

HOUSE FINANCE COMMITTEE

April 18, 2018

9:38 a.m.

[9:38:44 AM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:38 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Natasha von Imhof, Sponsor; Jonathan King, Staff, Senator von Imhof; Dr. Lisa Parady, Executive Director, Alaska Council of School Administrators; Heidi Teshner, Director of School Finance, Department of Education and Early Development; Senator Anna McKinnon, Sponsor; Brittany Hartmann, Staff, Senator Anna McKinnon; Michael Johnson, Commissioner, Department of Education and Early Development; Representative Harriet Drummond.

PRESENT VIA TELECONFERENCE

Dr. Deena Bishop, Anchorage School District, Anchorage; Andrew Leavitt, Lower Yukon School District, Mountain Village; Representative Harriett Drummond, Chair, House Education Committee; Jim Anderson, Chief Financial Officer,

Anchorage School District, Anchorage; Damon Hargraves, Kodiak Island Borough School District, Kodiak; Luke Meinert, Yukon-Koyukuk School District, Fairbanks; David Neese, Self, Anchorage; Bill Burr, Delta/Greely School District and Alaska Society of Technology in Education, Delta Junction.

SUMMARY

SB 102 INTERNET FOR SCHOOLS; FUNDING

SB 102 was HEARD and HELD in committee for further consideration.

CSSB 104 (2d FIN)

EDUCATION CURRICULUM REQUIREMENTS

CSSB 104 (2d FIN) was HEARD and HELD in committee for further consideration.

CSSB 216 (FIN)

SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS

CSSB 216 (FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the day.

#sb216

CS FOR SENATE BILL NO. 216 (FIN)

"An Act relating to the calculation of state aid for schools that consolidate; relating to the determination of the number of schools in a district; and providing for an effective date."

[9:39:42 AM](#)

SENATOR NATASHA VON IMHOF, SPONSOR, thanked members for hearing the bill and the House for working on HB 406, the companion bill. She indicated that the request was brought forward to the legislature by several of the large urban school districts in Alaska who were facing the challenge of student migration out of their districts, leaving under-utilized school buildings with excess capacity. Current state law inadvertently discouraged school consolidation. Analysis showed that districts that might want to

consolidate schools found that any savings experienced through reduced labor and operating costs were detrimentally offset through the reduced income received by the district when students were absorbed into a larger school.

Senator von Imhof explained that currently the school size cost factor contained in AS 14.17.450 was an adjustment factor applied to the base student allocation (BSA) which gave smaller schools more money per student and larger schools less money per student under the theory that small schools were less efficient with higher operating costs per student. For districts that might like to consolidate schools, the fact that they were effectively punished via the state funding formula for school consolidation meant that many were unwilling to even have a conversation about consolidation. Senate Bill 216 addressed the issue. The bill provided a 4-year consolidation transition that allowed a school district to gradually move from their current state aid amount to a lower state aid amount after the consolidation of schools. It was voluntary and simply another tool for districts to use if they chose to. The purpose of the bill was to encourage and incentivize districts to look for excess capacity within their districts through potentially consolidating schools by holding harmless the state revenue received for 2 years followed by a step down in revenue in years 3 and 4 so the district had time to repurpose the asset and reabsorb the associated operating costs. She had relayed the essence of the bill and indicated her staff would continue with an explanation and a review of the PowerPoint.

[9:42:44 AM](#)

JONATHAN KING, STAFF, SENATOR VON IMHOF, introduced the PowerPoint presentation: "SB 216: School Consolidation Transition." He was also available to walk through the sectional analysis after the presentation if needed.

Mr. King began with the school size adjustment chart on slide 2: "Alaska's School Size Factor Adjustment AS 14.17.450(a)." He indicated that the figure showed Alaska's school size factor adjustment in AS 14.17.450(a). It was part of the school funding formula used to provide smaller schools with slightly more money than the state provided to larger schools. He explained that for each individual school the state counted the number of students, the

unadjusted average daily membership (ADM). For the individual school the state located where they sat on the curve. The curve provided the multiplier used inside the school funding adjusted. He noted that the shape of the curve went up on the left-hand side and went down on the right-hand side. In terms of funding, in a smaller school kids counted for more than kids in larger schools.

[9:44:06 AM](#)

Mr. King moved to the graph on slide 3: "Effect of the School Size Factor on Consolidation: Example 1." The problem the bill tried to address could be seen on the slide. The curve followed exactly the same curve on the prior slide. However, it showed the distribution of schools inside the Anchorage School District. The district was large enough to provide a large range of schools and the same shaped curve as before. He highlighted the 2 green dots on the page. He presumed that the 2 schools represented by the green dots wanted to consolidate and that the space in one of the existing facilities was large enough to bring the kids from the other school over. Currently, there were 2 schools; one with 755 students and one with 798 students. Their school size factor adjustment, according to statute, was equal to 1.06 and 1.05 - the multipliers that their ADM received in the state funding formula prior to consolidation. In combining the two schools, they became the red dot further to the right of the curve marked by the numbers 0.95 (the new multiplier) and 1553 (the new number of students). Before consolidation, the 2 schools would have received \$11.8 million in state aid. After consolidation with the drop down to the curve to the right, they received \$10.6 million in state aid. There was a difference of \$1.2 million. At the same time, they ended up with a drop in local funding because the maximum amount of funding a school could receive was a function of the total basic need calculation for the state. The schools lost an additional \$250,000 in local funding. The hurdle for the school district was whether it would save more than \$1.5 million. The funding the school would receive from state and local sources by combining the 2 schools was \$1.5 million. The question was whether the school would save \$1.5 million. If not, there would be a net loss to the school district. He suggested that when school districts did the calculations, they found that their drop in funding was greater than their estimated savings, at least in the short run.

9:47:03 AM

Mr. King continued to slide 4: "What the Bill Does: Section 1." He relayed that Section 1 removed the disincentive by providing a 4-year transition period for consolidating schools. In years 1 and 2, the school would preserve 100 percent of the pre-consolidation per student funding. In the prior example where the two schools were combined, for the first 2 years after consolidation their school size adjustment factor would be held stable at 1.06 and 1.05 on the prior slide. In year 3, the consolidated schools would start transitioning to the post-consolidation funding amount. They would receive the post consolidation amount plus 66 percent of the difference between pre and post consolidation. In year 4 they would receive 33 percent of the difference plus the base amount. After year 4 the school would receive standard funding as provided for in AS 14.17.410.

Mr. King reviewed slide 5: "What the Bill Does Not Do: Section 1." The bill did not change the school size funding formula in AS 14.17.450. The curve would not be affected and would not change anything for those schools that did not consolidate. For example, if Fairbanks had a consolidation and Mat-Su did not, there would be no funding effect to Mat-Su. It would only affect Fairbanks. Even within Fairbanks, it would only affect the portion of funding that was associated with the schools involved in the consolidation. The calculations associated with schools that were untouched by consolidation and did not have boundary issues would not be included. The legislation did not encourage districts to build new schools for the purposes of consolidating existing schools. He noted there was a prohibition within SB 216 to use a new facility. An existing facility had to be used. It did not allow schools to reopen or reconsolidate in order to take inappropriate advantage of the consolidation transition. In other words, there were limits on going back and forth. One thing heard in public testimony was that there was no better way for the school districts to get more money than by staying at the status quo. Under the status quo, school districts had the incentive to have the smallest schools possible because they received the most funding associated with the curve. The goal was to move away from the status quo, change the thinking about the status quo, and make consolidation

potentially more attractive. The tool was available to school districts who wanted to use it.

Senator von Imhof added that in Section 1 the bill was not costing the state any additional funds. In fact, she pointed out that there should be savings in year 3 and year 4 when the state began to drop down the revenue calculation. In year 5, the state would be paying a new revenue calculation which would be much less than it was currently. She emphasized that consolidation was voluntary. The goal was for schools to have 4 years to figure out a way to repurpose the school. The bill did not address how to repurpose the school. It was entirely up to the district and the board to determine each specific property and how they wanted to handle it. She had found, that for a typical elementary school in the Anchorage School District the savings would eventually be about \$600,000. She suggested that if a high school were to theoretically close or be consolidated, the savings would be about \$1 million per school in the Anchorage School District. The goal was to use existing infrastructure more efficiently rather than constructing new buildings.

Mr. King noted that the savings numbers were per school per year rather than in total.

[9:52:24 AM](#)

Mr. King advanced to slide 6: "What the Bill Does: Section 2." He reported that Section 2 provided single school communities to fully utilize the capacity of the existing K-12 buildings that they had. There was a provision in AS 14.17.905 that stated that in communities where there was a single K-12 school, they would lose funding when their ADM exceeded 425 students. Currently, under AS 14.17.905, the funding formula for a rural community with 1 K-12 school with 1 to 425 students stated that they would be treated as if there were 2 schools. In other words, the number of students, 425, would be divided in 2 to equal 2 schools of about 212 students each. The result would be that the schools moved up the curve from slide 2 which provided more funding. When going from 425 students to 426 the school would be treated as 1 school. He suggested that the movement down the curve from 212 to 426 was a loss of hundreds of thousands of dollars to that school district, an unintended consequence of hard coding the 425 number. Section 2 changed it so that when the schools reached above

425 ADM they would continue to be treated as 2 schools. He wondered why the state would want to do that. He suggested that under the current situation, when the student count went from 425 to 426, all of a sudden, maintaining the K-12 school became less desirable. It also increased the incentive to build a new school in order to have 2 brick and mortar schools to maximize funding under the existing state statute. It was much less expensive for the state to remove the artificial barrier of 425 students keeping districts in schools with capacity greater than 25, than it was to build a new school for tens of millions of dollars.

Senator von Imhof explained that the provision came about when exploring the legislation for larger school districts. The particular issue was brought to her attention and was the reason for Section 2. She noted that it was for communities with a single K-12 school. It was specific to the type of school as well as a specific size of the community. The definition of "Community" was in the bill. It was for communities that meet the criteria. Currently, only one community qualified. She did not want the state to pay for another new school costing tens of millions of dollars when an existing building had excess capacity and was working fine for the community.

Mr. King indicated there was another example, but it was up to the will of the committee if members wanted to see a more detailed example. Co-Chair Foster thought that the committee was okay without the more detailed example.

Mr. King offered to walk through the sectional analysis. Co-Chair Foster encouraged him to do so.

[9:57:21 AM](#)

Mr. King read the sectional analysis for SB 216:

Section 1: AS 14.17.410(b)

Adds new language to AS 14.17.410(b)(1) to provide a "consolidation transition" that allows a school district to gradually move from their current state aid amount to a lower state aid amount after consolidation of schools and describes how and when the consolidation transition can be used.

(H) Specifies how state aide during the transition period will be calculated. The "pre-

consolidation" and "post-consolidation" formula remains the same; the bill will only change how quickly the "post consolidation" amount is instituted:

(H)(i)

Consolidation Years 1 & 2: The district will receive the same funding as if the consolidated school was still separate schools.

(H)(ii)

Consolidation Year 3: The district will receive 66% of the difference between funding from pre-consolidation and post-consolidation.

(H)(iii)

Consolidation Year 4: The district will receive 33% of the difference between funding from pre-consolidation and post-consolidation.

Sections (I) - (L) specify conditions where the "consolidation transition" may not be used.

(I) When the "transitional" state aid amount would result in lower funding than under the traditional funding formula.

(J) When a school district is already receiving additional state aid due to the Hold Harmless Clause in AS 14.17.410(b)(1)(E).

(K) If a new facility was constructed in order to consolidate schools.

(L) If the school was reopened and reconsolidated within the past seven years.

(M) Requires the district to provide the necessary information and calculations for the Department of Education and Early Development for verification, including a student count by school for the schools involved in the consolidation.

Section 2: AS 14.17.905

Adds a new subsection that allows a school that services grades K-12 in a single building and has an average daily membership (ADM) greater than 425 to be considered two separate schools for calculating state aid.

Section 3: AS 14.17.410(b)
Makes this Act applicable to schools which consolidate on or after the effective date of this bill.

Section 4: Effective Date
Provides for an immediate effective date.

Mr. King was available for questions.

Co-Chair Foster reviewed the list of available testifiers.

10:01:18 AM

Co-Chair Seaton referred to Section L regarding a school being reopened and reconsolidated within the past seven years. He asked if the language meant just under the proposed program. Mr. King responded only if the school received the funding transition under the proposed program.

Co-Chair Seaton presented a hypothetical scenario in which a school was currently closed and was reopened. He thought the school could qualify for the change for reconsolidation for the following year. Mr. King replied that he was correct. If there was a school that was currently closed, reopened, reconsolidated, and closed again, it could qualify under the section. He had heard from the district that it took about 2 years to reopen a school and 2 years to close a school. It was a painful process for districts and for families involved. Families got very attached to schools, particularly with schools that had been opened for a while. Although the bill was creating an additional tool, it did not mean that consolidation was a done deal. It was something for districts to consider, but there was a political process to go through to do so. There would be significant costs associated with reopening a school. He thought it was important to consider the pragmatic hurdles.

10:04:13 AM

Co-Chair Seaton asked for a breakdown of cost savings. He asked for information about the savings associated with the closing of a school and repurposing it.

Mr. King referred to slide 8 which presented an example of 5 schools shrinking down to 4. The example was of the Anchorage School District. He noted the district cost

factor in the yellow box of 1.00. In the very lower box, if the Anchorage School District was to take 5 elementary schools and consolidate them down to 4, their loss in funding would be about \$800,000. He thought Representative Seaton was asking what the savings would be to the districts. He had the information in his office. It showed that a district would lose a principle, operating costs for the building, and custodial support staff. The cost savings would be about \$500,000 to \$600,000. The district would be in the hole \$200,000 even accounting for closing. He highlighted the issue of transportation costs. There had been questions in other committees about having fewer schools and larger boundary areas resulting in more time on the bus for students. There was a question about elementary students spending 40 minutes per day each way on the bus. The Anchorage School District had testified that it was committed to making sure kindergarteners were on the bus for an age appropriate amount of time, which meant adding additional transportation costs. In this particular example, based on what was provided to Senator von Imhof's office, the additional transportation costs would be \$400,000. He conveyed that the school district would be out at total of \$500,000 to \$600,000. The Anchorage School District had been very willing to show its modeling as to its decision-making process.

Co-Chair Seaton asked Mr. King to provide the information.

Co-Chair Foster asked, "That was who again?"

Mr. King responded that it was the Anchorage School District. Dr. Bishop, who was online, and her staff would be able to testify on the issue when they testified.

[10:08:40 AM](#)

DR. DEENA BISHOP, ANCHORAGE SCHOOL DISTRICT, ANCHORAGE (via teleconference), was happy to answer any questions. She had sent in her written testimony. She indicated that the key was the operational side. She spoke of Anchorage recently passing a bond initiative. She was aware that the bond debt reimbursement program at the state was on hiatus until 2020. She suggested that while the bill was addressing the operational costs of a school and the movement to close it, Anchorage had a number of facilities that were built in the 1950s, 1960s, and 1970s. She reported that about 44 to 45 percent of the district's facilities were built prior to

the 1970s. The district was finding buildings that were used for life and had to put money into them. The district was happy to put money into them which the community supported. However, the district wanted to be responsible. If and when the state bond debt reimbursement came on, the district would ask the state for support in making its public schools more efficient.

Dr. Bishop continued with her testimony relaying some of the questions the district received in prior testimony. Many questions were about how to gain in the system and whether school districts would participate. She felt the district was taking the hard road to be responsive to the community. People loved their schools. She was aware of how the city had grown in different areas and where the new buildout would be. There might be new investment needed in other areas and some reduction in other parts. Presently, there was a report about the district being able to find efficiencies in a couple of schools. The bill would assist the school district in the type of transition that would be a 2-year process. The district wanted kids to be able to matriculate out, while at the same time having high quality education. The district would never receive more money that it received presently. In the end, it would always be less. She reported that it was difficult to convince a community to do it to itself. She reported that the district had been modeling the issue out to many schools within the district. The models found the district with less money in the end. In terms of the district's accountability and responsibility to the state about capital, she thought the district needed to start thinking bigger. Having acknowledgement through legislation would help to make the transitions good places to be for teachers, parents, and students.

[10:12:20 AM](#)

Representative Guttenberg asked Dr. Bishop how she responded to the criticism that the school district had decided to move to smaller schools because of more money coming in per student. He indicated she had taken a gamble that failed. He had heard it was a bail out.

Ms. Bishop responded that she could continue to keep small schools. She testified that Anchorage's schools were neighborhood schools. The district had grown substantially. The district was putting up schools because in the 1970s

and 1980s it was growing so much. Anchorage was larger and more spread out, but there was not a gamble to build small schools. They were schools with 400 kids. They were large schools, as Anchorage was an urban district. The argument was about making good decisions because enrollment was declining. She could keep schools at 50 percent capacity and the funding would continue to come from the state. However, she did not feel it was right. She was willing to stand up and say the district believed in education and wanted education for the twenty-first century. The district did not want to ask tax payers to put revenue into taking care of a building the district did not need. She suggested that the district was looking at sharing resources and pulling staff together to bring more opportunities to kids. She was looking at the situation as a cup half full. She would love to speak to anyone that thought it was a failure. She argued that if things were left alone the state would not be keeping account of its own resources. She relayed that in Anchorage the state was paying 60 percent of the district's bill.

Co-Chair Foster recognized Representative Tilton and Representative Thompson at the table and Representative Harriet Drummond in the audience.

[10:15:25 AM](#)

Vice-Chair Gara thanked Dr. Bishop for being so vocal on behalf of Alaska's students. He thought the bill made sense for the reasons that were stated. However, he wondered how the legislature could pass a bill which benefited some school districts but not others. His district would benefit but, for example, Lake and Peninsula School District would not. It was not the fault of the bill, as it was trying to create a problem in the foundation formula. He asked if Dr. Bishop preferred to have the bill content be part of a package that perhaps included an increase to the base student allocation or an upgrade to the pupil transportation formula. He wondered about the best way to provide equity to schools across the state and a quality education. He wondered if it would be better to have it as part of a package with other things included as well.

Ms. Bishop responded that school districts around the state would benefit from an education omnibus bill that included smart thinking about investment in education whether it be transportation or the BSA. The Anchorage School District

subsidized transportation in the amount of about \$2.5 million per year to provide the bussing system in Anchorage. In addition, looking at investing in education overall with an increase in the BSA and a full package of education would be favored. She advocated for a curriculum bill as well. She did not think the bill did any harm to districts such as the Lake and Peninsula School District. She was aware that the Lower Yukon School District favored the bill. She was happy to have a conversation about supporting school districts in many different ways.

Vice-Chair Gara thought the points in the bill made sense. However, even with the bill, unless there were other changes, Anchorage faced about 100 additional staff losses. He asked if he was correct.

Ms. Bishop responded that the school district had over 90 reductions in the current year. She elaborated that 50 of the reductions were certified staff including principle, teachers, and counselors. She opined that it took more money to do business in Alaska. She believed the state should invest in education, as it was the cornerstone of democracy. She could not speak enough about investment in education. The operations and the BSA were key paramount programs.

Vice-Chair Gara agreed that the legislation was a piece of the puzzle and understood the inequity the bill attempted to correct. He appreciated Ms. Bishop's testimony.

[10:20:29 AM](#)

Representative Pruitt thought the bill was very important. He asked Ms. Bishop if she expected a savings of about \$647,000 with the reduction of one school.

Ms. Bishop responded, "Absolutely." She indicated the district had done some scaling out of numbers and elementary was about a \$600 savings in the long run looking out 5 years. Middle schools ranged between \$800 and \$1000. She indicated that the savings was a moving target because of the ADM and the formula. She suggested that if the school district was to look at bringing a building offline, there would be an initial input of funds to be able to move furniture or repurpose another area. The district would have to upgrade a space to an acceptable condition for classroom use. She also mentioned not wanting to give up

long-term maintenance for a school not in use, because it was still responsible for maintaining the space. In Anchorage, the school buildings were owned by the city. She suggested that future bonds might help with re-use. The school district was also considering moving some of the charter schools that were renting facilities into other school facilities not in use. She thought another piece of legislation offered first use of a facility for another purpose. The school district was exploring using some of the facilities for other purposes such as preschools. The district was looking at how to utilize facilities to support education in the entire city. She concluded that as part of a long-term plan, it would be best not to have to immediately put revenue into a building for capital. Instead, the district could work out the operational costs over time. She thought the district would try to provide a 2-year buffer to matriculate kids out of primary, secondary, and middle school. The district would want to work with the city, parents, teachers, and students on the issue. She believed the district could find savings in the long-term. The school district's model was built off of a long-term plan.

Co-Chair Foster indicated that floor session would begin momentarily. The committee would resume later in the day. He recessed the meeting to a call of the chair.

[10:25:10 AM](#)

RECESSED

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RECONVENED

Representative Grenn stated there had been spurts of building elementary schools. He asked when the last batch had been built. Ms. Bishop answered it had been over 10 years.

Co-Chair Foster OPENED public testimony.

DR. LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, spoke in support of the bill. She relayed that although the bill impacted the Anchorage School District and the Lower Yukon School District, there were potentially other school districts that would use the legislation as a tool and had indicated interest. The reason her entity supported the bill was because it was

voluntary. She appreciated Dr. Bishop and Dr. Picou looking at efficiencies in their districts and what they need to be doing to support their local communities. She hoped the committee would consider the bill as another flexibility tool to provide for school districts if they deemed it necessary for their communities.

Vice-Chair Gara thanked Dr. Parady for her work in education. Since she represented many different officials across the state and because she was testifying on behalf of the bill, he assumed that the officials from areas that would not benefit from the bill believed in lifting other boats up. He asked if he was correct.

Ms. Parady replied that across the state the council recognized that each district was doing whatever possible to look at their efficiencies and what they needed to do in support of their students. There was a general amount of support for school districts across the state. The districts were supportive of doing what was best for their local communities. The recognition of local control, which was held dearly, was true with the current legislation. If the bill was mandatory she would feel differently. She continued that the fact that the bill benefited the Anchorage School District and potentially other districts and did not cause harm to other districts, the districts supported each other. She added that the bill had been well thought out by the districts seeking the bill.

[1:42:29 PM](#)

Representative Guttenberg asked about what a school district could do in a situation where inefficiency existed for a long time and where reorganization into a consolidation program should be applied. He did not believe the state had any tools to address a situation where even though a school fell below a certain level or a certain attendance record, it was still more cost effective to remain as-is, even with inefficiencies. Ms. Parady would have to think about the response; she was not prepared to make a recommendation presently.

Co-Chair Seaton was concerned about unintended consequences or uses. He had mentioned subsection 1 under Section 1 of the bill. The section indicated that if the school was reopened and reconsolidated in the previous 7 years, it would not be able to use the tool. He wondered if any flex

schools or magnet schools had closed, reopened, and reconsolidated. He asked if Ms. Parady was aware of any circumstances where his example would be the case. The last thing he wanted to do was create legislation in which people could take advantage of a system for something other than what it was intended.

Ms. Parady thanked Co-Chair Seaton for considering unintended consequences. She was not aware of any unintended consequences with SB 216. She believed Mr. King, in his work with the districts, had considered the different consequences. She reiterated that the safeguard was that the bill was voluntary. She added that regarding subsection L, she was not aware of any specific situation that currently applied. She offered to follow-up.

Co-Chair Seaton appreciated Ms. Parady following-up with an answer to his question. He wanted the intent of the bill to be clearly stated. He was not opposed to tweaking the language of the bill to ensure it was as clean and effective as possible.

[1:47:27 PM](#)

Representative Ortiz asked if there was any potential impact particularly in rural areas where school choice issues were a concern. He asked if the bill had been vetted by members of the association and whether they had expressed any concerns. Ms. Parady replied that she was not sure there would be the capacity to use the bill in rural areas. She was unaware of any situations that would impact the rural areas. In meetings with superintendents recently, she reviewed the bills that were moving in the legislative session and did not hear any concerns expressed about the bill. She reiterated that Dr. Bishop had done considerable work and had a very good understanding of her district. She had advocated that for the Anchorage School District, the legislation was appropriate. There were other districts that saw the legislation as a potential tool but would not be mandated. Currently, the bill would support a couple of the school districts represented by the council. There were also other districts that thought the bill provided a new tool. She did not see any negative impact to rural Alaska. The bill was a flexible tool. The school districts needed many tools.

Representative Kawasaki spoke about a decline in school enrollment in Fairbanks in recent years. The city was now expecting a ramp up in enrollment. He asked if there had been consideration of the cyclical nature of enrollment. Ms. Parady deferred to Dr. Karen Gaborik regarding Representative Kawasaki's question about Fairbanks and rolling enrollment. She also deferred to Mr. King on specifics.

Mr. King replied that the school districts had to be looking forward. In the case of the Anchorage School District and the Mat-Su School District, they conducted forward-looking projections of their expected enrollment. Kids did not show up instantaneously. They had to be born first. The state had birth records and records of Permanent Fund Dividend (PFD) enrollments. The state could see what was coming. He noted that twice per year the Anchorage School District looked ahead 6 years. He relayed that the professionals managing the systems were aware of the issues. He reiterated that it took 2 years to open a school and 2 years to close a school. He believed long-range thinking was required and reminded members that districts had to go through a public process. He thought it wise for a school district to consult with its citizens. The process lent itself to long-range thinking. The bill contained provisions that did not allow a school to reopen and reconsolidate a school earlier than 7 years. However, a significant portion of the timeframe was just what was needed to start the planning. He did not think the districts would be switching schools on and off like a light because of the tool provided in the bill.

[1:53:50 PM](#)

Representative Guttenberg provided an example, Rampart School. Rampart, Alaska was forced to close their school because of going below the student minimum. Young leadership came in and brought people back. They reopened the school and the community was vibrant again. He wondered if there were traditional dollars available for shutting down and then reopening again. He asked how it worked in a case such as his example.

HEIDI TESHNER, DIRECTOR OF SCHOOL FINANCE, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, reiterated Representative Guttenberg's question that if Rampart was closed and then reopened because they had enough students, would they come

to the department requesting permission to reopen and have it counted on the attendance list in October. A minimum of 10 students would be required to open the school.

Representative Guttenberg asked if transitional support was available after shutting down a school then reopening it. He relayed a number of things were needed to reopen a school. He asked if transitional funds were available following a forced shutdown in order to reopen. Ms. Teshner replied that typically the school district would go through a process of determining whether to reopen a school. They would go through the process of finding funding and hiring teachers. The state did not have anything in the way of statutes or the transitional funding. They would have to find money through revenues.

Representative Guttenberg surmised that there was no support. One day they were open and one day they were closed. Ms. Teshner answered in the affirmative.

Co-Chair Seaton acknowledged Representative Gary Knopp in the audience.

Vice-Chair Gara stated there was a four-year step down. If a district consolidated a school, it might suffer a penalty by receiving less funding under the foundation formula. He understood the committee was trying to resolve the loss of funds for some of the school districts, He did not believe the 4-year step down magically indicated the school would find the exact amount of efficiencies to make up for the loss. He thought that at worst, it was a way for schools to figure out how to adjust their finances over the 4-year timeframe. It was unclear how much efficiency would be made up in 4 years. At worst, it was a way for schools to figure out how to adjust their finances: At best, they would find efficiencies. He was not sure the district would be able to find the exact amount of efficiencies in 4 years with a step down. He asked if he understood correctly. Mr. King replied in the affirmative. There was nothing to say that 4 years was the perfect number. He had not heard any negative testimony about a 4-year period. It seemed like 4 years was a reasonable number. It was another tool in the tool box. The bill was voluntary and gave districts the opportunity to go through the process as they saw fit. Vice-Chair Gara thought it would be impossible to hold someone to modeling more precisely.

1:59:09 PM

ANDREW LEAVITT, LOWER YUKON SCHOOL DISTRICT, MOUNTAIN VILLAGE (via teleconference), read a letter from the school superintendent:

Dear Senate Education Committee Members,

I have been a teacher, a principal, and a superintendent in both rural and urban Alaska for the past twenty years. On behalf of the Regional School Board, the families of the Lower Yukon School District, and the staff of the Lower Yukon School District, this testimony is in support of Senate Bill 216: SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS.

We are in support of Senate Bill 216 for the following reasons:

1. Hooper Bay is a growing community with a population of 1275. The Hooper Bay School is the largest school in LYSD. The current enrollment is at 449, well beyond the 425 specified in AS 14.17.905.
2. Every school in Alaska is funded proportionately according to its ADM during a twenty-day count period. According to the current language of AS 14.17.905, Hooper Bay School is the only school in Alaska that actually gets penalized for an increase in student enrollment.
3. In current form, the provision in AS14.17.905 that calculates funding for a school with an ADM over 425 as one school instead of two schools would equate to a reduction in revenue of \$1 M. A reduction in school funding of this size would have a very detrimental impact on children in the Lower Yukon School District.
4. The Senate Bill 216 provision correction of AS 14.17.905 in Sec 2 would hold the children of LYSD harmless from the unintended consequences of legislation that was written in 2001. In the original language of AS 14.17.905, this unintended consequence was anticipated, and

Hooper Bay was specifically mentioned in deliberation.

For these reasons and many more the Lower Yukon School District supports Senate Bill 216 and thanks you for elevating the unintended consequences of AS 14.17.905 that would have the delirious impact on the quality of education offered to the children of the Lower Yukon School District.

Sincerely,

Dr. Rob Picou

Co-Chair Foster asked Mr. Leavitt to pass on regards to Dr. Picou. He was aware the doctor had been online earlier in the day.

[2:01:49 PM](#)

AT EASE

[2:02:04 PM](#)

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REPRESENTATIVE HARRIETT DRUMMOND, CHAIR, HOUSE EDUCATION COMMITTEE (via teleconference), relayed that the House Education Committee passed the House companion bill HB 406 sometime previously. She thought some of the questions posed in the meeting had been interesting. She spoke about her past experience as a school board member. She relayed that in the nine-year period she served on the board the Anchorage School District's population grew from 40,000 students to about 50,000 students. In that 9-year period, the Anchorage School District built nearly \$500 million worth of school buildings including new school buildings, expansions, renovations, and additions.

Representative Drummond reported that she participated as a school Board Member in 2 district-wide boundary changes; the middle schools and the high schools. It had been one of the most tumultuous periods for the Anchorage School District. The district built 2 new middle schools, Mirror Lake Middle School and Goldenview Middle School, with a bond issue that passed in 1994. The boundary change for middle schools was not as difficult because some of the middle schoolers had new schools to go to. However, the high school boundaries had to change because many of them

were overcrowded and some had space. The district had not built new high schools in the 9-year period. The process was terrible because the district was moving kids around to even out the population between schools. She expressed sympathy for Dr. Bishop in having to make similar transitions like the proposed consolidation of 5 elementary schools to 4. Often parents purchased their homes to be close to a particular school. It was difficult for the district to have to tell those parents that it was going to close that school and their children would have to get on a bus to go to school a couple of neighborhoods away. She opined that it was disconcerting and a problem in communities. She understood Dr. Bishop's wish to take the transition slowly.

Representative Drummond continued to elaborate that teachers traveled with their students. The school's administration positions went away once the transition process of a consolidation was complete. She noted that the Anchorage School District had the largest square footage of real estate in the state of any single institution. There were over 90 schools and several facilities and support. She advised proceeding very carefully with seeking to make large changes.

JIM ANDERSON, CHIEF FINANCIAL OFFICER, ANCHORAGE SCHOOL DISTRICT, ANCHORAGE (via teleconference), clarified areas of concern that had been expressed. There was a perception that Anchorage had done some poor planning in the past and was the reason the district was looking at consolidating schools. However, it had more to do with changing demographics and a declining student population. Anchorage had lost more than 2,200 students. The schools were originally built based on the population needs at the time. The district had not opened up a new elementary school in about 20 years or a new high school in about 10 years. He also noted the topic of whether Anchorage would attempt to close a school, open it back up in 2 years, close it, and reopen it in 2 years. He conveyed that the amount of time, effort, and energy to get ready to close a school was incredibly time consuming. He could not imagine a scenario where it would occur.

[2:07:42 PM](#)

Co-Chair Foster CLOSED public testimony.

CSSB 216(FIN) was HEARD and HELD in committee for further consideration.

#sb102

SENATE BILL NO. 102

"An Act relating to funding for Internet services for school districts; and relating to the Alaska higher education investment fund."

2:08:18 PM

SENATOR ANNA MCKINNON, SPONSOR, explained that SB 102 was a mirror image of a bill that was passed in 2014 to create better equity among school districts and being able to provide and communicate over an internet system. In 2004, the legislature created the Broadband Assistance Grant (BAG) program and chose a speed of 10 megabits per second. The bill before the committee moved the speed from 10 megabits to 25 megabits. She chose the number because she had been told that school districts around Alaska had the infrastructure, the hard units, available. The nationally and federally recommended speed was 100 megabits. She was shooting for that number but was a long ways off. She relayed that SB 102 was written to provide educational equity to rural schools. She wanted to provide rural access with similar abilities to virtual education or communication as urban schools currently had. She argued that the best thing the bill did presently was that for every dollar the state contributed, it leveraged \$8 from the federal government to try to create equal access opportunities for Americans.

Senator MacKinnon surmised that the most contentious issue relating to SB 102 was the funding source from the Alaska Higher Education Fund. There was concern that, because the legislature had reduced the interest rate, the risk level, and the return plans for the Higher Education Fund, the bill would somehow erode the value of the Higher Education Fund specifically as it paid out to the Alaska Performance Scholarship. There was another bill that sat in the House Education Committee that she did not think would move. It tried to streamline the fund so that it only paid out to the top tier. The committee chairman, who had the bill, was a huge advocate of education. The Senate had offered a suite of bills, and SB 102 was a part of that. It was the Senate's belief that the Alaska Performance Scholarship

needed retooling. She reported that the Higher Education Fund was earning interest that would meet the current call on cash that was anticipated. For the following 10 years there should not be a problem in providing access. She referenced the Kivalina School as an example. She had blamed adults about fighting over the location or structure of the building while students were sitting with buckets and water dripping through their ceilings. As adults were arguing about such things, students were put in very different positions. She relayed that the state had designated general funds that had been spent to improve education that were sitting in the Higher Education Fund - the reason the Senate Finance Committee recommended the use of those dollars for the project in SB 102. It leveraged \$1 to \$8 for the state's students at a time they currently needed it.

Senator MacKinnon reported that she could not ask for a general fund spend. She relayed that if the bill was changed to reflect a fund source of general funds, she was doubtful there would be enough support for it. She clarified that her comment was not meant as a threat, but rather as a statement of fact. The state had some money set aside for education, and the Senate chose the fund source from the Higher Education Fund because the BAG was already coming from that fund. The state did not have additional general fund dollars to spend on increased internet speed. She deferred to the committee.

[2:13:32 PM](#)

Co-Chair Foster listed individuals available for questions.

Representative Wilson asked, aside from the 191 schools, who paid for the internet for the other schools.

BRITTANY HARTMANN, STAFF, SENATOR ANNA MCKINNON, asked Representative Wilson to restate her question.

Representative Wilson indicated that the bill was addressing 191 schools. The Senator had mentioned other school districts making it equal. She asked about the other schools that had a higher megabit speed. She wondered if the schools with the higher speeds paid out of their BSA or other grants. Ms. Hartmann answered that their funds came from the federal E-rate program, the State Broadband Assistance grant, and from the funding formula. She noted

that the federal E-rate program paid 70 percent to 90 percent of the internet bill.

Representative Wilson wondered if the difference was the matching funds. She wondered if the matching funds paid by the other schools outside of the 191 schools were paying it out of their formula monies. The 191 schools would be given additional funding outside of the BSA to make the increase to 25 megabits.

Representative Grenn asked for verification there were 209 schools needing the upgrade. Ms. Hartmann replied that, from research she had done with the Federal Communications Commission, 197 schools would be upgraded.

Representative Grenn asked about an expected turnaround time to get all of the schools upgraded. Ms. Hartmann would have to direct his question to the telecom companies. However, if the money was provided, the upgrades would be purchased immediately or in the following year.

[2:16:40 PM](#)

Senator MacKinnon noted that each school would handle it differently. The money was for the speed, not for construction, hardware, software, or building out a system. That was what providers did on their own. The providers could access other grants at the federal level to be able to provide sources. The bill was about purchasing speed for a school district. Currently, school districts were using BSA money to provide whatever speed they deployed to their students. She reported that buffering was occurring while live streaming videos and other things. The bill provided a way, if the legislature looked at virtual education or classroom-to-classroom peers around the world, Alaska's rural communities would have the needed speed to have a conversation without latency and delay.

Representative Guttenberg asked if Department of Education and Early Development could bring a spreadsheet showing what the state was currently paying for what speeds, the E-rate, the local contribution, and the amount of the broadband Access Grant (BAG). Ms. Hartmann answered that she had the information containing the current E-rate and BAG per school district, and the total cost to each school district. She would provide the information following the meeting.

Senator MacKinnon noted there was information provided by Co-Chair Hoffman in member packets titled "Alaska Schools Under 25MBPS - Federal Communication Commission, Public Reports, 2016" (copy on file) that showed the schools listed with under 25 megabits under the federal program. She could provide a copy if he did not have it in his packet.

Representative Guttenberg noted that in statute speed would increase to 25 megabits, which was not a standard by itself. He conveyed that upload speed, download speed, and latency were almost as critical as the download speeds. He thought she had reported that the additional funds would not be used to pay for upgrades. If they could pay for upgrades currently, he wondered why they were not. The state would not be paying for fiber or new equipment. He wondered why they were not at a certain level.

[2:19:57 PM](#)

Senator MacKinnon answered that all communities had to make choices about where they deployed their assets. Some of the assets were being deployed in classrooms to support teachers. They were making individual financial decisions. Some schools had 1000 megabits because the community had taxing ability to raise revenues. She deferred to her staff.

Representative Guttenberg asked why the ISP providers did not offer the 1000 megabits presently. He stated that everybody on fiber was capable of getting 1000 megabits including Kenny Lake. He asked what was preventing the providers from offering higher speeds since they were available without needing any facility change outs or additional capital projects.

Senator MacKinnon answered it was a business. Businesses offered a suite and a package for a certain amount of money. There was a contract established between the district and the provider based on the cost to deploy the resource at a particular location. There was fiber in some areas, satellite in other areas, and microwave stations in other areas. Each area had its own costs. There was a relationship with someone selling something, internet at various speeds. She felt personally that she overpaid for her service, but it was an individual choice for her. One

of her family members had elected to discontinue cable service due to the cost. It was up to the school districts what they were willing to pay.

Senator MacKinnon furthered that there might not be 1000 megabits available at all of the schools. She believed there was up to 25 megabits based on microwave, fiber, and satellite systems that the state could raise the lowest level to a group of districts and provide additional funding to pay for the additional speed. She found that the costs would go down because the fixed cost for a company to try to recover the rate they were charging was spread over more megabits. The costs would go down. She reported that in 2014, multi-million dollars were fronted by the state. Once the fixed costs were covered over time, the actual speed rate dropped, and school districts' bills dropped. She deferred to her aide.

[2:23:33 PM](#)

Ms. Hartmann replied that she had information from FY 15 through FY 18 regarding BAG statistics. In FY 15 the cost was \$3.6 million, in FY 16 the cost was \$2.6, in FY 17 the cost was \$2.3 million, and in FY 18 the cost was \$2.2 million. She reported that there was a decrease every year of the BAG program.

Representative Ortiz applauded Senator MacKinnon for bringing the bill forward. He spoke to the importance of broadband. He was concerned about where the funding would come from. He pointed to appropriation language in Section 3 of the bill. He asked about the current balance of the Higher Education Fund. Senator MacKinnon replied \$336 million.

Representative Ortiz asked if it had initially been capitalized at \$400 million. He queried if she had concerns about the solvency of the fund and the continuation of the Alaska Performance Scholarship Program.

Senator MacKinnon answered, not for 10 years. She stated that Alaska needed to get its fiscal house in order. The bill was a way to create equity over time. The interest currently being earned on the Higher Education Fund out into the future looked like it would cover the cost, especially if the legislature deployed the resource to receive matching funds and raised the megabits from 10 to

25. Past experience showed that when the legislature invested money at the 10 megabits, the state paid a significant amount up front. Over the years it started sliding down and the school districts were getting the same speeds. She believed the state would see a similar drop. Senator MacKinnon noted that Senator Olson carried the bill on the Senate Floor but was not able to address the issue in House Finance because of the timing of the meeting. The Senate saw the idea as emeritus. She copied his bill and added the 15 megabit speed up to 25 megabits because she saw the merit of the bill passed in 2014. She hoped that the expenses would reduce over time and that the fund would be whole. She emphasized that the finance committee had not chosen to use the Higher Education Funds on other proposals. However, the other BAG programs were funded from the Higher Education Fund, which was the reason she chose it as the source for her proposal.

[2:27:39 PM](#)

Representative Wilson referred to a handout that showed the annual call for the internet, the E-rate, the BAG portion, and the school portion. She noted that it was only for the 197 schools. She wondered if there was any information for the other districts outside of those that serve the 197 schools. Ms. Hartmann answered she would follow up with the information.

Representative Wilson wondered why the bill did not use the Power Cost Equalization (PCE) Fund as opposed to the Higher Education Fund. She suggested that the nature of the issue had to do with a utility. The Power Cost Equalization fund balance equaled \$1 billion. She opined that the Higher Education Fund had been robbed for several things. She was concerned the state would have more problems within 10 years.

Senator MacKinnon answered that the PCE Fund had been modified the preceding year to prioritize spending and reduced interest earnings on it. It provided heating assistance and applied to other items to reduce costs in rural Alaska. In addition, the fund was being shared with all communities including Fairbanks, Wrangel, Anchorage, and other communities. All communities qualifying for community revenue sharing were receiving funds from the PCE Fund. A bill had been structured through Senate Finance

with her support in advancing it to provide energy use and community assistance.

Representative Wilson stated that the Higher Education Fund had not made enough interest to pay for the scholarship program and the needs-based program. She was concerned about taking more out of the fund. She relayed a personal scenario about her internet service at home. She also spoke about her son's internet service. She agreed with Representative Guttenberg about the speed of service. Speed was necessary. She thought the amount could go down, but a commitment of more than \$10 million was being discussed. She was very concerned about fairness. She continued that districts all over Alaska were paying for whatever speed they had. She spoke about fairness. She was concerned the bill only pertained to 197 schools. There were other schools trying to do the right thing. She did not want to jeopardize an important program. She thought the scholarship programs were equally important for B and C students. She did not want to negatively impact them.

[2:31:35 PM](#)

Senator MacKinnon spoke about a conversation pertaining to equity for rural states and about equity in education opportunities. She reported that 100 megabits per second (mbps) was the national recommendation. However, because Alaska's smaller communities in more rural locations did not have the same advantage of fiber that could provide lower cost service, the bill was only providing an opportunity of 25 percent of the national recommendation. She agreed there was consternation around the funding source. The funds were set aside for higher education. Should the legislature solve the state's fiscal challenges, there was an opportunity to place more money back into the fund to continue to provide resources for the Alaska Performance Scholarship, the needs-based Alaska Education Grant, and the BAG program. She understood there might be a negative draw on the fund and that it might eat the corpus of the money placed in the account. However, she felt that providing equity for those presently in the system would be helpful.

Representative Pruitt spoke about the funding source. He mentioned a Legislative Finance Division analysis of the impact of SB 102 on the fund. By 2023, the estimated investment earnings would be just over \$15 million while

the total appropriations would be \$35 million, \$20 million being drawn down. He reported the total value at the end of 2023 would be \$245 million. He had concerns about the impact on the ability to earn with less in the account and the residual effects of being able to provide various services. He thought Senator McKinnon had said that the earnings could be covered by what was being asked to be drawn down. He thought it looked like in the estimate that what was provided in the bill could fit within the amount. However, there were other items still being drawn from the fund including the Alaska Performance Scholarship (APS). He asked how he could say it was fiscally responsible if the goal was to be able to provide scholarships in the long term.

[2:35:03 PM](#)

Senator MacKinnon answered that if students were not ready to go to college, they had to take remedial courses. In the Anchorage area there had been a newspaper report that showed that reading and math were below the national average. The bill provided an opportunity to help increase the chances that those that were ready to go to college would be prepared and not have to take remedial classes. She believed the fund had been used as a funding source for two years for items that were not education related. The items had dwindled the fund and the fund had been used for those items in response to Alaska not solving its fiscal challenges. She reported that the state had better numbers at the beginning of the year. But the fund had changed its earnings estimation. She explained that when she had originally started with the bill, the interest earnings were meeting everything in the fund. The numbers had dropped, and she had received them the previous day. She was looking for equity for all Alaskans, mostly those in small communities. She relayed that all of Alaska's school districts could qualify for the E-rate. It was the committee's decision whether it was the correct funding source. The Senate chose to use the Higher Education Fund as the funding source inside of a comprehensive look at education with a suite of bills. The other legislation that would affect this fund was not before the committee. She admitted it was a bit out of sequence with what the Senate's ideas were around the issues.

[2:37:18 PM](#)

Representative Pruitt mentioned remedial classes needed by University of Alaska students. In Anchorage a large portion of students likely came from the Anchorage and Mat-Su areas with access to broadband. He thought it spoke to a larger issue than whether there was access to broadband. He noted a policy call about whether to continue with the scholarship fund. He asked if Senator MacKinnon thought going forward with the bill without another component was appropriate. He reported having objected to using the fund. He questioned whether the committee should go forward with only one piece of a larger package.

Senator MacKinnon commented that each bill stood on its own merits. She deferred to the deliberation of the House. She thought she had made a fair case for smaller communities that were paying high costs for providing educational services. They received the same BSA as other communities that had taxing authority to add to their schools. She noted that all schools in Alaska qualified for E-rate. The cost for internet speed in larger communities was less or might be less than in rural Alaska. She indicated that she was trying to benefit all students. The goal from the Senate Finance Committee was to try to do what was possible to support education. She would explain to people in her district that equal was equal and being able to provide broadband access without latency and buffering meant that the state could deploy a state of the art teacher into classrooms that might or might not currently have the option.

[2:41:03 PM](#)

Vice-Chair Gara appreciated the rural equity goal the senator was trying to achieve. He wondered if 25 mbps would be enough to allow for a large classroom setting. Ms. Hartmann thought the question would be better addressed to the telecom companies or DEED. She had been told that it took 4 mbps to have a face-to-face interactive video. The bill would help increase the ability to livestream.

Vice-Chair Gara reported having spent a fair amount of time in rural Alaska and watched the little circle on his computer go around and around. He asked if all of the school districts listed with less than 25 mbps worth of broadband had enough infrastructure from the telecom companies to provide the 25 mbps. He wondered if internet access would slow down. He asked if the broadband available

to others would slow down or be eaten up. He also wondered if the telecom infrastructure would have to be upgraded. Ms. Hartmann responded that she had recently uploaded letters from the telecom companies that currently provided services to the 197 schools that they were capable to go up to 25 mbps with current infrastructure. She also had a letter from the Alaska Telecom Association confirming the same thing. Regarding Vice-Chair Gara's other question, she would have to research or defer the question to the telecom companies. Vice-Chair Gara did not know the answer and did not expect her to either.

2:44:24 PM

Representative Guttenberg asserted that providing broadband across Alaska was likely the most important thing the state could do for its students. He reported paying more than \$110 for 4 megabytes. He indicated that the GCI map was inaccurate. He mentioned that 3 years prior, the FCC adopted the industry written Alaska plan. Over the course of 10 years GCI would receive \$1.350 billion. He spoke about the telecom companies building infrastructure, which was supposed to increase coverage in remote locations. He noted living 5 miles from the university and reported not having access to service. He was interested in seeing the cost associated with the schools.

Representative Guttenberg wondered if the Senator had queried the telecom companies about where they intended to build out in communities. The Alaska plan was looked at critically by some. He indicated there would be a 5-year look back in about 2 years. He thought \$1.350 billion in subsidies with a minimal amount of build out was way beyond what was being considered in the bill (\$15 million per year). He asked if the senator had asked the telecom companies about where the build outs would enhance communities without additional costs.

Senator MacKinnon thought the providers that were participating in the Alaska plan should be consulted. The telecom companies participating in the Alaska Plan received a benefit from the federal government, which came with strings attached. She noted that for people concerned about the price of internet service going up, the FCC who ran the federal E-rate program, showed all of its data online. The prices reflected the cost continuing to go down.

Senator MacKinnon reported that the FCC had a rule called the "Lowest Corresponding Price Rule (LCP). She explained that the LCP was defined as the lowest price that a service provider charged to non-residential customers who were similarly situated to a particular applicant, school, library, or consortium for similar services. The rule also stated that service providers could not charge applicants a price above the LCP for E-rate program services. She indicated that the state could not force people to build in all rural communities in the state. There were active choices occurring with how many individuals were in a location to receive service. The federal government was trying to extend the stretch and trying to regulate that the lowest cost structure was still provided to those receiving the services. She offered to reach out to the providers on behalf of the House Finance Committee. She thought their plan had investment in infrastructure costs every year. However, the state did not direct where providers built out.

[2:48:16 PM](#)

Representative Guttenberg relayed that the state was providing \$1.3 billion in subsidies which did not cover E-rate, rural clinics, or FirstNet. He thought there was an intangible public purpose for the legislature to see that an infrastructure build-out happened. He frequently had discussions with industry people in which he posed the question about when infrastructure would be built. He reported that there was no square answer from industry folks. He reiterated the need for additional infrastructure with the amount of money going into Alaska in subsidies. He indicated that the chairman of the FCC criticized the lack of infrastructure build-out in Alaska. He thought it was untenable that, at the end of a 10-year period, there would be no substantial infrastructure in place. He felt policy makers would be faced with continued escalating costs. He agreed with the bill sponsor that Alaska's kids and businesses were owed an infrastructure to allow them to function at their highest level. He reiterated that he lived in sight of the University and the mappings were inaccurate. He continued to criticize the telecom companies. He appreciated the senator's efforts.

Senator MacKinnon clarified she was not representing telecom companies. The bill represented students and school districts in Alaska. She believed that the legislature had

reached out to telecom companies to understand how they were providing service and some of their challenges. In no way was she trying to direct a single dollar towards any individual private sector person. However, private sector companies were providing the services. She emphasized that she was not in communication with telecom providers with the exception of asking questions.

Representative Guttenberg clarified that he had not been inferring anything.

Representative Wilson wanted to understand how the calculation had been made for the figure of \$13.4 million. She suggested that \$2.5 million applied to the 197 schools. She had hoped to have a discussion about other options after seeing how the calculation was applied. Senator MacKinnon answered that the department was prepared to address the fiscal note.

[2:52:43 PM](#)

Co-Chair Foster OPENED public testimony.

DAMON HARGRAVES, KODIAK ISLAND BOROUGH SCHOOL DISTRICT, KODIAK (via teleconference), testified in support of the bill. He relayed that in Kodiak bandwidth offered options for its students. Many of the district's sights had one high school teacher available locally. Bandwidth provided access to high quality teachers and provided students in the smaller schools with access to as many as a dozen or more teachers. He continued that live video connections between students and teachers for each distance class was crucial. The Kodiak School District was currently limited to 2 simultaneous video connections at most sites. An increase to 25 mbps would help the district to deliver 4 or more simultaneous connections to each of its sites. The district, with increased bandwidth, would also be able to offer more classes including welding. The course was taught and facilitated by a teacher in Kodiak at the high school. He continued he was able to offer a better experience. [The testifier's call dropped off].

[2:54:45 PM](#)

LUKE MEINERT, YUKON-KOYUKUK SCHOOL DISTRICT, FAIRBANKS (via teleconference), spoke in favor of the bill. He thanked members for supporting the bandwidth assistance grant in

the past. The grant provided a positive impact on the educational opportunities the district provided its students. Because of this impact, he encouraged members to support SB 102. The Yukon-Koyukuk School District had 10 rural schools in the interior of Alaska. 98 percent of the students in the villages were Athabaskan and 8 of the 10 villages were only reachable via air service, with all school internet being delivered by satellite or a microwave connection. Very few homes in the area had internet connections and there was no cell service. Each school's internet costs for a 10-megabit circuit was \$16,000 per location or \$160,000 for each of the district's 10 schools prior to E-rate and the BAG contribution. The internet at the school was a lifeline for their communities. Securing more bandwidth for the district's students was not possible without assistance, given the district's challenging budget constraints. He relayed the estimated costs of expanding the bandwidth without assistance. The district was more and more reliant on internet service for education. He spoke to the equitability of educating rural students through distance learning with additional bandwidth being made accessible. He indicated that to continue to improve student outcomes additional bandwidth was necessary. He asked that members consider supporting an increase to the bandwidth from 10 megabits to 25 megabits. He thanked the committee.

Representative Guttenberg asked who provided the district's bandwidth. Mr. Meinert answered, "DRS Technologies is our carrier."

[2:57:47 PM](#)

DAVID NEESE, SELF, ANCHORAGE (via teleconference), believed increasing bandwidth was a good idea. However, internet service was provided by 2 companies in Alaska, GCI and DRS. He relayed that DRS had the ability to increase it but cost much more. None of the letters included in the documentation showed what the amount would be to go from 10 to 25 megabits. He reported that 4 megabits per device were necessary to have video. If a school had 5 devices streaming could occur on 4 of them. Other activities on the internet such as accounting would likely drop off. He referred to the last section of the bill that noted "any amount" from the fund. He believed those words should be removed or a cap should be included. He argued that the legislature would be funding internet at the school for

elementary kids and taking it away from college kids. He reported that at Dot Lake School, the cost per child was \$30,000 for internet at 10 megabits. He argued that "any cost" would be difficult. He encouraged legislators to consider that the state was helping to subsidize a monopoly, GCI in most of the villages, instead of promoting competition. He relayed that ACS had sent a letter to the FCC complaining that GCI had a monopoly in rural Alaska. The bill did nothing to break the monopoly up. He was worried about the fund source to solve the problem. He did not support the bill in its current form and recommended looking at another funding source.

[3:01:05 PM](#)

AT EASE

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Mr. Hargraves continued his earlier testimony. He shared that the Kodiak Island Borough School District offered Career Technical Education (CTE) courses including classes in welding through distance, which were heavily reliant on connectivity. The school was the best location for reliable internet. He shared that many home school students came in to use the internet. He noted a decline in enrollment in rural schools. He attributed it partial to limited options. Increased bandwidth would increase educational opportunities for students. He also mentioned opportunities for professional development was impacted by connectivity. Kodiak had cut down on travel for professional development and was now focused on videoconferencing capability for training. He relayed that the bill would impact 8 schools within his district. He anticipated that the Kodiak Island School District would see a benefit of about \$400,000. Upon the passage of the bill, the school district would be ready to implement immediately; it had the personnel, the expertise, and the local hardware in place. He asked members to support the bill.

Representative Guttenberg asked what the district was paying for 10 megabits currently. Mr. Hargraves did not have the numbers on hand.

[3:04:59 PM](#)

BILL BURR, DELTA/GREELY SCHOOL DISTRICT AND ALASKA SOCIETY OF TECHNOLOGY IN EDUCATION, DELTA JUNCTION (via teleconference), testified in support of the bill. He spoke to the technical side of delivering broadband, going from 10 to 25 mmbps. The cost of increasing bandwidth in rural areas was high. Flat funding did not afford the school district to put money towards increased internet service when other costs were higher. He pointed out the ratio of 5:8:1 federal dollars through the E-rate program. Every dollar set aside to increase the bandwidth came with more money from the federal government. He believed the bill was an opportunity that should not be passed up. He talked about the incredible opportunities that would come with additional bandwidth. He needed bandwidth in order to reach out and participate in the modern world. He stressed the importance of the funding. He shared that the Delta/Greely School District was not one of the BAG communities. The district was in full support of rural communities that did not have schools at 25 megabits.

Vice-Chair Gara indicated that his interest was that students would be able to participate live in a classroom. He thought Mr. Burr had stated that his district had this level of internet. He asked if it worked well for the district to provide live classroom participation. Mr. Burr replied that the school district had 250 megabits of data. It had the ability to do desktop video inside the school as well as with other communities and other states and countries. The district's level was higher than 25 megabits and was very functional. Vice-Chair Gara would wait to speak with a district that had 25 megabits. He thanked the testifier.

[3:09:40 PM](#)

DR. LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, spoke in strong support of the bill to increase the floor of megabit speed from 10 to 25. She shared that she had previously worked for 6 years on the North Slope bringing the original Broadband Assistance Grant forward. At the time, there were villages with only 1 to 3 megabits which made it unrealistic to deliver certain content. It was decided that 10 megabits would become the new floor for rural Alaska. She thought it was appropriate to continue to incrementally lift the floor. She agreed with Senator MacKinnon that it was an equity issue. There had been discussions about the shortage and recruitment of

teachers and educators. She thought that in rural Alaska broadband played a role. She argued that Alaska had to continue to deliver quality education to all of Alaska's students. Teaching and learning through distance learning, using video conferencing over broadband, was a viable option to provide equity to students. She spoke to the enhancement of many of the education applications that needed broadband. She noted a number of applications available to students that would be enhanced by lifting the megabit floor. She emphasized that the state's investment in its broadband infrastructure with a federal match was 8:1. The bill would expand access for students to take University classes. She urged members to consider the bill. She shared that members had expressed concern about the funding mechanism.

[3:14:31 PM](#)

Representative Guttenberg stated there were other ways to get less expensive internet. He invited her to come to his office to review those options. He continued that the charges for internet service in rural Alaska were exorbitant. Dr. Parady replied that she would never engage in a conversation about telecom companies or prices as it was not her area of expertise. She relayed that having tried to provide quality professional development across 89,000 square miles, she might be the only person in Alaska who had a call from a provider saying that because satellites were colliding she would not be able to provide a district-wide professional development class. She had lived the issue. She had talked to teachers that reported they could not upload or download due to latency problems. She would not consider speaking to the costs, but she could definitely speak to the needs. It was a desperate time for the districts to figure out how to best serve their students going forward. She believed the technology piece in the bill had to be part of the answer.

Representative Guttenberg noted that if someone compared the charges with anything else anywhere in the world, they would be dumbfounded.

Representative Ortiz noted that Ms. Parady had mentioned her concern about the funding source at the end of her testimony. He agreed that the state needed to upgrade broadband, especially in his district, as there were several rural areas that would be positively impacted. He

asked that if the question boiled down to having to leave the funding source as is in order for the bill to move forward, or not having the program, did she support the funding source remaining. Dr. Parady answered that she saw the megabit increase as a very high priority to education.

Representative Pruitt spoke about fiscal costs for items. He asked if Ms. Parady's members would be okay with removing other things that were drawing from the Higher Education Fund in order to keep the fund stable. Ms. Parady responded that she could not answer his question. She thought that there were many worthwhile supports to education. They had varying degrees of impact across different school districts. She was unclear whether the answer to his question would be uniform and was not prepared to answer it. From a fiscal perspective, using federal dollars appeared to be a wise investment. School districts were being called upon to come up with creative and innovative ways to serve students. Connectivity was necessary to do so. She did not see the bill as a luxury, but rather a necessity.

Representative Pruitt added that often times people requested certain things that had fiscal costs. He disagreed that it was up to the legislature to decide how the state paid for things. He inherently disagreed and argued that people had to recognize and determine priorities. He agreed that better connectivity was necessary in order to provide better education in Rural communities. He thought it was good to discuss other areas of savings. Dr. Parady thought it would cost about \$2 billion to wire the school districts. From a fiscal perspective, incrementally raising the megabit floor and leveraging federal dollars seemed to be a wise investment.

[3:22:31 PM](#)

Representative Guttenberg clarified that the estimate for wiring the entire state was between \$1.2 billion and higher based on the 2008 Broadband Taskforce calculations. He compared it to buying a house: A total cash layout would not be required. The investment would be paid off over time. The cost for not doing things for Alaska's children was higher than making the investment.

Co-Chair Foster CLOSED public testimony. He set an amendment deadline for 5:00 PM Friday, April 20, 2018. He appreciated the sponsor's work on the bill.

SB 102 was HEARD and HELD in committee for further consideration.

#sb104

CS FOR SENATE BILL NO. 104(2d FIN)

"An Act relating to the duties of the Department of Education and Early Development; relating to the duties of the state Board of Education and Early Development; relating to school curricula; and relating to a system for managing student information and records related to individualized education programs for children with disabilities."

[3:24:13 PM](#)

MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, spoke in support of the bill. The bill benefited school districts. Some school districts would benefit financially from the legislation. The department was appreciative because it benefited all schools in the state by providing educators additional information about what was working and being used at other schools around the state. It provided the department the ability to collect information and publish it on the department's website.

Commissioner Johnson continued that the department was particularly appreciative of the bill for the information it provided parents and policy makers. It reported what curriculum was being used and invited parents to be a part of the process in understanding what was being used for their students and schools. Mostly, the department was appreciative that the bill did something great for students. He suggested that by providing all of the other people in the system the resources and information, decisions would be made to benefit students in the classroom. The department was appreciative of the bill and the conversation that took place around it. He was hopeful that the department would be able to apply it for the benefit of students in the state.

Co-Chair Foster invited the bill sponsor to the table.

[3:26:49 PM](#)

SENATOR ANNA MCKINNON, SPONSOR, introduced the bill that was an attempt to improve educational outcomes for students. It was not mandatory for districts to participate. However, it allowed the Department of Education and Early Development to see if they were ready to move forward in a process.

Senator MacKinnon continued that the bill would make a pilot program available for up to 5 schools. Hopefully those schools would be able to participate in each curriculum in the effort to improve math and language arts - basic skills that all students needed to be successful in elementary school, middle school, college, and life beyond. She explained that the 3-year pilot program would be constructed on the ability to be able to go forward and look at the change. Through the first year of the program, DEED would work with districts and teachers proficient in these skills to look around the world, inside America, and inside Alaska to see if the state had best practices in place and whether students could achieve outcomes consistent with the current standards. She admitted that the standards could change and that the bill did not address the standards in place. The bill stipulated that whatever curricula moved forward should meet Alaska State standards.

Senator MacKinnon continued to detail the bill. The legislation would require school districts to put their curriculum on DEED's website so that parents would have an opportunity to understand and engage in a student's education and opportunities to support that student in individual schools. She emphasized that it was the only mandate in the bill.

Senator MacKinnon relayed that the bill also updated and would support schools that wanted to improve communication for individual education performance plans. She offered that she could go into extensive detail about the paperwork required to communicate an individual education plan. As she recalled there was a minimum of 27 pages and sometimes up to 3, 5, or 15 people that needed to come together to sign off on all of the paperwork for an individual student. She would leave it up to her staff to explain further.

Senator MacKinnon offered that the bill created a new fund called the "Curriculum and Best Practices Fund." It was charged with \$30 million. The money would not be extended in a huge part in year 1. It was an up to amount of \$10 million in year 1, year 2, and year 3 of the pilot program as the program went forward. She indicated that depending on the schools and their readiness or willingness to engage in the incentivized curricula, the fund would offset or help individual schools, the number would be expended for the remaining 3 years in different segments.

Senator MacKinnon did not anticipate spending the entire \$30 million. As she understood, the Anchorage School District recently reviewed some of its curricula. It was her estimation that they would not redo their curricula. She highlighted another change in the bill which had to do with length of time. Legislators had tried to find ways to deploy and streamline processes for educators. They were working hard and doing a good job in many areas around the state. However, some students were struggling. She argued that curricula were the foundation of trying to provide a stepping stone to create consistency and support from DEED.

Senator MacKinnon continued that Alaska's constitution guaranteed local self-determination. The reason why there was a pilot program was to try to bring people together, specifically Alaska's Board of Education to agree on what was best to achieve something for students that they could align with and succeed with in their future. There was a process outlined in the bill where the department worked with school districts across the state in forming and finding the curricula that might be available and then incentivizing its use should districts choose to do so on a voluntary basis. As she understood, specifically in math, Alaska's largest districts were circling around similar curricula. Sometimes the same process was not available to smaller schools. She elaborated that depending on school size, a school might have different levels of expertise in individual subjects in smaller school districts. Although the curricula review was extended from 6 years to 10 in the bill, the state school board would be required to review curricula for math and language arts every 5 years to ensure that the core portion of learning was looked at all of the time. She was available for questions.

[3:32:50 PM](#)

BRITTANY HUTCHINSON, STAFF, SENATOR ANNA MCKINNON, was available to present the sectional analysis, if it was the will of the committee.

Co-Chair Foster did not think the committee needed a review of the sectional analysis. He reviewed a list of available testifiers. He asked the senator if she wanted to continue or if she wanted to wait.

Senator MacKinnon thought that the will of the legislature was for the co-chairmen to meet and to try to solve and find a path forward on the budget. She was happy to wait for questions until after the public hearing. Ms. Hartman could stay to answer questions. She was aware of the huge fiscal note associated with the bill. She assured members that the money was saved rather than spent. She explained the reason the number was so high was because of the ADM at \$150 per student. Everyone had the ability to participate. However, for the pilot program only a maximum of 5 schools would be allowed to participate - 1 rural and 1 urban. She recollected that Anchorage had already done a rewrite.

Co-Chair Foster indicated the committee would bring the bill up the following day, rather than being in a rush.

[3:35:38 PM](#)

AT EASE

[3:36:10 PM](#)

RECONVENED

Co-Chair Foster would pass the gavel to Vice-Chair Gara.

Vice-Chair Gara OPENED public testimony.

[3:37:10 PM](#)

DR. DEENA BISHOP, ANCHORAGE SCHOOL DISTRICT, ANCHORAGE (via teleconference), spoke in support of SB 104. She relayed that curriculum was a foundational piece of quality instruction. She understood education took resources and education made a difference. The bill would provide a means for all districts to access and guarantee them viable curriculum. State approved curricula was a standard found in many states allowing for the expertise and resources to be shared by the largest and smallest communities. She thought the bill was exactly what districts should be

asking from the state in support of its schools in partnership with DEED. She Reported that Anchorage School District supported the bill.

Representative Wilson asked when the Anchorage school system last updated its English and math curricula. Dr. Bishop responded that the district had its first adoption of its K-12 literacy program. The district had gone through a process in the prior year to adopt an evidence-based reading curriculum. The district updated its math curriculum 5 years ago. The district was not looking to change curricula. The school district was using data to demonstrate the area for which it needed to find growth.

Representative Wilson asked about the process of reviewing the district's curriculum. Dr. Bishop responded that the district had conducted the process in small units due to budget constraints. The district had looked at elementary K-2, which had new curriculum, instruction, and assessments. In the following year the district would be rolling out 3-5. She elaborated that professional development and preparation were required in the rolling out of new curriculum.

Vice-Chair Gara indicated there were no other testifiers online.

[3:40:49 PM](#)

Representative Ortiz asked Dr. Bishop about science curriculum being reviewed. He wondered if things changed more rapidly than every 10 years. Dr. Bishop explained that the school district used its data. For instance, the district's math data was enough to be reviewed. The district had reviewed its data and found that what was happening in its classrooms currently was not meeting its goals in some areas. The district was choosing to reinvest in some areas. In other areas, in a 6-year continuous cycle, the district felt confident. The district was focusing its energy on where the need existed. She hoped that leadership around the state and individual districts would do the same. The legislation would allow for the expertise to be statewide so that for smaller districts that did not have the means could engage in the process. Anchorage School District's science was addressed every year. The district was working through science, technology, engineering, and mathematics (STEM). She elaborated about

curriculum reviews and looking at the impact in student learning and whether outcomes were where they were expected to be. If they were not, the school district would look at what was happening in the schools from day-to-day. The school district wanted to ensure the success of its students when they left the district.

Vice-Chair Gara thanked Dr. Bishop for her testimony.

[3:44:33 PM](#)

Vice-Chair Gara CLOSED public testimony.

Vice-Chair Gara reported that amendments were due by Friday, April 20, 2018 at 5:00 p.m. [The meeting was recessed to the call of the chair but never reconvened.]

#

ADJOURNMENT

[3:45:36 PM](#)

The meeting was adjourned at 3:45 p.m.