration	Any Willing Provider	Bans On Gag Clauses	Direct Access	Freedom Of Choice	Hold Harmless	Independent Review	Point Of Service
Total No. of States	—	21 states	41 states	33 states	20 states	13 states	13 states	11 states
Alabama	9.6	✓ pharmacy, pharmacist		✓ OB/GYN	✓ pharmacy, pharmacist			
Alaska	—		✓				✓	
Arizona	28.8	✓	✓	✓ OB/GYN, optometrist, ophthalmologist				
Arkansas	8.7	broad—does not apply to ERISA plans						
California	43.8		✓	✓ OB/GYN*			✓	
Colorado	31.1		✓	✓ OB/GYN			✓	
Connecticut	34.7	✓ pharmacy	✓	✓ OB/GYN	✓ practitioner in the hospital in a health care center		✓	
Delaware	18.6	✓ pharmacist	✓	✓ OB/GYN	✓ pharmacy			
Florida	29.0	✓ independent pharmacy accountable health partnerships only	✓	✓ OB/GYN, dermatologist	✓ independent pharmacy—accountable health plan only		✓	
Georgia	12.7	✓ broad—applies only to Blue Cross Blue Shield	✓	✓ OB/GYN, dermatologist	✓ pharmaceutical services			✓
Hawaii	25.2							
Idaho	4.3	✓ broad	✓	✓ OB/GYN	✓ pharmacy	✓		✓
Illinois	17.1	✓ non- and hospital providers, broad—limited to Public Act 8-2786-1		✓ OB/GYN				
Indiana	11.9	✓ hospital physician, pharmacists or other providers designated in R. 27.8-6.1	✓	✓ OB/GYN*				

* OB/GYN: 1: medical specialist; 2: chiropractor; 3: optometrist/optician/audiologist; 4: dentist; 5: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

Table 5. Managed Care: Major Legislated Strategies

State	HMO Penetration	Any Willing Provider	Bans On Gag Clauses	Direct Access	Freedom Of Choice	Hold Harmless	Independent Review	Point Of Service
Iowa	4.6				pharmacy			✓
Kansas	11.5		✓					
Kentucky	27.4	broad		chiropractor	chiropractor			
Louisiana	14.7		✓	OB/GYN	pharmacy, pharmacist	✓		
Maine	15.9		✓	OB/GYN, chiropractor				
Maryland	10.0		✓	OB/GYN	pharmacy	✓		✓
Massachusetts	44.6	pharmacy	✓					
Michigan	23.5		✓					
Minnesota	32.7		✓	OB/GYN			✓	✓
Mississippi	2.4	pharmacy, pharmacist		OB/GYN	pharmacy, pharmacist			
Missouri	30.2		✓	OB/GYN		✓	✓	
Montana	3.1		✓	OB/GYN, APNs under the worker's compensation act*	broad-disability insurance only			✓ HMOs with at least 10,000 enrollees
Nebraska	15.4		✓	OB/GYN*				
Nevada	20.8		✓	OB/GYN				
New Hampshire	23.9	pharmacy	✓			✓		
New Jersey	27.5	pharmacy, pharmacist	✓	OB/GYN*, medical specialist*	pharmacy, pharmacist		✓	✓
New Mexico	21.0		✓	OB/GYN			✓	
New York	35.7		✓	OB/GYN, medical specialist		✓		✓ individuals
North Carolina	14.6	pharmacy	✓	OB/GYN	pharmacy			

Table 5. Managed Care. Major Legislated Strategies

State	HMO Penetration	Any Willing Provider	Plans On Gag Clauses	Direct Access	Freedom Of Choice	Hold Harmless	Independent Review	Point Of Service
North Dakota	1.7	✓ pharmacy, pharmacist	✓		✓ pharmacy, pharmacist	✓		
Ohio	17.6		✓		✓			✓ groups > 49
Oklahoma	12.4		✓		pediatric medicine, psychology and clinical social work			
Oregon	47.2		✓	✓ OB/GYN		✓		✓ groups > 25
Pennsylvania	29.9		✓					
Rhode Island	11.6		✓	✓ OB/GYN		✓		
South Carolina	8.4	✓ pharmacist			✓ pharmacy, pharmacist			
South Dakota	3.5	✓ pharmacy, pharmacist			✓ pharmacy			
Tennessee	15.3		✓			✓		
Texas	15.3	✓ pharmacy, pharmacist	✓	✓ OB/GYN, medical specialist*	✓ pharmacy, pharmacist	✓	✓	✓ limited to dental groups > 24
Utah	40.7		✓	✓ OB/GYN				
Vermont	0.0		✓	✓ OB/GYN		✓		
Virginia	15.7		✓	✓ OB/GYN	✓ pharmacy	✓		
Washington	25.1		✓	✓ OB/GYN				
West Virginia	9.4		✓	✓ OB/GYN*				
Wisconsin	24.9	✓ pharmacist	✓					
Wyoming	0.4	✓ any Wyoming provider	✓					

* These states do not provide direct access but instead allow the designation of specified providers as primary care physicians

build protections into their Medicaid managed care programs, most of which target children and pregnant women on Aid to Families with Dependent Children.

As the year wound down, compliance with the new Title XXI children's health insurance program—a five-year, \$24 billion federal block grant approved as part of the Balanced Budget Act signed by President Clinton on Aug. 5, 1997—became Topic A for states in order to qualify for their share of the funds. In a few instances, plans were submitted to the Health Care Financing Administration (HCFA) or, at the least, approved by the legislature before the year ended. But with most sessions in adjournment when the law was signed, the issue is likely to take a significant amount of time when lawmakers get back to business in 1998.

Sandwiched in between was a wide range of issues with which legislatures had to acquaint themselves, from nonprofit hospitals and Blue Cross and Blue Shield plans seeking to "convert" to for-profit status to balancing the promises of genetic testing against the possibility of discrimination in health insurance, from physician-assisted suicide to licensure reform, from keeping tobacco out of the hands of youngsters to finding less costly, more consumer-friendly options to nursing home care for elderly and disabled citizens. Here are some highlights of the year, followed by an in-depth report on 10 key policy areas.

Finance: Managed Care and More

If you had to sum up the most contentious health care issue of the year in just two words, "managed care" would do. In response to consumers' angst about the limits that managed care imposes on the ability to choose a physician and to providers' anger about what they perceive as their ebbing control over patient care to insurance industry "greenshades," 17 states enacted comprehensive laws regulating health plans, while two (New Jersey and New Mexico) issued rules to do the same. That number supplements 13 laws modeled on either the American Medical Association's Patient Protection Act or the Managed Care Consumers' Bill of Rights that were adopted between 1994 and 1996. Designed "to assure fairness to patients and providers," the AMA model requires states to develop standards for certifying managed care plans; spell out utilization review safeguards; and set forth coverage options for patients, including a "point-of-service" option for going outside of the plan for care, subject to higher out-of-pocket costs. The bill of rights, developed by the Public Education Fund of New York, is a more consumer-oriented model with provisions addressing access, choice, quality, confidentiality and nondiscrimination, appeals and so on.

Comprehensive Reforms: The 1997 batch of bills addressed an even broader range of issues, including access (e.g., direct access, point-of-service options), bans on gag clauses, consumer grievance and appeals procedures, credentialing and certification, privacy of medical records, disclosure of financial incentives and plan solvency. On access—arguably the most important issue to consumers—for example, 32 states now have laws or regulations that give women in managed care plans direct access to their OB/GYNs, either by letting them bypass a referral from a primary care gatekeeper or by designating an OB/GYN as their primary care physician. A 1997 Florida law also grants direct access to dermatologists and a Montana law to advanced practice nurses under the state's workers compensation act. And New Jersey and Texas joined New York this year in providing direct access to specialists, when an enrollees medical condition warrants. In addition, 11 states now offer the *point-of-service* option, though often with limits, to people who are willing to pay more out of pocket to see out-of-plan providers (Maryland, New York and Oregon, 1995; Georgia and Minnesota, 1996; and Idaho, Iowa, Montana, New Jersey, Oklahoma and Texas, 1997). Plan use of "gag clauses," or contract language that doctors maintain prohibits them from discussing treatment options and other plan practices with patients, also

Overview

continued to command considerable attention. In 1997, 21 states moved to ban use of gag clauses, on top of 20 going into the year.

Mandated Benefits: The issue of plan coverage of emergency services and maternity and mastectomy hospital stays also garnered continued attention, either as part of the comprehensive reforms or as stand-alone bills. At the end of 1996, 6 states had approved laws that mandate coverage of emergency room visits that meet the "prudent layperson" test—that is, if an individual could reasonably infer that the condition that took them to the ER was, in fact, an emergency. In 1997, another 17 followed suit with laws, while New Jersey and New Mexico addressed the issue through regulations. Since 1995, 41 states (17 of them in 1997) also have moved to mandate extended coverage for hospital stays for mothers and newborns, to avoid a trend toward "drive-thru deliveries," or discharge after 24 hours or less. Since March 1997, states also have moved to discourage "drive-thru," or outpatient mastectomies, by requiring plans to cover inpatient hospital care for mastectomies (13 laws) and/or reconstructive breast surgery (17 laws) for a length of time determined appropriate by the attending physician. Mandated coverage for treatment, education and supplies for diabetes was another popular theme of the year (see Pharmaceuticals section).

Insurer Liability: Should managed care plans be liable for medical malpractice if a decision to delay or deny care on grounds it is not medically necessary results in harm to the patient? States grappled with that question in 1997 as they sought to respond to physician and patient pressure to curb the power of the managed care industry. Traditionally, health insurers have been protected by state laws banning "the corporate practice of medicine," which means the patient's only recourse is to sue under a "vicarious liability" theory. The present mood in many states, however, is to extend the scope of malpractice liability beyond individual practitioners to insurance carriers and plans themselves. A Texas law enacted in May without the governor's signature was the first to let patients who say they've been harmed by a plan's decision sue for malpractice. (Almost immediately, insurers filed suit on grounds that the law is preempted by the Employee Retirement Income Security Act (ERISA), a 1974 federal law that exempts self-insured plans from state insurance regulation.) In addition, seven states (Idaho, Louisiana, Missouri, New Hampshire, North Dakota, Tennessee and Texas) approved legislation that bans the inclusion of indemnification, or "hold harmless," clauses that prohibit a provider from shifting liability to an insurer in contracts between the two parties.

ERISA: From mandated benefits to high-risk insurance pools to the malpractice question, ERISA continues to be a thorn in the sides of state legislators and insurance regulators. While the federal preemption provision was intended to allow multistate companies to maintain uniform benefits plans across state lines, the effect has been to severely circumscribe state regulation of self-insured plans, which now encompass an estimated 40 percent of insured workers. And, while states have regularly tested the limits of ERISA through both statute and regulation, court rulings on the issue have tended to be variant and piecemeal, which means that any real "fix" will have to come from Congress. In 1996, Congress made a gesture toward broadening the ERISA tent by extending provisions of the Health Insurance Portability and Accountability Act (HIPAA) as well as two clinical mandates (mental health parity and inpatient care after childbirth) to both self- and commercially-insured firms. The trend toward further federal mandates is likely to continue—post-mastectomy hospital stays and regulation of managed care plans are already on tap—but that is something of a mixed blessing for states, which would much prefer that ERISA itself be modified to give them greater regulatory control over the self-insured market.



National Organization of Physicians Who Care

Dissatisfied Physicians

More and more physicians are allying themselves with managed care organizations in order to keep patients or attract new, insured patients. But a survey of 1,710 physicians finds that many of them believe managed care -- such as that provided by health maintenance organizations (HMOs), preferred provider organizations (PPOs) and point-of-service (POS) plans -- has had a negative impact on their ability to care for patients and their satisfaction with medical practice.

PPOs are plans through which a sponsoring group negotiates price discounts with health care providers in exchange for patients. Members of POS plans can use an HMO provider and have full coverage or go out of their provider network and have part of the cost of their treatment covered.

Among the findings of the survey, taken in 1995 and only recently made public:

- Nearly two in five physicians (38 percent) report that their ability to make the right decisions for their patients has declined in the past three years.
- Forty-one percent report a decrease in the amount of time they spent with patients over the previous three years.
- Almost half of those in plans that pay providers either a discounted price or a fixed annual amount per patient (capitated plans) rate their ability to get necessary treatment for patients -- through referrals, for example -- as fair or poor, and almost two-thirds (62 percent) rate their ability to get immediate approval for care as low.
- Sixty percent report very serious or somewhat serious problems with external review and with limitations on their clinical decisions.

By contrast, among the physicians in traditional fee-for-service plans, nearly two-thirds say they have encountered no serious problems in referring patients to their choice of specialists, and 57 percent have had no serious problems with reviews of clinical decisions prior to a patient's receiving care.

Source: Karen Scott Collins et al., "The Commonwealth Fund Survey of Physician Experiences with Managed Care," March 1997, Commonwealth Fund, One E. 75th Street, New York, NY, (212) 535-0400.

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<http://www.nationalpolicy.org/alert-07-97/>*

HB

302

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 12, 1998

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/23/98

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 302

HOUSE BILL NO. 302

UNIVERSITY OF ALASKA OPERATING BUDGET

"An Act relating to the University of Alaska; and providing for an effective date."

recommends it be replaced
with the following committee substitute

CS HB 302 (HES)

the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) University

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Paul Dym</i>	<input checked="" type="checkbox"/>			
<i>Carl B. ...</i>	<input checked="" type="checkbox"/>			
<i>Joseph ...</i>			<input checked="" type="checkbox"/>	
<i>Brian ...</i>			<input checked="" type="checkbox"/>	
<i>Tom ...</i>		<input checked="" type="checkbox"/>		

CHAIR'S SIGNATURE

Carl B. ...

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CS for HB 302 (HES)

Revision Date (Note if correction) _____ Dept. Affected University of Alaska
 Title An Act relating to the University of Alaska BRU University of Alaska
 Component _____
 Sponsor Rep. Bunde
 Requester House HESS Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	3,286.1	3,351.8	3,418.8	3,487.2	3,557.0	3,628.1
TOTAL OPERATING	3,286.1	3,351.8	3,418.8	3,487.2	3,557.0	3,628.1

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	3,286.1	3,351.8	3,418.8	3,487.2	3,557.0	3,628.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	3,286.1	3,351.8	3,418.8	3,487.2	3,557.0	3,628.1

Estimate of any current year (FY98) cost: none

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The CS for HB302 as amended and passed out of the House HES committee directs the Board of Regents to "allocate to each campus an amount of funding equal to its base allocation from the prior fiscal year plus two percent for inflation." This fiscal note reflects this adjustment, based on an FY98 authorized level of \$164,304.5 GF.

Prepared by Marylou Burton, Director Phone 474-6490
 Division UA Statewide Budget Office Date 4/24/98
 Approved by C. Marylou Burton, Director *Marylou Burton* Date 4/24/98
 Agency UA Statewide Budget Office

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 302

Revision Date (Note if correction) _____ Dept. Affected University of Alaska
 Title An Act relating to the University of Alaska BFU University of Alaska
 Component _____
 Sponsor Rep. Bunde
 Requester House HESS Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
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)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
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 (FY98) cost: none

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This bill requires that an appropriation to the University of Alaska be allocated among campuses on a per student basis. Although this may result in an increase to some campuses and a decrease to others, the assumption is that the overall appropriation to the university is unaffected by the bill per se.

Prepared by Marilyn Burton, Director Phone 474-6490
 Division UA Statewide Budget Office Date 2/9/98
 Approved by C. Marilyn Burton, Director Date 2/9/98
 Agency UA Statewide Budget Office

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0-LS1285VF

Ford

4/16/98

CS FOR HOUSE BILL NO. 302(HES)**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTIETH LEGISLATURE - SECOND SESSION****BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE****Offered:****Referred:****Sponsor(s): REPRESENTATIVE BUNDE****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to the University of Alaska; and providing for an effective
2 date."

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

4 * Section 1. INTENT. It is the intent of the legislature that, by appropriating funds to the
5 University of Alaska,

6 (1) the funding process should offer maximum institutional flexibility to
7 allocate funds internally to carry out roles and missions established by the Board of Regents;

8 (2) the funding process should be a straightforward approach that can be used
9 by the Board of Regents to express system-wide priorities;

10 (3) there should be a clear and understandable relationship between institutional
11 needs, the system-wide funding request, the legislative appropriations, the allocation of funds,
12 and the ultimate use of the funds;

13 (4) the funding process should not penalize a University of Alaska campus as
14 the result of decisions related to the internal allocation of resources by other campuses;

1 (5) any incentives that the Board of Regents uses in the funding process should
2 be explicit;

3 (6) the funding process should be applied consistently from year to year so that
4 there can be some level of predictability in the allocation as well as increased confidence in
5 the outcome;

6 (7) the funding process should encourage cooperative programs among
7 campuses; and

8 (8) the funding process should be compatible with statewide education goals.

9 * Sec. 2. AS 14.40 is amended by adding a new section to read:

10 Sec. 14.40.315. Limitation on expenditure of certain state appropriations.

11 (a) An appropriation to the University of Alaska for educational services shall be
12 allocated as required by this section. The Board of Regents shall

13 (1) allocate to each campus an amount of funding equal to its base
14 allocation from the prior fiscal year; and

15 (2) apply an enrollment workload adjustment to the base allocation of
16 each campus; the adjustment shall be calculated as follows:

17 (A) a three-year average of credit hours multiplied by the
18 program weighting factor shall be used; the three fiscal years to be used shall
19 be those that precede the fiscal year of the allocation and shall consist of two
20 fiscal years of actual and one fiscal year of estimated credit hours;

21 (B) credit hours generated from externally funded sources and
22 contracts may not be used in calculating the adjustment; credit hours for in-
23 service teacher education must be included in calculating the adjustment;

24 (C) the total budget base of all campuses shall be multiplied by
25 0.33 and divided by the three-year average of total weighted credit hours for
26 the prior fiscal year; the resulting amount per credit hour shall be multiplied
27 by the change from the prior three-year average of weighted credit hours for
28 each campus to determine the enrollment workload adjustment by campus;

29 (D) program weights are the weighting factors applied to four
30 groups of instructional disciplines with different weight factors by group and
31 course level; the groups and weighting factors are as follows:

1 (i) Group I: associate degree in accounting, air traffic
2 control, architectural drafting, architectural and engineering technology,
3 associate of arts, associate of applied science, automotive technology,
4 business computer information systems, civil engineering drafting,
5 computer electronics, dental assisting, dental hygiene, early childhood
6 development, fire service administration, food service technology,
7 forestry technology, general business, geomatics, human services,
8 industrial process instrumentation, mechanical and electrical drafting,
9 mechanical technology, medical assisting, nursing, office management
10 and technology, paralegal studies, paramedic technology, petroleum
11 engineering aide, petroleum technology, professional piloting, small
12 business administration, small business management, and structural
13 drafting;

14 (ii) Group II: anthropology, art, automotive technology,
15 aviation maintenance technology, Bachelor of Arts, Bachelor of
16 Education, diesel technology, economics, electronics technology,
17 elementary education, English, history, interdisciplinary studies, justice,
18 medical laboratory technology, music, political science, psychology,
19 physical education, refrigeration and heating technology, secondary
20 education, social work, sociology, technology, and welding technology;

21 (iii) Group III: Bachelor of Arts in journalism,
22 mathematics, or theater; Bachelor of Business Administration in
23 accounting, economics, finance, management, management information
24 systems, or marketing; Bachelor of Fine Arts in art; Bachelor of Music
25 in elementary education, secondary education, or performance; Bachelor
26 of Science in mathematics; and bachelor's degree in technology;

27 (iv) Group IV: Bachelor of Arts in biological sciences
28 or computer sciences; Bachelor of Science of biological sciences,
29 chemistry, civil engineering, computer science, geomatics, mathematics,
30 natural sciences, nursing science, and engineering of mines;

31 (E) the weighting factors for the groups described in (D) of this

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paragraph are as follows:

Course Level	Group			
	I	II	III	IV
Lower division	1.00	1.30	1.60	3.00
Upper division	1.50	1.90	2.50	3.50
Graduate	3.50	3.50	6.00	6.50.

(b) The Board of Regents shall establish procedures necessary to implement this section.

(c) This section does not apply to a direct appropriation to a specific campus or program of the University of Alaska.

* Sec. 3. AS 14.40.325 is amended to read:

Sec. 14.40.325. Reallocation within state appropriations. Notwithstanding the provisions of AS 37.07.080(c) and subject to the provisions of AS 14.40.315. each appropriation to the University of Alaska is subject to reallocation by the university administration under procedures established by the Board of Regents and the office of management and budget [DIVISION OF BUDGET REVIEW] in the Office of the Governor. Transfers may not be made between appropriations except as provided in an Act making transfers between appropriations.

* Sec. 4. This Act takes effect July 1, 1998.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE BUNDE

TO: CSHB 302(HES), Draft Version "F"

- 1 Page 2, line 14, following "year":
- 2 Insert ", plus two percent for inflation"

Alaska State Legislature

CHAIR
HOUSE HEALTH, EDUCATION
& SOCIAL SERVICES COMMITTEE

VICE-CHAIR
HOUSE JUDICIARY COMMITTEE

MEMBER
LEGISLATIVE BUDGET & AUDIT COMMITTEE
HOUSE SPECIAL COMMITTEE ON OIL & GAS
SELECT COMMITTEE ON LEGISLATIVE ETHICS

REPRESENTATIVE CON BUNDE

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DURING INTERIM
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Sectional Analysis CSHB 302(HES) Version0-LS1285/F

"An Act relating to the University of Alaska; and providing for an effective date."

Section 1: Findings and intent

Section 2: Amends AS14.40 by adding a new section. The new section places certain requirements for the allocation of appropriations to the University of Alaska.

Section 3: Amends AS 14.40.325 by providing for reallocation of appropriations to the University of Alaska by the University administration.

Section 4: Effective date

Alaska State Legislature

CHAIR
HOUSE HEALTH, EDUCATION
& SOCIAL SERVICES COMMITTEE

VICE CHAIR
HOUSE JUDICIARY COMMITTEE

MEMBER
LEGISLATIVE BUDGET & AUDIT COMMITTEE
HOUSE SPECIAL COMMITTEE ON OIL & GAS
SELECT COMMITTEE ON LEGISLATIVE ETHICS



REPRESENTATIVE CON BUNDE

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SPONSOR STATEMENT HB 302

The purpose of HB 302 is to provide equitable funding for each University of Alaska campus. The University of Alaska is important to the people, the economy, and the future of our state. The debate over equitably funding each campus needs to be resolved. If it is not, the needs of our University of Alaska students will not be met adequately now or in the future.

HB 302 begins to address the question of equitable funding for all University campuses. This proposed legislation directs the Board of Regents to allocate funds based on enrollment at each campus.

HB 302 is one way to balance our limited funds and meet the needs of our growing student population. I urge the legislature, university officials, students and others who are interested to join in this debate and ultimately to resolve the issue of equitable funding for the University.

SPONSOR STATEMENT



UNIVERSITY OF ALASKA ANCHORAGE

3211 Providence Drive
Anchorage, Alaska 99508-8362

SAFETY IS EVERYBODY'S BUSINESS



The Union of Students of the University of Alaska Anchorage

STUDENT GOVERNMENT
Phone: (907) 786-1205
Fax: (907) 786-1228

Legislative Position

Numerous State Legislators were elected based upon a platform that endorsed the reduction of the State's budget. As Alaskans, we realize that the University of Alaska system is a major recipient of state funds and is subject to these budgetary reductions. However, as elected representatives of the 13,000 students attending the University of Alaska Anchorage, we also have some concerns regarding these cuts.

In the past few years, the UA budget has been flat funded, and last year it received a substantial cut. If the UA system budget continues to receive reductions, it is the students who will continue to feel the impact. This creates serious problems with the quality of education that your constituents are currently receiving and will receive in the future.

Some ways that we are adversely affected are:

- An increasing disparity between administrative funding and funding that directly supports students.
- An increasing dependence on adjunct (part-time) instructors.
- A decline in education resources (library).

Students Caught in the Budget-Cutting Crossfire

We recognize that there are areas within the UA system that are able to withstand substantial reductions by restructuring. For example, the state-wide university administration operates on a budget of \$45.8 million per year, which is 250% higher than comparable universities nationwide (see Table 1). However, without adequate time to restructure, the bulk of budget shortfalls come from readily available sources--which, unfortunately, are those areas that most affect the students, such as course offerings, student services, and retention of experienced full-time faculty.

Full-time vs. Adjunct Professors

One area that has been adversely affected by the UA Administration's efforts to reduce costs at the University of Alaska Anchorage is the ratio of full-time and adjunct faculty. UAA is currently operating with 64% adjunct (part time) professors. We feel that this negatively affects the quality of instruction received by the students of UAA. Comparable universities normally attempt to maintain a adjunct faculty force of approximately 40%. The University of Alaska Fairbanks, in contrast to UAA, has a full-time faculty rate of 72%. Not only do we feel that these rates are detrimental to the education of the UAA students, but they are a major concern in maintaining regional accreditation for UAA (see Table 2).

During the past two years the administration has been utilizing a Retirement Incentive Program (RIP) program which encourages experienced faculty to retire. This saves money in the short term, but faculty are not being replaced, causing many programs to be negatively impacted.

Library Concerns

A library is normally the cornerstone of an educational institution. This is not the case at UAA. Students of the University of Alaska Anchorage (UAA) and Alaska Pacific University (APU) are unable to conduct professional research at the UAA Consortium Library because of the lack of funding allocated for the purchase of books and other resource materials over the years.

Even with additional funding, there is a problem with available space. The UAA Consortium library is currently near 100% capacity, which means that even with library funding, there would be no room for the additional resources. Students have been suffering from these inadequacies of the library since 1973, but very little has been done to address its continued deficiencies. In fact, most professors (and some students) have larger book collections in their individual fields than the UAA Library.

Furthermore, during the last accreditation review process, the UAA Consortium library was cited for an insufficient number of volumes for the enrollment supported and a lack of sufficient study space. UAA has been required to submit annual reports to the accreditation review board, but has been unable to show any real progress in the areas cited because of decreasing financial resources. If these issues are not addressed, the University of Alaska Anchorage's accreditation status will be jeopardized. Students are in desperate need of a new library and continued fiscal support devoted to improving the collection and to sustain accreditation for UAA's educational programs.

Table 1 Administrative Costs of Comparable Universities

Core Area	Average of Comparable Universities Plus 28% (Cost of Living)	University of Alaska	University of Alaska Compared to Comparable Universities
Instruction	\$88.9 million	\$73.7 million	17% less
Research	\$70.4 million	\$61.6 million	13% less
Public Service	\$36.8 million	\$16.1 million	56% less
Administration	\$18.3 million	\$45.8 million	250% more

* University of Alaska Anchorage Institutional Research Report

Table one shows comparable universities with a 28% cost of living increase to reflect the higher cost of living in Alaska. Even with this cost of living increase, the UA administration's budget is excessive.

Table 2 Full-time Faculty Rates for Comparable Universities

Faculty Rates	Full-time Instructors	Adjunct Instructors	Difference
Comparable Universities	65%	35%	30% more
Fairbanks	72%	28%	44% more
Anchorage	36%	64%	28% less

* University of Alaska Anchorage Institutional Research Report

Table two demonstrates the dramatic differences between UAA and comparable universities. Another interesting feature to note is that the full-time faculty rate of Fairbanks is double that of UAA--indicating that this problem is not a UA wide problem, only a UAA concern.

General Appropriations Act, 75th Legislature, Article III (Education), Special Provisions

Sec 46 **General Academic Funding** Funding for general academic institutions will consist of four formulas and supplemental items.

- a **Instruction and Operations Formula** The Instruction and Operations Formula shall provide funding for faculty salaries, including nursing, departmental operating expense, library, instructional administration, research enhancement, student services, and institutional support. These funds are distributed on a weighted semester credit hour basis. The rate per weighted semester credit hour for the 1998-99 biennium is \$51.12.

Weighting is determined by the following matrix:

	Lower Division	Upper Division	Masters	Doctoral	Special Professional
Liberal Arts	1.00	1.96	3.94	12.04	
Science	1.53	3.00	7.17	19.29	
Fine Arts	1.85	3.11	6.51	17.47	
Teacher Ed	1.28	1.36	3.23	9.95	
Agriculture	2.05	2.54	6.64	16.37	
Engineering	3.01	3.46	8.20	21.40	
Home Economics	1.58	2.12	4.34	10.79	
Law					3.22
Social Services	1.64	1.84	5.80	11.92	
Library Science	1.45	1.52	4.22	12.26	
Vocational Training	1.45	2.59			
Physical Training	1.36	1.36			
Health Services	2.87	3.46	6.47	15.98	
Pharmacy	4.00	4.64	7.55	19.11	13.43
Business Admin	1.41	1.59	4.59	13.91	
Optometry			5.46	19.12	7.00

Teacher Ed Practice	2.43	2.43		
Technology	1.99	2.56	6.61	
Nursing	4.91	5.32	6.49	16.32

- b. **Teaching Experience Supplement.** For the 1998-1999 biennium, an additional weight of 5 percent is added to lower-division and upper-division semester credit hours taught by tenured and tenure-track faculty. Beginning in Fiscal Year 1998, the Coordinating Board shall collect data on non-tenured faculty with a terminal degree in the discipline, appropriate professional certification, or extensive and recognized accomplishment in the field. Furthermore, it is the intent of the Legislature that for the 2000-2001 biennium the weight shall be assigned to undergraduate semester credit hours taught by non-tenured faculty with the appropriate credentials or experience, and the weight shall increase by 10 percent per biennium, up to 50 percent.
- c. **Growth Supplement.** Universities projected by the Coordinating Board to experience growth in headcount enrollment from fall 1996 to fall 1998 will receive a \$1,435 supplement for each additional student forecasted to enroll during that time period. The supplement is based on the amount of general revenue funding per student generated by the instruction and operations formula.
- d. **Infrastructure Support.** Funding associated with plant-related formulas and utilities shall be distributed by the infrastructure support formula, which is driven by the predicted square feet for universities' educational and general activities produced by the Space Projection Model developed by the Coordinating Board. The portion of the formula related to utilities is adjusted to reflect differences in unit costs for purchased utilities, including electricity, natural gas, and water and wastewater. The average rate per square foot is \$7.51.
- e. **Supplemental Non-formula Items.** Institutions shall receive a direct reimbursement as applicable for staff group insurance (other educational and general income portion), workers' compensation insurance, unemployment compensation insurance, public education grants, 50 percent of indirect research costs recovered on grants, organized activities, system office operations, scholarships, tuition revenue bond payments, Skiles Act bond payments, and facility lease charges. Institutions may receive an appropriation for special items. Revenue derived from board authorized tuition would still be appropriated to the institutions levying the additional charges. Any university losing funding attributable to the proposed formula changes shall receive "formula transition funding" for implementing the new formula structure for the 1998-1999 biennium.

These formulas and supplemental items shall be reviewed and updated by study committees appointed by the Higher Education Coordinating Board and recommended changes forwarded to the Legislature, Legislative Budget Board, and Governor's Office of Budget and Planning by June 1, 1998.

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[Return to the University Formula Advisory Committee Page](#)

MEMO

To: Patricia Swenson
From: Paul Brandt
Subject: Formula Funding
Date: February 6, 1998

Attached is a copy of the information sent by Keith Hasselquist of the Idaho State Board of Education. As I mentioned on the phone, Idaho's legislature makes a lump sum appropriation to the board. Subsequent to the appropriation, the board uses a base plus enrollment model to distribute the funds to the state's universities. The attached information provides both the boards objectives and methodology in making the appropriation. I hope this information is helpful for your purposes.

IDAHO

T. ALLOCATION OF THE LUMP SUM APPROPRIATION

1. Objectives

- a. The funding process should offer maximum institutional flexibility to allocate funds internally to carry out roles and missions established by the Board.
- b. The funding process should be a straightforward approach which can be used by the Board to express system-wide priorities.
- c. There should be a clear and understandable relationship between institutional needs, the system-wide funding request, the legislative appropriations, the allocation of funds, and the ultimate use of the funds.
- d. The funding process should not penalize institutions as the result of decisions related to the internal allocation of resources by other institutions.
- e. Any incentives that the Board uses in the funding process should be explicit.
- f. The funding process should be applied consistently from year to year so that there can be some level of predictability in the allocation as well as increased confidence in the outcome.
- g. The funding process should encourage cooperative programs among institutions.
- h. The funding process should be compatible with the Statewide Plan for Higher Education.

2. Methodology

The allocation shall consist of the total of the lump sum general account appropriation and actual land grant endowment receipts. The allocation shall be made in the following order:

- a. Each institution shall be allocated its base allocation of the prior year.
- b. An Enrollment Workload Adjustment shall be applied to the allocation of each institution. The adjustment shall be calculated as follows:

- (1) A three-year moving average of credit hours multiplied by the program weights shall be used. The three (3) years to be used shall be those which precede the year of the allocation and shall consist of two (2) years of actual and one (1) year of estimated credit hours.
- (2) Effective with the FY 1990 allocation, credit hours generated from externally funded sources and contracts shall be removed from this adjustment. Credit hours for in-service teacher education shall not be removed.
- (3) The total budget base of the institutions shall be multiplied by 0.33 and divided by the three-year moving average of total weighted credit hours for the prior year. The resultant amount per credit hour shall be multiplied by the change from the prior three-year moving average of weighted credit hours for each institution to calculate the adjustment by institution.
- (4) Program weights are the weighting factors applied to four (4) categories of instructional disciplines with different weight factors by category and course level. The groups and factors follow.

Group I

Physical Education
Law
Letters
Library Sciences
Mathematics
Military Science
Psychology
Social Sciences

Group II

Area Studies
Business & Management
Information Sciences
Education
Communications
Home Economics
Public Affairs
Interdisciplinary Studies

Group III

Agricultural & Natural Resources
 Architecture & Environmental Design
 Biological Sciences
 Computer Sciences
 Fine & Applied Arts
 Foreign Languages
 Physical Sciences

Group IV

Engineering
 Health Professions

The weighting factors for the above categories are as follows:

<u>Course Level</u>	<u>Category</u>			
	I	II	III	IV
Lower Division	1.00	1.30	1.60	3.00
Upper Division	1.50	1.90	2.50	3.50
Graduate	3.50	3.50	6.00	6.50
Law	2.60	-	-	-

An additional five percent (5%) emphasis factor is given to the Primary Emphasis areas at each institution. These areas are:

Boise State University

Business
 Social Science (includes Economics)
 Public Affairs
 Performing Arts (excluding Art)
 Interdisciplinary Studies

Idaho State University

Health Professions
 Biological Sciences
 Physical Sciences

University of Idaho

Agriculture
Forestry
Mines
Engineering
Architecture
Law
Foreign Languages

Lewis-Clark State College

Interdisciplinary Studies

- c. Operations and maintenance funds (custodial, maintenance, and utilities) for new, major general education capital improvement projects shall be allocated to affect institutions.
- d. Decision units above the base shall be consistent with the legislative budget request. The allocation of these decision units to the institutions shall be based on the proportionate share of each institution in the total budget request for these decision units applied to the increase in appropriations above the base excluding special allocations.
- e. The Board may also allocate funds for special activities or projects at the discretion of the Board.

Code	Discipline	Grp	Wgtm	Level	FY88 Credit Hours Resident Only, Excluding Cr Hrs								FY87 Credit Hours Resident Only, Excluding Contr Cr Hrs								
					Actual Resident Credit Hours				Weighted Resident Credit Hours				Actual Resident Credit Hours				Weighted Resident Credit Hours				
					BSU	ISU	UofT	LCSC	BSU	ISU	UofT	LCSC	BSU	ISU	UofT	LCSC	BSU	ISU	UofT	LCSC	
	Developmental	1	1.00	Letters	693	1,881		294	693	1,881	0	294	738	1,947		347	738	1,947	0	347	
			1.00	Math	4,020	5,848	27	1,004	4,020	5,848	27	1,004	3,948	5,108			3,948	5,108	0	837	
			1.00	Phy. Sc			460		0	0	480				477		0	0	477	0	
1	Agri Bus & Prod	3	1.00	Lower			382		0	0					288		0	0		0	
			2.50	Upper			585		0	0					708		0	0		0	
			6.00	Grad			257		0	0					250		0	0		0	
2	Agri Sci	3	1.00	Lower			1,032		0	0					1,765		0	0		0	
			2.50	Upper			2,538		0	0					2,771		0	0		0	
			6.00	Grad			1,351		0	0					1,379		0	0		0	
3	Cons & Renew Natl Res	3	1.00	Lower			2,734		0	0					2,374		0	0		0	
			2.50	Upper			3,880		0	0					3,993		0	0		0	
			6.00	Grad			2,146		0	0					2,181		0	0		0	
4	Archit & Rld Prog	3	1.00	Lower		100	1,058		0	173				137	1,255		0	219		0	
			2.50	Upper			4,552		0	0					4,695		0	0		0	
			6.00	Grad			147		0	0					57		0	0		0	
5	Area, Eth & Cult Side	3	1.00	Lower	84	1,700		5	109	2,210	0	7	57	1,821		74	2,367		0	0	
			1.00	Upper	213	318	583	3	405	800	1,070	8	312	408	272	593	775	517		0	
			3.50	Grad					0	0	0		4		0	14			0	0	
9	Communications	2	1.00	Lower	8,773	5,584	4,762	1,864	11,405	7,272	8,181	2,423	9,272	5,718	4,881	1,572	12,054	7,433	8,345	2,044	
			1.00	Upper	3,910	1,477	2,728	590	7,429	2,806	5,183	1,121	3,809	1,504	2,785	601	7,351	2,972	5,232	1,142	
			3.50	Grad	309	195			1,082	683	0	0	454	189		1,589	697		0	0	
11	Comp & Inform Sci	3	1.00	Lower			3,332		0	0	5,331	0			3,317		0	0	5,307	0	
			2.50	Upper			1,588		0	0	3,095	0			1,881		0	0	4,953	0	
			6.00	Grad			591		0	0	3,548	0			624		0	0	3,744	0	
11	Comp & Inform Sci	2	1.00	Lower	5,250	2,826		980	8,825	3,874	0	1,274	8,043	3,806		811	7,856	4,684	0	794	
			1.00	Upper	2,490	1,478		265	4,731	2,804	0	542	3,078	1,179		280	5,844	2,240	0	511	
			3.50	Grad	42	18			147	63	0	0	57	9		200	32	0	0	0	
13	Education	2	1.00	Lower	10,691	7,509	3,950	1,335					10,378	8,638	3,942	1,434					
			1.00	Upper	11,789	16,300	15,880	8,457					12,353	16,671	16,398	8,570					
			3.50	Grad	18,427	16,072	19,167						18,291	18,488	18,824						
13	Physical Education (Fitness/Recr Classes)	1	1.00	Lower																	
			1.50	Upper																	
			3.50	Grad																	
14	Engineering	4	3.00	Lower	2,685	869	3,902		8,056	2,867		0	2,368	1,000	4,217	7,098	3,270		0		
			3.50	Upper	492	1,348	12,987		1,722	3,341		0	1,920	1,329	11,194	3,370	3,341		0		
			6.50	Grad	0	718	2,598		0	4,864		0	0	578	2,897	0	3,757		0		
17	Foreign Lang & Lit	3	1.00	Lower	3,423	6,870	8,050	1,128	8,877	10,872			1,808	5,831	7,377	6,878	1,452	9,010	11,803		2,323
			2.50	Upper	2,719	955	2,375	54	6,798	2,888			135	2,832	1,135	2,371	36	7,330	2,836		90
			6.00	Grad	27	5			162	30			24	6		144	36			0	
18	Home Economics	2	1.00	Lower		1,725	1,613		0	2,243	2,097	0		1,700	1,782		0	2,210	2,291	0	
			1.00	Upper		1,273	2,346		0	2,419	4,457	0		1,211	2,388		0	2,301	4,558	0	
			3.50	Grad		171	102		0	588	357	0		35	248		0	123	881	0	
22	Law & Legal Studies	1	1.00	Lower					0	0	0	0					0	0	0	0	
			1.50	Upper	483				725	0	0	0	405			608	0	0	0	0	
			2.60	1st Prof			8,787		0	0					7,081		0	0	0	0	
23	Eng Lang & Lit/Arts	1	1.00	Lower	22,013	15,587	11,402	6,338	22,013	15,587	11,402	6,338	23,371	16,663	10,889	5,011	23,371	16,663	10,889	5,011	
			1.50	Upper	2,723	2,489	5,070	1,398	4,085	3,749	7,805	2,087	2,851	2,418	4,844	1,487	4,277	3,627	7,256	2,231	
			3.50	Grad	906	664	913		3,168	2,724	3,198	0	1,022	651	963		3,577	2,279	3,336	0	
24	LA & Sci/Gen Stud/Hum	2	1.00	Lower	563			358		0	0	487	1,128			223		0	0	290	
			1.00	Upper	181			60		0	0	114	73			308		0	0	581	
			3.50	Grad						0	0						0	0	0		
26	Library Science	1	1.00	Lower		164			0	164	0	0		266		0	266	0	0		
			1.50	Upper	59	180			89	240	0	0	119	42		178	63	0	0		
			3.50	Grad	34	30			119	106	0	0	18	0		63	0	0	0		
26	Dist Ed/Life Sci	3	1.00	Lower	12,062	11,873	6,700	1,879	18,289		10,728	3,008	12,037	11,288	8,134	1,582	19,258		9,414	2,531	
			2.50	Upper	2,347	9,824	3,843	823	7,368		9,108	2,058	2,787	10,318	3,938	794	4,908		9,885	1,989	
			6.00	Grad	562	1,781	1,899		3,372		11,984	0	529	1,888	1,502	3,174		9,012	0		

Code	Discipline	Grp	Wgri	Level	FY96 Credit Hours-Resident Only, Excluding Conv Cr Hrs								FY97 Credit Hours-Resident Only, Excluding Conv Cr Hrs									
					Actual Resident Credit Hours				Weighted Resident Credit Hours				Actual Resident Credit Hours				Weighted Resident Credit Hours					
					BSU	ISU	UofT	LCSC	BSU	ISU	UofT	LCSC	BSU	ISU	UofT	LCSC	BSU	ISU	UofT	LCSC		
27	Mathematics	1	1.00	Lower	19,187	17,132	16,918	3,030	19,187	17,132	16,918	3,030	18,913	16,846	16,183	2,725	18,913	16,846	13,183	2,725		
			1.50	Upper	1,187	782	3,217	67	1,781	1,143	4,826	101	1,340	581	3,574	213	2,010	872	5,381	320		
			3.50	Grad	7	398	677		25	1,386	2,370	0	0	402	669	0	1,407	2,342	0			
29	Military Tech	1	1.00	Lower	165		690	26	165	0	690	28	185		697	38	185	0	997	38		
			1.50	Upper	174		535	24	281	0	803	36	256		513	14	383	0	770	21		
30	Multi/Interdis Studies	2	1.30	Lower	1,443	2,818	1,043	1,130		3,401	1,268		43	513	1,075	973		567	1,368			
			1.80	Upper	150	43	34	840		82	66		101	51	44	793		97	84			
			3.50	Grad	30	207	143			725	501		0	181	128			634	448			
31	Parks, Rec, Lais & Fit	1	1.00	Lower	3,192	1,908	4,398		3,192	1,808	4,398	0	3,168	3,776	4,128		3,168	3,776	4,128	0		
			1.50	Upper	88		1,090		129	0	1,835	0	79		1,345		119	0	2,318	0		
			3.50	Grad			186		0	0	683	0			230		0	0	866	0		
38	Philosophy & Religion	1	1.00	Lower	2,909	8,805	2,805	288	3,909	8,805	2,805	368	3,915	8,122	3,095	246	3,915	8,122	1,065	246		
			1.50	Upper	323	253	702	6	485	380	1,053	9	462	238	860		690	357	1,290	0		
			3.50	Grad	3	81			11	284	0	0	0	48		0	168	0	0			
40	Physical Sciences	3	1.60	Lower	13,973	13,012	13,080	2,228	22,357	21,880		3,565	13,582	12,318	12,537	1,877	21,731	20,644		3,000		
			2.50	Upper	2,149	2,888	2,885	181	5,373	7,584		463	2,085	2,748	2,504	423	5,213	7,214		1,058		
			6.00	Grad	333	654	2,478		1,708	5,380		0	348	878	2,270		2,088	5,531		0		
42	Psychology	1	1.00	Lower	10,203	6,709	3,538	2,702	10,203	5,798	3,538	2,702	10,453	5,280	3,131	2,669	10,453	5,280	3,131	2,669		
			1.50	Upper	3,864	2,309	4,356	2,813	5,828	3,464	8,534	4,220	4,028	2,389	4,401	3,312	6,039	3,593	8,002	4,968		
			3.50	Grad	3	281	838		11	964	2,933	0	9	438	801		32	1,528	2,604	0		
43	Protective Services	2	1.30	Lower	2,218	23	351	728		30	456	944		2,658	25	342	629		33	445	1,078	
			1.90	Upper	2,148		822	808		0	1,562	1,155	2,098		844	647		0	1,604	1,229		
			3.50	Grad	4		3			0	11	0	3		15		0	53	0			
44	Pub Admin & Service	2	1.30	Lower	1,010	687	19	315		893	25	410		880	600		237		780	0	308	
			1.90	Upper	1,674	2,085	178	998		3,962	334	1,898		1,489	2,313		1,595		4,395	0	3,031	
			3.50	Grad	1,601					0	0	0		1,462				3	0	0		
46	Soc Sci & History	1	1.00	Lower	30,274	23,891	19,225	5,213		23,891	16,225	5,213		31,163	23,916	17,324	4,757		23,916	17,324	4,757	
			1.50	Upper	11,149	5,825	8,349	2,860		8,438	12,524	3,990		10,877	5,727	8,707	2,488		8,591	13,061	3,732	
			3.50	Grad	984	1,503	1,512			5,261	5,282	0		660	1,663	1,282			5,436	4,417	0	
48	Construction Trades	1	1.00	Lower	218				218				231				231					
			1.50	Upper	571				857				514				771					
			3.50	Grad																		
50	Visual and Perf Arts	3	1.60	Lower	12,449	7,746	11,070	2,156	19,018	12,394	17,712	3,450	12,058	8,158	10,951	2,209	19,293	13,064	17,522	3,534		
			2.50	Upper	3,812	1,253	3,429	583	9,030	3,133	8,573	1,408	3,782	1,437	4,181	664	9,480	3,503	10,478	1,735		
			6.00	Grad	178	375	645		1,058	2,750	4,070	0	348	337	630		1,678	2,002	4,936	0		
50	Visual and Perf Arts Emphasis for BSU	3	1.60	Lower	10,311					0	0	0	11,831					0	0	0		
			2.50	Upper	1,689					0	0	0	2,112					0	0	0		
			6.00	Grad	503					0	0	0	717					0	0	0		
51	1st Prof & Rel Sci	4	3.00	Lower	8,120	1,968		1,512	24,360			0	4,838	7,807	2,131		23,891			0	2,142	
			3.50	Upper	8,478	11,868		1,218	22,873			0	4,288	8,513	12,124		1,982	22,798			0	5,887
			6.50	Grad	484	10,019			3,145			0	0	442	10,686			2,873			0	
52	Bus Mgmt & Admin Serv	2	1.30	Lower	9,265	4,639	3,463	989		8,291	4,488	1,288		8,417	4,710	3,508	984		8,125	4,560	1,279	
			1.90	Upper	18,198	7,371	10,388	4,378		14,005	10,543	8,313		18,890	7,744	10,147	3,023		18,714	19,279	7,017	
			3.50	Grad	2,972	1,877	81			3,770	319	0		2,848	1,082	115			3,622	430	0	
Name: 341					4,713	7,729	507	1,298	4,713	7,729	507	1,298	4,680	7,115	477	1,164	4,680	7,115	477	1,164		
Total EWA Credit Hours					191,212	148,328	121,654	34,902	269,271	188,820	183,803	44,732	200,359	160,783	121,040	31,327	268,431	191,728	183,364	39,342		
					81,458	70,084	84,118	28,022	188,968	163,465	210,506	50,458	84,410	71,827	95,458	27,817	175,918	186,470	211,152	54,218		
					23,425	34,425	36,983	0	98,449	167,033	163,283		27,183	37,218	34,886	0	105,504	178,529	157,885			
							6,787				18,529			7,081			19,331					
							0				0			0			0					
Total					308,785	282,807	244,316	63,634	638,660	519,148	548,130	88,188	611,832	489,838	348,468	84,944	640,653	538,725	591,722	83,468		

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State Board of Education

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**State Funding Formulas for
Public Four-year Institutions**

Mary P. McKeown

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SHEEO STATE HIGHER EDUCATION EXECUTIVE OFFICERS

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State Funding Formulas for Public Four-year Institutions

The use of state funding formulas or guidelines for public higher education will reach the half-century mark in the 1990s. Despite the long history of use, controversy has surrounded state funding formulas for higher education since their inception. Likely, the only point upon which experts would agree is that there is no perfect formula. In fact, one observer has noted that "formula budgeting, in the abstract, is neither good or bad, but there are good formulas and bad formulas" (Caruthers 1989). Twenty years ago, some experts even were questioning whether formula usage was dead (Moss and Gaither 1976). Like Mark Twain, reports of its death were a little premature. Funding formula usage for public, four-year institutions may not be dead; however, the question remains: have funding formulas for four-year, public colleges and universities fulfilled their promise of identifying an adequate and predictable resource base and distributing those resources equitably?

Originally envisioned as simply a means to distribute public funds in a rational and equitable manner, funding formulas have evolved over time into complicated methodologies for allocating public funds. Although funding formulas provide some rationale and continuity in allocating state funds for higher education, formulas are designed and utilized for many purposes, including measurement of productivity. While the genesis of funding formulas may lie in rational public policy formulation, the outcome may not. Formulas are products of political processes, which implies that formulas result from compromise.

Formulas are used in almost every state in the allocation of state funds to elementary and secondary school districts. The stated public policy goal has been to attain equity in the distribution of funds through improvements in funding formulas. Federal and state courts have

presented many decisions on the equity and adequacy of elementary and secondary funding formulas, and relatively sophisticated analyses of elementary-secondary education funding formulas have been completed

In contrast, the goal of equality of educational opportunity through equalized funding has not been accepted in higher education, and treatments of higher education formulas are largely descriptive in nature. Issues of student and taxpayer equity are not addressed often in the literature of higher education finance, and certainly are not driving forces in state funding formulas despite the federal government's intervention by litigation in several states (McKeown 1989). All but one of the states against which the Office of Civil Rights has filed suit in higher education are (or were) formula states; some have argued that, in these states, funding formulas may serve to perpetuate past inequities that existed among previously segregated institutions of higher education (McKeown 1986).

The use of funding formulas or guidelines in the resource allocation or budgeting process varies from state to state. In some states, the higher education coordinating or governing board may use formulas as a means of recommending to the legislature and governor the resources for each campus. In other states, the legislative or executive budget offices may use formulas to make their recommendations on funding (McKeown and Layzell 1994). Some states use formulas to determine the allocation of resources to each campus, given available funding. Although this latter use has been defined by some to be the only "true" formula funding, for purposes of this paper, states will be counted as using formulas if a formula or guideline is used at any point in the resource allocation process.

Development of an optimal, or best, formula is complex because there are differences in institutional missions and in the capacities of institutions to perform their missions. These differences do not negate the value of formulas but suggest that formulas can be used to provide

a fiscal base to which (or from which) funding can be added (or subtracted), if justified. Formulas typically are considered to be enrollment driven, since they are based on credit hours, students, or faculty members, which makes it relatively easy to evaluate change. If additional funds are justified, then formulas can provide the basis to target supplemental funding. Because formulas may be enrollment driven, when enrollments are steady or decline, funding may decrease. This aspect of formula use brought formulas under attack in several states when several institutions experienced declines in enrollment.

Debates over formulas because of declining enrollments and over the equitable distribution of resources to public institutions of higher education caused several states to critically examine methods used to recommend or distribute funding to public colleges and universities. When enrollments decline or remain constant, methods are sought that will provide additional resources. Development of new programs and services to meet the varied needs of a changing clientele may require different configurations of resources in addition to different programs. The student of the 21st century likely will have not only different non-instructional needs but also different preferences for instructional programs.

The student in the new century may be taught by alternative instructional delivery methods, which require a shift in the paradigm on funding. The trend in this direction is developing as more and more universities offer courses through telecommunications technology. In December 1995, the Western Governors' Conference announced a joint "virtual university" whose funding (and delivery of courses by telecommunications technology) would be shared by the western states (Bass 1995). Since the primary user states for the virtual university are formula states, funding for this university will require a shift in formulas, at least, and perhaps lead to the development of new methods of funding.

To accomplish the purpose of providing an equitable distribution of available state resources,

a majority of states have used funding formulas in budget development or in resource allocation to public higher education institutions. A formula is a mathematical representation of the amount of resources or expenditures for an institution as a whole or for a program at the institution (Boutwell 1973). Programs in this context refer to those categories into which expenditures are placed, as defined by the National Association of College and University Business Officers (NACUBO): instruction, institutional support, research, operation and maintenance of plant, public service, scholarships and fellowships, academic support, auxiliary enterprises, student services, and hospitals.

Many states provide funding for higher education based on these functional or budget programs, with the exception of auxiliary enterprises, and hospitals. These two areas usually are not funded by the state, and are not included in what are called "educational and general expenditures" (E&G). E&G expenditures are those that result from expenditures for the three basic missions of colleges and universities: instruction, research, and public service. Funding for the remaining categories may be based on formulas in the determination of the total resource allocation to the institution.

In most states, however, total institutional needs are not determined by a formula mechanism. Additions are made to the formula amounts to recognize special needs or special missions. Similarly, given political structures and competition for funds from other state agencies, the amount determined by a formula calculation may be reduced to conform to total funds available.

FORMULA DEVELOPMENT

Formulas have been considered the offspring of necessity (Gross 1979). The development of an objective, systematic method of dealing with the funding of many diverse institutions that served differing constituencies prompted many states to investigate and subsequently to begin using formulas (Miller 1964). Prior to 1946, institutions of higher education served a limited and fairly homogenous clientele. After World War II, enrollments jumped and each state had a variety of liberal arts colleges, land-grant colleges, teacher training colleges, and technical schools to meet the needs of its citizens.

As the scope and mission of the campuses increased and changed (i.e., teachers colleges becoming regional universities), so did the complexity of distributing resources equitably among competing campuses. Unfortunately, state resources did not keep pace with expanding enrollments and the competition for state funds became greater. Because no two campuses are ever alike, methods were sought to allocate available funds in an objective manner, to provide sufficient justification for additional resources to satisfy state legislators, and to facilitate inter-institutional comparisons.

The desire for equity was a prime factor in the development of funding formulas, but other factors served as catalysts: the desire to determine an "adequate" level of funding; institutional needs to gain stability and predictability in funding levels; and increased professionalism among college and university business officers (Miller 1964). The objective of equity in the distribution of state resources is to provide state appropriations to each campus according to its needs. To achieve an equitable distribution of funds required a distribution formula that recognized differences in size, clients, location, and the mission of the college (Millet 1974).

The concept of "adequacy" is more difficult to operationalize in the distribution of resources. What might be considered adequate for the basic operation of one campus would be considered inadequate for a campus offering similar programs but having a different client base. Indeed, the concept of adequacy has created operational problems in the distribution of funds to elementary and secondary education, where the definition of "need" is much more refined.

Texas was the first state to use funding formulas for higher education. By 1950 California, Indiana and Oklahoma also used funding formulas or cost analysis procedures in the budgeting or resource allocations process (Gross 1979). In 1964 sixteen states — Alabama, California, Colorado, Florida, Georgia, Indiana, Kentucky, Mississippi, New Mexico, New York, North Carolina, Ohio, Oregon, Tennessee, Washington, and Wisconsin — were identified as using formulas at some point in the allocation process (Miller 1964). By 1973 the number had increased to 25 states (Gross 1973), and increased to 33 by 1992 (McKeown and Layzell 1994).

Formulas evolved over a long period of time and contributed to a series of compromises between institutions, state coordinating agencies, and state budget officials. For example, institutions sought autonomy, while state coordinating or governing boards and budget officials sought adequate information to enable control over resources. Formula development involves tradeoffs and compromises between accountability and autonomy.

The trend in formula development in many states involves refinement of procedures, greater detail and reliability in the collection and analysis of information, and improvement in the differentiation between programs and activities. Some states appear to have used different methods to develop formulas. For example, Alabama adapted the formulas used by Texas to the particular circumstances of Alabama, and continues to modify the formulas to reflect circumstances specific to Alabama, and to incorporate judicial interventions. Adaptation rather than development of a new formula appears to be the preferred method because of the time and

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cost required to do a good cost study. Accounting procedures are not refined enough in some states to permit the calculation of costs differentiated by academic discipline and level of student, and to separate professorial time into the multiple work products generated by carrying out the university's three main missions: teaching, research, and service. States continue to adapt formulas from other states because methods that work in one state may work equally well in another at considerable savings of time and resources.

Many formulas have been based on simple least-squares regression analysis or the determination of an "average cost" for providing a particular type of service. Others have been based on staffing ratios and external determinations of "standard costs." The key to the process seems to be the isolation or identification of variables or factors that are directly related to actual program costs (Anderes 1985b). Isolation of variables that are detailed, reliable, not susceptible to manipulation by a campus, and sufficiently differentiated to recognize differences in role and missions requires collection of myriad amounts of data. Data must be collected and analyzed in an unbiased manner that does not raise questions of preferential treatment for one campus or sector. For this reason, statewide boards or other state agencies have been given responsibility for formula development.

For a formula to be effective, several criteria should be met (Miller 1964):

1. Formula development should be flexible.
2. Formulas should be used for budget development, not budget control.
3. Formulas should be related to quantifiable factors.
4. Data should be consistent among institutions.
5. Normative data should reflect local and national trends.
6. The formula should be useful to institutions, boards, other state agencies, and the legislature.

Formula Advantages and Disadvantages

States use funding formulas for a variety of reasons, including these advantages among the reasons for use:

1. Formulas provide an objective method to determine institutional needs equitably.
2. Formulas reduce political competition and lobbying by the institutions.
3. Formulas provide state officials with a reasonably simple and understandable basis for measuring expenditures and revenue needs of campuses, and determining the adequacy of support.
4. Formulas enable institutions to project needs on a timely basis.
5. Formulas represent a reasonable compromise between public accountability and institutional autonomy (Millett 1974).
6. Formulas ease comparisons between institutions.
7. Formulas permit policymakers to focus on basic policy questions.
8. Formulas promote efficiency in institutional operation.

State funding formulas also can provide for equity among institutions depending on how the formulas are constructed. Two types of equity achieved through formula use are horizontal equity and vertical equity. Horizontal equity is defined as the equal treatment of equals while vertical equity is defined as the unequal treatment of unequals. An example of an horizontal equity element is a formula that provides a fixed dollar amount for one credit hour of lower division English instruction, no matter where the class is taught. Texas and Alabama use this type of element in their instruction funding formulas. An example of a vertical equity element in a formula would be the allowance of \$2.80 per gross square foot (GSF) of space for maintenance of a frame building, but \$3.20 per GSF for maintenance of a brick building.

On the other hand, formulas do have shortcomings, and there have been many heated debates over whether the advantages of formulas outweigh the down side of use. Some disadvantages of funding formulas are the following:

1. Formulas may be used to reduce all academic programs to a common level of mediocrity by funding each one the same, since quantitative measures can not assess the quality of a program.
2. Formulas may reduce incentives for institutions to seek outside funding.
3. Formulas may perpetuate inequities in funding that existed before the advent of the formula since formulas may rely on historical cost data (Millett 1974).
4. Enrollment driven formulas may be inadequate to meet the needs of changing client bases or new program initiatives (Halstead 1974).
5. Formulas cannot serve as substitutes for public policy decisions (Miller 1964).
6. Formulas are only as accurate as the data on which the formula is based.
7. Formulas may not provide adequate differentiation among institutions.
8. Formulas are linear in nature and may not account for sudden shifts in enrollments and costs (Boutwell 1973).

Formula Approaches

Formulas reflect one of two computational approaches: the all-inclusive approach, where the total entitlement or allocation for the program area is determined by one calculation; and the itemized approach, where more than one calculation or formula is used in each budget area. Most states use the latter.

Computational Methods

Three computational methods have been identified under which every formula calculation can be classified: (1) rate per base factor unit (RPBF); (2) percentage of base factor (PBF); and (3) base factor-position ratio with salary rates (BF - PR/SR) (Moss and Gaither 1976). The rate per base factor method starts with an estimate of a given base, such as credit hours or full-time equivalent students (FTES), and then multiplies that base by a specific unit rate. Unit rates generally have been determined previously by cost studies, and can be differentiated by discipline, level, and type of institution.

PBF assumes that there is a specific relationship between a certain base factor like faculty salaries and other areas like departmental support services. The PBF method can be differentiated by applying a varying percent to levels of instruction or type of institution (Miller 1964), but this is unusual. Reportedly, PBF was developed because of the perception that all support services are related to instruction, the primary mission of a college or university (Boling 1961).

BF-PR/SR is based on a predetermined optimum ratio between a base factor and the number of personnel; for example, ratios such as student/faculty and credit hours per faculty member are used. The resulting number of faculty positions determined at each salary level then is multiplied by the salary rate for that level, and the amounts totaled to give a total budget requirement. BF-PR/SR also is used commonly in plant maintenance, and is the most complex of the computational methods.

Base Factors

Base factors used in most formulas can be classified into five categories: (1) head count; (2) number of positions; (3) square footage or acreage; (4) FTES; and (5) credit hours. Square footage or acreage is used most often in operation and maintenance of plant, while credit hours,

FTEs, or positions are the most prevalent bases in the instruction, academic support, and institutional support areas. Head count is used as the base unit in student services and scholarships and fellowships.

Differentiation

Formulas may differentiate among academic disciplines (such as education, sciences, and architecture), levels of enrollment (freshman and sophomore (called lower division), junior and senior (called upper division), masters, and doctoral), and types of institutions (community colleges, baccalaureate institutions, and research universities). Recently, some states like Kentucky and Alabama have introduced differentiation for historically black institutions as an institutional type.

States found it necessary to introduce factors that differentiate among institutions in funding formulas because each institution, if examined closely enough, is different and has a different mission and mix of program offerings. Differentiation is used to recognize that there are legitimate reasons for costs to vary, including economies and diseconomies of scale, method of instruction, and class size. Differentiation became more prevalent and more complex as accounting and costing methods improved and reliable cost data became available.

Differentiation is especially commonplace in formulas used to calculate funding requirements for the instruction program area. All of the states using formulas for instruction differentiate by discipline, institutional type, or level of enrollment. Only a few formulas in other budget areas differentiate by these three types of factor.

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FORMULA USE BY THE STATES

In 1996, 30 states report¹ that they are using funding formulas in the budget or resource allocation process for four-year public institutions. Twenty states indicate that they are in the process of revising current formulas or adopting new formulas. The number of states employing formulas changes from year to year, since states continually adopt, modify, and drop formulas and since what one person may consider a formula may be called by another name by another person (Meisinger 1976). For example, Louisiana typically is identified as a formula state although the person responding to the survey used to collect data for this chapter indicated Louisiana was not using formulas in 1996. States identified as using funding formulas, peers, or quality/outcome measures for four-year public higher education institutions in 1996 are listed in Table 1 and shown in Figure 1.

Although all the southern states except North Carolina have used funding formulas over the past twenty years, and have been leaders in formula development and innovation, that picture has changed somewhat since 1992. Virginia and Arkansas completely dropped the use of formulas in the resource allocation or budgeting process, and most of the other southern states have modified their formulas since 1992. Of the 13 western states, all except Washington, Hawaii, Wyoming and Alaska used formulas, while eight of the thirteen midwestern states and two of the ten northeastern states used formulas. California has a formula, but has suspended distribution of resources during the current budgetary crisis.

¹ Data were obtained from a survey of each state's SHEEO agency.