

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON EDUCATION

February 1, 2005

11:04 a.m.

MEMBERS PRESENT

Representative Mark Neuman, Chair
Representative Carl Gatto
Representative Bob Lynn
Representative Bill Thomas
Representative Peggy Wilson
Representative Les Gara
Representative Woodie Salmon

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Ralph Samuels
Representative Mary Kapsner
Representative Max Gruenburg
Representative Paul Seaton

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 20

"An Act relating to a separate appropriation bill for operating expenses for primary and secondary public education and establishing a date by which the bill must be transmitted to the governor each year; relating to notice of nonretention for tenured teachers; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 13

"An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 20

SHORT TITLE: EDUCATION FUNDING

SPONSOR(S): REPRESENTATIVE(S) SEATON

01/10/05 (H) PREFILE RELEASED 12/30/04
01/10/05 (H) READ THE FIRST TIME - REFERRALS
01/10/05 (H) EDU, HES, FIN
01/24/05 (H) SPONSOR SUBSTITUTE INTRODUCED
01/24/05 (H) READ THE FIRST TIME - REFERRALS
01/24/05 (H) EDU, HES, FIN
01/25/05 (H) EDU AT 11:00 AM CAPITOL 106
01/25/05 (H) -- Meeting Canceled --
02/01/05 (H) EDU AT 11:00 AM CAPITOL 106

BILL: HB 13

SHORT TITLE: SCHOOL CONSTRUCTION BOND REIMBURSEMENT
SPONSOR(S): REPRESENTATIVE(S) GATTO, GRUENBERG

01/10/05 (H) PREFILE RELEASED 12/30/04
01/10/05 (H) READ THE FIRST TIME - REFERRALS
01/10/05 (H) EDU, HES, FIN
01/25/05 (H) EDU AT 11:00 AM CAPITOL 106
01/25/05 (H) -- Meeting Canceled --
02/01/05 (H) EDU AT 11:00 AM CAPITOL 106

WITNESS REGISTER

EDDY JEANS, Director
School Finance
Department of Education and Early Development, EED
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 20; testified in
opposition to HB 13.

DAN BECK, Superintendent
Delta Greely School District
Delta Junction, Alaska
POSITION STATEMENT: Testified in support HB 20.

MARGARET GILMAN, Treasurer
Kenai Peninsula Borough School Board
Kenai, Alaska
POSITION STATEMENT: Testified in support of HB 20.

MELODY DOUGLAS, Chief Financial Officer
Kenai Peninsula Borough School District, KPBSD
Kenai, Alaska
POSITION STATEMENT: Testified in support of HB 20.
ANNE KILKENNY

Wasilla, Alaska

POSITION STATEMENT: Testified in support of early funding;
testified in support of HB 13.

BRUCE JOHNSON, Director

Quality Schools/Quality Students Service (QS2)

Alaska Association of School Boards, AASB

Juneau, Alaska

POSITION STATEMENT: Testified in support of the stabilization
of teaching positions.

JOHN ALCANTRA, Director

Government Relations

National Education Association of Alaska, NEA-Alaska

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 20 with the
amendment of changing the notification date from March 16 to
March 25.

KATHIE WASSERMAN, Policy Coordinator

Alaska Municipal League, AML

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 20.

CINDY SPANYERS, Legislative Liason

Alaska Public Employees Association/American Federation of
Teachers, APEA/AFT

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 20.

KIM FLOYD, Spokeswoman

Matanuska-Susitna Borough School District, MSBSD

Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 13.

GEORGE VAKALIS, Assistant Superintendent

Anchorage School District, ASD

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 13.

ACTION NARRATIVE

CHAIR MARK NEUMAN called the House Special Committee on
Education meeting to order at [11:04:38 AM](#). Representatives
Wilson, Gatto, Lynn, and Thomas were present at the call to
order. Representatives Gara and Salmon arrived as the meeting
was in progress.

HB 20 - EDUCATION FUNDING

CHAIR NEUMAN announced that the first order of business would be HOUSE BILL NO. 20, "An Act relating to a separate appropriation bill for operating expenses for primary and secondary public education and establishing a date by which the bill must be transmitted to the governor each year; and providing for an effective date."

[11:06:21 AM](#)

REPRESENTATIVE PAUL SEATON, sponsor to HB 20, stated that the purpose of HB 20 is to address a problem in districts across the state. He explained that the education budget is delayed until late in the year forcing school districts to fire teachers and then attempt to rehire them later. He said, "This is very disruptive and demoralizing to teachers." He explained that HB 20 requires the governor to submit the education budget separately by the fourth day of the session, and the legislature to approve that budget by March 15 of each year. He clarified that the sponsor substitute for HB 20 changed the date from April 1 to March 15, because the notification period for teachers is set at March 16. He explained that Section 2 of the bill moves the notification date for tenured teachers to March 25, providing a ten-day window for the legislature to act and the governor to approve. He pointed out that the bill provides for separate funding of the foundation formula.

REPRESENTATIVE SEATON summarized that the intent of the bill is to get early funding of education. He noted that while the bill does not address a dollar amount, it ensures early funding and the districts will know how much money they have and the status of their teachers. He pointed out that the committee members were given copies of the sponsor statement and zero fiscal note as well as letters of support from the Kenai Peninsula Borough School District, (KPBSD), the Lower Kuskokwim District, and an individual teacher. The members also received a letter of support from the National Education Association of Alaska, (NEA-Alaska), although, he noted, NEA-Alaska has an issue with the March 16 date. He concluded that the bill needs to be addressed so that, "school districts throughout the state have a better working relationship within the teaching community and that we don't unnecessarily burden them with disruptive practices."

[11:09:56 AM](#)

REPRESENTATIVE GATTO asked if Representative Seaton had received letters of opposition from any school districts.

REPRESENTATIVE SEATON responded that he did not receive any such letters.

REPRESENTATIVE GATTO asked if any professional teachers' associations had commented on the bill.

REPRESENTATIVE SEATON responded that NEA-Alaska wrote a letter supporting the concept of the bill, however, "they did have a problem with moving the ... mandatory date for notifying tenured teachers, from the 16th to the 25th [of March]. They supported Sections 1 and 3, which is the essence of the bill." He added that Cindy Spanyers, legislative liason for the Alaska Public Employees Association/American Federation of Teachers, (APEA/AFT), will testify on the bill.

CHAIR NEUMAN asked what the major obstacle has been in passing this type of bill.

REPRESENTATIVE SEATON answered:

One of the problems was [that] the date was April 1 ... it's been April 15 in the past, and that really didn't cure the problem of the statutory requirement for districts to notify their teachers that they wouldn't be rehired. ... The bill moves forward that date to ... March 15 ... and then moves back the date of the teacher notification ten days, to give a ten-day window. So what this does is gets us forward of that so that districts wouldn't have to get into this crunch of notifying their employees of termination.

[11:12:38 AM](#)

REPRESENTATIVE WILSON asked why tenured and non-tenured teachers have different notification dates.

REPRESENTATIVE SEATON replied that tenured teachers have specific rights and privileges that are established, whereas non-tenured teachers are hired on a year-to-year basis.

REPRESENTATIVE WILSON opined that all teachers, tenured and non-tenured, would like to know whether they have a job the following year or if they need to apply elsewhere.

REPRESENTATIVE SEATON commented he shares this opinion and that he thinks the districts use this date for notifying mainly non-tenured teachers because tenured teachers are very seldom laid-off. He said, "Not knowing what their budget is, [the districts] use this statutory date for tenured teachers as the date by which they want to notify their non-tenured teachers."

REPRESENTATIVE WILSON stated that because of decreased funding, there are school systems that have had to continually cut back. She remarked that she knows of at least four school systems that have had to cut back to where they have only tenured teachers left.

[11:16:31 AM](#)

REPRESENTATIVE GARA said that there always seems to be tension between early funding and adequate funding. He continued:

It seems somehow the forces during the legislative session somehow get to the point where we can get a better school budget later in the session ... but we have the tension because we don't want the school districts to send out the pink slips, so we also want to get it to them early and the challenge has always been to try and find a way to get them both...

REPRESENTATIVE GARA promoted changing the statutory date when school districts have to submit funding to their municipal governments.

REPRESENTATIVE SEATON explained that it would be a disservice to make teachers wait for notifications until May 1, and that they would miss opportunities for other jobs. He stated that the intention is to move the process forward so that if people have to be laid off, they have the best window of opportunity to get the best job possible.

REPRESENTATIVE GARA said that completing the budget by March 15 would be a complicated issue and asked if it could get done by March 15, each year. He then inquired as to creating coverage by statute for PERS/TRS and inflation costs.

[11:22:12 AM](#)

REPRESENTATIVE SEATON stated that covering PERS/TRS and inflation proofing is another issue. He advocated for dealing with each district and it's needs, individually. He opined that

district issues need to be dealt with each year. He explained that the purpose of this bill is to segregate the education budget as a separate budget, excluding the costs of other operating considerations.

REPRESENTATIVE WILSON said that the municipality fiscal year ends June 30th and that their budget is planned around the school budget. She commented that she is in support of HB 20 and thinks that it will make a big difference for schools in the long run.

REPRESENTATIVE GATTO stated that schools are subject to laws of supply and demand and that now, the supply of teachers is relatively low, and the demand is relatively high. He advocated for creating an environment for teachers that offers certainty in their job placement. He expressed his appreciation for [HB 20].

[11:27:40 AM](#)

EDDY JEANS, Director, School Finance, Department of Education and Early Development, (EED), stated that the EED is supportive of the concept of early funding, but would make specific recommendations regarding the March 15 date. He pointed out that on page 1 line 9, it is stated that the governor submits an appropriations bill to the legislature limited to carry out "Alaska Statute 14.17". He explained that "14.17" is the foundation program and that language would limit the ability to include pupil transportation, schools for the handicapped, and other K-12 components. He clarified that he did not have a written amendment, but that the word "limited" restricts the EED from submitting a bill beyond the foundation program.

CHAIR NEUMAN asked Mr. Jeans to submit his suggestions to the committee, in writing.

[11:29:26 AM](#)

REPRESENTATIVE THOMAS inquired as to the language associated with "Alaska statute 14.21.77".

MR. JEANS explained that the provision referring to statute "14.21.77" deals with reductions in workforce. He explained that it offers criteria for districts to meet for eligibility to fire tenured teachers. He continued, "so, the way the statute is laid out is if you think you are going to have less funding through the appropriation mechanism, or fewer students, you must

notify tenured teachers by March 15 of the potential that they'll be laid off. In terms of non-tenured teachers, you have 'til the end of the school year to provide them with notice."

[11:31:51 AM](#)

REPRESENTATIVE THOMAS commented that the language [in HB 20] is difficult to understand.

DAN BECK, Superintendent, Delta/Greely School District, ("DGSD"), stated that he supports HB 20. He explained that the "DGSD" does not intend to fire any teachers this year due to rapid growth. He explained that the "DGSD" is planning on hiring highly qualified teachers to fill those positions, but the budget is unknown. He described the formation of the district's budget:

We have to start with our projections in REAA's [Rural Education Attendance Area] somewhere around the first part of January putting the budget together; even though that budget is not passed in the final state by the board until June, we have to have it in the state close enough where we can go out to hire in March and since personnel makes up most of the budget, it is critical to have that information early. I think that Eddy Jeans had a really good point on moving the date in this bill back to March 1 ... we support the bill, in totality. We were in the position a couple years ago where we did lay off tenured teachers under the new reduction in force, and it's difficult, it's time consuming, and I wouldn't wish that on anybody else in the state.

MARGARET GILMAN, Treasurer, Kenai Peninsula Borough School Board, expressed support for Representative Seaton's HB 20. She related that as a school board member, she appreciates known funding before hiring decisions are made. She said that in the current situation, with current funding, there is a tremendous level of uncertainty during the spring of each year and teachers are fearful of losing their jobs. She offered a suggestion of planning the budget one year in advance so that staffing would be known for the upcoming school year.

MELODIE DOUGLAS, Chief Financial Officer, Kenai Peninsula Borough School District, (KPBSD), stated that the KPBSD Board of Education has adopted a legislative priority in support of this type of action. She said the Board of Education supports

recommendations moving the date forward to March 1 and leaving the notification date for hiring at March 16. She related that it is disruptive in school districts to go through these processes and it affects children in the classroom when staff are worried about their job status. She said that moving the date could hinder the hiring process; job fairs start in March and run through April and May. She opined that it is essential to stabilize education and beneficial to fund early. She echoed Mr. Jeans's recommendation that this bill should be amended to reflect all K-12 programs, and that those programs are important in the planning process from a budget standpoint. She expressed thanks in being given the opportunity to comment and encouraged support of HB 20.

[11:38:45 AM](#)

Anne Kilkenny stated that she is an active volunteer in the Kenai school system and agrees with the aforementioned reasons for early funding. She opined that [early funding] would reduce anxiety and uncertainty, help districts properly budget and make the system more efficient. She said that she appreciates the debate generated by this bill and the reasons for early funding have good merit.

[11:42:37 AM](#)

BRUCE JOHNSON, Director, Quality Schools/Quality Students Service, (QS2), Association of Alaska School Boards, (AASB), stated that the AASB does not have a position or a resolution on this particular concept. He continued:

we've had one in the past ... we certainly agree with Representative Seaton that it would do many things in terms of stabilizing our teaching force and assuring people that they have positions and in no way would we want to ... discredit this ... adequacy is really what we are after as an association. We will be working on this issue with our membership ... urging districts to weigh in on this issue in a way that makes sense for them personally in their own circumstances.

REPRESENTATIVE GATTO asked Mr. Johnson if he thinks that we are trading one problem for another because education funding is tied to our budget, our budget is tied to the price of oil and the price of oil is unpredictable. He stated that he understood that being present for funding decisions later in the session when the price of oil is known is desirable.

MR. JOHNSON opined that education has been well served during times of scarcity. He stated that it is a trade off and schools can benefit from early funding and from contributing to funding decisions when the projections are known.

JOHN ALCANTRA, Director, Government Relations, National Education Association of Alaska, (NEA-Alaska), stated that [NEA-Alaska] represents about 12,500 public school employees around Alaska. He applauded Representatives Seaton, Chenault, and Wilson and thinks the forward funding concept is a great idea. He described a recent [NEA-Alaska] assembly where 400 elected delegates set policy for the year and passed a resolution for adequate and forward funding of education. He opined that the suggestions made by the administration and Eddy Jeans suggesting the March 1/March 5 date and leaving the tenure date at March 16 were good and hopes they will be considered. He thanked the committee for hearing this bill and opined that it is an important concept. He stated that [NEA-Alaska] has had resolutions of support in the past and mentioned the letter from PRESIDENT BJORK of NEA-Alaska, within the committee packet, which applauded Sections 1 and 3 of HB 20. He explained that [NEA-Alaska] supports changing the date from March 16 to March 25. He thanked Representative Seaton and the other co-sponsors for moving [HB 20] forward.

[11:47:27 AM](#)

REPRESENTATIVE GARA asked Mr. Alcantra if the resolution is for early and adequate funding. He questioned if the [NEA-Alaska] resolution supports a stand-alone early funding bill, or if there is a caveat saying that the [NEA-Alaska] supports early funding if adequate funding can be provided.

MR. ALCANTRA stated that the NEA-Alaska supports early funding if it is adequate. He said that the [NEA-Alaska] believes there is room in this budget for fiscal year (FY) 06 and future budgets to adequately fund K-12 public education as well as fund it early so districts know what they are going to get. He related that the NEA-Alaska thinks that the two can go hand in hand and expects that they will and that this is another year where legislators will put K-12 education as the number one issue.

REPRESENTATIVE GARA asked if NEA-Alaska supports the bill only if there is a guarantee of adequate funding.

11:49:15 AM

MR. ALCANTRA stated that NEA-Alaska supports the bill. He described the letter in the committee packet as verification of the support of early funding. He explained that the NEA-Alaska believes that early and adequate will be coupled and go hand in hand.

KATHIE WASSERMAN, Policy Coordinator, Alaska Municipal League (AML), stated that AML has identified forward education funding as one of the priorities for this year, and stands behind HB 20 in full support. She said that there are some trickle down effects that inhibit municipalities from going forward when there is not forward funding on education. She explained that many small communities make their revenues from rentals to teachers and if they can't identify how many teachers will be in their community, it impacts their budgets. She said that if [the notification date] were changed to June 1, it would be very difficult for school boards and municipal councils to come together and make decisions by July 1. She concluded that the AML is in full support of HB 20.

11:51:10 AM

CINDY SPANYERS, Legislative Liaison, Alaska Public Employees Association/American Federation of Teachers, (APEA/AFT), read written testimony as follows [original punctuation provided]:

Among other bargaining groups in state service, city/borough governments, and with the University of Alaska, we represent employees within Anchorage, Valdez, Juneau, and Petersburg school districts. Their professions ranges from para-professionals to maintenance workers; school nurses to school librarians; teachers and special education providers, and administrative personnel.

But I am also here on behalf of my seven-year old son and his second-grade classmates at Auke Bay Elementary.

I would like to begin by thanking HB 20's sponsor, Representative Seaton, and members of this committee for making education a priority. Last year, several of you who served on this committee took responsibility for securing on of the biggest increases in educational funding. During the course

of these discussions, you also realized the quandary local school districts and the local governments face when establishing their budgets and meeting their obligations in a timely fashion.

I appreciate any efforts you can do to help school districts become fully funded early enough to make solid plans for the forthcoming school year. HB 20 is a big step in the right direction.

Again, thank you for your efforts to help provide the best education to our children.

[HB 20 was held over.]

[11:53:38 AM](#)

HB 13-SCHOOL CONSTRUCTION BOND REIMBURSEMENT

CHAIR NEUMAN announced that the next order of business would be HOUSE BILL NO. 13 "An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

REPRESENTATIVE GATTO, sponsor to HB 13, stated that [HB 13] deals with school debt reimbursement. He related that in his own district, 13 years ago, two schools were built when school debt reimbursement was "90/10" with the state funding 90 percent and the local district funding 10 percent. Since then, he explained, the state has reduced the amount of money it supplies for reimbursement; the state now funds 70 percent. He described the Mat-Su borough and its growth rate of 500 students each year, requiring the construction of new schools. He related the importance of all districts to find a source of revenue to fund new schools. This bill, he said, takes the previous statutes which "sunsetting" on January 1, 2005, and extends the "sunset" date. He clarified that this gives the borough time to introduce bonding legislation.

[11:56:20 AM](#)

REPRESENTATIVE GRUENBURG invited the [committee] to add things that would benefit educational capital construction. He explained that this needs to be accomplished this year in Anchorage, in the Mat-Su, and in other parts of the state. He emphasized that [educational capital construction] is one of the most important issues facing the municipalities.

REPRESENTATIVE SALMON asked how this bill affects rural school districts.

REPRESENTATIVE GRUENBURG responded that this is legislation that is needed in certain parts of the state. He said:

the last time this was done, there was a contingent effective date clause put on the bill ... the provision that was at issue here, the amendment, had ... a contingent effective date that said this language, extending the 60 to 70 percent school debt reimbursement, would become effective, if and only if, the voters approved the bond issue that contained bonding for rural schools ... this would not become effective unless two things happened ... the legislature passed the other provision ... that other provision authorized bonds to be put to the voters at the next general election and it would only become effective if the voters approved those bonds. It tied the two together even though they couldn't do it in the same bill ... so, we can work with you and people from all parts of the state to craft a plan that will be a win-win for everybody, particularly in this year of high oil prices.

[12:00:53 PM](#)

CHAIR NEUMAN asked Representative Gruenburg to explain how schools would be funded and how an unorganized borough will manage to get their part of the debt bond reimbursement.

REPRESENTATIVE GRUENBURG explained that the state floats bonds and pays the cost of repaying those bonds. In the areas that have the bonding capacity, he said, the state pays a smaller percentage because the municipality has the ability to pay the rest. He described projects receiving a 60 or 70 percent reimbursement depending on whether they meet certain construction specifications. He said the municipality has the ability to pay a partial match but in the areas that don't, the state pays the full cost.

[12:02:33 PM](#)

In response to Chair Neuman's question, Representative Gruenburg clarified that municipalities do not have the ability to propose

construction. He explained that voters know every project they're funding.

CHAIR NEUMAN asked how funding for schools is appropriated.

REPRESENTATIVE GRUENBURG said that in the past cash was used for schools. Now, he related, bonds will be used and this spreads the cost of projects over time. He pointed out that as the generations that use those schools reach maturity, they bear part of the cost of repaying the bonds.

REPRESENTATIVE GARA stated that money will not reach the unorganized boroughs. He discussed that when the bond bill passed, it was decided that the money would go to all districts.

[12:05:29 PM](#)

REPRESENTATIVE GRUENBURG explained that he would like to make this part of a broader package of legislation.

REPRESENTATIVE GARA clarified that this bill, without any amendments, is strictly for the organized boroughs.

REPRESENTATIVE GATTO stated that there is a need to construct schools and whether or not this bill covers all of the needs in districts, it deals with an existing need that is easily identifiable. He explained that it is simply a matter of extending a "sunset" date to existing legislation that was already approved and functioning.

[12:08:12 PM](#)

REPRESENTATIVE GARA stated that though he supports [HB 13] there are portions in the state that won't benefit from this bill. He inquired as to the bond package and if it allows school districts unlimited bonding capacity.

[12:09:02 PM](#)

REPRESENTATIVE GRUENBURG stated that under [HB 13] there is no cap. When the package of legislation passed, he related, the amounts of the bonds were known and it was known how much was going to be bonded for all of the projects.

[12:10:13 PM](#)

EDDY JEANS, Director, School Finance, Department of Education and Early Development, (EED), stated that he would like to make clarifications on the previous discussion. He said that there were two bills that were passed in 2002:

one was a state "geo" bond package that had a list of schools of approximately \$171 million dollars that required a statewide vote of all Alaskans before the state would issue state "geo" bonds to pay for that \$171 million dollars in school construction throughout Alaska. Contingent upon an affirmative vote, which did occur, the debt reimbursement program was extended for a two year period, no caps, that allowed reimbursement of 60 or 70 percent, dependent on the individual project. If it met the Department of Education's eligibility criteria, it qualified for 70 percent reimbursement; if the district wanted to go beyond the department's eligibility criteria, the project was eligible for 60 percent reimbursement.

The debt reimbursement program also required that you get those bonds approved by the local voters, so there was a two step approval process there, one at the local level and one at the state of Alaska level. Once that approval occurred ... then the local municipality can go and issue bonds for a minimum for 10 years, and the state will reimburse on the principal and interest of those bonds over the life of those bonds, subject to annual appropriation by the legislature. "HB 2003" also required the Department of Education to prepare a report back to the legislature next January ... on the effectiveness of this dual system, the "geo" bonds for the rural schools and the debt reimbursement program for the municipal school districts.

The department is opposed to this piece of legislation because we believe that we need to have time to do our analysis to give you good information in your decision making process ... through the last two years, the department and municipal governments have approved \$728 million dollars in construction projects in municipal school districts ... so we need time to do our analysis, to be able to tell you what the long term fiscal impacts on the state will be for this program before we go and extend it again. And the legislation actually foresaw us needing that time, and

provided us that time through the intent language to do this report.

[12:13:24 PM](#)

CHAIR NEUMAN asked about how this could affect bonds that the state is trying to move forward on.

MR. JEANS said that he would defer that question to the Department of Revenue, as they are the experts in that area.

REPRESENTATIVE WILSON asked if the Department of Revenue has been asked about their position in this situation.

REPRESENTATIVE GRUENBURG stated that he realizes the necessity of doing this study, but as there is additional money now, and the [monetary] situation is unpredictable from quarter to quarter, the study conducted may not be valid in the near future.

[12:15:12 PM](#)

MR. JEANS commented that the State of Alaska will be paying on the debt reimbursement program for 10 to 20 years. He explained that the debt reimbursement budget this year is \$88 million, and school districts have not issued all of the bonds for the \$728 million that have been authorized in the last two years. He said that the state's annual obligation for those bonds is unknown until the analysis is complete.

REPRESENTATIVE THOMAS inquired as to how many schools need to be built and/or replaced and if other communities report to the EED if they are in need.

MR. JEANS explained that the EED does not receive applications from all of the school districts so it is difficult to accurately give a statewide need number. He commented that the EED has a school construction list and a major maintenance list that have been prioritized for the legislature. He expressed his surprise that the debt reimbursement program authorized over \$700 million in projects two years ago. He explained that the two proposals went together two years ago, and what is being asked now is, how would we move forward and fund grant projects for REAA's while funding debt projects. He concluded that this piece of legislation extends the debt program two additional years.

12:17:58 PM

REPRESENTATIVE THOMAS mentioned that the reason the school district in Haines got behind was the lack of money from the state over the years of rebuilding and remodeling schools.

REPRESENTATIVE SALMON asked Mr. Jeans how much time he needed to complete the analysis and if he was opposed to HB 13.

MR. JEANS said that the EED is required to provide a report back to the legislature next January. He stated that the EED is opposed to this bill.

12:20:08 PM

REPRESENTATIVE GATTO clarified that the EED is opposed to the bill because the analysis is not complete.

MR. JEANS stated that he can't say whether the EED is opposed with the analysis. He expressed that the EED wants to complete the analysis so that a good recommendation can be provided to the legislature. He said that extending the debt reimbursement program for an additional two years without caps, will incur additional long-term liability on the State of Alaska.

REPRESENTATIVE GARA stated that the prioritization of school districts that can qualify for debt reimbursement is left up to the local communities. It is assumed, he explained, that if the local community will pay 20 or 30 percent, then it is an important project and is paid for by the state. He inquired as to how local projects are ranked.

12:21:42 PM

MR. JEANS said that under the debt reimbursement program that just "sunsetted", there was no ranking process and there were no caps in place. He explained that if there was local approval, the project was submitted to the EED and approved for 60 or 70 percent reimbursement. He described the grant program and that the EED prioritizes projects based on need and projects are submitted to the governor and the legislature for consideration. He pointed out that the department does not provide a 100 percent reimbursement for any school, even the REAA's who are required to make a 2 percent contribution to their schools.

REPRESENTATIVE GRUENBURG asked if there is any federal money for this program.

MR. JEANS replied that they are state funded programs and are subject to annual state appropriation.

In response to Representative Thomas's question, Mr. Jeans stated that REAA's contribute through their state foundation aid or their federal impact aid dollars.

[12:24:04 PM](#)

KIM FLOYD, Spokeswoman, Matanuska-Susitna Borough School District, (MSBSD), stated that in the past five years alone, MSBSD schools have averaged annual enrollment growth of 450 to 500 students and bond debt reimbursement is essential to insuring that students are educated in safe and effective learning environments. She explained that this rapid growth has placed significant strain on existing facilities; more than 13 percent of the total enrollment, or about 1800 students, are taught in temporary facilities. She said that the school board has been actively working with developers and major contractors in the boroughs to determine current and future school needs. She said that she understands the state's concern with total bond indebtedness, "however, we have been extremely good stewards with our bonding projects. We haven't taken advantage or treated the program as if it is an open checkbook, and I truly hope that our conservative approach won't hurt us now when we need it most. Without schools our community will be faced with solutions as drastic as double shifting our Palmer and Wasilla area elementary schools, for that reason among others we ask for full support from the legislature for extending this program, again, we are not responsible for the growth, but we must respond and we owe it to our children to do so."

CHAIR NEUMAN asked Ms. Floyd to inform the committee on any steps that have been taken by the MSBSD in moving forward on any bonding.

MS. FLOYD stated that the MSBSD has been conservative. She explained that if there is state support, then the MSBSD will decide how to move forward with funding. She related a bond package is anticipated for three elementary schools that if opened next year, would be full. She said that it is unknown if that will go through without any state reimbursement.

[12:27:32 PM](#)

REPRESENTATIVE GATTO inquired as to the "assembly" passing a bond package that is contingent upon the state's passing HB 13.

MS. FLOYD said that is unlikely as the MSBSD is a conservative area.

ANNE KILKENNY explained the overcrowding issues in the elementary schools. She emphasized that the bond debt reimbursement is absolutely critical for the Mat-Su area. She commented that, as a parent, she wants her child in a safe environment and in a class with a reasonable number of children.

[12:31:08 PM](#)

GEORGE VAKALIS, Assistant Superintendent, Anchorage School District, (ASD), stated that the ASD supports the reinstatement of this bill for many reasons including major maintenance of older facilities, and schools in need of major renovation and/or replacement. He said that debt reimbursement is necessary in order to make this happen, and in the past, the legislature has supported debt reimbursement programs. He explained that the ASD wants this bill reinstated at the 60 and/or 70 percent level to allow flexibility for the districts to serve qualifying schools as well as school related facilities.

[HB 13 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at [12:33:53 PM](#).