

HOUSE FINANCE COMMITTEE
February 13, 2014
1:48 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:48 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mike Chenault, Sponsor; Representative Benjamin Nageak, Sponsor; Linda Thibodeau, Director, Libraries, Archives and Museums, Department of Education and Early Development; Valerie Oliver, E-Rate Coordinator, Department of Education and Early Development; Les Morse, Deputy Commissioner, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Peggy Cowan, Superintendent, North Slope Borough School District; Debby Edwardson, President, North Slope Borough School District Board of Education; David Nees, Self, Anchorage; Ed Graff, Superintendent, Anchorage School

District; Pete Hoepfner, President, Cordova School District School Board.

SUMMARY

HB 179 BROADBAND DISCOUNTS FOR SCHOOLS

HB 179 was HEARD and HELD in committee for further consideration.

HB 231 CATTLE BRAND REGISTRATION

HB 231 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Revenue.

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Co-Chair Stoltze discussed the agenda for the day.

#hb231

HOUSE BILL NO. 231

"An Act eliminating the Department of Revenue's duty to register cattle brands."

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REPRESENTATIVE MIKE CHENAULT, SPONSOR, relayed that the bill would remove AS 44.25.120(3) that required the Department of Revenue (DOR) to register cattle brands. He detailed that prior to statehood all duties associated with the registration of cattle brands had resided under the territorial Department of Finance, which had later been assumed by DOR. He noted that according to the Legislative Research Division that although the duty of recording cattle brands was delegated through statute to the Division of Agriculture, legislators may have justified the split by the use of the differing terms "recording" versus "registration." He believed what was meant by the distinction was unclear. He referred to a legislative report in members' packets (copy on file) that provided the history and information related to cattle branding under DOR. The elimination of the statute would help clarify that the responsibility clearly lay with the Department of Agriculture and not DOR. He referred to a book that the Division of Agriculture published and distributed annually,

which included existing cattle brands. He explained that the bill would not create substantial savings; however, he believed it was prudent to remove any statutes that were no longer relevant.

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Co-Chair Stoltze pointed to the zero fiscal note from DOR. He asked for verification that the bill would save the state money.

Representative Chenault replied that the savings would be negligible. He believed it cost \$1.00 to register a brand; the brand could not be sold for a price above \$1.99. He surmised that savings would not be significant; however any money saved and the removal of any unnecessary statutes would be beneficial.

Co-Chair Stoltze CLOSED public testimony.

Vice-Chair Neuman MOVED to REPORT HB 231 out of committee with individual recommendations and the accompanying fiscal note.

Representative Guttenberg OBJECTED for discussion. He thanked the sponsor for introducing the legislation to remove the unneeded statute. Representative Chenault replied that he was working on another piece of legislation that would remove an additional superfluous statute.

Representative Gara supported the legislation.

Representative Guttenberg WITHDREW his OBJECTION.

There being NO further OBJECTION, HB 231 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Revenue.

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RECONVENED

#hb179

HOUSE BILL NO. 179

"An Act providing for public school funding for telecommunications or Internet services."

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REPRESENTATIVE BENJAMIN NAGEAK, SPONSOR, read an opening statement (copy on file):

Good Afternoon Mr. Chairman and members of the committee. Thank you for hearing my bill, HB 179, An Act providing for public school funding for Internet services.

The federal E-rate program provides funding for a portion of a school district's telecommunication costs. HB 179 will provide state funding for the portion not covered by the federal discount. For FY 15 that amount is approximately \$13.8 million dollars.

This bill also allows school districts to increase their bandwidth. Right now about 1/3 or approximately 170 schools have less than 10 megabits per second of Internet services. HB 179 will allow school districts below 10 megabits per second to come up to that minimum level and receive state reimbursement. For schools that are already at that level or higher, HB 179 allows those schools to increase 10% over their prior year and receive state funding. This bill does not limit any school district to higher increases but does limit the state contribution at that point.

This bill will benefit all school districts across the state. HB 179 will assist school districts with their Internet needs and bring all schools across Alaska to a minimum level of Internet services.

According to the Statewide Broadband Task Force Report, "Schools that cannot afford enough broadband or do not have available broadband have to limit what kinds of educational content can be downloaded and who can access this information." The report says that "access to adequate bandwidth translates directly to better opportunity and improves chances of higher student achievement."

And with the mandated online testing on the horizon, this is even more important. Many schools, especially

in rural areas, will be limited in their educational opportunities.

Just as a side note, to give you an idea of what we are looking at in terms of Internet service for these school districts under 10 megabits per second - the Alaska Legislature operates up to 100 megabits per second. When my staff asked our information services manager what it would be like if we were at 10 megabits per second the answer was "complete standstill."

Thank you for again, Mr. Chairman, for hearing this bill today. I am happy to answer any questions from the committee. My staff is on hand to assist me and there are people from the Department here to answer technical questions those related to the fiscal note.

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Co-Chair Stoltze thanked the sponsor for bringing the bill forward. He had visited districts that had pointed to bandwidth as one of their largest challenges.

Representative Holmes wondered if the bill would actually require schools to use the money for the upgrade. She relayed that the Department of Administration (DOA) subcommittee had spent significant time on the issue earlier in the day. She noted that currently schools received an E-rate discount. She believed that if funding was available the base amount would pick up the difference between what schools paid and the federal subsidy. She referred to a second component that allowed for an adjustment of up to 10 percent of the amount paid or the amount needed to bring the base rate up to the applicant's share for 10 megabits per second.

Representative Nageak replied that the money would only go to the upgrades. He elaborated that the money would enable schools to provide improved learning services.

Representative Holmes agreed that most schools would take the money to use on upgrades; however, she did not believe the requirement was included under the bill.

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Co-Chair Stoltze asked if a megabit had to do with speed and a megabyte had to do with storage capacity. Representative Nageak believed megabits were smaller than megabytes.

Co-Chair Stoltze wondered if there were eight megabits in one megabyte. Representative Nageak believed so.

Representative Costello pointed to the bottom of page 1 of the legislation. She had read that of the schools that would qualify there was only one school that was currently at 10 megabits. She asked if the sponsor had spoken with the telecommunications industry about potential costs associated the increased speed. She wondered if the legislation would increase the current foundation formula. She asked if the sponsor had considered tying the increase in funds to the project proposed in the legislation in order to prevent funds from being spent on other items.

Representative Nageak replied that the bill only pertained to increasing broadband for schools. He did not believe the funds could be used for another purpose.

Representative Costello wondered if there was someone to speak about the current status of broadband.

Co-Chair Stoltze noted that staff members from the Department of Education and Early Development (DEED) were present.

Representative Nageak relayed that schools, libraries, and rural healthcare facilities currently used broadband.

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Representative Costello remarked that some of the committee members did not sit on the DOA subcommittee. She did not know about the broadband status in Alaska. She wondered whether the bill was the best place to address the issue if increased broadband was also needed in areas other than education. She asked for comment on the status.

Representative Wilson wondered if the funding would go only to schools or to libraries as well. Representative Nageak replied that schools, libraries, and rural healthcare were already in place.

Representative Wilson noted that there were currently some allocated funds used to offset the E-rate through the Online with Libraries (OWL) program. She wondered if the bill would help to pay for broadband in libraries in addition to in schools.

Representative Nageak replied that the legislation only pertained to schools.

Representative Wilson was interested in data showing the current broadband in each school district.

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LINDA THIBODEAU, DIRECTOR, LIBRARIES, ARCHIVES AND MUSEUMS, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, communicated that DEED had surveyed school districts the prior year to determine which of the schools were under and over 10 megabits per second in order to compile the fiscal note; DEED had created a spreadsheet by school district. The department had also surveyed vendors to determine what the upgrades would cost. Additionally, DEED had looked at districts that were already at 10 megabits per second or greater and had multiplied the figure by 10 percent to estimate costs in the out-years shown on the fiscal note. The fiscal note had been compiled the prior March and could be updated in March 2014 when the new E-rate filing year began. She detailed that the information only pertained to schools. She remarked that libraries located in schools would receive the bandwidth upgrade.

Representative Costello asked for verification that the cost to cover the difference was approximately \$9 million and the cost for schools without broadband would be approximately \$32 million. Ms. Thibodeau replied that it would cost \$7 million to bring schools up to 10 megabits per second in the first year; approximately 170 schools had reported their bandwidth as below 10 megabits per second. The remaining undiscounted portion of the broadband cost for public schools above 10 megabits per second was approximately \$15 million. Therefore, the first year would cost approximately \$22 million. She stated that broadband costs were a moving target. The department believed that a portion of the 170 schools below 10 megabits per second were currently negotiating for an increase to 10 megabits or more. The department would gather the information as it became available.

Representative Costello asked if the legislation would require the state to pay for maintenance associated with the bandwidth speed.

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Ms. Thibodeau asked for clarification on the question. Representative Costello clarified that she was interested in infrastructure that would keep equipment updated. Ms. Thibodeau believed that some infrastructure costs were included in the discountable portion of E-rate and would be included in the broadband costs. She deferred to the department's E-rate consultant for further detail.

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VALERIE OLIVER, E-RATE COORDINATOR, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, provided a brief e-rate overview. She helped all of Alaska's schools and libraries to apply for their discounted portion of E-rate universal service fund monies. She explained that E-rate dollars were awarded to schools and libraries depending on the poverty level in the local communities as measured by the Department of Agriculture or the national school lunch program; not all schools and libraries received the same discount. She detailed that a location such as Unalaska (with a 60 percent national school lunch program discount) would not be the same as Kuspuk (with a 90 percent national school lunch program discount). She estimated that Alaska's average discount on phone and internet connectivity was 75 percent. The E-rate program primarily related to internet connectivity; each district had a different discount. Communities were responsible for funding whatever percentage was not covered; a 90 percent discount was the highest discount that could be received. She clarified that the applicant's non-discounted share referred to the portion of the bill not covered by E-rate.

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Representative Wilson pointed to language on page 2 of the fiscal note indicating that approximately \$7 million would be appropriated to bring 170 schools up to 10 megabits. She did not understand why 10 percent would be added once the \$7 million was paid. She believed that \$14 million would be what the state actually paid for the internet cost. She

wondered why the \$7 million would not be taken out once schools were brought up to the 10 megabit level.

Ms. Oliver replied that it would cost a certain amount to elevate schools to the 10 megabit level. Currently school districts were paying just under \$10 million out-of-pocket for their non-discounted share. The out-of-pocket cost would increase significantly if the broadband minimum was increased to the 10 megabits per second level. She detailed that it would cost approximately \$7 million to bring schools with less than 10 megabits per second up to speed; the figure would be added to the close to \$10 million of out-of-pocket expenses currently incurred by districts. She relayed that in the future the costs would be the higher dollar amount; it was not possible to bring schools up without incurring future costs. She likened the ongoing broadband costs to a utility. She believed the 10 percent included in the fiscal note represented an estimate for growth in future years.

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Representative Wilson understood that it would cost more [in the future]. She did not understand why there would still be a cost of \$7 million plus 10 percent after \$7 million was funded. She stated that the item was currently included in the education formula. She surmised that the bill would remove the item from the formula; most of the items were currently paid by school districts. She wondered why the Lower Kuskokwim district was at \$19 million and asked if it was a good example of what the state could be looking at for the 170 schools that were currently not up to speed.

Ms. Oliver replied that the Lower Kuskokwim School District had voted two years earlier to significantly increase its broadband connectivity to 70 to 80 megabits per second at its 22 village sites. Most other locations were hovering around 10 or 15 megabits per second. She recognized that the cost would be more on par with how much high speed broadband connectivity would cost in rural Alaska. She clarified that the funds would not be used to create infrastructure within the school facilities; it would strictly be used for the monthly bandwidth cost.

Representative Wilson requested a breakout of school districts to determine costs in each location.

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Representative Holmes asked if the capacity currently existed to get each of the schools up to 10 megabits per second. Ms. Oliver replied that the capacity was available in some areas but not others. She explained that if the broadband cost was paid by the state the districts would have freed-up money to improve their infrastructure in order to utilize the increased bandwidth if it became available. She detailed that not all districts had the infrastructure in place to handle bandwidth like the Yukon Kuskokwim district; it would require extra electrical and different routers. She deduced that school districts had the capacity for 10 megabits per second, but believed a needs assessment should be done to determine existing infrastructure.

Representative Holmes agreed that research should be done to determine existing capacity. She shared the concern that once schools were up to the 10 megabits per second that a 10 percent cost was added annually. She worried that school districts would choose to upgrade despite potentially astronomical costs if the state and federal government were picking up all of the costs. She did want to work towards increasing internet access across the state, but she believed the cost-benefit analysis needed to be taken into account.

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Co-Chair Austerman recalled that a number of years earlier when discussing the Alaska Performance Scholarship and the issue of equality between rural and urban schools that the DEED commissioner had assured that broadband would be provided to rural schools. The commissioner had communicated that the broadband the department would pay for the broadband with reallocated assets.

Representative Nageak pointed to a letter from the superintendent of the North Slope Borough School District (copy on file). He read the second paragraph from the letter:

E-rate provides federal funding for a portion of a school district's telecommunication costs. Your bill will provide state funding for the balance of those

expenses and allow districts to increase their bandwidth. This allows those rural districts primarily served by satellite to increase the bandwidth available to students to 10 megabytes per second. This is a very basic level of service. The capitol has 100 megabytes per second service. Although basic, it will be a tenfold increase for some rural schools in Alaska. Ten megabytes will be three times faster than our district's current service to village schools. This is a step in the right direction to address the equity issue of educational opportunity for rural students in Alaska.

Representative Gara asked if 10 megabits provided enough bandwidth to offer online live video streaming between communities. Representative Nageak replied that he did not know.

Ms. Thibodeau replied that the OWL program had brought 1.5 megabits per second into the public libraries, which was the lowest bandwidth that would support video conferencing. She believed that 10 megabits per second would support video conferencing in distance classrooms.

Representative Costello asked if access to internet had improved school performance. Representative Nageak answered that he did not know.

Representative Costello understood that access to broadband in rural communities was valued from a community development standpoint. However, she noted that the cost would be approximately \$32 million in FY 20, which was close to the amount needed for a \$100 Base Student Allocation (BSA) increase. She asked if the state valued more teachers in its classrooms or increased internet access. She wanted to hear from DEED about which option the state would choose if it was asked to pick between the two.

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Representative Nageak answered that the current world was very different than it had been in the past. He spoke to the use of new technology and provided a personal example related to his five-year-old granddaughter's use of an iPad. He asked the committee to imagine the type of learning that could take place with increased technology; he believed every student should have access to the tools.

He believed that rural Alaska needed the ability to get information to the students through the schools. He believed the more access to learning would be beneficial for education.

Ms. Thibodeau provided examples of items that were often no longer available in print including encyclopedias and college applications. She relayed that there were many ways that the internet could assist students.

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PEGGY COWAN, SUPERINTENDENT, NORTH SLOPE BOROUGH SCHOOL DISTRICT (via teleconference), introduced her colleague.

DEBBY EDWARDSON, PRESIDENT, NORTH SLOPE BOROUGH SCHOOL DISTRICT BOARD OF EDUCATION (via teleconference), spoke in support of the legislation and thanked the sponsor. She read from a statement:

HB 179 will provide state funding for the applicant's share or the local share of the E-rate program. The E-rate program currently pays 60 to 90 percent of all internet services in public schools or approximately \$55 million. The applicant's share of this program is about \$14 million based on estimates from the Department of Education. What this means is that the return on the investment is about 4 to 1 on average.

Ms. Edwardson believed the [4 to 1] return was good. She surmised that the state would look favorably on a road project with a federal match of \$4 for every state \$1. She asked committee members to think of the internet and broadband as the information highway where the state's children could access educational programming. She stressed that the internet was not a teacher, but it was a tool that was increasingly used by young people nationwide. She relayed that there were certain things that were no longer done outside of the internet. She emphasized the importance of the technology as a tool in the education system. She communicated that a key feature of HB 179 allowed schools with less than 10 megabits per second to increase to 10 megabits. She shared that seven of the eight North Slope Borough schools had broadband below 10 megabits; the schools were all around 1.5 to 2.5 megabits per second.

Ms. Edwardson relayed that on a statewide basis about one-third of the state's public schools were below 10 megabits. She discussed that DEED had projected the costs to be around \$7 million. She asked the committee to remember the return on investment; for \$28 million in services the state would share approximately \$7 million. She communicated that the statewide broadband task-force had issued a draft plan the prior August; page 38 of the report listed the state funding options (copy on file). One of recommendations was a state grant program to reduce the local match in the E-rate program. She believed HB 179 addressed many of the recommendations made by the task-force and that it would increase educational opportunities for all children in the state. She reiterated the borough's support for the legislation. She opined that a digital divide would be created if the issue was not addressed. She pointed to many communities that did not have a video streaming option.

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Ms. Cowan clarified that the 1.5 megabytes would allow video conferencing with a dedicated server on a teleconference system; it would not allow streaming video onto a desktop computer. She appreciated the complexity of the broadband issue and all of the components that came along with it; she thanked DEED and the legislature for helping to navigate the complexity. She emphasized that students in rural Alaska were at a disadvantage in the 21st century without improved broadband access. She addressed the 10 percent increase and relayed that students in urban Alaska could have better access; the bill would allow urban districts to increase and serve their students better. She shared that 15 districts had caucused recently and broadband access was a top priority discussed. She communicated that other states provided funding to school districts for help with items such as cable, telecommunications, and associated processes. She thanked the sponsor and committee for consideration of the bill.

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Representative Wilson asked how many megabytes were available in each of the North Slope Borough schools. Ms. Cowan replied that Barrow had 11.5 megabytes per second. She explained that the seven remaining villages had asymmetrical internet service of 2.5 megabytes down and 1.5 megabytes up.

Representative Wilson asked other public testifiers to provide the information as well.

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DAVID NEES, SELF, ANCHORAGE (via teleconference), had concerns with the legislation. He pointed to disparity in money spent on internet access. He shared that the amount the Yukon-Kuskokwim school district was spending on internet access was \$4,880 per student, which was only \$600 less than what was provided by the state for basic needs. He stated that as soon as the state moved to online testing the demand for increased speed would rise substantially. He discussed that the costs [estimated in the fiscal note] were only for an increase to 10 [megabits]. He believed DEED would need 70 to 90 [megabits] for online testing in 2015. He opined that the cost estimates included in the fiscal note were very loose. He equated internet service to paying rent. He communicated that telemedicine could use all of the bandwidth with one application if the access was shared. He stressed the need to be careful because the cost was outside the education formula funding; because it was outside the formula it could be open-ended and distributed unfairly. He suggested that the fiber optic would be a major player for connection. He noted that 50 miles outside of Seattle marked the end of broadband delivery in the State of Washington. He stressed that broadband dropped significantly outside large cities.

Co-Chair Stoltze thanked Mr. Nees for his service on the bandwidth task-force. He recognized that the fiscal note was large. He relayed that the issue would be held and discussed as a part of the broader education package.

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ED GRAFF, SUPERINTENDENT, ANCHORAGE SCHOOL DISTRICT (via teleconference), supported the legislation. He believed driving factors for increased bandwidth speed were the state's requirement to provide online tests to students and the data-driven teacher development accountability system. He communicated that there was a potential cloud-based software solution for the district to support the initiative. He noted that the Anchorage School District would have a need for increased bandwidth. He mentioned the benefit of digital learning resources to students. He

discussed education with district-owned and personal devices in the district's schools. He believed that the legislation would be beneficial.

Co-Chair Stoltze asked if Mr. Graff was speaking on behalf of himself or the Anchorage School District. Mr. Graff responded that he was speaking on behalf of the Anchorage School District.

Representative Wilson asked about current megabytes offered in the Anchorage school system. Mr. Graff answered that the Anchorage school system had a much larger megabit breakdown; the district had a total of 700 megabits shared between its schools. He explained that one school may use 2 megabits while others used up to 100 at twenty-four of the district's schools. Anchorage's position as a metro hub allowed it to have access to significant usage. The district currently paid approximately \$22,000 per month; 65 percent of the figure was paid for by the E-rate. The district was proposing to increase its capacity by seven times or 5 gigabits.

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PETE HOEPFNER, PRESIDENT, CORDOVA SCHOOL DISTRICT SCHOOL BOARD (via teleconference), testified in favor of the legislation and thanked the sponsor. He communicated that the bill would help all school districts and students. He stated that the bill would enable school funding to be used for education rather than for the costs of broadband. The legislation would help bring Alaska children into the 21st century and would help them to be competitive with all other children in the U.S. Cordova currently had a 6 megabyte service at a cost above the E-rate of \$14,000; the district was looking to increase its service to 10 megabytes the following year, which would bring the district's cost to \$20,000.

Co-Chair Stoltze asked if the costs were per month or per year. Mr. Hoepfner replied that the costs were for one year. Increasing broadband speed would enable the district to stream classes on the internet. He relayed that small districts wanted their children to have the ability to apply for the governor's performance scholarship; the courses needed for a student to apply had increased in rigor. He stressed that small districts could not offer all courses necessary to fulfill the performance scholarship

eligibility requirements. The solution relied on the streaming of courses to the rural districts, which required additional bandwidth. He emphasized that internet access helped increase learning and knowledge. He stated that the internet was a huge resource for students. He thanked the committee for its time.

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Co-Chair Stoltze CLOSED public testimony.

Ms. Thibodeau stood corrected by Ms. Cowan related to the difference between dedicated bandwidth and streaming internet.

Representative Gara wondered if the correction impacted the answer to a question he had asked earlier. He asked if 10 megabits would allow live video streaming from another classroom. Ms. Thibodeau replied that according to Ms. Cowan the increase was not sufficient for streaming from classroom to classroom. She clarified that her earlier statement had related only to dedicated bandwidth as opposed to shared bandwidth.

Representative Wilson relayed that for years a subcommittee had been asking whether schools had enough broadband, how much was enough, and the difference between dedicated and shared services. She relayed that the task-force had heard that there were districts that did not believe they would have access to required courses for the performance scholarship. She acknowledged that the price tag was significant. She recognized that some of the small districts did not have a teacher for every subject; therefore, other means were required for students to qualify for the scholarship. The state had to determine how much it was willing to pay and where the education formula fit in. She believed it was important to hear from experts on broadband.

Co-Chair Stoltze spoke to innovation in the Mat-Su Borough School District and recalled that a prior superintendent had put the optical wiring of the school system as a higher priority than the BSA. The school had made the investment and had provided other innovations. He shared that the Mat-Su School District had made the choice to invest in infrastructure and had not regretted it.

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Representative Edgmon referred to a prior bill he had sponsored that expanded the definition of school districts to include early learning facilities in the qualification for E-rate services. The bill had passed; however, the Universal Services Fund had relayed the change was not adequate. For the future he asked for a definition of a school district in order to know if early learning facilities would be included. He was intrigued by Representative Costello's questions related to quantifying the results of having the services available. He mentioned a school district with contracts with Brigham Young University and other. He spoke to the notion of putting \$22 million into the K-12 formula. He was interested in more information on the issue related to values.

Vice-Chair Neuman pointed to the cost of telemedicine and pointed to villages that did not have the resource. He wondered whether there was an opportunity to have a shared system program to expand broadband where there was an opportunity for telemedicine. He spoke to the high transportation cost when individuals had to be transported from villages to larger communities for medical treatment. He wondered whether there was a savings potential.

Representative Nageak believed it could work. He deferred the question to the department. Ms. Thibodeau replied that the issue would be tricky because there were different pots of federal money involved.

Representative Nageak addressed rural health. He read from a statement:

Congress mandated discounted services for rural healthcare capped at \$400 million. Nonprofit providers paid no more than their urban counterparts for telecommunication services. The Rural Healthcare Division aims to provide support to rural healthcare providers for telecommunications services related to use of telemedicine and telehealth. In addition, any not-for-profit healthcare provider whether in a rural or urban area qualifies for internet access assistance where the organization must pay total charges long distance in order to access an internet service provider. In this case a healthcare provider may qualify to receive 30 hours or \$180 per month,

whichever is less, to pay for the total charges. All of Alaska, outside of the Anchorage area is classified as rural for the purposes of this program. As you can see from Table 2, during the first year, funds were available to rural healthcare providers. Alaska providers received \$444,000, nearly 20 percent of the total distributed nationally. Rural healthcare providers in House election district 37 including providers in Ambler, Buckland, Deering, Kivalina, Kobuk, Kiana, Kotzebue, Noatak, Noorvik, Point Hope, Selawik, and Shungnak, received nearly 43 percent of the amount or \$188,000.

Vice-Chair Neuman spoke to areas with developed infrastructure such as telemedicine areas. He wondered where bandwidth could be expanded to the schools in those areas. He surmised that it may not be possible to make the change all at once, but that it could be possible to create change a bit at a time.

Representative Nageak would look into the issue.

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Representative Guttenberg appreciated the bill that demonstrated disparity around the state. He referred to a research report published in 2000 and noted that even when it had been current it had been outdated. He had never paid less than 5 times the amount listed at the top of the report for minimal services. He communicated that legislative committees had repeatedly asked the administration for information on the "big picture." He noted that some companies had major fiber optics plans for Alaska. He stated that there were other nations that were far ahead of the U.S. on broadband that paid a fraction of the costs paid by Alaska. He addressed a cost of \$55 million for school districts alone. He believed the state could negotiate a better cost if it added together the costs spent by schools, local governments, and departments. He wished the administration would address the issue.

Representative Gara appreciated the bill. He agreed that the committee had not received answers when the discussion had occurred related to the Alaska Performance Scholarship in the past. He spoke to items he believed were missing from the discussion. He wanted to move ahead with broadband expansion as quickly as possible, but currently much of the

broadband in rural Alaska was accessed by satellite, which was very expensive. There were projects coming through the state in the next few years that would bring the ability to provide broadband through fiber optics and possibly other cable. He discussed the ability to expand internet and broadband through cable, which was much less expensive. As a statewide plan was developed he wanted to hear from the administration on how the issue could be dealt with in the most efficient and cost-effective way.

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Representative Nageak shared a personal example related to overuse charges on broadband. He believed the costs were horrendous, but it was a cost of doing business in the state. He stated that costs needed to be reduced, but in the meantime demands needed to be met. He believed help from the state system was needed.

Co-Chair Stoltze asked for comments from DEED.

LES MORSE, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, remarked that there were things that the internet could bring and access it could provide. He referred to the comments related to the Alaska Performance Scholarship and opined that there were ways to meet scholarship requirements regardless of broadband, but the issue was more about the quality. He discussed that it was possible to take correspondence online or with paper and a pencil; the quality level would be different. He was not advocating for or against the approach proposed in HB 179. He believed a policy discussion would need to occur on policy choices that needed to be made in relation to a targeted assistance or through the BSA. He did not believe that everything could be done. He believed it was important to consider all options.

Co-Chair Stoltze asked if the legislature was jumping the gun on a digital initiative when the framework was not set for broadband and other access. Mr. Morse did not believe so. He elaborated that the digital initiative stepped into the issue slowly; it included three pilot districts in the upcoming year and five the following year. The program would then bring information back to the department on whether efforts were successful. He believed the initiative fit in well at a point when the legislature was trying to make decisions on the issue using a cost-benefit analysis.

Representative Wilson asked if there was data showing that the governor's digital initiative would have better results than the one-on-one initiative. She wondered about information showing which program would provide the most cost-effective strategy.

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Mr. Morse did not have the data on hand. The department would bring any related data to the DEED budget subcommittee meeting later in the day.

Representative Wilson discussed that money was requested for a significant number of programs. She remarked that she was not trying to say the bill was a bad idea, but she did not know if it was a good idea. She furthered that both broadband and teachers could bring good things to students; however, she was uncertain a calculus correspondence course would work for all individuals. She stressed that answers would not be available until data was collected to determine how to spend money in the right areas. She invited members to attend the DEED budget subcommittee meeting that evening for more detail.

Representative Costello was unsure that putting the onus on the state and tying increased broadband to the school system was the right course of action given the need for broadband in other areas such as community development. Her vision for education in rural areas included the concept of regional hubs where the best access could be provided to students. She discussed the idea of a school-year with three sections that would enable students to return to their villages for a different type of learning. She discussed helping teachers to transition into the rural lifestyle in Alaska. She asked whether the Division of Teaching and Learning Support helped teachers to design lesson plans that tapped into internet resources.

Mr. Morse replied that DEED frequently used video conferencing for district trainings. The department's role was to help districts to provide support for their teachers. The department did reference resources that were available on the internet. He summarized that DEED used a mix of platforms.

Representative Costello had seen research indicating that schools with a full-time librarian performed better on tests. She had visited libraries in her district where the librarian had asked for digital resources. She wondered if it more valuable to have resources provided to school libraries versus individual school classrooms. Mr. Morse replied that it depended on the structure of the learning environment. He believed that in some cases it may make more sense to centralize the resources and in other cases it may not. He had worked as a teacher and in some cases it made more sense to decentralize, but it depended on the structure of the program and school. Many of the decisions were made at the local district and school level. He would want the structure to fit best within a school's learning environment.

Representative Costello agreed. She believed everyone would like to see the local districts and teachers getting what they needed. She had heard that the funding source would prevent helping districts in creative and innovative ways. She hoped that however the legislature moved forward that student performance would be improved.

[3:19:08 PM](#)

Representative Edgmon referred to the Lake and Peninsula School District and shared that its distance learning programs had helped its schools to better meet curriculum requirements. He had been told that overall performance measures had improved at the schools. He wondered how it would be possible to quantify something that seemed to be more qualitative in nature. He discussed stretching the K-12 dollar in rural school districts that were suffering as a result of high costs. He wondered what data meant to the department.

Mr. Morse answered that the Lake and Peninsula School District had a strong record of showing some improvement. He added that the district had small sites and would not be surprised that gains would be seen if the district found ways to maximize the use of technology and distance teaching. He believed it would take significant study given that it would be important to study larger groups and the issue over time. He remarked that when studying small groups it was difficult to attribute what had resulted in a change. In the specific scenario it would be hard to determine whether a change was a result of distance

education or a dynamic teacher. He relayed that the department looked at achievement gains, but it was hard to determine what to attribute the gains to without qualitative research efforts.

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Representative Edgmon observed that it was early on in the digital era in terms of providing educational services. He questioned whether programs had been around long enough to enable a decent trend analysis. He addressed an earlier question about values and where the dollar was better applied. He wondered how the determination would be made with what was known today.

Mr. Morse responded that research-based programs existed that provided evidence of their success. The department had not studied all of the programs in rural Alaska and did not have the numbers to conduct adequate research. He noted that there were research-based technology programs that did work; there was published research available for the department to access.

Representative Munoz pointed to the Digital Learning Initiative that would begin a pilot program in three school districts. She wondered if the department had looked at the current broadband capacity for the three districts. Additionally, she wondered whether the capacity was a factor in determining which districts participated in the pilot program. Mr. Morse answered that the districts had not yet been selected. He affirmed that the broadband connectivity would be a factor in the determination. He added that it was necessary to consider where the broadcast was coming from and where it was going; the goal was to reach beyond any one district's boundaries.

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Representative Munoz asked if part of the proposal would be to help the chosen districts to reach the broadband capacity needed to participate in the program. Mr. Morse replied that part of the process was to identify where things were working, to make enhancements to those areas to increase success, and how to expand the successes to other locations. He elaborated that the other locations could be areas to broadcast from or to broadcast to a wider area. The idea of the initiative was to advance the learning

around the work in order to maximize it across the state in the long-term.

Representative Munoz asked if the initiative would include a proposal to help communities come up to speed with their broadband capacity. Alternatively, she wondered if the responsibility would be up to the community or district.

Mr. Morse did not believe that the broadband component was part of the initiative. The initiative focused on infrastructure and professional skills required to provide distance delivery as opposed to the broadband subscription.

Representative Gara surmised that the administration had no comprehensive policy to implement broadband statewide in a cost-effective way. He mentioned options such as providing broadband by satellite or cable. He was concerned about a statement that had been made related to broadband and teachers. He hoped the department did not mean to say that the choice would be between more teacher cuts or broadband. He was not interested in another year of staff cuts in schools.

Mr. Morse replied that at the end of the day much discussion would be needed to figure out choices that were made. One of the choices could be a BSA; the BSA would offer a choice for districts to make decisions about how to spend money. He remarked that the bill contained a targeted resource to address a problem or issue statewide. He clarified that he had not mentioned teachers in any of his comments. He relayed that there was a broadband task-force led by the Department of Commerce, Community and Economic Development; it had done broad research on statewide broadband. The task-force currently had a preliminary report. He noted that it may be worth the time to study the work done by the task-force. He added that he was not an expert on the subject.

Co-Chair Stoltze relayed that there would be communication with the DEED subcommittee chair. He remarked that the bill preceded the introduction of the governor's omnibus education legislation. He communicated that broadband had been discussed at almost every subcommittee meeting. He knew that Representative Wilson would take the issue to the task force. He had heard more about the broadband issue than the digital initiative. He wondered if the cart was being put before the horse. He appreciated the discussion

initiated by the legislation. He believed it was important to deal with the issue at hand alongside other education issues.

HB 179 was HEARD and HELD in committee for further consideration.

Co-Chair Stoltze discussed future schedules.

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ADJOURNMENT

3:32:10 PM

The meeting was adjourned at 3:32 p.m.