

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 15, 2010

8:03 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Cathy Engstrom Munoz, Vice Chair
Representative Bryce Edgmon
Representative Wes Keller
Representative Peggy Wilson
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 350

"An Act relating to the local contribution to public school funding; and providing for an effective date."

- MOVED HB 350 OUT OF COMMITTEE

HOUSE BILL NO. 413

"An Act relating to the Alaska Challenge Youth Academy."

- MOVED HB 413 OUT OF COMMITTEE

HOUSE BILL NO. 393

"An Act relating to charter school approval and funding."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 350

SHORT TITLE: PUBLIC SCHOOL FUNDING: LOCAL CONTRIBUTION

SPONSOR(S): EDUCATION

02/17/10	(H)	READ THE FIRST TIME - REFERRALS
02/17/10	(H)	EDC, FIN
02/17/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/17/10	(H)	<Bill Hearing Rescheduled to 02/19/10>

02/19/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/19/10	(H)	Heard & Held
02/19/10	(H)	MINUTE(EDC)
02/22/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/22/10	(H)	<Bill Hearing Rescheduled to 02/26/10>
02/26/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/26/10	(H)	Heard & Held
02/26/10	(H)	MINUTE(EDC)
03/03/10	(H)	EDC AT 8:00 AM CAPITOL 106
03/03/10	(H)	Heard & Held
03/03/10	(H)	MINUTE(EDC)
03/10/10	(H)	EDC AT 8:00 AM CAPITOL 106
03/10/10	(H)	Scheduled But Not Heard
03/12/10	(H)	EDC AT 8:00 AM CAPITOL 106
03/12/10	(H)	Heard & Held
03/12/10	(H)	MINUTE(EDC)
03/15/10	(H)	EDC AT 8:00 AM CAPITOL 106

BILL: HB 413

SHORT TITLE: YOUTH ACADEMY FUNDING/REPORT

SPONSOR(s): EDUCATION

03/10/10	(H)	READ THE FIRST TIME - REFERRALS
03/10/10	(H)	EDC, FIN
03/12/10	(H)	EDC AT 8:00 AM CAPITOL 106
03/12/10	(H)	Scheduled But Not Heard
03/15/10	(H)	EDC AT 8:00 AM CAPITOL 106

BILL: HB 393

SHORT TITLE: CHARTER/ALTERNATIVE SCHOOL FUNDING

SPONSOR(s): KELLER

02/23/10	(H)	READ THE FIRST TIME - REFERRALS
02/23/10	(H)	EDC, FIN
03/12/10	(H)	EDC AT 8:00 AM CAPITOL 106
03/12/10	(H)	Scheduled But Not Heard
03/15/10	(H)	EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

EDDY JEANS, Director
 School Finance and Facilities Section
 Department of Education and Early Development (EED)
 Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 350 and HB 413.

KATIE KOESTER, Staff
Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 413 on behalf of the prime sponsor, Representative Seaton, Chair of the House Education Committee.

MCHUGH PIERRE, Deputy Commissioner
Chief of Staff
Office of the Commissioner/Adjutant General
Department of Military & Veterans' Affairs (DMVA)
Ft. Richardson, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 413.

JIM POUND, Staff
Representative Wes Keller
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 393, on behalf prime sponsor, Representative Wes Keller,.

SAM KITO, III, Engineer
School, Finance, and Facilities Section
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 393.

KIKI ABRAHAMSON
Lead Teacher
Fireweed Academy Charter School
Anchor Point, Alaska

POSITION STATEMENT: Testified during the discussion of HB 393.

ACTION NARRATIVE

[8:03:40 AM](#)

CHAIR PAUL SEATON called the House Education Standing Committee meeting to order at 8:03 a.m. Present at the call to order were Representatives Munoz, Keller, Edgmon, Gardner and Seaton. Representatives Buch and P. Wilson arrived as the meeting was in progress.

8:03:59 AM

HB 350-PUBLIC SCHOOL FUNDING: LOCAL CONTRIBUTION

8:04:07 AM

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 350, "An Act relating to the local contribution to public school funding; and providing for an effective date."

8:05:04 AM

CHAIR SEATON, after first determining no one else wished to testify, closed public testimony on HB 350.

8:05:38 AM

CHAIR SEATON refreshed members on the purpose of HB 350. This bill would address the local contribution to the "basic need component," which is funded under the foundation formula for school funding. Under the bill, the amount of the "basic need component" does not change, but the amount of state and local effort will change. He stated that the bill effectively would provide differential tax relief to various school districts across the state. Thus, funds are removed from the school education fund and used for differential tax relief for municipalities. The goal of HB 350 is to apply an even method of taxation, one that is proportionally fair and economically sustainable by setting a uniform mill rate at the lowest current rate. The result will be that a municipality will not have to pay more than its current local tax mill rate. He paraphrased from a portion of the sponsor statement, which read as follows [original punctuation provided]:

Legislation enacted in 2001 changed the funding formula to require that only half of the increased current year's property value over the base year's value be counted. However it added this to a fixed year (FY 99) to determine the property value for the purposes of calculating required local effort for education. Use of a fixed base year instead of the previous year to calculate full and true value and local effort contribution has lead to a growing disparity between districts.

HB 350 will address this problem by requiring the local contribution of a city or borough school district to be derived from a uniform rate of a 2.7 mill tax levy on the full and true value of the taxable property in the district as of January 1 of the second preceding fiscal year plus 50% of the increase in value to the following year.

Under the current formula, areas with growing populations are given an ever greater tax break than stable areas. Districts containing older communities are therefore required to pay higher taxes than expanding districts. HB 350 will apply an even method of taxation, one that is proportionally fair and economically sustainable. It has set a uniform mill rate at the lowest current rate so no municipality will have to pay more than its current local tax mill rate

CHAIR SEATON referred to a chart in members' packets, stating that currently the state transfers \$77 million a year out of available money for education to municipalities as tax relief. This does not change the districts' funding, but funds are transferred differentially to districts. The continuously mounting increase in education costs will result in limiting the base student allocation (BSA) increases. Most school districts support "fixing" this system before it consumes a major portion of the state's education funds.

[8:09:27 AM](#)

REPRESENTATIVE KELLER pointed out that the "differential tax relief" has been perceived as an unfair allocation to districts but was intended to provide additional funds to school districts that are growing in size. He referred to a graph in members' packets titled "Percent Change in Assessed Valuation of Taxable Property in the Mat-Su Borough." He explained that the costs increase with additional students in the Mat-Su Borough. He agreed that "something may need to be fixed" but the problem is not an "across the board" difference in taxes needed from the local communities. The tax burden on landowners is "out of sight." To address this issue, the state provided general fund (GF) dollars to local districts that are increasing in size. He said he will oppose the bill since he does not agree with the approach taken in HB 350 to address the problem.

[8:11:05 AM](#)

REPRESENTATIVE P. WILSON pointed out that school bonds are being voted down. She remarked that many students are using temporary school facilities yet the communities have voted down school bonds for new schools.

8:11:45 AM

REPRESENTATIVE KELLER requested further information on whether the Matanuska-Susitna Borough School District has not approved school bonds.

REPRESENTATIVE P. WILSON related it has done so in the past, but she was unsure what has currently happened.

REPRESENTATIVE KELLER maintained that his district faces challenges, noting it is not just the lack of facilities since expanding at the rate it has costs money for teachers and to provide start up costs for schools.

8:12:34 AM

CHAIR SEATON stated HB 350 was constructed to accommodate the growth in the various communities. This bill would not directly affect the mill rate that is assessed on each home or business. This bill does not create a direct tax. Additionally, communities also have the option to find other funding sources for education. Some districts, such as the Kenai Peninsula Borough, have adopted a sales tax dedicated to education. This bill provides a method of calculation based on valuation, he stated.

8:13:55 AM

REPRESENTATIVE MUNOZ referred to the handout in members' packets titled "Mill Equivalent Change" and noted that the City of Juneau has participated at 4 mills. She asked for the effect of HB 350, and if it would lower the mill rate to 2.7 mills.

CHAIR SEATON agreed it would lower the mill rate. He explained it would treat all districts across the state at the same mill rate. He referenced a table in members' packets titled "Mill Equivalent Change" to indicate the mill differences. He further explained that if a community grew substantially since 1999, that the millage rate would be at a much less valuation. He referred to Craig, which is still paying 4 mills on its valuation, whereas Saint Marys increased its tax base and is

paying 2.7 mills. He interpreted that communities that are not growing will contribute a higher portion of the basic need. He pointed out the impact on several districts, including his district, the Kenai Peninsula Borough, which is set at 3 mills.

[8:16:36 AM](#)

REPRESENTATIVE MUNOZ asked for clarification on whether communities have a choice.

CHAIR SEATON answered no. He elaborated that the basic need for education is calculated in the foundation formula. The original calculation for local contribution was calculated at 4 mills times the assessed valuation. In 2000, the statute was changed. Initially, that legislation had a "rolling look back" but the bill was amended to establish a "given year" to use as the inception year. He offered his belief that since the change happened late in the session an unintended consequence happened. This bill is to ensure adequate state funding for education.

REPRESENTATIVE KELLER noted that if the committee takes the position that this should be equitable across the state, has the impact for unincorporated boroughs shall be considered. He also asked if the bill should contain a requirement for local payment since the legislature acts as the school board for unincorporated boroughs.

[8:19:22 AM](#)

REPRESENTATIVE EDGMON stated that the overall costs are affected by how schools are constructed and heated, such as whether diesel fuel is used to heat the school versus natural gas. He offered to provide the "numbers" for his district.

CHAIR SEATON asked members to focus on the specific issue the bill addresses.

REPRESENTATIVE KELLER commented that the struggle is with the growth or the differential costs for operation and not the diesel costs.

[8:20:34 AM](#)

CHAIR SEATON asked the department to explain how the local contribution occurs in the unorganized boroughs.

[8:21:11 AM](#)

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), explained that the Regional Education Attendance Areas (REAA's) do not have a required local contribution based on property values. The REAA's' local contribution is through the form of the "impact aid contribution." Thus, the impact aid is in lieu of property taxes paid by the federal government for people who reside on federal lands that are not subject to taxes. He offered that he would consider the impact aid as the local contribution for the REAA's. He pointed out that some REAA's have more federal land than others and those with a smaller or larger tax base contribute more or less, accordingly. He noted some municipalities have a larger tax base than others, and are required to contribute more to support education. Those municipalities with a smaller tax base would also contribute less. The change that is before the committee today is to achieve uniformity on the mill levy in the required local effort. As Chair Seaton noted, the basic education foundation formula calculates the basic need, which is the adjusted ADM multiplied by the base student allocation (BSA). Once the basic need is established, "we determine who is going to pay." Three components are considered: required local contribution, impact aid, and state aid. The required local contribution ranges from 2.7 mills to 4 mills on real and personal property values, using the schedule previously referred to by Chair Seaton. This bill would level the required local contribution from the current mill rate to 2.7 mills across the board. It does not increase the amount of funding for the foundation formula program but it simply shifts it from who is paying, local versus state.

CHAIR SEATON asked for clarification on the statement that the amount of funding to a school district would not change.

MR. JEANS responded that he is referring to the amount of funding to a school district via the funding formula.

[8:23:48 AM](#)

REPRESENTATIVE P. WILSON related her understanding that the impact aid from the REAA's would not be affected.

MR. JEANS responded that the REAA's are required to contribute 90 percent of the impact aid that they receive.

[8:24:17 AM](#)

REPRESENTATIVE KELLER asked whether the committee has used a property valuation to assess how the impact aid compares to the 2.7 mill rate under consideration.

MR. JEANS answered that property values do not exist in the unorganized areas. He offered that the closest comparison would be the per pupil valuation on the impact aid compared to local effort. He recalled comparisons that showed a number of REAAs at the top of the scale that contribute more money on a per student basis, through impact aid, than many municipalities. He noted some REAAs at the bottom of the scale are not contributing much since not many people live on federal lands. The range varies considerably, he stated.

REPRESENTATIVE KELLER stated that if the committee's goal is statewide uniformity the committee will need to broaden its scope.

[8:25:29 AM](#)

REPRESENTATIVE MUNOZ asked whether the impact aid is based on economic activity on federal lands.

MR. JEANS answered no, that it is based on the land being non-taxable land.

[8:25:46 AM](#)

CHAIR SEATON asked if the people living on federal, non-taxable land are not taxed by the state.

MR. JEANS related that the impact aid is for lands that have been moved from state tax rolls due to some type of federal intervention. Thus, lands conveyed under the Alaska Native Claims Settlement Act (ANCSA) are non-taxable lands until developed and the people living on those lands generate federal impact aid. Additionally, people living on military bases are not taxed and also generate federal impact aid.

[8:26:57 AM](#)

REPRESENTATIVE MUNOZ moved to report HB 350 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE KELLER objected.

[8:27:34 AM](#)

A roll call vote was taken. Representatives Seaton, Munoz, Gardner, Buch, Edgmon, and Wilson voted in favor of HB 350. Representative Keller voted against it. Therefore, HB 350 was reported out of the House Education Standing Committee by a vote of 6-1.

[8:28:27 AM](#)

HB 413-YOUTH ACADEMY FUNDING/REPORT

[8:28:34 AM](#)

CHAIR SEATON announced that the next order of business would be HOUSE BILL NO. 413, "An Act relating to the Alaska Challenge Youth Academy."

[8:28:49 AM](#)

KATIE KOESTER, Staff, Representative Paul Seaton, Alaska State Legislature, paraphrasing from a prepared sponsor statement, which read as follows [original punctuation provided]:

The Alaska Challenge Youth Academy is a residential high school for students who have dropped out of regular school. The Academy is highly successful with a 70% graduation rate and works closely with the National Guard following a strict model that gives students structure, challenge, and discipline. The Academy is located in Anchorage and has two sessions a year where students live on campus for 5 months while going through the rigorous program. After they graduate from the program, staff continues to track their behavior through a mentorship program. Students are considered a success if a year after graduation they are enrolled in a postsecondary program, the military, or in full time employment.

Funding for the Academy is based the following formula: 7 times the Base Student Allocation (BSA) times all residential students plus .6 times the BSA times all non-residential students. When this formula was constructed in 2002 it reflected the dollars they needed to operate. However, as the BSA has grown over the years to cover retirement costs and other

increases in education this has resulted in a windfall and is no longer reflective of the true cost of the program.

HB 413 would set a per child amount for state dollars in statute, \$11,990 and multiply that by the number of residential and non-residential students enrolled. The Academy and the Department of Education and Early Development both agree this would give them sufficient dollars to run the program. Under HB 413 the projected total state dollars they would receive in fiscal year 2011 would be approximately \$5.2 million, within \$300 of the amount they would get under the current formula. Alaska Military Youth Academy also receives separate federal funds that supplement this amount (\$2.7 million for FY2011).

The Academy is a valuable alternative that requires higher funding as a residential program for at-risk youth than other boarding schools. HB 413 identifies an appropriate and transparent way to fund this important educational institution.

[8:30:37 AM](#)

REPRESENTATIVE MUNOZ asked whether the allocation for the Alaska Military Youth Academy (Academy) would be adjusted if the BSA is adjusted in the future.

MS. KOESTER answered that the legislature would need to change statute if the BSA rate is adjusted.

[8:31:05 AM](#)

REPRESENTATIVE GARDNER recalled the legislature has been trying to avoid "locking in" rates in other bills and works to allow flexibility for funding changes. She asked how the figure of \$11,990 was determined.

MS. KOESTER responded that the figure was based on seven times the BSA for FY 11 and divided by the number of students at the Academy.

[8:32:05 AM](#)

REPRESENTATIVE MUNOZ for the reason that statute change is necessary if the \$11,990 is close to the BSA amount.

MS. KOESTER replied that establishing a fixed number is statute is more reflective of the actual services received, but maintains the allocation through the foundation formula, which allows for automatic contributions from the department.

[8:33:25 AM](#)

CHAIR SEATON added that the question which has arisen is that the base student allocation increases and the academy receives a seven times multiplier to calculate the state's contribution. Additionally, the program receives a substantial amount of federal funding. He explained the desire to keep the program in the realm of education instead of moving it to the Department of Military & Veterans' Affairs. This maintains the program in the Department of Education and Early Development.

[8:35:11 AM](#)

REPRESENTATIVE BUCH asked how many times funding adjustments have been requested for this program.

MS. KOESTER answered that since the inception of the program in 2002, that this is the first request for a funding adjustment to the program.

[8:36:14 AM](#)

CHAIR SEATON opened public testimony on HB 413.

[8:36:20 AM](#)

MCHUGH PIERRE, Deputy Commissioner, Chief of Staff, Office of the Commissioner/Adjutant General, Department of Military & Veterans' Affairs (DMVA), said HB 413 is a priority of the DMVA and the department supports this bill. The AMYA was established in 1996 and the formula for the current funding structure, seven times the BSA, was established in 2002. He reported that previously 40 to 50 cadets graduated per class and with the funding formula increase the number of cadets increased to about 100 cadets per class. Due to the \$2500 increase in the BSA the DMVA received a substantial increase and it has become evident that the amount received from the state was in excess of the need. He stated the department supports the change the bill makes. The bill would "freeze" the \$11,990 per student figure. He offered his belief that if the AMYA needs additional funding the legislature will respond appropriately. He stated that the

BSA was increased to cover some of the Teacher Retirement System (TRS) obligation. The DMVA decided to offset some of the Public Employee Retirement System (PERS) costs. While the DMVA has used the funding appropriately, sufficient funding has been received to meet cadet needs. He explained that the federal funding is provided based on benchmarks. He anticipated federal funding will continue to increase as the program expands. He reported that the AMYA is one of the best programs in the nation, in part, due to the state contributions to the program.

[8:39:29 AM](#)

REPRESENTATIVE BUCH asked for the number of times between 1996 and 2002 that the DMVA has asked for funding increases for the AMYA.

MR. PIERRE indicated that he was not certain. He stated that any department requests for additional funding have been made based on an increase the number of cadets in the program.

MR. JEANS clarified that HB 413 would remove the direct link to the BSA and place a "per student" amount in statute in the amount of \$11,990. He said that the AMYA will need to justify further increase requests.

[8:41:10 AM](#)

REPRESENTATIVE MUNOZ asked how the funding for the AMYA compares to other residential programs, such as Mount Edgecumbe High School.

MR. JEANS responded that it is comparable overall. He offered that the AMYA has a component that other residential programs do not currently have, which is the "student tracking" for an additional year.

CHAIR SEATON asked whether he was indicating the state funding or the federal funding for the AMYA.

MR. JEANS clarified that the state funding is comparable to what is provided for Mt. Edgecumbe, Nenana Academy of Higher Learning (NAHL) and Galena Interior Learning Academy (GILA).

[8:42:07 AM](#)

REPRESENTATIVE GARDNER asked for clarification on whether Nenana and Galena also receive federal funding.

MR. JEANS answered no, they do not. He explained that Nenana's NAHL and Galena's GILA obtain their educational funding from the foundation program. Several years ago, the legislature passed "boarding school funding" so the schools receive some residential funding. Mt. Edgecumbe High School is operated by the state and receives instructional funding through the foundation program and their residential component is within the Department of Education and Early Development (DEED).

[8:42:52 AM](#)

REPRESENTATIVE GARDNER asked for the rationale for funding the AMYA differently than the other programs in the state.

MR. JEANS explained that the AMYA is not part of the public school system, but is operated by the DMVA. In 2002, the DMVA asked for a funding formula to support them in a fashion similar to public schools, including the residential facilities. At that time the DEED developed the formula and increases to the BSA were targeted for specific reasons. The big increases came from the increases to the PERS and Teachers Retirement System (TRS) contributions. The TRS increased at a rate much higher than the PERS rate. Thus, increases in the BSA were made to help districts offset the additional costs. The DMVA employees are PERS employees so their rate of contribution was increasing at a smaller rate. This did not necessarily equate to needing seven times BSA multiplier each time the BSA was increased.. He noted that the AMYA funding has been highlighted for a number of years during the budget process and the funding for the program contained in HB 413 is a "little simpler" method.

[8:44:46 AM](#)

REPRESENTATIVE BUCH inquired as to whether the tracking mechanism of students is a useful tool for the DMVA.

MR. JEANS answered yes.

REPRESENTATIVE BUCH related that post-graduation information has been identified as valuable information. He asked whether the legislature might consider expanding the tracking to other student programs in the future.

[8:45:38 AM](#)

MR. JEANS stated that the unique student identifier in K-12 education will become a means for tracking throughout a student's career, including trend analysis. He stated that it may also apply to pre-Kindergarten programs, as well.

[8:46:42 AM](#)

CHAIR SEATON, after first determining no one else wished to testify, closed public testimony on HB 413.

[8:47:00 AM](#)

REPRESENTATIVE MUNOZ moved to report HB 413 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 413 was reported from the House Education Standing Committee.

HB 393-CHARTER/ALTERNATIVE SCHOOL FUNDING

[8:47:37 AM](#)

CHAIR SEATON announced that the final order of business would be HOUSE BILL NO. 393, "An Act relating to charter school approval and funding."

[8:48:16 AM](#)

JIM POUND, Staff, Representative Wes Keller, Alaska State Legislature, paraphrasing from a prepared sponsor statement, which read as follows [original punctuation provided]:

Over the years, this legislature has continually searched for answers to improve the quality of the education our children receive. We have promoted both verbally and financially many ideas. Some of those have worked while others have failed.

One area that continues to show promise in a traditional classroom scenario are charter schools. Charter Schools succeed because of efforts by the school district, principals, teachers, and especially parents. This team effort has proven to be extremely effective.

House Bill 393 will continue to show our support for these successful education programs by creating a grant program within the Department of Education for

charter school construction, leases or major maintenance. The Department will create a five year program of grants based on existing per pupil formulas. The legislature will be able to gage the success of the program annually by reviewing and providing the necessary funding.

HB 393 rewards the success of the program by allowing more school districts to open and maintain charter schools. Your support will ensure that one of the successful education programs we have approved of in the past will continue to prosper.

MR. POUND indicated that HB 393 would assist charter schools in obtaining federal grants, by ending the restriction on the number of charter schools. It would provide for a Supplemental Charter School Facilities Program, through a combination of federal and state grants, charter schools would be able to apply for state grants.

[8:50:04 AM](#)

REPRESENTATIVE MUNOZ asked for clarification. She asked for the specific cite in HB 393 that removes the limit on the number of charter schools.

MR. POUND referred to page 1, lines 6-9, of Section 1 of HB 393.

[8:50:32 AM](#)

REPRESENTATIVE MUNOZ referred to the percentage of funding allowances for federal funding and asked if the intent is that the local district be required to fund the balance.

MR. POUND related that HB 393 would set up a program in which the Department of Education and Early Development (DEED) would apply to the federal grant program, which would be cultivated, and the local district would apply for grant funds.

[8:51:23 AM](#)

REPRESENTATIVE MUNOZ noted the school would be eligible for a percentage of allowable costs. She asked which entity would pay the additional percentage of costs to make the project viable.

MR. POUND related his understanding that the local school district would pick up the additional costs.

8:51:52 AM

REPRESENTATIVE KELLER remarked that the intent is to establish a policy that demonstrates the state has a vested interest in obtaining facilities for charter schools. The cap seems insignificant to him, he stated. The Alaska Charter School Association (ACSA) asked the state to make a contribution of state funds to charter schools in order to meet federal grant eligibility requirements. If the charter schools receive \$1.00 per student per year, it would cost approximately \$1,000 per year. That amount represents minimal state funding with the balance to be picked up by the local school district.

REPRESENTATIVE MUNOZ expressed concern that there would be no guarantee that a charter school would receive local support.

REPRESENTATIVE KELLER agreed. He commented that there is a companion bill in the other body. Additionally, charter schools are public schools with an option for local bonding. He agreed that funding is difficult in some districts.

8:54:21 AM

CHAIR SEATON read from page 2, line 2, which read as follows:

(b) The department shall apply for available federal funding and award federal funding made available under the grant program established under (a) of this section for not more than five years for approved projects for charter school facilities construction, lease, or major maintenance as follows:

CHAIR SEATON also referred to page 2, line 10, which read, "(3) 60 percent of the allowable costs for the third fiscal year for the approved project;." He said that in the third year, 60 percent of the allowable costs would be absorbed by the community. He then referred to page 2, lines 19-22, which read:

(d) A school district or regional educational attendance area that submits an application for a proposed project under AS 14.11.011 for funding under this section that is approved for funding by the department shall provide a participating share that is equal to the difference between available federal funding and the state aid provided under AS 14.11.126.

CHAIR SEATON interpreted that to mean the school district would absorb 40 percent of the cost and the next year would absorb 60 percent of the cost. He clarified that the funds would come from the school district for construction project, which would "bypass the vote of the people in the district." Thus, a municipality could take on a significant funding liability for building new schools and the voters would not decide if they want to assume the bonding authority. He asked for an explanation.

[8:56:21 AM](#)

REPRESENTATIVE KELLER stated that the assumption is that construction project would be happening. The link to the local voters is "very real." He pointed out that the school board would approve any construction project. He interpreted that the intent of the language is not to obligate a district, community, or a borough to pay for a construction project. He stated that if the community decides to build a charter school, this bill would provide the structure. The intent is to "leave the state harmless: and ensure that the state general fund is not the funding source, unless the legislature decides to do so." He related that in every district the participation will vary. He offered his view that his district would be very supportive of building charter schools; in fact, his district has already done so since as a "nice facility" exists in Palmer.

[8:57:58 AM](#)

CHAIR SEATON said he understood the bill's intent, but in reviewing page 2, lines 19-23, he related that it stipulates that the school district or the REAA will provide a participating share that is equal to the difference between available federal funding and the state aid provided. Under the bill, the school district would be 100 percent liable for the project and in the third year would be liable for 60 percent of the cost; and in the fourth year would be liable for 80 percent of the cost. He stated that this bill provides a mechanism for the school district to circumvent the will of the people, since it will not require a vote. He remarked that this may not be the sponsor's intent.

REPRESENTATIVE KELLER offered that HB 393 applies to charter schools, which operate on a contract with the local school district, but are also public schools. Charter schools exist in the "good graces" of the school district, he stated.

MR. POUND offered that essentially the intent is to "get them going."

[8:59:58 AM](#)

CHAIR SEATON emphasized that he is not speaking about the intention, which is understood. However, the bill may require amendments to clarify who will own the building and will be responsible for the funding to build the charter school. He underscored that the bill's language must support the intent.

REPRESENTATIVE KELLER responded that the community would be liable for a building that it agrees to build.

CHAIR SEATON maintained that under the structure of HB 393 the municipality is not required to vote to adopt bonds to build a school facility. He referred to page 2, line 2, which stipulates that the department "shall" apply for available federal funding. He surmised that the district is liable for the funds, but the building would be owned by the municipality. He suggested that perhaps there is another way to analyze this language.

REPRESENTATIVE KELLER offered to examine the provisions more closely and try to provide a more definitive answer.

[9:02:35 AM](#)

REPRESENTATIVE MUNOZ asked what would happen if a federal grant covered 100 per cent of the cost. She thought the current language seems to be limiting.

REPRESENTATIVE KELLER offered his belief that the program is a statewide program, so if one charter school is fortunate to receive 100 percent federal funding, funds would be distributed among other districts.

REPRESENTATIVE MUNOZ suggested insertion of "pursuant to local support" somewhere in the paragraphs that pertain to local participation.

[9:03:32 AM](#)

REPRESENTATIVE GARDNER referred to page 2, line 4, and read:

(b) The department shall apply for available federal funding and award federal funding made available under the grant program established under (a) of this section for not more than five years for approved projects for charter school facilities construction, lease, or major maintenance ..."

REPRESENTATIVE GARDNER asked what mechanism would be used to approve the projects.

[9:04:04 AM](#)

MR. POUND answered that "approved projects" would be a local decision. However, a local school district or REAA would determine the approval requirements for a charter school. The state does not normally establish the requirements for charter schools, he stated.

REPRESENTATIVE GARDNER asked whether an automatic application would be made for a building to house a charter school that is approved by the local district.

MR. POUND responded that there is no requirement for an automatic application from the district, since only the department is required to apply for federal funding. He said it is up to the school district to decide whether to make an application. He said, "We're not forcing the districts to apply for this."

[9:04:50 AM](#)

REPRESENTATIVE GARDNER asked for the mechanism that a local community or a school district would use to determine which charter schools would apply for the funding.

MR. POUND answered that no rules would apply as to the disbursement of funds. He surmised that it may be covered in the grant. It said, "It's strictly up to the local district how and which charter schools they want to apply money to."

REPRESENTATIVE GARDNER related that some charter schools have satisfactory buildings, some do not, and there must be a mechanism to make that decision.

REPRESENTATIVE KELLER related that typically a charter school operates under a contract with the local school district, including for its facilities. Many charter schools may

experience minimal space issues. The decision would be made via the local decisions in the community at the local school board level.

[9:07:27 AM](#)

REPRESENTATIVE MUNOZ recalled having helped form a charter school and said it is an arduous process. She agreed it is a contract between the charter school and the school district and must also be approved by the Board of Education. She said that the federal awards are not limited by a percentage of the project. Thus, she asked why the bill limits the granting of the awards.

REPRESENTATIVE KELLER replied that he has had a similar question. He related that he has been working to mirror the language in the companion bill. He also had questions on the fiscal note since the bill requires \$1.00 contribution per student per year, yet it translates to \$150,000 in the fiscal note. He deferred to the department to answer her question.

REPRESENTATIVE MUNOZ stated that based on her experience in the past, the charter schools' facilities have been paid for using the BSA. She pointed out the difficulty it poses for charter schools to pay for the facility in addition to the curriculum strictly using the BSA. She said, "I really support this legislation. I think you are on the right track, but I do think there are some opportunities to make it even better."

[9:09:24 AM](#)

CHAIR SEATON referred to page 2, line 21. The language on lines 19-25 read, as follows:

(d) A school district or regional educational attendance area that submits an application for a proposed project under AS 14.11.011 for funding under this section that is approved for funding by the department shall provide a participating share that is equal to the difference between available federal funding and the state aid provided under AS 14.11.126. Allowable costs for a project approved under this section shall be based on the adjusted student count for a charter school calculated under AS 14.17.450(a) and (c), as determined by the commissioner.

REPRESENTATIVE KELLER again deferred to the department. He interpreted that the department makes its decisions on where to

distribute the funds in the program, but that the DEED is not providing approval for a construction project. The DEED's decision is whether the department is "sending the money" to the district.

[9:10:44 AM](#)

REPRESENTATIVE P. WILSON referred to page 2, line 30, which read as follows, "...amount that is not less than one dollar for each pupil enrolled in the charter school." She asked if that language is to obtain the federal grant.

REPRESENTATIVE KELLER answered yes. He stated that the eligibility requires that the local school district have a specific statute that establishes a charter school program. The intent of this bill is to provide access to federal funds. The Alaska Charter School Association determined that its charter schools are not eligible for federal funds since the program is not established by statute. This bill would address that matter.

[9:12:05 AM](#)

CHAIR SEATON asked whether the state needs to set up a BSA formula for charter school students or if the school districts are allowed to have a separate allocation for charter school students within their districts.

REPRESENTATIVE KELLER related his understanding that the federal requirement is for a state program to support charter schools, in statute, but is not connected to the BSA. He restated that the state statute must have a program for assisting charter schools to obtain facilities.

CHAIR SEATON said that this would establish a new per student allocation specifically for every charter school student, which is basically a BSA. He pointed out the amount could be \$500 per student or any amount. He offered his view that the \$1.00 is merely a place holder. The intent of the federal requirement is to direct more funding to charter school students, he stated.

REPRESENTATIVE KELLER responded that is it is "per student" in the sense of what the state contributes, and not a guarantee. The funding is designated to a program that would provide facilities for charter schools. The dollar figure is per student, but is a merely a means to achieve the funding. He was not certain if the requirement is based on federal regulations.

CHAIR SEATON suggested the questions are merely placed on the table for consideration. He understood this bill is based on language contained in a companion bill.

REPRESENTATIVE KELLER said he appreciated the questions.

9:15:02 AM

REPRESENTATIVE GARDNER related her understanding that charter schools often struggle to stay open. She asked what would happen if a charter school received funding, built a building, and then the charter school was dismantled. In that scenario, the respective school district would have a building that it may not have be able to use since the charter school was dissolved.

REPRESENTATIVE KELLER offered his belief those issues would be part of the contract and the district would own the building as an asset.

9:16:19 AM

SAM KITO, III, Engineer, School, Finance, and Facilities Section, Department of Education and Early Development, stated that the EED has done some research on charter schools. He reported that that federal legislation passed several years ago, which was funded at a small level for charter schools. Indiana and California applied and received funding. The past two years the program was not funded, but there has been renewed interest with the American Recovery and Reinvestment Act (ARRA) to encourage development of facilities for charter schools, which has resulted in renewed interest in the program. The process is that states apply to the federal government for participation and based on the competitive responses, the schools are granted funding. The Congress has not currently appropriated any additional funding for this program. However, the applications are handled in a competitive manner. One scoring criteria is the level of per student funding related to facilities. While per student funding in HB 393 would meet the federal requirement, it does not necessarily meet the intent. Thus, since Alaska would compete with other states, the \$1.00 per student may not help the application score particularly high. Once the federal application is granted, a "stair-step" process is used, beginning with a 90 percent level of funding for the first year. The intent is for the federal government to help stair-step a facilities funding program for charter schools, but funding is uncertain, he stated.

[9:20:15 AM](#)

CHAIR SEATON related the intended purpose of the federal funds is to "ramp up" a state facilities program based on a "per student" cost and other factors, including a per student funding for charter schools. It is likely that the administration would need to demonstrate the state is initiating a program for charter school facilities. The state needs federal funding to establish the state's program.

MR. KITO agreed.

REPRESENTATIVE KELLER clarified that the federal intent is to "ramp up" a facilities program for the states. He related his understanding of the federal intent was to provide start-up costs for schools.

[9:21:46 AM](#)

MR. KITO responded that it is for "ramping up" a state facilities program. He explained that the state has not scored well on the two components the state uses to obtain operating funds for charter schools. This is not addressed in the bill. The department expresses concern on whether these items can be effectively implemented in the state. First, the charter schools are administered under the local education agencies. The competitive process requires that the charter schools have a statewide appeals process if the local education agency is responsible for establishing charter schools; or that the charter schools are administered through a statewide program and not through the local education agencies.

[9:23:19 AM](#)

CHAIR SEATON asked whether the reason that some states are not eligible for operating costs is that their charter schools are administered by the local school district.

MR. KITO answered that is correct. He explained that Alaska has been applying for federal funding through the federal charter school program for operational funding. Alaska has not scored well enough to receive those funds, but the state does apply each year.

CHAIR SEATON stated that the federal government is attempting to leverage state regulation and state operation of charter schools

via grant qualifications as opposed to having charter schools under local control.

MR. KITO agreed.

[9:24:17 AM](#)

CHAIR SEATON recapped that the federal program requires a state appeals process be in place to conduct appeals in the event that a local district turns down a local charter school application.

MR. KITO replied that is correct. In further response to Chair Seaton, he agreed to provide the application criteria for the committee to review.

MR. JEANS responded that the specific criteria will not be outlined in the scoring rubric. However, in the federal comments it is quite apparent that a state will score very low unless it has a separate appeals board to allow charter schools to appeal the local education agency decisions. Additionally, this is not limited to state charter schools, but charter schools could operate independent of local school districts. He reported that Alaska has a cap of 60 in our state, and due to that cap, the state scores low. These three areas are ways the federal government asserts its agenda via the application process for charter school funding. In further response to Chair Seaton, he offered to provide copies to the committee.

[9:27:06 AM](#)

REPRESENTATIVE KELLER offered his belief that there is some confusion. He explained that the criteria that "we don't live up to" in our charter school statutes does not relate directly to the facilities being built. The operating grants have not been granted to Alaska and the applications are scored low because the federal government does not view the structure as appropriate for "a good charter school." He viewed this as "mixing apples and oranges". He said he supports having an appeal process for approval for initiating a charter school but it is not a requirement for the facilities grant.

MR. KITO offered his understanding that some overlap exists, but to be competitive the state must meet the criteria for charter school operations.

CHAIR SEATON suggested that it will be helpful for the committee to receive the information.

[9:29:59 AM](#)

MR. KITO, in response to P. Wilson, answered that it is not that the charter schools must be stand alone facilities, but charter schools must exercise financial independence and control their own curriculum.

[9:30:29 AM](#)

REPRESENTATIVE MUNOZ offered her belief that the topic is broader since the federal law touches on hiring and other things.

MR. JEANS cautioned the committee that these requirements will not be indicated in the federal regulations or law, but rather it is a policy issue. These policy requests come via the evaluation of the state applications of the federal grant program for charter schools. Thus, these items appear in the evaluator's scoring sheets and Alaska receives very low scores due to the lack of components the federal government would like to see in charter school legislation. This equates to the federal policy asserted via the grant process, he stated.

[9:31:56 AM](#)

CHAIR SEATON asked if the process is similar to **"Race to the Top."**

MR. JEANS agreed the process is similar.

[9:32:09 AM](#)

REPRESENTATIVE KELLER commented that the issues on evaluation of charter schools began some time ago. The reason for the requirements is the success of the charter school students. He acknowledged that Alaska does score low in the federal review of states' charter school governance. However, he offered his belief that the standards arise from the associations and not the federal government. He asked for further clarification of the \$150,000 appropriation request.

[9:33:53 AM](#)

CHAIR SEATON clarified that a fiscal note does not appear in the packet.

REPRESENTATIVE KELLER asked why there is not a fiscal note from the DEED.

MR. KITO responded that a fiscal note was prepared as an identical fiscal note to the one provided for the companion bill.

CHAIR SEATON related the fiscal note will be distributed.

MR. KITO explained that the fiscal note for HB 393 is identical to the one prepared for the companion bill. The fiscal impact is based on the actual cost of administering the program. The federal funding is based on the state's program being approved. The state's program would need to take into consideration all of the items in the bill, but would also need to be a prioritization program. Thus, currently the state has a grant program and a funding program for debt. If the state receives applications from charter schools for facilities the state would need to establish a program for prioritizing those projects. He said it is not anticipated that the state will receive enough federal, state, or local funding for all the projects. Thus, the state would need to develop a program to prioritize applications for facilities projects.

[9:36:07 AM](#)

REPRESENTATIVE KELLER pointed out that the fiscal note indicates \$150,000 but the Charter School Association is not anticipating receiving this much. He said he thought that 1.5 employees seemed high. When the original charter school enabling legislation passed, there was a fulltime position approved to work in EED as an advocate for charter schools. That person has had performed duties beyond the charter school responsibilities.

MR. KITO explained that he reviewed the current program to manage debt projects, which he thought was over \$100 million in grant projects annually. This grant program and grant debt function is administered by 3 of 4 of the DEED's staff. He anticipated that based on the anticipated number of charter school applications by the DEED, the cost would be about \$20 million for one project. He discussed the prior administration of federal grants with other staff and determined at least a fulltime person would be needed to administer the program, plus clerical work, and arrived at 1.5 positions. He pointed out the necessity to meet reporting requirements to the federal government. He wanted to ensure appropriate staff was available to administer the state's grant program, he stated.

Additionally, after the program terminates in five years, the grants are active and the length of time included "the wind down process" to close out the grants. However, staff would be required for one to two years beyond the program completion.

REPRESENTATIVE KELLER requested a report on the fulltime person that has been functioning as the charter school advocate. He recalled the person had other duties. An accounting of the positions function would be helpful for the committee. He expressed disappointment that the position may be performing other projects.

CHAIR SEATON appreciated his comments. He clarified the intent of the new grant program delineated in HB 393. He suggested that this relates back to the fiscal note, but he wanted to stay on track.

REPRESENTATIVE KELLER related his intent is to "reason with the department" and negotiate a smaller fiscal impact.

[9:42:29 AM](#)

CHAIR SEATON stated it is a reasonable and relevant question. It is useful to know the time the DEED spends on prioritizing maintenance of its grants. Additionally, this bill would require a priority list for statewide grant applicants and for leasing, which would need to be discussed. He did not recall the DEED currently having a grant leasing program in place. He suggested that the duties of the new position might be "rolled into" the existing position, although he acknowledged the position might be totally different.

MR. KITO offered to provide a report on the charter school position.

[9:44:12 AM](#)

REPRESENTATIVE P. WILSON referred to an article in members' packets that indicated some objections from the home school community. She asked for input from that segment.

REPRESENTATIVE EDGMON asked for a position from the Department of Education and Early Development (DEED).

MR. KITO stated the DEED does not currently have a position on the bill.

[9:45:18 AM](#)

MR. KITO explained that if the legislature decides to move forward with this bill, the goal would be to craft a program that will work throughout the state. Additionally, the program should be stable, since this program is only effective for five years and is contingent on the federal program participation.

[9:45:54 AM](#)

REPRESENTATIVE EDGMON asked how many students are being served in the 25 charter schools in Alaska and whether introducing additional schools to compete for scarce educational dollars would result.

MR. KITO answered at this time there are 2,500 charter school students and are housed in 24 independent facilities.

CHAIR SEATON suggested a summary report on the existing charter schools.

MR. KITO agreed.

REPRESENTATIVE GARDNER asked the report to also include the number of charter schools that were created but are not longer operational.

[9:47:23 AM](#)

CHAIR SEATON asked how the facilities will be owned and operated, such as by the school district or the municipalities. He asked whether this would establish a new classification of ownership.

[9:48:18 AM](#)

MR. KITO answered that the charter school facilities would operate in a fashion similar to the current charter school operation. The DEED currently requires that a school district must have adequate interest in a facility to receive public funding. He described a scenario in which a leased facility would be improved by public dollars and the lease lapsed. Thus, a greatly improved building would be returned to the owner. Additionally, use of federal funds could require an agreement to grant assurances, which require the facility be operated for the public's interest for a certain period of time. He expressed concern that if a charter school was built and no longer used,

that the facility would need to be used or maintained by the school district until the grant assurance expired. He recalled a similar experience in rural Alaska on a school facility.

MR. KITO, in response to Chair Seaton, explained that twenty years has been the norm for grant assurances.

CHAIR SEATON related that in the Homer district, the charter school is not in a school facility. He asked whether it would be the school district and not the municipality that would be affected.

MR. KITO explained that the school district receives adequate title interest, but it can be a facility that is owned by a municipality, although an agreement must exist between the two. The DEED considers ownership by the municipality as adequate title interest, he stated.

CHAIR SEATON asked whether HB 393 would allow for the construction of a school, including assuming liability, without a vote of the people. He inquired as to whether this would violate the requirements for incurring general obligation bonds.

MR. KITO said he was unsure. He offered his belief that by submitting an application, the school district is obligating itself to the future expense. However, he further understood that subject to the regulation process, the application would need to indicate the support of the local Board of Education. This is similar to how the Board of Education approves the six year plan for the DEED's grant program. Thus, the Board of Education would acknowledge it is applying for charter school funding. He stated the application would be clear and indicate the potential school district's liability in regard to the program.

[9:52:55 AM](#)

CHAIR SEATON asked if the facilities are owned by the municipality, does HB 393 allow for the school district to make application, without being subject to voter approval. He asked whether the DEED has considered this issue.

MR. KITO stated that he has not evaluated that issue and was unsure of how to approach that issue. He said that he would "take a look" at it.

CHAIR SEATON pointed out that is an area of the bill that requires clarification from the Legislative Legal Services, or Department of Law. He said he knew it was not the sponsor's intention to disenfranchise voters. He said he did not want to have an unintended consequence. He related that school districts want bonds but the voters do not always approve them. He stated that the application would initiate several "shalls" on the DEED and indicate an obligation that is unclear.

[9:54:58 AM](#)

REPRESENTATIVE KELLER asked for clarification on the \$1,000 per year, based on the 2,500 students in charter schools.

MR. KITO estimated that 40 percent of the schools would participate in the program based on his own intuition.

[9:56:02 AM](#)

REPRESENTATIVE KELLER highlighted that the advocates for HB 393 consider this to be a modest request.

[9:56:35 AM](#)

KIKI ABRAHAMSON, Lead Teacher, Fireweed Academy Charter School, stated she is also a former president of the Alaska Charter School Association. She indicated her understanding that only three charter schools have closed their doors in the past 14 years. She said she did not think that more than 40 percent of schools would apply for this funding. Many existing schools have already established support in their communities, including adequate facilities, through their school boards. She thought that the Matanuska-Susitna Borough and Anchorage may not have adequate facilities and would likely apply for the funds. She recalled an evaluation of charter school law that outlined criteria. She reported that Alaska has been "at the bottom" but she disagreed that the federal government is pushing its agenda via the grant program. However, she did think that the state scores so low that it indicates the state does not support charter schools at a level acceptable to the federal government. She related that charter schools must meet or exceed the test scores and academic progress of all schools in the state, but have the handicap of lacking funding and access to facilities. She offered to provide further information to the committee.

[10:00:28 AM](#)

CHAIR SEATON welcomed further submission of information. [HB 393 was held over.]

[10:00:50 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:00 a.m.