

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 5, 2014

8:01 a.m.

MEMBERS PRESENT

Representative Lynn Gattis, Chair
Representative Lora Reinbold, Vice Chair
Representative Gabrielle LeDoux
Representative Dan Saddler
Representative Paul Seaton
Representative Peggy Wilson
Representative Harriet Drummond

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 245

"An Act repealing the required local contribution to school funding; making conforming changes; and providing for an effective date."

- HEARD & HELD

CONFIRMATION HEARING(S):

University Board of Regents

Courtney Enright - Ketchikan

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 220

"An Act repealing the secondary student competency examination and related requirements; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 245

SHORT TITLE: SCHOOL FUNDING: REQ'D LOCAL CONTRIBUTION

SPONSOR(S): REPRESENTATIVE(S) T. WILSON

01/21/14 (H) PREFILE RELEASED 1/10/14
01/21/14 (H) READ THE FIRST TIME - REFERRALS
01/21/14 (H) EDC, FIN
02/05/14 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 220

SHORT TITLE: REPEAL SECONDARY SCHOOL EXIT EXAM
SPONSOR(S): REPRESENTATIVE(S) HIGGINS, MILLETT, GARA, GATTIS,
WILSON, THOMPSON

01/21/14 (H) PREFILE RELEASED 1/10/14
01/21/14 (H) READ THE FIRST TIME - REFERRALS
01/21/14 (H) EDC
02/05/14 (H) EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

REPRESENTATIVE TAMMIE WILSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 245, as Primary Sponsor.

DAN BOCKHORST, Manager
Ketchikan Gateway Borough
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 245.

ELIZABETH SWEENEY NUDELMAN, Director
School Finance and Facilities Section
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Responded in official capacity, during the hearing on HB 245.

MIKE COONS
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 245.

DIANE HUTCHISON, Member
Fairbanks North Star Borough City Assembly
Fairbanks, Alaska

POSITION STATEMENT: Testified with unofficial support for HB 245.

DAVID NEES
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 245.

POSIE BOGGS

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 245.

BARBARA HANEY

North Pole, Alaska

POSITION STATEMENT: Testified in support of HB 245.

COURTNEY ENRIGHT, Appointee
University of Alaska Board of Regents
Ketchikan, Alaska

POSITION STATEMENT: Spoke as appointee to the University of Alaska Board Of Regents.

REPRESENTATIVE PETE HIGGINS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 220, as Prime Sponsor.

JULIE MORRIS, Staff

Representative Pete Higgins

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Provided fiscal comments, during the hearing on HB 220, on behalf of Representative Higgins, Prime Sponsor.

LES MORSE, Deputy Commissioner

Department of Education and Early Development (EED)

Juneau, Alaska

POSITION STATEMENT: Responded to questions, during the hearing on HB 220.

MIKE COONS

Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 220.

SALLY DYBDAHL, President

Hoonah School Board

Hoonah, Alaska

POSITION STATEMENT: Testified in support of HB 220.

MARY NANUWAK

Anchorage, Alaska

POSITION STATEMENT: Testified, during the hearing on HB 220.

ERNIE MANZIE

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 220.

ACTION NARRATIVE

[8:01:54 AM](#)

CHAIR LYNN GATTIS called the House Education Standing Committee meeting to order at 8:01 a.m. Representatives Gattis, Reinbold, Seaton, Drummond, and LeDoux were present at the call to order. Representatives P. Wilson and Saddler arrived as the meeting was in progress.

HB 245-SCHOOL FUNDING: REQ'D LOCAL CONTRIBUTION

[8:02:42 AM](#)

CHAIR GATTIS announced that the first order of business would be HOUSE BILL NO. 245, "An Act repealing the required local contribution to school funding; making conforming changes; and providing for an effective date."

The committee took a brief at-ease at 8:02 a.m.

[8:03:45 AM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, introduced HB 245, paraphrasing from the sponsor statement, which read as follows [original punctuation provided]:

House Bill 245 would reform the inequitable and onerous state mandate for local contributions for organized areas in the state of Alaska.

The State of Alaska has a duty under Article VI, Section 1 of the Constitution of the State of Alaska to "establish and maintain a system of public schools open to all children of the state". The Fiscal burden placed on local governments that must bear that burden is enormous and consuming. The State of Alaska provides only partial funding to organized boroughs, home-rule cities in the unorganized borough, and first-class cities in the unorganized borough to carry out the State's responsibility for education by

deducting a "local contribution" of 2.6 mils from the level of state aid as stated in 14.17.410(G)(2).

In the area of Alaska outside organized boroughs, home-rule cities in the unorganized boroughs, and first-class cities in the unorganized borough, the State carries out its duties for education through State "educational service areas" established under AS 14.08.031, which exempt them from the required local contribution. There are presently 19 State educational service areas, referred to as regional educational attendance areas (REAAs).

In 1963 Alaska State Legislature passed, and Governor Egan signed into law, the "Mandatory Borough Act", dictating that certain regions of Alaska; those encompassing Ketchikan, Juneau, Sitka, Kodiak Island, Kenai Peninsula, Anchorage, the Matanuska Susitna valleys and Fairbanks to form organized boroughs by January 1, 1964. Furthermore, Section 1 of the Mandatory Borough Act promised that, "No area incorporated as an organized borough shall be deprived of state services, revenues, or assistance or be otherwise penalized because of incorporation.

HB 245 removes the "required local contribution" penalty imposed by the State of Alaska on organized areas and again fulfills its Constitutional responsibility.

[8:06:17 AM](#)

REPRESENTATIVE T. WILSON added that HB 245 does not include contributions received by districts, from the federal government, under the Impact Aid law [now Title VIII of the Elementary and Secondary Education Act of 1965 (ESEA)]. She also pointed out that the Mandatory Borough Act (MBA) was not entered into willingly by Fairbanks residents, who voted against having it imposed. Further, she interpreted the intent of the MBA to be a vehicle for the areas to develop and maintain parks and services, such as fire and police departments; the cities would be self-funding and not reliant on the state to support these entities.

[8:06:46 AM](#)

REPRESENTATIVE T. WILSON provided a historical view of the mil procedure, paraphrasing from a statement, which read as follows [original punctuation provided]:

A Little History Lesson

First Foundation Formula

(Basic Need) - 1/2 (Federal Impact Aid) - 3.5 mil levy = State Allocation to District

1969 North Slope Oil Leases

Windfall surplus begins flowing in to the State Treasury

Pressure Builds from Organized cities and borough for greater state assistance

Legislature begins debates on amending the foundation formula

Second Foundation Formula

State support starts out at 90 percent of basic need and throughout the 1970's slowly increases to 100 percent by 1980.

Oil Price Crash/Local Contribution

1986 oil prices crash to \$9.00 a barrel and the State panics

State needs as much money as possible and a new formula for education funding is proposed.

1988 Local Contribution is back and at the 4 mil rate.

SB 182 (2012)

In order to put all organized districts back on an equal playing field the required local contribution was reduced to 2.65 mils and it was based on the Full and True Value.

[8:08:08 AM](#)

REPRESENTATIVE T. WILSON explained that the 2.65 mill rate was expected to function as an equalizer. Property taxes have, and continue to be, the vehicle for collecting this revenue and many boroughs and cities contribute above the required rate. She

opined that it should be incumbent on the state to provide full educational funding based on the established formula. Directing attention to the fiscal note, contained in the committee packet, she indicated that the impact on boroughs and cities equates to \$206 million.

8:09:43 AM

REPRESENTATIVE SEATON observed that the bill addresses property tax contributions and does not include impact aid. He asked if 50 percent would still be subtracted from the REAAs, effectively causing those areas to contribute in a greater proportion while exempting municipalities.

REPRESENTATIVE T. WILSON clarified that the impact aid is subtracted, currently at the 100 percent level for REAAs, and that would be made the same for eligible municipalities. She directed attention to the committee packet handout provided by the Alaska Department of Education & Early Development (EED), titled "FY 2014 Foundation Projection," dated September 2013, page 9, to point out the labeled columns "D", "Eligible Federal Impact AID," and "E", "Impact AID Percent," respectively, and said that passage of HB 245 would place every area at the 100 percent level; column "E." She pointed out that there are very few communities that do not receive some amount of federal impact aid.

REPRESENTATIVE SEATON stated his understanding that many areas are contributing some amount to local schools, and the bill would restrict this contribution to an amount not to exceed 23 percent; possibly resulting in a reduction of allowable local contributions.

REPRESENTATIVE T. WILSON explained that the contribution cap would remain in place, hence, some areas would need to reduce the amount currently being collected, but could still exceed the required amount. She said:

All this would do, would be basically backfilling that portion that the state, by constitution, should be [paying].

REPRESENTATIVE SEATON noted that, currently, nearly all districts are exceeding the local contribution requirement; "eating into that 23 percent." He expressed concern stating:

If the required local contribution, which is greater than the 23 percent is taken away, and only the 23 percent is available, that means that the ability of local residents to contribute to their schools is reduced.

REPRESENTATIVE T. WILSON used Fairbanks as an example and said the city contributes \$48 million, although the requirement is only \$26 million, and the cap allows for an additional \$13 million. Under HB 245, she explained, the \$26 million would become approximately \$20, after deduction of the impact aid. She continued:

[The city] would be able to give \$13 of that \$20, to go up to the cap amount. The additional \$7 million dollars that's left over ... they would give ... back to tax payers, but they could [fund] other things that the municipality needs.

REPRESENTATIVE T. WILSON emphasized her understanding that this measure would allow an expansion of funding possibilities.

REPRESENTATIVE SEATON described his understanding that HB 245 would restrict Fairbanks from contributing over the cap, resulting in the loss of \$7 million.

REPRESENTATIVE T. WILSON clarified the hypothetical Fairbanks example that the state would be required to contribute the amount currently being paid by the cities 2.6 mil levy; \$26 million. Additionally, after receiving the full funding by the state, the city could also contribute \$13 million. She theorized that schools would receive more funding in most areas. If a community is already funding to the cap, there would not be a change, but other areas could realize a community option for contributing to the cap or using municipal taxes for other purposes; the tax is already being collected.

[8:16:55 AM](#)

DAN BOCKHORST, Manager, Ketchikan Gateway Borough, stated support for HB 245, paraphrasing from a written statement, which read as follows [original punctuation provided]:

Every good law should have at least the following three characteristics:

1. it should be fair;

2. it should reflect sound public policy;
3. and, of course, it must be constitutional.

The law imposing the Required Local Contribution fails on all three points. For that reason, the Ketchikan Gateway Borough strongly supports HB 245, repealing the Required Local Contribution.

[8:17:58 AM](#)

Let me explain.

First, the Required Local Contribution is far from fair.

It creates two distinct classes of citizens:

1. Those in 34 municipal governments required by State law to operate school districts; and
2. Those in the remainder of the state - comprising 19 other school districts in Alaska.

It imposes a crushing fiscal burden on the 34 municipal governments, shifting to them about twenty percent of the State's constitutional duty to adequately fund schools in those districts.

At the same time, the State exempts from the other 19 districts from the Required Local Contribution.

There is no rational basis for the disparate treatment of the two classes. Some of the most economically distressed areas of Alaska are among the 34 municipalities subject to the Required Local Contribution, while some of the most prosperous regions of Alaska are among the 19 districts that enjoy exemption from the Required Local Contribution.

The Required Local Contribution also fails the fairness test in that it breaches a promise to the citizens of Alaska, expressed in State law in 1963, that boroughs will not be deprived of State revenues or otherwise penalized because of incorporation.

Second, the Required Local Contribution fails the sound public policy test.

The Required Local Contribution is a grinding public policy that punishes organized boroughs - the foundation for local government in Alaska.

The framers of our constitution intended that the State would create inducements for boroughs.

[8:20:05 AM](#)

The Alaska Supreme Court has held that our constitution encourages the formation of boroughs.

Jay Hammond -- former State Representative, State Senator, and Governor - offered a far different perspective when he wrote:

Attractive enough on paper, in practice, the organized borough concept had little appeal to most communities. After all, why should they tax themselves for services received from the state, gratis?

Governor Hammond told it like it is. Consider the following six facts:

1. Today, 55 years after statehood, more than half of Alaska still lies outside the boundaries of organized boroughs.
2. Few have freely chosen to incorporate. Residents of mandatory boroughs make up 95% of all borough residents today. This fact alone makes the need compelling to honor the 1963 promise in State law of equal and fair treatment of boroughs. HB 245 would do much to restore luster to that promise.
3. Today, 55 years after statehood, those who have freely chosen to form boroughs are outnumbered by those who have freely chosen to not be in a borough by a margin of more than 2 to 1.
4. Seven years ago, voters in one region with resources described by the State Attorney General's office as "the envy of most organized boroughs" rejected borough incorporation by a margin of more than 9 to 1.

5. Having written and sponsored the 1963 Mandatory Borough Act, former Representative John Rader, repudiated the measure years later.

6. Today State officials speak in terms of the "misery of boroughs" rather than the vision of those who wrote our constitution.

These circumstances are the "canary in the coal mine" telling you that the Required Local Contribution is terrible public policy that weighs heavily on students, taxpayers, and other citizens of organized boroughs.

Third, the Required Local Contribution is unconstitutional.

After six years of study and analyses -- after six years of attempts to accomplish what is proposed by HB 245 - the Ketchikan Gateway Borough filed suit last month over unconstitutional aspects of the Required Local Contribution.

The law setting out the Required Local Contribution dedicates public funds to a particular purpose, thereby violating Article 9, Section 7 of our Constitution - the "Anti-Dedication Clause."

The Required Local Contribution also operates in a manner such that the dedicated funds are never subject to legislative appropriation, which violates Article 9, Section 13.

Further, the Required Local Contribution law circumvents the Governor's veto authority, in violation of Article 2, Section 15.

[8:24:18 AM](#)

In conclusion, the Required Local Contribution:

is not fair,
is poor public policy, and
is clearly unconstitutional.

Therefore, I urge passage of HB 245.

[8:24:46 AM](#)

REPRESENTATIVE DRUMMOND noted that the Anchorage contribution totals appear to be close to the cap, as indicated on the previously cited EED handout. She asked what the funding source would be to make up the difference under the proposed legislation, pointing out that several hundred million dollars would need to be found in the current, deficit budget.

REPRESENTATIVE T. WILSON stated her belief that municipalities should not be required to pick-up where the state fails to meet constitutional obligations; despite deficit conditions. She said funding alternatives could be considered, such as reinstating the now defunct head-tax. At a recent community discussion in Nenana regarding whether or not to organize as a borough, she reported, the topic was discussed regarding the 2.6 mil requirement. The general sentiment of the group questioned why Nenana should organize considering the imposition that would require collection of a levy to cover costs that are currently being paid for by the state. The issue created a stumbling block for the community, as citizens discussed options for better local services, and the costs involved, and the debt that could be incurred as a municipality, due to the education costs passed on by the state. She said:

That really is the issue at this point: Constitutional[ly] what do you believe - is it the responsibility of the state to fulfill this mandate, or is it only the responsibility of the state when they have funds.

[8:27:35 AM](#)

REPRESENTATIVE LEDOUX said she served as Mayor of the Kodiak Island Borough, and recalled discussions that arose regarding REAAs not being required to contribute local funds for education and the seeming unfairness of the situation; however, the constitutionality was never questioned. The impact on the state budget could be a concern, but, having reviewed the Ketchikan Gateway Borough v. State of Alaska, Case No. 1KE-14-16 CI (2014), she opined that the courts could find in the city's favor and the state would be required to comply.

REPRESENTATIVE T. WILSON clarified that impact aid does represent a variable and it would be erroneous to say that the REAAs do not contribute; however, means exists to bring equality throughout the state and remove the penalty to organize areas

and form boroughs. She stressed that the question is not about affordability, but rather state responsibility; HB 245 does not advocate mandatory boroughs but removes a major barrier. She stressed that organizing an area should bring focus to the services a borough can provide not a penalty that puts a newly formed area immediately into a financial hole. To a follow-up question she said Alaska appears to be unique, among the United States, in the requirements and mandates it places on organized areas.

[8:30:53 AM](#)

REPRESENTATIVE P. WILSON asked for a definition of basic education needs, suggested that the state may be meeting those requirements, and opined that other costs may be considered add-ons.

REPRESENTATIVE T. WILSON indicated that basic educational need requirements are a purview of legislative oversight; residing within the jurisdiction of this committee.

[8:32:20 AM](#)

REPRESENTATIVE REINBOLD referred to the previously cited EED handout to clarify the Anchorage area contributions.

[8:33:28 AM](#)

REPRESENTATIVE SEATON asked whether the scope of HB 245 would require the state to build schools, which would change the current 70:30 bonding structure and eliminate the 60:40 local contribution for building and zoning schools.

REPRESENTATIVE T. WILSON responded that the bill has no impact on bonding or capitol project funding structures or maintenance requirements. The bill requires the state to fully fund districts based on the education formula; the municipalities would continue to fund building/maintenance in accordance with current practices.

REPRESENTATIVE SEATON offered that the state has been found by court to be adequately funding basic education. He noted that additional, supplemental components have been added to enrich the educational experience and provide learning options. However, limiting the ability of borough tax payers to contribute to local schools based on a percentage of the cap could require the state to "back-fill" as much as \$200 million,

which he predicted would not occur. Further, districts not yet contributing to the cap maximum already have the option to increase the local budget. Overall, he opined, it appears that this bill would reduce funding to the education system.

REPRESENTATIVE T. WILSON emphasized that no district would receive less funding, should HB 245 pass. The distinction lies in where the money is sourced, and she said it's a matter of "who's going to pitch in more," the state or the municipality. The constitution stipulates that it is the responsibility of the state to provide a basic education, funding aside, and residents were promised that this service would be a benefit of organizing an area as a borough. The Fairbanks North Star Borough would prefer to not be in that standing, considering the services currently being received, she opined, and further stated that Alaskan government is unduly placing a financial burden on municipalities. The state may have funding problems but passing deficits onto communities is not fair, resulting in collection of property taxes which in turn subtracts dollars from local economies, she finished.

[8:39:42 AM](#)

REPRESENTATIVE LEDOUX questioned the variable percentages used by districts to calculate the municipality v. state share of school building costs, and asked whether that should not also become part of the argument.

REPRESENTATIVE T. WILSON acknowledged that the required building contribution ratios have changed over the years, but the question is not addressed in this bill.

[8:41:41 AM](#)

REPRESENTATIVE P. WILSON noted that if the bill were to pass and the state fully fund education, the municipalities would not be mandated to contribute, and she opined it would be wonderful for the cities to have more money. However, consideration must be given first to the effects this legislation would have on the state budget and subsequent control of the schools; and second the legislature is required to consider funding of all programs, including schools. She suggested that the municipalities would probably need to pick up the deficit in another service area. Unintended circumstances tend to arise, and she stressed the need to proceed with caution. It is important for the committee to consider policy, but the legislative as a whole must address budgetary concerns.

8:44:09 AM

REPRESENTATIVE T. WILSON opined that the municipal contributions do not entitle the cities to have added local control of the schools. She then reiterated the previously detailed points that this legislation addresses: a state constitutional responsibility reneged upon, an unfair mandatory borough act, and the resulting financial burden placed on municipalities. She underscored that it is not a matter of funding, but fulfilling a promise made to the residents of the state.

8:46:13 AM

REPRESENTATIVE LEDOUX asked if there is a means to skirt the cap and asked whether it is a state or federal mandated.

REPRESENTATIVE T. WILSON expressed her understanding that prior to the cap, differing amounts were collected and some areas could not afford to contribute. The federal government stepped in to help equalize the situation.

8:47:05 AM

REPRESENTATIVE P. WILSON pointed out that the state laws are changed on a regular basis and promises once made are sometimes amended. She held firm that unintended consequences arise and the financial reality of the state must be considered.

REPRESENTATIVE T. WILSON stated her belief that the constitution holds a separate standard than other statutes that are amended.

8:49:00 AM

REPRESENTATIVE LEDOUX asked whether the Alaska Municipal League (AML) supports the bill.

REPRESENTATIVE T. WILSON had no comment, as the AML has not weighed in on the issue.

8:49:52 AM

REPRESENTATIVE SEATON referred to the fiscal note, indicating designated reserves and endowments, and asked about the plausibility and source for funding HB 245, should it pass; \$200 million above the endowment amount would be needed.

ELIZABETH SWEENEY NUDELMAN, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), said funds are not currently available to meet the requirements of the bill. To a follow-up question regarding the source of the funding, as required by the proposed legislation, she offered to provide further information.

[8:51:48 AM](#)

REPRESENTATIVE REINBOLD asked for the total dollar amount that is paid for a kindergarten through twelfth grade education; all contributors combined.

MS. NUDELMAN offered to provide the information, and suggested that the website for the department provides the information, as well.

[8:53:20 AM](#)

REPRESENTATIVE LEDOUX asked what considerations would be given to fund this legislation should it pass.

MS. NUDELMAN suggested that the question is one for the legislature to take up. The constitutionality has not been determined.

REPRESENTATIVE LEDOUX asked whether the governor's budget provides funding.

MS. NUDELMAN said HB 245 was filed after the governor issued his budget.

[8:55:05 AM](#)

MIKE COONS, stated support for HB 245, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I fully endorse Representative Tammie Wilson's HB 245. I have read the bill and except for a couple non-substantive proposed changes in wording, I fully agree that changing from, shall to may for cities/municipalities and boroughs paying additional education funding is one of the tenants of conservative thought, less government and more local control.

8:56:00 AM

In point of fact, should this bill pass and be signed into law, I would suggest that the local communities, if they want to continue with funding, change who pays for education from the property taxes. I would suggest that those of us who do not have children in school, either because the children are grown up and out of the district, parents use private or home schooling or like myself, no children, make education at the local level, truly a user fee. Then I would suggest this then leaves the boroughs the opportunity to help protect the public with having a Sheriff form of law enforcement. The last numbers I heard was that 60 percent of my property tax goes to education, I would have no problem with paying for a Sheriff Department. I would dare say the cost would not come to that previous 60 percent, which then gives me a decrease in property taxes and gives me better public safety on top of the State Troopers!

As to those who will scream and holler about their increased property taxes for their children, I respond with the following. In many cases at assembly meetings, I have heard the parents demand for full funding of education and many times I've heard, "I'll pay more taxes to get my kid's education!" This is a good opportunity for those people to; as Vice President Joe Biden likes to say: "Get some skin in the game." Now is a good time to put up. I would dare say that the additional offshoot to this would be more parental/taxpayer involvement in their child's education.

I am sure that NEA will have lot's to say negatively about this. For this will potentially make School Boards trim the budgets to be more student friendly than NEA Alaska friendly. This bill along with HB 196 will undoubtedly reduce or take away NEA's power over the School Districts. Add to that, Senator Dunleavy's proposed Constitutional Amendment SJR 9 and we potentially have a "perfect storm" to really do something substantive toward better local control, less NEA Union control and a more student defined approach to education that will have students more

ready for life vs being pegs filling holes like Common Cores approach and the new standards are pushing for.

In closing, costs can be and if all bills on education are passed this session the cost of education should drop while performance standards are increased.

8:59:06 AM

DIANE HUTCHISON, Member, Fairbanks North Star Borough City Assembly, indicated that the city has not as yet taken a formal stance on HB 245; however, she said her intention is to introduce a letter of support for the assembly's approval. She continued, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I am Diane Hutchison and I currently serve on the Fairbanks North Star Borough Assembly and was the Presiding Officer the past two years. The Assembly has not yet taken a position on this bill, but I can relay to you that a Resolution co-sponsored by myself, the Borough Mayor, and the current Presiding Officer will be brought for a vote at our next regular Assembly meeting next Thursday, asking our Assembly to join the Ketchikan Gateway Borough's lawsuit as an amicus curiae party. Following the vote on that resolution, I plan to co-sponsor a resolution in support of Rep. Wilson's bill - brought forth with appropriate wording regarding the previous resolution's vote.

The reasons I personally support the lawsuit and Rep. Wilson's bill are as follows:

For FY 2014 - the FNSB budgeted local contribution to the schools was around \$48M and out of that \$48M, almost \$27M is the required local contribution and the budgeted additional supplementary funding is over \$21M.

I believe that the \$27M in required local contribution is a defacto State tax on the residents of the FNSB that is not imposed on all residents of our state. After Ketchikan Gateway Borough presented to our Assembly in December, I asked how many people in the room paid a state income tax - no one raised their hand, but when I asked how many paid local property

taxes (including the required local contribution to the school district, everyone in the room raised their hands. The point is that every time the state mandates more basic need proportional funding on the municipalities that support school districts, the municipalities have to tax their residents to pay a State "mandated tax".

I believe this State "mandated tax" is unconstitutional, unfair and a disincentive for any unincorporated area to ever form a Borough again.

Last year, our Borough passed bond issues to fund construction of a new school and fund major renovations on others. These were projects that we had come to Juneau and asked for capital funding - the new school to replace a junior high that has been seismically condemned and we are trying structural reinforcements just to keep it usable for the students to be safe. The funding was denied by the legislature as it often is. We came as a local government with our hands out to Juneau, when we could be paying for these projects ourselves, without indebting future generations to pay off bond issues - if the state would fulfill its obligation to fund basic need and let us fulfill our obligation to the local taxpayers of supplemental education funding, investing in local capital projects and reducing some of the tax burden on people who are strapped by their property taxes and high energy costs.

[9:03:40 AM](#)

We just heard yesterday that Flint Hills Resources (the FNSB's 4th largest taxpayer), is discontinuing its refining operations in North Pole. I am in full support of SB 21 - we need to get increased throughput in TAPS and I think that SB 21 will help do that - BUT that does not relieve the State of its constitutional duty to fund basic education - for everyone in the State, no matter what area of the state they reside in.

Thank you for listening and for your service to our state. I hope you will give HB 245 serious consideration because I believe the taxpayers in the State of Alaska - in all areas of the State, will

start realizing how big of an issue this is. PLEASE REMEMBER - THE ONLY NON-CORPORATE TAXPAYERS IN THIS STATE ARE RESIDENTS OF MUNICIPALITIES WHO AS INDIVIDUALS PAY FOR STATE SERVICES THROUGH THEIR PROPERTY TAXES WHENEVER THE STATE TRIES TO SHIFT ITS BURDEN TO LOCAL GOVERNMENTS AND FORCES THEM TO BECOME STATE TAX COLLECTORS. IT IS A MATTER OF FAIRNESS TO ALL THE RESIDENTS OF THE STATE AND THE PROMISE THAT BOROUGHES WOULD NOT BE PENALIZED OR DEPRIVED OF STATE SERVICES BY BECOMING BOROUGHES - BUT THAT IS EXACTLY WHAT HAPPENS EVERY TIME THE LEGISLATURE TRIES TO BALANCE THE STATE BUDGET ON THE BACK OF LOCAL GOVERNMENT.

She opined that this is an unconstitutional action, as brought by the bill sponsor.

[9:05:22 AM](#)

REPRESENTATIVE SEATON opined that the greatest issue appears to be that REAA's are funded via impact aid versus municipality tax. He suggested that a statewide property tax could be invoked as an equalizer, and asked if that would be an acceptable alternative.

MS. HUTCHISON responded yes, and said a statewide property tax would be appropriate. Otherwise incorporated state properties are the only contributors.

[9:07:55 AM](#)

REPRESENTATIVE T. WILSON reminded the committee that the bill is focused on ensuring that the state is upholding a constitutional mandate; not discovery of funding sources.

[9:10:42 AM](#)

DAVID NEES stated support for HB 245 and referred to a 1961 Anchorage newspaper article regarding the Anchorage school district. At that time, he reported, Anchorage had a mill rate of 11.1 and the budget was split 47 percent from the state and 47 percent local contributions. He said the bill places responsibility back on the state's shoulders. He said how this bill is funded is for the legislature to solve, and opined that it would be good to handle this now, prior to being mandated by court order.

[9:12:12 AM](#)

POSIE BOGGS stated support for HB 245 and said the requirements as stated in the constitution should be followed. She continued, asking the committee to consider the cost that illiteracy represents. The impact of students not fulfilling learning requirements creates a cost to the state.

[9:14:38 AM](#)

BARBARA HANEY stated support for HB 245, and said it is important for the state to fulfill its obligations.

CHAIR GATTIS announced HB 245 was held over.

CONFIRMATION HEARING(S)
University of Alaska Board of Regents

[9:17:57 AM](#)

CHAIR GATTIS announced that the next order of business would be a confirmation hearing for the University of Alaska Board Of Regents.

COURTNEY ENRIGHT, Appointee, University of Alaska Board of Regents, introduced herself as a lifelong Alaskan, from Ketchikan, currently attending the University of Alaska Fairbanks (UAF), pursuing a degree in mechanical engineering as well as a master's in business administration. During her attendance at each of the major Alaska University system campuses she has experienced difficulty in transferring credits and observed the need for the university to strengthen this area of support for the students. A cohesive system is paramount to a student's success, she said. Secondly, she referred to an initiative, "Shaping Alaska's Future," and expressed her interest in helping to vision the future for the state.

[9:19:03 AM](#)

REPRESENTATIVE SADDLER asked about available time in her class schedule to take on the duties required of a regent.

MS. ENRIGHT said time management is the key and, having prioritized regent activities for the last six months, she has found the schedule workable.

[9:19:30 AM](#)

REPRESENTATIVE REINBOLD asked what she considers to be the priorities for improving the current university system.

MS. ENRIGHT responded that higher education needs to be made more appealing. Additionally, unifying the 12 campuses in the university system would be important.

REPRESENTATIVE REINBOLD inquired about the efficiency of the university budget.

MS. ENRIGHT opined that there is room for improvement, and said reducing duplication that currently occurs in the system could provide a cost saving.

[9:21:30 AM](#)

REPRESENTATIVE DRUMMOND expressed confidence in the candidate.

[9:21:45 AM](#)

REPRESENTATIVE P. WILSON expressed support for the candidate.

[9:22:17 AM](#)

REPRESENTATIVE SADDLER noted that the thrust has been for the university to expand class offerings, and he asked whether any need to be retracted.

MS. ENRIGHT suggested that there are too many courses to actually provide excellence in the areas offered, but by providing more focused effort the system could be improved.

[9:23:11 AM](#)

REPRESENTATIVE LEDOUX expressed support for the candidate.

[9:23:30 AM](#)

REPRESENTATIVE REINBOLD moved to forward the name of Courtney Enright to the joint session of the House and Senate for confirmation. There being no objection, the confirmation of Courtney Enright is advanced from the House Education Standing Committee.

[9:23:41 AM](#)

CHAIR GATTIS reminded members that signing the report regarding appointment to boards and commissions in no way reflects individual members' approval or disapproval of the appointee, and that the nomination is merely forwarded to the full legislature for confirmation or rejection.

[9:23:55 AM](#)

The committee took an at-ease from 9:24 a.m. to 9:26 a.m.

HB 220-REPEAL SECONDARY SCHOOL EXIT EXAM
[Contains discussion of HB 278 and SB 111]

[9:26:34 AM](#)

CHAIR GATTIS announced that the final order of business would be HOUSE BILL NO. 220, "An Act repealing the secondary student competency examination and related requirements; and providing for an effective date."

[9:26:44 AM](#)

REPRESENTATIVE PETE HIGGINS, Alaska State Legislature, introduced HB 220, and provided a personal anecdote about his dyslexia and the struggles he faced to attend dental school. He said if the High School Graduation Qualifying Exam (HSGQE) had been in existence at that time, he would not have been able to complete high school. He suggested that there are many students who may not be able to pass this exam, and it would be a travesty for them to only receive a completion certificate at the end of a twelve year school career. The HSGQE was established due to the No Child Left Behind Act (NCLB), of 2001, and since its inception has represented a cost burden to the state as well as a barrier for students.

[9:30:07 AM](#)

REPRESENTATIVE LEDOUX noted that tests are a matter of course throughout life, even as professionals, and asked how he passed his dental boards.

REPRESENTATIVE HIGGINS said the boards are designed to meet disability needs. He explained how persons with dyslexia can be served by not having time constraints placed on exams and by providing a private space for the test to be taken.

REPRESENTATIVE LEDOUX inquired whether the problem is the actual exit exam or the method used for proctoring.

REPRESENTATIVE HIGGINS responded that the purpose of the exam does not accomplish expectations and other exams would be more meaningful, such as the Scholastic Achievement Test (SAT), American College Testing (ACT), and the WorkKeys exam.

[9:32:21 AM](#)

CHAIR GATTIS interjected that, at the time the HSGQE was established the expectation was for it to be a means to ensure that students would be graduating with basic skills, and there was general community support and reported that she served on the task force which saw this exam put into place; however it is clear that the original premise is not now being fulfilled.

[9:33:09 AM](#)

REPRESENTATIVE SADDLER stated his understanding that the exam was not originally considered an assessment tool but rather a guarantee of a minimum level of competency attained by high school graduates, and was of particular interest to the business community.

[9:33:42 AM](#)

REPRESENTATIVE LEDOUX asked about the genesis of the exam.

REPRESENTATIVE HIGGINS stated his belief that NCLB was the impetus for adopting the exam.

[9:34:43 AM](#)

REPRESENTATIVE REINBOLD noted that the State Board of Education unanimously supports repealing the HSGQE. Teachers in her district have been weighing in with support and stating the time that the exam takes, which they look forward to utilizing in a more productive way, and noted that special needs students can require a week of extra help in order to pass.

REPRESENTATIVE HIGGINS agreed.

[9:36:05 AM](#)

REPRESENTATIVE P. WILSON stated support for HB 220 and said that she had voted for the original implementation of HSGQE, which

she now regrets. It has been shown that student's needs are too diverse for this test to be productive, and the ramifications of failing can be far reaching, such as preventing young people from enlisting in the military.

[9:37:42 AM](#)

REPRESENTATIVE SEATON expressed support for HB 220. He said it should not be considered only in the light of special needs students. Other reasons include the fact that the majority of high school students take the exam in the tenth grade. He reported that surveys indicate how some tenth graders, once they have shown proficiency by passing the test, respond with a lack of interest in continuing study through twelfth grade and graduation.

[9:39:00 AM](#)

JULIE MORRIS, Staff, Representative Pete Higgins, Alaska State Legislature, directed attention to the negative fiscal note, and pointed out that this is funding that could be better directed for use elsewhere in the education budget.

[9:40:31 AM](#)

LES MORSE, Deputy Commissioner, Department of Education and Early Development (EED), said that the State School Board and the administration support this bill.

[9:41:20 AM](#)

REPRESENTATIVE P. WILSON referred to Section 6 and the implementation date of July 1 and suggested having it be enacted sooner.

MR. MORSE said the date is important to ensure that students are not caught in a time frame that would prove problematic.

[9:43:06 AM](#)

CHAIR GATTIS theorized that a student who has completed all other requirements but failed to take, or pass, the HSGQE might stall in anticipation of the requirement being repealed, and receive a diploma, following the governor signing the new law.

MR. MORSE stated his understanding that the bill would be effective from the time it is signed and forward. Transitional language has been suggested for the bill to cover this scenario.

[9:44:50 AM](#)

REPRESENTATIVE SADDLER referred to AS 14.03.075(c) and paraphrased the language, which states [original punctuation provided]:

(c) Notwithstanding (a) of this section,
(1) a student who is a child with a disability and who does not achieve a passing score on the examination required under (a) of this section, with or without accommodation, is eligible to receive a diploma if the student successfully completes an alternative assessment program required by the student's individualized education program or required in the education plan developed for the student under 29 U.S.C. 794;

REPRESENTATIVE SADDLER asked whether the department retains records as to how often an alternative method is used and results in a diploma.

MR. MORSE responded yes, and said that the first time a student takes the exam accommodations are made, such as having portions of the test read aloud. Alternatives go beyond what are considered accommodations and allow certain modifications of the exam, such as the use of computerized spell check. He said tracking occurs because of the approval that must be obtained from the department, and he offered to make the information available to the committee.

[9:46:41 AM](#)

REPRESENTATIVE LEDOUX stated opposition to the concept of eliminating the exit exam. However, assuming that it is eliminated and considering the hardships that it has apparently caused over the years, she suggested offering a retroactive date to provide diplomas to those who may have been impinged upon by the requirement since its inception.

MR. MORSE offered that taking such a step would require a legal opinion and represent a legislative policy question.

[9:48:17 AM](#)

REPRESENTATIVE REINBOLD asked whether there is any reason to maintain the exam: does it represent something particular to the student or perhaps a value to the business district.

MR. MORSE stated that the assessment measures basic competency skills and has served to ramp up the curriculum to meet the needs of every student. In that light, it has fulfilled a purpose, but today it is no longer relevant. To a follow-up question, he said a replacement test will come under discussion.

[9:50:45 AM](#)

REPRESENTATIVE SEATON asked to have the administration provide the committee with proficiency standards information to determine the effectiveness of the HSGQE.

[9:51:34 AM](#)

CHAIR GATTIS opened public testimony.

[9:51:51 AM](#)

MIKE COONS stated support for HB 220, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I support HB 220 as written. However, in the other body the companion bill, SB 111 has changed with transition language added:

TRANSITION: STUDENT TESTING IN PROGRESS. Until June 30, 2017, a school district shall continue to administer the competency examination under former AS 14.03.075 and regulations adopted under former AS 14.03.075 in effect on August 31, 2014, to a student who seeks to qualify for a secondary school diploma under former AS 14.03.075, as it read on August 31, 2014.

* Sec. 7. This Act takes effect September 1, 2014.

My problem with this is, that this severely impacts young adults from moving forward now as adults. Yes, I realize this will be the last class to take the exit exam, it is a logistical matter more than anything else. I'm sure there will be those students who will

look at this as an opportunity to see how well they do for upcoming SAT's they plan to take. There will be others, like I was at 18 who will take it because we know we must and what the heck see how well I do and not be worried about it.

Then there will those who weren't going to pass the test anyway and within that are those who have not passed all required classes and may not get a diploma under any circumstances. So, let this exit exam die a quiet death with minimal impact on the students. For to do the "transition", this then impacts those trying to go into the military since most require a diploma for enlistment and those students who will look at this as just another hoop to jump through. Myself, if I were not going into the military, I'd take the test, if I didn't pass the math, I'd get my transcripts for the entire High School years and submit that to any future employer instead of a "sheep skin diploma".

I strongly believe that when I see a problem to not only identify it, but to come up with an alternative or fix to that problem, thus; delete the Transition Student Testing In Progress and instead insert:

Procedures for graduation.

Sec. 14.03.075. College and career assessments. (a) A student shall be issued a secondary school diploma upon completing all required course study throughout High School with a 2.0 GPA or higher. (b) A student who fails to qualify for the issuance of a diploma under (a) of this section will be held back so the student can retake the needed courses to meet the 2.0 GPA requirement, upon successful completion the diploma will be issued.

As to the SB 111, line 30; change the September 1, 2014 back to July 1, 2014.

[9:55:38 AM](#)

SALLY DYBDAHL, President, Hoonah School Board, stated support for HB 220 and said more relevant approaches should be taken. She noted the negative effects the exam has had on potential Hoonah graduates.

[9:56:43 AM](#)

MARY NANUWAK, speaking for herself, stated support for education and noted problems which exist. The state and federal laws being discussed, she opined, sometimes create inequality. She expressed appreciation for the committee members working on the issues.

[10:00:53 AM](#)

ERNIE MANZIE stated support for HB 220 and said there are other assessments which accomplish more relevant evaluations of students for college, and industry purposes. He provided a personal anecdote, about his son's struggles to pass the HSGQE, to underscore his statement.

[10:04:06 AM](#)

REPRESENTATIVE SADDLER asked whether there was any value to having his son pass the exam.

MR. MANZIE answered that there was no educational value, only that he was then able to receive his diploma.

[10:05:37 AM](#)

CHAIR GATTIS announced HB 220 was held over.

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:06 a.m.