

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 10, 2014
8:04 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Dan Saddler

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."

- MOVED HB 245 OUT OF COMMITTEE

HOUSE BILL NO. 278

"An Act increasing the base student allocation used in the formula for state funding of public education; repealing the secondary student competency examination and related requirements; relating to high school course credit earned through assessment; relating to a college and career readiness assessment for secondary students; relating to charter school application appeals and program budgets; relating to residential school applications; increasing the stipend for boarding school students; extending unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to education tax credits; making conforming amendments; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 291

"An Act increasing the stipend for boarding school students; and providing for an effective date."

- MOVED HB 291 OUT OF COMMITTEE

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
02/05/14	(H)	Heard & Held
02/05/14	(H)	MINUTE(EDC)
02/07/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/07/14	(H)	Scheduled But Not Heard
02/10/14	(H)	EDC AT 8:00 AM CAPITOL 106

BILL: HB 278

SHORT TITLE: EDUCATION: FUNDING/TAX CREDITS/PROGRAMS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/24/14	(H)	READ THE FIRST TIME - REFERRALS
01/24/14	(H)	EDC, FIN
02/03/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/03/14	(H)	Heard & Held
02/03/14	(H)	MINUTE(EDC)
02/07/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/07/14	(H)	Heard & Held
02/07/14	(H)	MINUTE(EDC)
02/10/14	(H)	EDC AT 8:00 AM CAPITOL 106

BILL: HB 291

SHORT TITLE: STIPEND FOR BOARDING SCHOOLS

SPONSOR(s): GATTIS

02/03/14	(H)	READ THE FIRST TIME - REFERRALS
02/03/14	(H)	EDC, FIN
02/10/14	(H)	EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

REPRESENTATIVE TAMMIE WILSON

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Responded to questions, during the hearing on HB 245, as Prime Sponsor.

LES MORSE, Deputy Commissioner
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Offered to take questions during the hearing on HB 245.

REBECCA HATTAN, Assistant Attorney General
Labor and State Affairs Section
Department of Law (DOL)
Juneau, Alaska

POSITION STATEMENT: Responded to questions, during the hearing on HB 245.

LES MORSE, Deputy Commissioner
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Presented sections of HB 278, during the concurrent hearing of HB 278 and HB 291.

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

POSITION STATEMENT: Responded to questions, during the concurrent hearing of HB 278 and HB 291.

JERRY COVEY, Education Consultant
Cook Inlet Tribal Council
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 278 and HB 291.

ERIC GEBHARDT, Superintendent
Nenana City School District
Nenana, Alaska

POSITION STATEMENT: Provided program information and responded to questions, during the concurrent hearing of HB 278 and HB 291.

CHRIS REITAN, Superintendent
Galena City School District
Galena, Alaska

POSITION STATEMENT: Provided program information and responded to questions, during the concurrent hearing of HB 278 and HB 291.

LISA RIEGER, Representative
Cook Inlet Tribal Council
Anchorage, Alaska

POSITION STATEMENT: Provided program information and responded to questions, during the concurrent hearing of HB 278 and HB 291.

DOUG WALRATH, Director
Northwestern Alaska Career and Technical Center (NACTEC)
Bering Straits School District
Nome, Alaska

POSITION STATEMENT: Provided program information and responded to questions, during the concurrent hearing of HB 278 and HB 291.

ANDREA KORBE, Vice President
Chugach School District
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 291, during the concurrent hearing on HB 278 and HB 291.

KATRINA CHURCH-CHMIELOWSKI, Vice President
Copper River School District Board of Education
Glennallen, Alaska

POSITION STATEMENT: Testified in support of HB 278 and HB 291.

TESSA WYGANT, Student
Copper River School District
Copper Center, Alaska

POSITION STATEMENT: Testified in support of HB 291, during the concurrent hearing on and HB 278 and HB 291.

ACTION NARRATIVE

[8:04:42 AM](#)

CHAIR LYNN GATTIS called the House Education Standing Committee meeting to order at 8:04 a.m. Representatives Gattis, LeDoux, Reinbold, Seaton, and Drummond were present at the call to order. Representative P. Wilson arrived as the meeting was in progress.

HB 245-SCHOOL FUNDING: REQ'D LOCAL CONTRIBUTION

8:05:03 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."

8:07:09 AM

REPRESENTATIVE SEATON asked for clarity regarding the mandatory borough act and whether it was written as part of the constitution or as state statute. He pointed out that change is often made to state statute but the Constitution of Alaska is handled differently.

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, speaking as the prime sponsor of HB 245, said the act was signed by Governor William (Bill) Egan. She opined that if the legislature wants to see more areas become organized, the body should understand that this act serves as a penalty to areas considering such action. Using Nenana as an example, she reported on attending local borough organizational meetings and how focus was placed on the immediate imposition of a 2.6 required mil to fund education. The area schools currently outside of the organized Nenana city limits are state funded without a requirement of local contribution. The reason for areas to organize is to receive services that are not provided by the state.

8:09:41 AM

REPRESENTATIVE P. WILSON related having experienced similar concerns in the communities on Prince of Wales Island, and said the mandate for school funding presents a stumbling block. Agreeing that changes need to be considered, she said the subject is multi-faceted, and inquired about limiting the bill to only one aspect.

REPRESENTATIVE T. WILSON said the scope of the bill was intentionally limited in order to provide focus.

8:12:15 AM

REPRESENTATIVE SEATON offered that the state is required to generate school funding, and suggested that an alternative could

be to impose a statewide property tax. He pointed out that the current mechanism was devised by the state to meet education funding requirements through taxing areas with an economic base and a means for tax collection. He asked whether the proposed legislation was drafted taking that effort into consideration, and what is contained in HB 245 that would be clearly different from existing practices.

REPRESENTATIVE T. WILSON clarified that the basic needs formula was derived by the state, and opined that whether it is adequate is arguable. She suggested that a statewide tax could be helpful in serving to remove the penalty that organized areas are experiencing. Impact aid does enter the equation, but does not apply to all areas. Equality needs to be brought to bear, and that is the intent of HB 245, she finished.

REPRESENTATIVE SEATON asked whether the sponsor would agree with having a state property tax imposed, and if the disagreement is with the current system.

REPRESENTATIVE T. WILSON expressed support for imposing a statewide, equal tax based on income levels or property holdings and deferred to legal for further comment.

[8:17:52 AM](#)

REPRESENTATIVE DRUMMOND said, "The governor is the mayor, and the legislature is the assembly," of an unorganized borough and a system of educational must be provided. Some people choose to live in organized boroughs and enjoy the benefits and conveniences. These residents pay taxes in those jurisdictions in order to support the local services. "If we don't want to be the legislature of the unorganized borough, then what are we doing here," she finished.

REPRESENTATIVE T. WILSON underscored that local borough taxes are collected to support extra services for the organized areas. The boundary commission report indicates that these discussions will be occurring throughout small communities, such as are on Prince of Wales Island, who are looking at becoming organized cities so as not to be incorporated into boroughs.

REPRESENTATIVE DRUMMOND said HB 245 could alter local versus state authority for schools.

REPRESENTATIVE T. WILSON said whether an area collects local contributions for schools or not does not affect the authority

and responsibilities governing education that are already in place. She maintained that HB 245 addresses a promise that was made under the mandatory borough act. Summarizing the intent of the act, she said, "If you become an organized area, the state will continue to give you the same services that they were before hand."

[8:21:33 AM](#)

REPRESENTATIVE LEDOUX referred to Ketchikan Gateway Borough v. State of Alaska, Case No. 1KE-14-16 CI (2014), and commented on the legalities for allowing the regional educational attendance areas (REAA's) the ability to completely opt out of contributions, while mandating that an organized borough always contribute. Distinctions can be made between entities without violating constitutional law, as long as a rational relationship exists. Some of the unorganized boroughs have a substantial resource base, while some of the organized boroughs are struggling. She pointed out that this represents the heart of the Ketchikan lawsuit - an equal protection challenge not a matter of what the state may have appeared to promise at one time.

[8:23:41 AM](#)

LES MORSE, Deputy Commissioner, Department of Education and Early Development (EED), offered to take questions, and introduced support staff available to address aspects of HB 245.

[8:24:18 AM](#)

REBECCA HATTAN, Assistant Attorney General, Labor and State Affairs Section, Department of Law (DOL), referred to Matanuska-Susitna Borough School Dist. v. State of Alaska, 3PA-86-2022 CI, (1997), and said the decision of the Alaska Supreme Court on this case lends significant weight to the issues the committee is considering. The allegations revolved around the disparate treatment of REAAs versus the municipal school districts, charging that this violated the equal protection rights of both the borough and the individual tax payers. The court decided in favor of the state, finding that the required local contribution was a reasonable way of dealing with the reality that REAAs are unable to levy property taxes. Although Ketchikan has not indicated agreement with the 1997 finding, the decision presides and the southeast borough case does not attempt to claim equal protection violation.

[8:26:10 AM](#)

REPRESENTATIVE P. WILSON noted that two REAAs have a tax base, and asked whether the 1997 decision implies liability for those areas.

MS. HATTAN said the decision did not address the issue of resource availability but rather the legal ability to levy taxes, which is not a lawful function of REAAs.

[8:27:27 AM](#)

REPRESENTATIVE REINBOLD asked if it is equal protection when some areas are required to pay and some aren't.

MS. HATTAN responded that two plaintiff classes were addressed in the decision. The first part of the case was the municipality as plaintiff and it was decided that suit could not be brought by a municipality against the state on the grounds of equal protection. She paraphrased from the decision, which read:

The purpose of the Alaska due process and protection clauses is to protect people from abuses of government not to protect political subdivisions of the state from action of other units of government.

MS. HATTAN said the decision then turned to the plaintiff's rights of freedom from disparate taxation. The court fixed the plaintiff rights at the low end of the equal protection spectrum and the only burden on the state was to prove that there was a rational basis between the means employed and the ends sought. The court determined that the test had been met by the state.

REPRESENTATIVE REINBOLD noted that the mandatory borough act was initially required in certain areas, and asked what the current path is for communities to follow in order to organize and avoid the described dis-incentives.

MS. HATTAN deferred.

[8:31:05 AM](#)

REPRESENTATIVE LEDOUX referred to the Matanuska-Susitna case, and noted that the state did not determine which areas were struggling and left it to the legislature to decide resource availability and any subsequent borough mandates.

MS. HATTAN said hearings on the case, originally filed in 1987, occurred over the course of several years. Plaintiffs claimed no rational distinction between REAA and municipality contribution requirements. The case was not decided until 1997, which allowed an extended time for presentation of arguments. She noted that the Alaska Supreme Court sat as appellate to the Alaska Superior Court, taking all arguments under review. To a follow-up question, she said, the nature and economic viability of different areas of the state underwent ample exploration in this case.

[8:33:08 AM](#)

REPRESENTATIVE SEATON asked whether any past legal suits would prohibit the assessment of a state wide, education property tax.

MS. HATTAN said not to her knowledge.

[8:35:27 AM](#)

REPRESENTATIVE REINBOLD moved to report HB 245 out of committee with individual recommendations and the accompanying fiscal notes.

[8:35:33 AM](#)

REPRESENTATIVE SEATON objected, and said that the state has a rational system for generating funds for schools via local taxation. By eliminating the current system, a statewide tax would need to be imposed and for the state to take that step could prove cost prohibitive. The state established system appears to be working well. Requiring the generation of a statewide tax would be cost prohibitive and possibly create issues. Additionally, many property tax exemptions can be claimed and the amount generated may result in a shortfall in many areas. Although HB 245 attempts to equalize educational support across the state, he opined that it may prove to be a detriment, if implemented.

[8:37:54 AM](#)

REPRESENTATIVE DRUMMOND commented that confusion could be created by the passage of HB 245.

[8:38:30 AM](#)

REPRESENTATIVE LEDOUX said it would be helpful if the bill had a referral to the House Judiciary Standing Committee.

[8:38:52 AM](#)

CHAIR GATTIS agreed, and commented that a cost could arise, and that the bill represents a pivotal piece of legislation.

The committee took an at-ease from 8:38 a.m. to 8:39 a.m.

[8:39:56 AM](#)

REPRESENTATIVE SEATON withdrew his objection.

REPRESENTATIVE REINBOLD withdrew her motion.

[8:41:04 AM](#)

REPRESENTATIVE P. WILSON concurred that referral to the House Judiciary Standing Committee would be helpful.

[8:41:17 AM](#)

REPRESENTATIVE T. WILSON agreed to approach leadership about including a House Judiciary Standing Committee referral for HB 245. However, the municipal tax as a penalty, outlined in the bill, has been discussed in previous legislatures, she reminded.

CHAIR GATTIS announced that HB 245 would be held over.

[The committee later returned its attention to HB 245.]

HB 278-EDUCATION: FUNDING/TAX CREDITS/PROGRAMS
HB 291-STIPEND FOR BOARDING SCHOOLS

[8:42:43 AM](#)

CHAIR GATTIS announced that the next order of business would be a concurrent hearing of HOUSE BILL NO. 278, "An Act increasing the base student allocation used in the formula for state funding of public education; repealing the secondary student competency examination and related requirements; relating to high school course credit earned through assessment; relating to a college and career readiness assessment for secondary students; relating to charter school application appeals and program budgets; relating to residential school applications;

increasing the stipend for boarding school students; extending unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to education tax credits; making conforming amendments; and providing for an effective date;" and HOUSE BILL NO. 291, "An Act increasing the stipend for boarding school students; and providing for an effective date."

[8:43:00 AM](#)

LES MORSE, Deputy Commissioner, Department of Education and Early Development (EED), explained that one section of HB 278 requires the department to open an annual application period for residential schools. It does not guarantee establishment of new facilities, but identifies an area for consideration and assessment. The final step for opening a residential facility requires the legislature to allocate funding.

[8:44:16 AM](#)

CHAIR GATTIS recalled introduction of a previous bill, which did not include language establishing an open application period, and asked if this is a new approach.

MR. MORSE said it is a new component, to establish an annual routine open application period for new residential schools.

[8:45:22 AM](#)

ELIZABETH SWEENEY NUDELMAN, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), said HB 278 increases the amount of the stipend paid to the existing residential facilities; dedicated to the offset of student room and board. The current nine month stipend in southeast is raised from \$820 to \$1,230. The intention is to cover costs that go beyond what is currently reimbursed in the stipend. She reported that the fiscal note reflects a rate increase of \$2.2 million; bringing the program cost to a total of \$6.7 million. To a question from Chair Gattis, she said that 400-500 students are covered in this total, with the break out provided on the fiscal note.

[8:47:53 AM](#)

REPRESENTATIVE LEDOUX questioned the transportation provided during the school year, and asked what happens with students who remain at a facility during a holiday period.

MR. MORSE said that the state operated boarding school, Mt. Edgecombe, budgets one round trip ticket per student, for arrival at the beginning of the school year and return at the conclusion. Parents are required to make arrangements for their child when the facility closes for winter break. He reported that during other school breaks, activities are continued for those students who remain.

CHAIR GATTIS asked whether the stipend increase will affect the state operated school.

MR. MORSE replied, no, and pointed out that Mt. Edgecombe is funded under the state budget.

[8:49:54 AM](#)

REPRESENTATIVE LEDOUX noted that the state boarding school has always required parents to pay travel costs and asked why it should be handled differently for other residential programs.

MR. MORSE deferred commenting on residential programs not run by the state.

MS. NUDELMAN interjected that the intention is to pay for the student to arrive at the beginning of the school year and return home at the end. During the course of the year, the family would be responsible for any travel costs.

REPRESENTATIVE LEDOUX suggested that legal should review the language.

[8:52:11 AM](#)

The committee took an at-ease from 8:52 a.m. to 8:53 a.m.

[The committee returned its attention to HB 278 and HB 291 later in the hearing.]

HB 245-SCHOOL FUNDING: REQ'D LOCAL CONTRIBUTION

[8:53:43 AM](#)

CHAIR GATTIS returned the committee's attention to HOUSE BILL NO. 245, "An Act repealing the required local contribution to school funding; making conforming changes; and providing for an effective date."

CHAIR GATTIS related her understanding that the bill sponsor has worked out the mechanics for the bill to be referred the House Judiciary Standing Committee.

REPRESENTATIVE REINBOLD moved to report HB 245 out of committee with individual recommendations and the accompanying fiscal notes. Without objection, HB 245 was reported from the House Education Standing Committee.

HB 278-EDUCATION: FUNDING/TAX CREDITS/PROGRAMS
HB 291-STIPEND FOR BOARDING SCHOOLS

[8:55:26 AM](#)

CHAIR GATTIS returned the committees attention to the concurrent hearing of HOUSE BILL NO. 278, "An Act increasing the base student allocation used in the formula for state funding of public education; repealing the secondary student competency examination and related requirements; relating to high school course credit earned through assessment; relating to a college and career readiness assessment for secondary students; relating to charter school application appeals and program budgets; relating to residential school applications; increasing the stipend for boarding school students; extending unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to education tax credits; making conforming amendments; and providing for an effective date;" and HOUSE BILL NO. 291, "An Act increasing the stipend for boarding school students; and providing for an effective date."

ELIZABETH SWEENEY NUDELMAN, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), said, regarding boarding schools, HB 278 proposes no change to transportation, but does indicate an increase in the stipend to cover existing expenditures.

[8:55:59 AM](#)

REPRESENTATIVE P. WILSON recalled that last year saw this funding doubled and said it appears that HB 278 would effectively be tripling the allocation, and asked for justification.

MS. NUDELMAN said the change last year was to make permanent an earlier rate change that had included a sunset date. The residential rates have remained the same for multiple years, and last year the sunset was removed. The increase proposed in HB 278 reflects the actual expenditure costs.

[8:58:02 AM](#)

CHAIR GATTIS remembered the funding legislation, which passed from committee in 2013, being reduced by half under consideration of the House Finance Committee.

LES MORSE, Deputy Commissioner, Department of Education and Early Development (EED), concurred.

[8:59:04 AM](#)

REPRESENTATIVE REINBOLD asked what the increase is primarily targeted to cover.

MS. NUDELMAN responded that the increase is for the stipend that supports the 24 hour home at the residential facility. To a follow-up she said the costs have been on a steady increase but the reimbursement allocations to districts have not kept pace.

REPRESENTATIVE REINBOLD requested information regarding specific local contribution totals by area.

MR. MORSE offered to provide the information to the committee.

[9:03:07 AM](#)

JERRY COVEY, Education Consultant, Cook Inlet Tribal Council, provided information on the 126, small rural high schools, most of which are not on the main road system. He reported: 71 have 10 or fewer pupils; 34 report 11-20; and 21 enroll 21-30; totaling 1,286 students. Residential programs serve about 700 of these students, primarily in the variable length programs where students relocate for a portion of the school year and attendance resides with their home district for funding purposes. Another 300 attend full, year around, residential programs. He said that HB 291 and HB 278 play an important role

in these residential opportunities by increasing the stipend amounts and aligning funding with the actual delivery cost for residential services. Four new residential programs are approved for start-up in 2014, and the increased stipend will help assure the success of these facilities. He spoke in support of HB 278 and HB 291 and said the state is moving in the right direction by approving this funding increase.

[9:07:30 AM](#)

REPRESENTATIVE LEDOUX asked how many new students might be served by passage of HB 278; will programs increase the number of students served or continue status quo.

MR. COVEY said several programs have been operating without stipend funding for a number of years, and suggested the question be posed to the individual administrators. He conjectured that, without the funding proposed in HB 278, it may be difficult for some programs to continue.

[9:09:44 AM](#)

ERIC GEBHARDT, Superintendent, Nenana City School District, said the stipend amount has remained the same since the original requested under previous legislation. He said last year, Nenana transferred roughly \$600,000 from the school operating funds to cover boarding costs at the Nenana Student Living Center. Passage of HB 278 would reduce that amount to \$230,000 and the difference will be retained in the school operating fund and used directly for educational purposes.

[9:11:22 AM](#)

REPRESENTATIVE SEATON asked whether an increase in enrollment would be anticipated, with the passage of this legislation, or if the bill primarily ensures budgetary support.

MR. GEBHARDT responded that the center's physical capacity is licensed through the Department of Health and Social Services to accommodate 120 but the current funding capacity, as provided through the Department of Education and Early Development, only supports 88. Thus, the possibility for increase exists. To a follow-up question from Chair Gattis, he said that caution is exhibited when dealing with a teenage population and consideration for overcrowding is foremost; any steps towards expansion would be paced.

[9:13:40 AM](#)

REPRESENTATIVE REINBOLD asked whether the parents contribute funds to offset costs, and if the school district assists in reducing costs.

MR. GEBHARDT answered that the students participate in cleaning and general maintenance of the facility, and assist with cooking tasks. Parents are not charged tuition fees; however, the local contribution from the City of Nenana is budgeted through the district. The city also holds the loan note on the facility.

[9:15:53 AM](#)

REPRESENTATIVE LEDOUX asked what improvements could be anticipated with the funding proposed in HB 278.

MR. GEBHARDT responded that funds would be applied to areas where reductions have been made, such as addition of high school teachers.

REPRESENTATIVE LEDOUX inquired about the size of the high school classes.

MR. GEBHARDT said the required classes have as many as 30 students.

[9:17:24 AM](#)

REPRESENTATIVE P. WILSON expressed concern for unintended consequences. She noted that the difference of the physical and funded capacity, at the center, represents the possibility for an increase of 32 resident students, but a cost to the state of roughly \$2 million.

MS. NUDELMAN offered that if Nenana chose to increase the enrollment at the center, a request would be made to the department, which would in turn come before the legislature to approve further funding. She clarified that the residential stipend for 32 students would be approximately \$400,000; an educational cost is already associated with each student, and paid to whatever public school they are currently attending.

[9:21:24 AM](#)

REPRESENTATIVE SEATON noted that often residential students arrive from small rural area high schools and suggested cost

differentials may vary. He asked whether a student attending the Nenana Living Center is funded by the Nenana area or the originating school districts allotment formula.

MS. NUDELMAN said that for the full year programs the foundation formula is established at the rate of the residential school location, in this situation the Nenana calculation applies.

REPRESENTATIVE SEATON observed that a student coming from a rural area with an extremely high differential to attend an urban residential program with a low differential could represent a cost savings, possibly exceeding the amount of the stipend.

MS. NUDELMAN agreed that a monetary savings could be realized.

[9:22:40 AM](#)

REPRESENTATIVE DRUMMOND expressed concern that the loss of students from rural areas can be critical and a decrease in enrollment could possibly result in closure of a school. She asked how such a scenario might be addressed.

MS. NUDELMAN answered that many residential facilities operate variable term programs. Under these programs, a student's attendance count, and thus foundation funding, remains with the home district. A residential stipend is paid to the host program, as approved by the legislature. Students arrive from rural communities for programs ranging in length, to attend a comprehensive educational component otherwise not available.

[9:28:22 AM](#)

REPRESENTATIVE LEDOUX questioned the benefit to a learning center in having a student attend for an intensive, less than one year, program, if the only funding received is a stipend to cover the board and room fees. With no base student allocation (BSA) to support the educational aspect, would a program, such as located in Galena, accept that student.

CHRIS REITAN, Superintendent, Galena City School District, responded that Galena operates a full year, not a variable length, program. The funding at Galena is through the BSA. He agreed with previous testimony, regarding residential program needs and the possibility for expanding educational services if funds were not being used to cover stipend shortfalls. He reported that \$1.2 million was transferred last year to cover

food service, security, and utility costs. The funding would be better used to bolster educational areas, he said, and named a number of career related components that would benefit high school and postsecondary students.

[9:32:01 AM](#)

REPRESENTATIVE REINBOLD asked how much the Galena community contributes to this local program.

MR. REITAN reported that approximately \$80,000 is what shows on the books, but the community supplements with a number of city services including snow removal, general maintenance, and other support. He said Galena residents consider the facility to be critical to the region and the state.

REPRESENTATIVE REINBOLD asked whether property taxes are imposed in the Galena area.

MR. REITAN responded that property taxes are not collected but the city receives its funds through a sales tax.

[9:33:04 AM](#)

REPRESENTATIVE LEDOUX asked whether Galena is the district that operates the Interior Distance Education of Alaska (IDEA) program for the home school students, and asked if administration of that program generates revenue.

MR. REITAN confirmed that Galena is the home base for IDEA and the funds generated are used to benefit the students by bringing them to Galena for a one month, residential program. To a follow-up question, he said there was an offset of about \$1 million last year.

[9:35:14 AM](#)

REPRESENTATIVE REINBOLD asked for the administrative costs associated with homeschool programs.

MR. REITAN responded that the allotment for each student is 80 percent of the BSA, approximately \$4,500. Out of that, each family is allowed \$1,200 for a high school student. Additionally, five regional offices are paid for administrative support and there are costs related to teacher contact. He characterized IDEA as a tightly run program.

[9:36:38 AM](#)

LISA RIEGER, Representative, Cook Inlet Tribal Council, said the model the council uses is a partnership with the Anchorage School District to provide supportive student housing for individuals attending Anchorage area schools. She said this is a new program, currently serving 3 students, 12 are expected next year, and plans are to accommodate a total of 40. The stipend pays a portion of costs and private funds are being raised to fill the gap. She said the focus is to assist students, who might not otherwise receive support during crucial high school years, to become productive citizens able to pursue postsecondary careers or enter the workforce.

[9:39:07 AM](#)

REPRESENTATIVE DRUMMOND inquired about which schools the current students attend and for information regarding the fiscal note.

MS. REIGER responded that the students attend West and East High Schools, and transportation is covered under the program. The stipend will not be received until next year, she said.

[9:40:07 AM](#)

REPRESENTATIVE LEDOUX asked about the length of program.

MS. REIGER answered that it operates on a 12 month basis; summer activities are a component.

[9:40:30 AM](#)

REPRESENTATIVE P. WILSON asked where the students originate.

MS. REIGER said these are students who were already located in Anchorage, although they may originally be from a village. Homeless students may also be served and be eligible for the stipend.

REPRESENTATIVE P. WILSON recapped that the program provides housing to students not able to live with their family.

MS. REIGER said, "Correct," and added that the housing model is for six students, a house parent, and an Elder. The students are assigned house chores and the environment is geared to resemble a family unit.

[9:43:01 AM](#)

DOUG WALRATH, Director, Northwestern Alaska Career and Technical Center (NACTEC), Bering Straits School District, provided an overview of the NACTEC program, in operation since 2003, as a partnership with the Bering Straits and Nome Public School Districts. In addition to the 16 regional communities, NACTEC, as a regional training center, serves 55 villages and averages 241 students per year. It is an engaging curriculum, partnering with local industry to offer a culturally rich, relevant education. In the tenth year of operation, he reported, 40 trainees completed the program. Since the inception of NACTEC, local graduation rates have improved from 32 percent to 61 percent. He attributes this trend to the NACTEC outreach efforts and timely introduction of eighth grade students to post graduation career opportunities that can be secured in or around their home areas. The program has been succeeding without receipt of residential funding support. Addressing Representative LeDoux's question regarding why programs might accept out of area students, he said that it serves to broaden the scope of class offerings. For example, partnering with the Chugach facility allows NACTEC students learning opportunities in areas such as flight ground school and Emergency Medical I training, and in Anchorage students gain the benefit of urban transitions through the Voyage to Excellence (VTE) program. He said bringing students to Nome from other areas enriches the local group and supports social dynamics. The two to four week residential experience also gives village students an experience of being away from home, which may benefit them in a future college or military settings. Finally, he said, 27 percent of the budget is raised locally through educational tax credits; however, this provides a fluctuating base that is dependent on the local economy, and makes budgeting difficult. The general operating costs are absorbed, to a large degree, through the partnership arrangements that have been forged with the participating school districts and through the help of industry.

CHAIR GATTIS reported that, on a recent visit to the NACTEC facility and attendance to an Alaska Federation of Natives (AFN) event, an informal poll indicated strong parental support for the boarding school, and indicated that parents view it as an important educational option.

[9:50:08 AM](#)

REPRESENTATIVE LEDOUX asked whether students are taken into the variable programs from districts not in partnership, and, if so, are the home districts required to pay a portion of the BSA.

MR. WALRATH said that the exchange arrangements require the home district to cover transportation costs to Nome, but NACTEC takes over financially from there; and the reverse occurs for Nome students.

REPRESENTATIVE LEDOUX restated to ask about the possibility of NACTEC accepting students from any district in the state.

MR. WALRATH responded, "Do we now - no; would we - yes." He added that a memorandum of understanding could be secured from the governing board; however, capacity would have to be considered. When training exchanges are possible, every effort is made to take advantage of the situation, and if no exchange is available, fees would need to be imposed.

[9:53:51 AM](#)

ANDREA KORBE, Vice President, Chugach School District, stated support for HB 291, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I applaud this forward thinking proposed legislation which is in alignment of the Governor's guiding principles of fixing and supporting what we already have, and finishing what we've started.

HB 291 proposes to invest in what is already in place and what has already proven effective and successful. A recent legislative appropriation to expand our VTE facilities is deeply appreciated, and students from around Alaska are already benefiting from it today.

Community and business input along with student needs were the driving force for the development of our variable-term residential school called Voyage To Excellence, or VTE. This statewide residential school is an Alaskan grass roots developed program, designed specifically to simultaneously meet Alaskan youth and business partner needs. Based in Anchorage, VTE has the ability to connect all Alaskan students with the vast majority of Alaskan businesses, regardless of where the students call home. VTE has experienced continued growth in the number of students who choose

to participate through the years. Hundreds of businesses have worked with thousands of VTE students from over 15 districts throughout the past 18 years.

VTE results have not only had a tremendous positive impact upon graduation rates, with a 98% graduation rate shown in our last study, but a recent study also shows that VTE students are far more persistent in their postsecondary training than students who've not participated in VTE. They stick with it and complete college or career training programs, rather than dropping out during the vulnerable transition from high school to careers and college.

To meet the ongoing challenge of sustaining our ability to provide VTE services, the Chugach School District will continue to rely upon multiple sources on revenue. With escalating costs in virtually all areas of operation, passing HB 291, to increase the residential school stipend, is key to our ability to sustain these essential student services for Alaskan youth and businesses. This stipend increase should in no way be considered a hand out but rather should be considered a leg up for the youth and businesses of Alaska. It is indeed support for a successful education solution that Alaska has already started.

[9:58:01 AM](#)

REPRESENTATIVE SEATON commented that this bill represents a bright star in the effort to improve state education. He then moved to report HB 291 out of committee with individual recommendations and the accompanying fiscal notes.

[9:59:20 AM](#)

CHAIR GATTIS opened public testimony.

REPRESENTATIVE SEATON withdrew his motion.

[9:59:38 AM](#)

KATRINA CHURCH-CHMIELOWSKI, Vice President, Copper River School District Board of Education, stated support for HB 278 and HB 291, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I have served on the board since 2008, and am a mother of three children enrolled in the district. I am here to speak in support of House Bill[s] 291 and 278, representing the Board of Education and speaking as a parent whose children will benefit from passage of this bill.

The Copper River School District (CRSD) has applied for a Planning Grant to develop True North Academy, a district-operated statewide variable-length residential educational program and virtual school that will benefit students across the state of Alaska. Our vision will allow students to enjoy a high-quality education in their schools and/or home communities, as well as in-depth, hands-on experiences in targeted areas that will prepare them to be productive, successful citizens with the skills and confidence to pursue training, college, and careers after high school graduation.

The virtual academy connects on-site learning opportunities in "skills academies" at a variable-length residential education program located in Glennallen. The "skills academies" are on-site, hands-on, concentrated study and practice opportunities for students. Pairing the two will provide students across Alaska with opportunities to learn in unique, innovative, and individualized ways.

Offices, classrooms, and living quarters will be located on the recently-vacated Alaska Bible College campus, which is immediately adjacent to the Glennallen School campus. The Alaska Bible College Board of Directors supports the Copper River School District's proposal.

Prince William Sound Community College, Copper Basin, of which I am the Director, is currently located on the same Alaska Bible College campus. Prince William Sound Community College (PWSCC) and the CRSD have a partnership to work together to expand offerings to True North Academy students. PWSCC already offers dual credit courses to local students, and will expand those offerings to True North Academy students through synchronous and asynchronous delivery as well as on-site programs. Dual credit offerings content tracks include core academic courses such as English and

history, foreign languages, technology careers, health occupations, office management, and career and technical programs such as millwright. PWSCC is fully supportive of the CRSD's proposal.

House Bill 291 will help support the students of True North Academy's virtual school and variable-term residential program. Students will benefit with access to high quality, rigorous coursework and hands-on experiences that will prepare them for life after high school. This bill directly and positively affects the Copper River School District's ability to provide students across Alaska new opportunities to succeed. I encourage you to support House Bill[s] 291 and 278.

[10:02:56 AM](#)

TESSA WYGANT, Student, Copper River School District, stated support for HB 291, indicating that the bill will be helpful to further the opening of a boarding school in the Copper River School District.

REPRESENTATIVE P. WILSON asked when the doors are expected to open on the boarding school.

MS. CHURCH-CHMIELOWSKI responded that it will open in phases, with the initial phase scheduled for the fall of 2014.

[10:04:23 AM](#)

CHAIR GATTIS closed public testimony.

[10:04:30 AM](#)

REPRESENTATIVE SEATON moved to report HB 291 out of committee with individual recommendations and the accompanying fiscal notes. Without objection, HB 291 was reported from the House Education Standing Committee.

[HB 278 was held over.]

[10:06:11 AM](#)

The committee took an at-ease at 10:06 a.m.

ADJOURNMENT

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