

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

May 1, 2019
8:05 a.m.

MEMBERS PRESENT

Representative Harriet Drummond, Co-Chair
Representative Andi Story, Co-Chair
Representative Grier Hopkins
Representative Tiffany Zulkosky
Representative Josh Revak

MEMBERS ABSENT

Representative Chris Tuck
Representative DeLena Johnson

COMMITTEE CALENDAR

HOUSE BILL NO. 75

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

- MOVED CSHB 75(EDC) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 75

SHORT TITLE: INTERNET FOR SCHOOLS; FUNDING

SPONSOR(S): REPRESENTATIVE(S) RASMUSSEN

| | | |
|----------|-----|---------------------------------|
| 02/25/19 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/25/19 | (H) | EDC, FIN |
| 04/01/19 | (H) | EDC AT 8:00 AM CAPITOL 106 |
| 04/01/19 | (H) | Heard & Held |
| 04/01/19 | (H) | MINUTE(EDC) |
| 05/01/19 | (H) | EDC AT 8:00 AM CAPITOL 106 |

WITNESS REGISTER

MARY HAKALA, Staff
Representative Andi Story
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Story, presented the committee substitute for HB 75, and answered questions.

PATIENCE FREDERIKSEN, Director
Division of Alaska State Libraries, Archives, and Museums
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing of HB 75, and answered a question.

ALEXEI PAINTER, Fiscal Analyst
Legislative Finance Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing of HB 75, and answered questions.

HEIDI TESHNER, Director
Administrative Services
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Provided invited testimony during the hearing of HB 75, and answered questions.

REPRESENTATIVE SARA RASMUSSEN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Speaking as the sponsor of HB 75, made comments related to a forthcoming amendment to the bill.

ACTION NARRATIVE

[8:05:17 AM](#)

CO-CHAIR ANDI STORY called the House Education Standing Committee meeting to order at 8:05 a.m. Representatives Drummond, Hopkins, Zulkosky, Revak, and Story were present at the call to order.

HB 75-INTERNET FOR SCHOOLS; FUNDING

[8:06:08 AM](#)

CO-CHAIR STORY announced the only order of business would be HOUSE BILL NO. 75, "An Act relating to funding for Internet

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

8:07:00 AM

CO-CHAIR DRUMMOND moved to adopt the committee substitute (CS) for HB 75, Version 31-LS0574\M, Caouette, 4/26/19, as the working document. [There being no objection, Version M was before the committee.]

8:07:18 AM

MARY HAKALA, Staff, Representative Andi Story, Alaska State Legislature, directed attention to language [on page 1, lines 4-8], of Version M, which read:

(a) Each fiscal year, a district in which one or more schools qualify for a discounted rate for Internet services under the federal universal services program is eligible to receive an amount for each school that is equal to the amount needed to bring the applicant's share to 25 [10] megabits of download a second of the Internet services.

MS. HAKALA explained [Version M] makes two changes to HB 75: It removes "a minimum of" [on page 1, line 8, of the original bill version] thus returning the program to its current structure which provides a subsidy that addresses inequity in Internet access between schools in the state. Further, this change would bring all schools to a minimum of 25 megabits of download per second (Mbps) from the current standard of 10. Second, the Version M changes the revenue source from the Alaska Higher Education Investment Fund to general funds (GF) as indicated by the draft fiscal note [Identifier: HB075CS(EDC)-EED-LO-4-30-19], dated 4/30/19. She said the changes bring HB 75 into alignment with [SB 74, the Senate companion bill].

CO-CHAIR DRUMMOND asked for clarification.

MS. HAKALA further explained the removal of "a minimum of" clarifies school districts that qualify are those that are not yet at 25 Mbps. She advised, currently, the subsidy is focused on school districts that need assistance to reach 10 Mbps; the CS would provide a subsidy for school districts that need assistance to reach 25 Mbps. Although all school districts are eligible for the [Federal Communications Commission (FCC) Schools and Libraries Universal Service Program E-Rate fund],

[HB 75] would have changed the nature of the program so that all school districts would be eligible for the cost of 25 Mbps.

[8:09:57 AM](#)

PATIENCE FREDERIKSEN, Director, Division of Alaska State Libraries, Archives, and Museums, Department of Education and Early Development (EED), explained [draft fiscal note Identifier HB075CS(EDC)-EED-LO-4-30-19] is for the portion of the cost of the program to "get schools from 10 megabits to 25 megabits." In fiscal year 2020 (FY 20), the program would cost \$7,169,400. She directed attention to the draft fiscal note [analysis on page 2, paragraph 3], and remarked:

The cost of the program to get schools from zero to 10 megabits per second is [\$1,487,500]. That amount of the money will also need to be allocated annually along with the [\$7,169,400] in all the out years. ... What we will do is we will treat those two sources - those two funds - as a unified program, but this is what the, the bill will actually cost to get the schools from 10 to 25.

MS. FREDERIKSEN said over the out years of the grant, EED expects a reduction of 3 percent annually [shown on page 1, Operating Expenditures: Services, FY 20-FY 25], based on the five-year history of the School Broadband Assistance Grants (School BAG) paid to get schools to the limit of 10 Mbps [as explained on page 2, paragraph 5]. Also, there has been a reduction in the number of schools that participate in the program. Another change to the fiscal note was to reduce the number of applicants from 245 to 172 schools because some schools were receiving two types of E-Rate support. [The draft fiscal note] indicates 172 schools need the program to reach 10 Mbps. Because, in FY 19, it cost an average of \$16,594 to get schools up to 10 Mbps, the department multiplied \$16,594 by 172 and, to get schools from 10 to 25 Mbps, multiplied by a factor of 2.5, for a total estimated cost of \$7,135,420 [shown on page 1, Operating Expenditures: Grants, Benefits, FY 20-FY 21].

CO-CHAIR DRUMMOND questioned whether some schools were receiving two sets of grant funds from the [E-Rate program funded through the Schools and Libraries Universal Service Program].

MS. FREDERIKSEN said no. She clarified the E-Rate program will pay for a direct Internet line to a school and also for a wide area network (WAN), which is a circuit to connect schools within

a geographic area; however, schools must apply for each individually, and school districts that receive E-Rate funds to reach more than 10 Mbps are not eligible to apply for School BAG through EED.

CO-CHAIR DRUMMOND surmised [the CS for HB 75] would allow schools to apply for funds to increase from 10 to 25 Mbps.

MS. FREDERIKSEN said yes.

8:14:26 AM

ALEXEI PAINTER, Fiscal Analyst, Legislative Finance Division, Legislative Agencies and Offices, informed the committee the federal government provides impact aid to school districts based on certain factors, thus some districts in Alaska receive a lot of impact aid and some receive none; however, federal law allows the state to deduct a portion of the impact aid from the amount the state pays toward its share of the K-12 foundation formula. In fact, the state usually deducts between \$80 million to \$90 million per year from the \$1.2 billion the state pays for K-12 education. If the state did not make this deduction, school districts would still receive funding, but the state's cost for K-12 education would increase by \$80 million to \$90 million per year. Mr. Painter said the deduction of impact aid is a benefit to the state and is dependent upon the state using an equalized formula to ensure the disparity between the lowest and highest funded school districts does not exceed 25 percent: the disparity provision. In order to "pass the disparity test," the state limits outside contributions from local municipalities to 23 percent. Mr. Painter cautioned [funds from the E-Rate program] pose a challenge to the disparity test of 25 percent because E-Rate money counts as "outside the formula" money and contributes to the disparity between districts. Further, because Internet is much more expensive in some districts than others, districts receive a disproportionate amount of E-Rate money, for example, the Lower Kuskokwim School District (LKSD). In fact, historically, the top funded school districts were those with support from a large municipality; however, in FY 18, the top funded district factored in the disparity test was LKSD because, even though it did not receive a local contribution, it did receive E-Rate money. Mr. Painter advised HB 75 would allow districts to receive even more E-Rate money, and that could mean the state may fail the disparity test; EED projects the amount of E-Rate funding could be as high as an additional 30 percent of LKSD's budget. To address this problem, EED asked the federal government for permission to disregard E-Rate funds in

the disparity percentage, either by creating a special revenue fund or by other means; however, the federal government's decision is unknown.

[8:20:39 AM](#)

CO-CHAIR DRUMMOND asked for a written explanation of this issue. She observed Alaska is a very large geographic area and questioned whether the federal government seeks to administer a grant program throughout an extremely large and unique state.

MR. PAINTER assured the committee EED has pointed out Alaska's geography; he noted other factors are excluded from the disparity test, such as the cost of pupil transportation.

REPRESENTATIVE HOPKINS asked whether the 25 percent is applied to the cost of educating an individual student or to overall state education funding.

MR. PAINTER responded:

The federal government allows us to do this based on our adjusted average daily membership so it's the per adjusted student that we apply the [base student allocation (BSA)] to. ... So, it's the revenue that they receive from per adjusted student.

REPRESENTATIVE HOPKINS asked how district cost factors for small schools affect the disparity test.

MR. PAINTER said [district cost] factors are accounted for by the adjusted student formula. In further response to Representative Hopkins, he explained the adjusted average daily membership formula provides equal state funding to rural and urban school districts; when differences in funding occur, they are due to local contributions or E-Rate funding.

[8:25:39 AM](#)

HEIDI TESHNER, Director, Administrative Services, EED, related EED asked the federal government whether a school district can remove E-Rate funding from its operating budget and instead report E-Rate funding in a special revenue fund, so that E-Rate funding would not negatively impact the federal disparity test. She said the department has not received approval at this time. In response to Co-Chair Story, Ms. Teshner said she provided

additional information to the federal government [4/30/19], but was unsure when a final decision would be received.

CO-CHAIR DRUMMOND asked when EED completes the disparity calculations.

MS. TESHNER responded the calculations are due by the end of February. In further response to Co-Chair Drummond, she clarified EED submitted its FY 20 calculations in [February 2019].

CO-CHAIR DRUMMOND questioned what would be "a reasonable path forward" should HB 75 pass and the state fail the disparity test.

MS. TESHNER surmised if the bill advances without approval from the federal government to [exclude E-Rate funding from school districts' operating funds] it is probable the state would fail the disparity test.

CO-CHAIR DRUMMOND said, "And what happens if we fail the disparity test, what do we not receive?"

MS. TESHNER advised the state would not have an equalized formula and thus would not be able to [deduct] federal impact aid.

CO-CHAIR STORY asked what amount of money would be affected.

MS. TESHNER said about \$82 million, ranging up to \$90 million.

REPRESENTATIVE HOPKINS inquired as to whether EED has a federal waiver for any other funding source.

MS. TESHNER was not aware of other waivers.

REPRESENTATIVE HOPKINS remarked:

Does the federal government have a history of understanding this predicament and questions that we ask in terms of how it impacts our, our geography or have they denied waivers, or have we never asked for something like this ...?

MS. TESHNER said not to her knowledge.

[8:29:47 AM](#)

The committee took a brief at-ease.

CO-CHAIR STORY stated her staff has been working with EED, House Finance Committee staff, and Senate Finance Committee staff, on contingency language to address the federal disparity issue. She distributed copies of a draft amendment that proposed conditional language [document not provided]. As the committee did not have an opportunity to review the draft, she recommended the committee forward the draft amendment separately to the House Finance Committee for action.

[8:31:31 AM](#)

CO-CHAIR DRUMMOND was unsure of the correct committee procedure in terms of discussing a proposed amendment without a motion to do so. She asked whether Senate Finance Committee staff believes a similar amendment would be proposed to SB 74, the companion bill to HB 75.

MS. HAKALA advised Senate Finance Committee staff is reviewing proposed language and a letter to the federal government in this regard, but she did not believe staff had received a draft of "conditional language." She pointed out the aforementioned draft amendment from Legislative Legal Services, Legislative Affairs Agency, is offered to the committee as a discussion item, and noted the issue of the fiscal implications of HB 128 would be addressed at subsequent House Finance Committee hearings.

REPRESENTATIVE REVAK asked for comments from the sponsor of the bill.

MS. HAKALA noted the sponsor also has not had sufficient time to review the draft.

REPRESENTATIVE REVAK said, "This is just conditional, that they meet the requirements for the federal funding, is that right? And nothing else, just that they meet those requirements?"

CO-CHAIR STORY said yes; the state does not want to lose "the \$98 million."

[8:34:03 AM](#)

RERESENTATIVE SARA RASMUSSEN, Alaska State Legislature, expressed her belief [the draft amendment] is a friendly

amendment and cautioned legislation should not [negatively] impact the disparity test. She said HB 75 is an important bill and expressed her hope the legislation will advance.

CO-CHAIR STORY stated her intent to advance the bill in a timely manner to the House Finance Committee for further amendment.

[8:35:29 AM](#)

REPRESENTATIVE ZULKOSKY observed the bill's sponsor acknowledged the [draft] amendment as a friendly amendment and asked whether the committee is [not adopting], but merely forwarding, the draft amendment to the House Finance Committee for consideration.

[8:35:53 AM](#)

CO-CHAIR STORY said that is correct, the committee will move to report the committee substitute for HB 75, [Version M, unamended], out of committee.

[8:36:06 AM](#)

CO-CHAIR DRUMMOND moved to report the CS for HB 75, Version 31-LS0574\M, Caouette, 4/26/19, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 75(EDC) was reported out of the House Education Standing Committee.

[8:36:35 AM](#)

The committee took an at-ease from 8:36 a.m. to 8:38 a.m.

[8:38:16 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 8:38 a.m.