

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

March 19, 2019

9:00 a.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Shelley Hughes, Vice Chair
Senator Chris Birch
Senator Mia Costello
Senator Tom Begich

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 74

"An Act relating to funding for Internet services for school districts."

- HEARD & HELD

SENATE BILL NO. 64

"An Act repealing state aid for costs of school construction debt; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 74

SHORT TITLE: INTERNET FOR SCHOOLS

SPONSOR(s): SENATOR(s) HOFFMAN

03/06/19 (S) READ THE FIRST TIME - REFERRALS

03/06/19 (S) EDC, FIN

03/19/19 (S) EDC AT 9:00 AM BUTROVICH 205

BILL: SB 64

SHORT TITLE: REPEAL STATE DEBT REIMBURSE. FOR SCHOOLS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/18/19 (S) READ THE FIRST TIME - REFERRALS
02/18/19 (S) EDC, FIN
03/19/19 (S) EDC AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

SENATOR LYMAN HOFFMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 74.

MARIDON BOARIO, Staff
Senator Lyman Hoffman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional for SB 74 on behalf of the sponsor.

PATIENCE FREDERICKSEN, Director
Division of Library, Archives, and Museums
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Presented information on the School Broadband Assistance Grant (BAG) program.

LISA SKILES PARADY, Ph.D., Executive Director
Alaska Council of School Administrators
Juneau, Alaska

POSITION STATEMENT: Supported SB 74.

NORM WOOTEN, Executive Director
Association of Alaska School Boards
Juneau, Alaska

POSITION STATEMENT: Supported SB 74.

MIKE HANLEY, Superintendent
Chugach School District
Anchorage, Alaska

POSITION STATEMENT: Supported SB 74.

ELWIN BLACKWELL, School Finance Manager
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Introduced SB 64.

MIKE BARNHILL, Policy Director
Office of Management and Budget

Juneau, Alaska

POSITION STATEMENT: Introduced SB 74.

DEENA BISHOP, Ph.D., Superintendent
Anchorage School District

Anchorage, Alaska

POSITION STATEMENT: Opposed SB 64.

NORM WOOTEN, Executive Director
Association of Alaska School Boards
Juneau, Alaska

POSITION STATEMENT: Opposed SB 64.

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Opposed SB 64.

ANDY RATLIFF, Director
Office of Management and Budget
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Opposed SB 64.

BRITTANY SMART, Special Assistant to the Mayor
Fairbanks North Star Borough Mayor's Office
Fairbanks, Alaska

POSITION STATEMENT: Opposed SB 64 on behalf of Mayor Bryce Ward.

CYNNA GUBATAYAO, Finance Director
Ketchikan Gateway Borough
Ketchikan, Alaska

POSITION STATEMENT: Opposed SB 64.

ALVIN OSTERBACK, Mayor
Aleutians East Borough
Sand Point, Alaska

POSITION STATEMENT: Opposed SB 64.

DEBRA SCHNABEL, Manager
Haines Borough
Haines, Alaska

POSITION STATEMENT: Opposed SB 64.

LUCY NELSON, Mayor
Northwest Arctic Borough
Kotzebue, Alaska

POSITION STATEMENT: Opposed SB 64.

MIKE COONS, representing self
Palmer, Alaska

POSITION STATEMENT: Supported 64

WALTER SAMPSON, Assembly Member
Northwest Arctic Borough
Board of Directors
Alaska Municipal League
Kotzebue, Alaska

POSITION STATEMENT: Opposed SB 64.

DAVID NEES, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified on SB 64.

JIM COLVER, representing self
Palmer, Alaska

POSITION STATEMENT: Opposed SB 64.

BRANDY WAGONER, representing self
Kodiak, Alaska

POSITION STATEMENT: Opposed SB 64.

Vikki Jo Kennedy, representing self
Kodiak, Alaska

POSITION STATEMENT: Supported SB 64.

GREG WEAVER, self
Wasilla, Alaska

POSITION STATEMENT: Supported SB 64.

HEIDI TESHNER, Director
Administrative Services Section
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Provided information on school bond debt reimbursement.

ACTION NARRATIVE

9:00:35 AM

CHAIR GARY STEVENS called the Senate Education Standing Committee meeting to order at 9:00 a.m. Present at the call to

order were Senators Costello, Hughes, Birch, Begich, and Chair Stevens.

SB 74-INTERNET FOR SCHOOLS

9:00:49 AM

CHAIR STEVENS announced the consideration of SB 74. He stated his intent to introduce the bill, take public testimony, and hold the bill in committee.

9:01:32 AM

SENATOR LYMAN HOFFMAN, Bill Sponsor, Alaska State Legislature, Juneau, Alaska, said SB 74 is an important piece of legislation relating to Internet for schools. A similar bill passed the Senate last year but did not pass the other body. SB 74 would increase the minimum Internet speed for every school in Alaska from 10 megabits a second (Mbps) to 25 Mbps using the Broadband Assistance Grant (BAG) program, which leverages state investment by utilizing the federal E-rate Program. For every dollar the state puts into the program, the federal government match is up to a 9-to-1 ratio. The bill would benefit 168 schools in 30 school districts throughout Alaska. Schools would be able to use more technology in more classrooms simultaneously and have better access to more information, further utilizing video technology and reducing caching, among other benefits.

CHAIR STEVENS asked what the impact will be for schools to go from 10 Mbps to 25 Mbps.

SENATOR HOFFMAN replied many schools have Internet speeds that are lower than 10 megabits. The increased speed will allow students to access more information to do homework. At 25 Mbps students can interact with other school districts. It broadens the horizons of people living in far-flung places. He noted that even in Anchorage some schools still have speeds of just 10 megabits. The bill is not just for rural Alaska. All school districts will benefit. He said the BAG program is an excellent opportunity that the legislature should have taken advantage of last year. It is hard to find programs today that offer up to a 9-to-1 match, he said.

SENATOR BIRCH mentioned downloading movies and telemedicine and commented that there are different demands for speed and volume. He asked if any sort of audit has been done to show the consumption.

SENATOR HOFFMAN responded that it will vary among school districts. He opined that schools will cherish their Internet time and each school district will provide oversight and guidelines. In many instances, problems associated with volume exists today without additional speed.

9:06:30 AM

SENATOR COSTELLO said that as a classroom teacher, she saw the value of Internet accessibility. She and her students participated in a program with students from Russia and the lower 48. They were talking to an author whose book the students had read. She applauded his efforts to improve the opportunities for educators to provide 21st century experiences to students. She asked why states are setting the level if this is a federal program.

SENATOR HOFFMAN suggested she ask the Department of Education and Early Development (DEED).

CHAIR STEVENS said several people from DEED would be speaking. He noted that packets have information about the bandwidth speed for schools. He noted that most schools have around 10 Mbps and surprisingly, some schools in even the largest communities have limited bandwidth.

9:08:34 AM

SENATOR HUGHES said asked what the recommended speed is because her recollection was that two-way video conferencing requires speeds higher than 25 Mbps. SB 74 is a step in the right direction, but there is farther to go.

SENATOR HOFFMAN replied the national goal is 100 megabits so this could be viewed as a small step. He suggested the committee ask other testifiers about the increase; the cost would be 10 percent of whatever the additional cost may be. He said one concept is to reach 25 Mbps and increase every two years thereafter according to some scale. Instead of having to review the legislation every few years, the legislature could see that schools were moving toward 100 Mbps. Depending on the state's ability to match the funds, each legislature could make the decision. He suggested the committee may consider that.

SENATOR HUGHES asked if there is any concern that the federal money may be capped or that the federal funds are limited.

SENATOR HOFFMAN said the committee should ask other testifiers, but the general answer is yes because the federal government is

in deficit spending, but in Alaska education is a high priority of elected officials.

SENATOR HUGHES offered her understanding that the state's congressional delegation and the federal administration views broadband the same way that money for roads, bridges, and ports has traditionally been viewed. The information highway is just as important and especially for the rural communities. She said this committee has talked about the national challenge of recruiting and retaining teachers, and that the challenge is intensified in Alaska, particularly in rural communities. Good teachers are needed on site locally but being able to beam great teachers from around the state into schools would be a tremendous opportunity for students. Students would be able to access courses, materials, and teachers that would otherwise be inaccessible. She opined that this is the right thing for the state to do.

CHAIR STEVENS commented that this is probably the only way that students will have the opportunity to take college-level courses while they are in high school.

9:13:39 AM

SENATOR BEGICH asked whether the cost is mostly related to moving data through the systems or to upgrades. He said if it is the latter, it might make more sense to move to a higher Mbps immediately, if that can be done without incurring greater cost.

SENATOR HOFFMAN said the cost is probably a combination. Six or seven years ago, there was a push for more broadband in the Yukon-Kuskokwim Delta. The vast majority of the broadband width was taken up by the regional hospital and some by the school district. The investment in infrastructure on a graduated scale from 25 Mbps up to 100 Mbps would show providers that this a priority and they may be encouraged to invest in different parts of Alaska.

SENATOR HUGHES asked if there is oversight on what the providers charge for Internet service. She noted that the Iditarod School District is paying almost \$1.5 million for Internet annually and that seems high. She also pointed out that schools with increased Internet could provide opportunities to the community.

SENATOR HOFFMAN replied that he doesn't know whether there is oversight on the rates. He noted that in the Yukon-Kuskokwim Delta area, there were negotiations with the health corporations and providers on the charges before the investment was made. He

suggested the committee ask other testifiers, but the 9-to-1 match could create the perception that rates would be going down.

SENATOR HUGHES said she'd like to know because whether it's health care or Internet, the legislature wants to make sure school districts are getting a good deal.

CHAIR STEVENS asked Ms. Boario to present the sectional for SB 74.

9:18:31 AM

MARIDON BOARIO, Staff, Senator Lyman Hoffman, Alaska State Legislature, Juneau, Alaska, said there is one change to the statute. That is to increase the download speed from 10 megabits per second to a minimum of 25 megabits per second.

9:19:16 AM

PATIENCE FREDERICKSEN, Division Director, Library, Archives, and Museums, Department of Education and Early Development (DEED), Juneau, Alaska, said the division has operated the program since FY2015 when the original bill was passed. They create and send out the grant application in the spring for school districts to complete. The grant awards are cut in August. School districts spend the funds during the year and the grant final report is done in April. In August the division asks school districts to refund any balance. She clarified that the E-rate funding is not funded by the federal government. It is funded by the universal service fee on all phones, whether it is a cell phone or landline. The phone or Internet provider transmits the money to the Universal Service Administrative [Company]. Schools, libraries, and health centers apply for the E-rate to the Universal Service Administrative [Company]. The money never goes through the federal books. It is a well-funded program. In FY2018, the total Internet charges for schools and libraries in Alaska were about \$148 million. E-rate paid 86 percent of that with schools and libraries picking up the rest, supported with programs like the School BAG program and the online libraries program that provides a subsidy to libraries.

MS. FREDERICKSEN said that funding is not much of an issue. It is such a popular program that other entities are trying to get into it. Tribal libraries are working to be considered for E-rate. The money is not endless, but 15 cents per telephone line per month is a small price to pay for the service. The way the program functions is that schools that needed help to get to 10 Mbps have not been asked to pay anything beyond their November

2014 benchmark. The spreadsheet the division sends to schools asks for the total Internet bill, the amount paid by E-rate (80 or 90 percent based on the poverty rate in the school), and what the school paid in November 2014. The School BAG program makes up the rest. On average in Alaska, schools get 86 percent of their Internet bills paid by E-rate. The state and school districts pay the remaining 14 percent.

MS. FREDERICKSEN said her only concern with the bill as written is that schools want more than 10 Mbps and the phrase "a minimum of" seems to imply that schools can argue about the 25 cap. She said the division would also ask for an effective date of September 2019. Schools apply in the spring for E-rate and the vendors in the area look at the filings to see what they can bid. Then the schools choose a vendor. The managed competition is one way that E-rate tries to keep costs of the program down. Because that window will close at the end of the month, if the division tries to institute a 25 Mbps school broadband program too soon, schools will have to redo their applications. If the effective date is September 2019, it will be a smooth transition.

SENATOR BIRCH said this is a remarkable and positive move. He asked if the speed and volume would be limited to 25 Mbps, if that is what is provided, regardless of how many users there might be at one time.

MS. FREDERICKSEN said her understanding is that if a school gets 25 Mbps and one classroom does video conferencing, all the other classrooms will experience slower speeds. Things like videoconferencing or streaming movies will impact the speed in the rest of the building on that circuit.

CHAIR STEVENS asked her to address the substantial fiscal note.

[9:28:56 AM](#)

MS. FREDERICKSEN said the fiscal note makes some assumptions based on the existing School BAG program. In FY 2019, 80 schools got support for 10 Mbps and she used the average cost of \$16,594 in the fiscal note. The E-rate coordinator accessed the FCC [Federal Communications Commission] database last week to find that 245 schools have less than 25 Mbps, so 245 times \$16,594 is the third number. Then there is a calculation for the proportion to get 245 schools to 10 Mbps. That is what the division anticipates the School BAG need would be, which is in the \$10 million range. The governor's FY 2020 request is going forward with \$1.487.5 for the School BAG. That would be added to the

\$8,710,000 for the current year. Then next year it would all be for School BAG at 25 Mbps.

SENATOR HUGHES asked if earlier she said that Alaska schools spend \$148 million a year on Internet.

MS. FREDERICKSEN said \$148 million is for schools and libraries. The E-rate coordinator assists both entities with their E-rate applications.

SENATOR COSTELLO noted that an article in the packet indicates that educators are saying that this will improve reading results. She asked if there is any data showing a side-by-side comparison of fourth grade reading proficiency and Internet speed and access to Internet.

MS. FREDERICKSEN replied that the division doesn't gather any data on the schools. They rely on the statisticians at the Department of Education and Early Development. She acknowledged that a basic assumption is that Internet is a utility that schools need.

CHAIR STEVENS said that is an important question.

SENATOR COSTELLO said that since the department does collect the information the committee could do a comparison. The hope is that this will improve how education is delivered and the results of the investment.

9:33:00 AM

LISA SKILES PARADY, Ph.D., Executive Director, Alaska Council of School Administrators, Juneau, Alaska, said that SB 74 increases the minimum broadband for schools and provides funding through the School BAG program. She referenced the concern with the language "a minimum of" and offered her understanding that it allows a minimum to be spent for growth as price compression happens. She said we don't want to cap districts; this is a minimum. She was involved with starting School BAG in 2015 when she was working with the North Slope Borough School District. At that time, villages had 1 or 2 megs and this was seen as the next step needed to grow connectivity in Alaska. While it's not financially feasible to connect the entire state, SB 74 continues to incrementally grow connectivity for school districts. It is an equity issue.

DR. PARADY said the joint position statement and the members place a high priority on increasing bandwidth in outlying areas.

Alaska students need the transformative power of technology and equitable access to online resources. Teachers and students, some of whom live in some of the most remote areas of the world, require access to modern technology in order to transform learning, create efficiencies, provide online health services, and keep pace with peers globally. She said ACSA supports the leverage of federal funding of up to 9-to-1 to provide Alaska students and teachers fair access to the digital world. In 2017 over 59,000 students across Alaska still lacked access to bandwidth needed to support the integration of technology into classroom instruction. SB 74 addresses that statistic. Reliable access to the Internet is a critical component of modern learning. Right now, many students cannot access the Internet at the minimum FCC goal. ACSA wants all schools, no matter their geography, to have equitable education opportunities. That requires connectivity.

[9:37:18 AM](#)

CHAIR STEVENS opened public testimony.

[9:37:27 AM](#)

NORM WOOTEN, Executive Director, Association of Alaska School Boards, Juneau, Alaska, supported SB 74. He said that when he was in school, the number one tool for delivering education was a mimeograph machine. When he served on the school board in Kodiak, the superintendent said a copying machine was the number one tool for delivering education to students. Now it is the Internet, which has opened so many fields and opportunities. He said this is a baby step, but it is a huge step. It affects rural and urban school districts. It touches every student in the state of Alaska.

CHAIR STEVENS said that at another time he would like to hear more about the issue of equity throughout the system and how SB 74 would help.

MR. WOOTEN replied that he would be prepared.

[9:39:32 AM](#)

MIKE HANLEY, Superintendent, Chugach School District (CSD), Anchorage, Alaska, said he had concrete examples of how increased Internet speed would help. He explained that the Chugach School District just finished its bid for Internet and because of some infrastructure additions in Whittier, they were able to increase speeds in the Whittier school from 10 Mbps to 50 Mbps for the same price. That has allowed the school to implement classes that were unavailable previously because of a

lack of bandwidth. The school also has some connections with Prince William Sound College and is looking at adding dual credit opportunities. He said strong educators are core to a strong education system and the district has been pursuing professional development for its educators. They now have opportunities to take courses to increase their abilities, which will have positive impacts on the school. In Whittier the increased bandwidth allowed teachers to do increased video conferencing and board members don't have to travel for board meetings. He acknowledged that it also creates disparity of opportunity because the other two schools that are further out in Prince William Sound are capped at 10 Mbps. He concluded that he agrees with the previous testimony that better access to high speed internet is a core part of education in the 21st century.

[9:42:02 AM](#)

SENATOR BEGICH asked what the difference in cost is between 25 Mbps and 50 Mbps. He commented that if the infrastructure is in place, the price may not be that different.

MR. HANLEY answered that in this case, that is correct. After providers got the fiber optic cable into Whittier, the school is paying less for 50 Mbps than it previously paid for 10 Mbps. He clarified that the school does not have control over the infrastructure component, but that is what availability to that infrastructure meant to the school.

SENATOR BEGICH highlighted that Nome, Kotzebue and some other areas on the north coast also have fiber optic cable and that infrastructure investment pays huge dividends. He said that's something for the committee to keep in mind.

SENATOR HUGHES asked if the other two schools in the district are limited to 10 Mbps because of a lack of infrastructure or a shortage of money.

MR. HANLEY replied those schools are not connected to fiber because they are on islands in Prince William Sound. Speeds could be increased through the use of satellite and microwave but the cost is double to go from 10 Mbps to 20 Mbps. The district has E-rate funding that provides support but it is still cost prohibitive.

[9:44:42 AM](#)

CHAIR STEVENS said the committee is under time constraints and he hopes that those who could not testify today would do so at later date.

[CHAIR STEVENS held SB 74 in committee.]

SB 64-REPEAL STATE DEBT REIMBURSE. FOR SCHOOLS

[9:45:22 AM](#)

CHAIR STEVENS announced the consideration of SB 64.

[9:45:47 AM](#)

ELWIN BLACKWELL, School Finance Manager, Department of Education and Early Development (DEED), Juneau, Alaska, explained that SB 64 repeals the school debt reimbursement program under AS 14.11.100, which currently reimburses 60 to 90 percent of eligible school construction debt issued by municipalities. SB 64 also seeks some adjustments to AS 14.11.025 that governs the calculation for regional educational attendance area (REAA) and small municipal grant fund for school construction projects in the REAAs and small municipal school districts. The calculation in .025 is based on the annual debt reimbursement that the department makes to municipalities. Eliminating the school debt reimbursement statute requires initiating a mechanism to run the calculation to come up with an appropriation amount. SB 64 provides a mechanism to continue to run the calculation and maintains the payment schedules for the bonds that are currently being reimbursed and the annual debt service that would normally have been reimbursed under this program before it was repealed. Those dollar amounts would be used to calculate the appropriation amount for the REAA fund.

MR. BLACKWELL said the other provision in the bill would change the name of the bond reimbursement and grant review committee to the grant review committee. SB 64 would also remove the committee's scope of reviewing debt reimbursement and other debt projects and add new scope to develop criteria dealing with multipurpose function and designs for schools when possible. The bill also provides some conforming language to other statutes associated with the removal of this program.

CHAIR STEVENS asked what the consequences of the bill would be.

MR. BLACKWELL replied that municipalities would be responsible for the full amount of debt for bond payments. Currently, municipalities make their debt service payments annually and then request reimbursement from DEED. DEED reimburses from 60 to 90 percent based on the percentage the municipality falls under in the statute. If SB 64 were to pass, municipalities would

still make their debt service payments, but without any reimbursement from the state.

CHAIR STEVENS observed that the new administration keeps saying no new taxes, but this simply passes taxes on to local communities. He asked if that is true.

9:50:50 AM

MIKE BARNHILL, Policy Director, Office of Management and Budget, Juneau, Alaska, stated that, without question, SB 64 functions as a cost-shift to municipalities. In terms of no new taxes, he said each of the bonds issued by the 19 cities and boroughs at issue were general obligation bonds of those entities. He offered his understanding that the ordinance that was put before the voters specifically identified the debt as the responsibility of property taxpayers of that jurisdiction and that state school debt reimbursement was subject to appropriation each year. The consequence of the state not appropriating in a particular year was identified in the ballot proposition.

He read the language from an Anchorage ballot proposition in 2012 that was put before the voters:

Without state reimbursement for debt service, voter approval of this bond proposition authorizes for each \$100,000 of assessed real and personal property value based on the estimated 2012 assessed valuation, an annual increase in taxes of approximately \$14.67 to retire the proposed bonds. The debt will be paid from real and personal property taxes levied collected area-wide in Anchorage. Anchorage will also pledge its full faith and credit for payment of the debt.

MR. BARNHILL said the administration's view is that the voters were advised of the consequence of the state not appropriating for school debt reimbursement. He pointed out that this is not the first time a proposal has been put before the legislature to reduce school debt reimbursement, but it is the first time the proposal is to repeal 100 percent of the school debt reimbursement. He said he understands that the legislature reduced school debt reimbursement in 1983, 1986 through 1991, and Governor Walker vetoed a portion of the program in 2016. He described the magnitude of SB 64 as unprecedented, but not the general idea.

MR. BARNHILL said OMB has calculated the impact to each municipality and it is available on a spreadsheet. He agreed

that this is a difficult and potentially costly issue for municipalities, cities, and boroughs, but reminded the committee that the voters were notified each time a bond was issued. He acknowledged that it creates a difficult situation because municipalities must decide whether to increase taxes, cut services, or some measure of both.

CHAIR STEVENS said the committee would get to the issue of the impacts after the members had an opportunity to ask questions.

[9:54:22 AM](#)

SENATOR BIRCH thanked Mr. Barnhill for acknowledging that SB 64 does not save money. Rather, it simply shifts payment liabilities to municipalities. He summarized the Molly Hootch Case [Tobeluk v. Lind] and said his view is that the state has the responsibility to educate all Alaska children and should pay 100 percent of the cost of education. He said participation in the school debt reimbursement program has perhaps resulted in over-construction in Anchorage and Fairbanks but he questions how repealing the entire program will impact rural communities where the legislature is seated as the assembly for the unorganized borough. He said he looks at this as an equity issue.

MR. BARNHILL replied that with some exceptions, most states split the responsibility of supporting public education relatively equally between locals and the state. In terms of support of school construction in REAAs, SB 64 attempts to not impact that at all. That grant fund remains intact and the formula for granting out of the grant fund remains intact. The bill attempts to preserve the status quo of the Molly Hootch Case as well as Kasayulie v. State of Alaska.

[9:57:18 AM](#)

SENATOR COSTELLO asked how the bill will affect the cost to repair and improve Gruening Middle School and Eagle River Elementary School that were affected by the earthquake.

MR. BARNHILL replied appropriations for disaster relief are a separate vehicle, but he did not know the extent of those funds that will go to those schools. He offered to follow up with the information.

CHAIR STEVENS asked him to send the information to his office for distribution to the members.

SENATOR COSTELLO asked if any analysis had been done to understand how this might affect future bonds that come before voters.

MR. BARNHILL replied that there is a five-year moratorium on school debt reimbursement until FY2021 and SB 64 proposes to repeal that as well.

SENATOR COSTELLO asked if there was any discussion when the bill was crafted about paying off existing debt before eliminating the program.

MR. BARNHILL answered that he did not have a specific recollection of that scenario.

SENATOR COSTELLO said she appreciates that he read the verbiage included in the proposition that was before Anchorage voters, but that is just a caveat that it is the power of the legislature to appropriate and one legislature cannot bind future legislatures. She asked if the impact of the bill might affect voter behavior regarding funding school projects going forward.

MR. BARNHILL answered that unquestionably this will impact voter thinking about funding school construction going forward. From a policy perspective, one consequence that voters should consider is the various ways to support education--do they construct schools, do they rent space in existing buildings, do they construct multipurpose facilities that will reduce overall costs to communities. A potentially good consequence is that municipalities, the state, and voters will become more creative in how they expend limited dollars to support educational programs and construction.

[10:01:45 AM](#)

SENATOR BEGICH said he would like to think that after 200 years of democracy, the framers of the Alaska constitution figured out how to do it right as opposed to having education funded at the local level. He said Senator Birch called it; it is fundamentally the state's responsibility and the legislature's responsibility to be the school board for the unorganized borough.

He described the legislation that Senator Hoffman introduced in 2010 after Kasayulie that provides a stepdown mechanism based on the amount of debt reimbursement that eventually runs out. He

asked if the mechanism provides a continued process for serving and making up the \$2 billion deficit in rural schools.

MR. BARNHILL confirmed that over time the amount of debt reimbursement will decrease and the formula for making grants to areas in the unorganized borough will also decrease. He said the longest term for bonds impacted by the bill is 20 years. Some mature earlier. He said the question of maintaining the equity that the Kasayulie case calls for is valid and should be revisited in the short to medium term.

SENATOR BEGICH said the issue does need to be revisited to keep from being in a pre-Kasayulie situation with no funding mechanism for rural schools. The court decision was quite clear that the legislature used an arbitrary process for funding schools that favored urban areas. That presents significant constitutional issues with what is being proposed.

He referenced the caveat Mr. Barnhill read as part of the Anchorage ballot proposition and said he would encourage the governor to do the same with the oil and gas tax credits and others that all carry caveats. He asked how the legislature is to determine that the priority is that residents of the state of Alaska who use school services merit less consideration than those who sign contracts with the oil industry. He asked how it is that state has made the decision paying back that billion-dollar commitment but doesn't intend to continue paying back the school debt reimbursement commitment.

MR. BARNHILL replied it is a difficult balance to prioritize the funding the state has committed to in the past decades now that its savings accounts are exhausted. The question is which to pay part of and which to pay none of. He said with respect to the oil and gas tax credits, the state began to reshape that balance a few years ago. Instead of paying off those credits in full the year they were presented, the state paid the statutory amount under the interpretation by the Department of Revenue. The governor has proposed to again pay a portion of the credits, pending resolution of litigation to issue debt to do that. In this case, the voters in municipalities agreed to pay for the school debt reimbursement obligation if the state didn't reimburse. He said it makes sense to send this obligation back to the voters because they agreed to it.

SENATOR BEGICH said that argument would apply to virtually any contract entered into by the state where there is not a "shall" but a "may" clause. It would apply to a billion dollars of [oil

and gas tax] credits as well. He said it's a matter of priorities and he wanted to be sure he understood where this administration's priorities are.

10:08:07 AM

SENATOR HUGHES asked what the amount of the cost shift is to communities and which communities are hit the hardest. She noted the fiscal note is zero because there is no cost to the state.

MR. BARNHILL said this year the appropriation for school debt reimbursement was \$100 million. A portion was funded with unrestricted general funds and a smaller portion was funded by the higher education fund. In FY2020, \$100 million is cost shifted to the 19 municipalities that have issued this debt. The highest dollar amount for FY2020 is \$41 million for the Municipality of Anchorage and the second highest is the Mat-Su Borough for about \$18.4 million. He said he could either read the rest of the list or provide it to the committee.

CHAIR STEVENS asked him to give the list the committee aide who would distribute it to the committee members.

SENATOR HUGHES pointed out that the ratio is worse for making up that cost in her area because Mat-Su has a smaller population. She referenced Senator Birch's comment about equity and said it will be a hard rub for the people in her area to pick up 100 percent when 100 percent of the cost for construction will be picked up by the state in other regions. She asked if the review committee, which has the added duty to review construction to ensure more efficient designs, would have oversight and a say in construction in communities that receive no reimbursement. She questioned whether the state should have a say about school construction in those communities are picking up 100 percent of the cost.

MR. BARNHILL said the bill identifies this committee as purely a grant committee for the REAA grant fund and its duties regarding the school grants construction fund are eliminated.

MR. BLACKWELL clarified that the school construction and major maintenance grant fund is a funding mechanism for both municipalities and REAAs. That list is presented to the legislature. In the past DEED has utilized that list to fund projects specifically in REAAs and small school districts. There is a participating share for all these projects. For the REAAs it is a two percent participating share. No one gets a 100 percent at this point, but it is close.

SENATOR HUGHES said if the cost shift is \$100 million this year, what is total cost over time.

MR. BARNHILL answered that the total nominal dollar value of the debt service (not inflation adjusted) is \$904.8 million spread over time ranging from one year for Unalaska up to 20 years for Ketchikan and Anchorage.

SENATOR HUGHES said this has great impact for Mat-Su now and going forward because the Mat-Su School District is building about one school a year to accommodate the rapid growth in the area.

10:14:00 AM

CHAIR STEVENS opened public testimony.

10:14:12 AM

DEENA BISHOP, Ph.D., Superintendent, Anchorage School District, Anchorage, Alaska, opposed SB 64. She said she supports the legislatively-approved school bond debt reimbursement to school districts through the state. In the past, school districts incurred school bond debt in accordance with the state's contractual agreement in place at the time the bonds were sold. That agreement between the school districts and state and approved by voters was done in good faith. While the community of Anchorage has historically voted regularly to sell school bonds to fund capital improvements, their vote has been contingent on a portion of the bond cost being reimbursed by the state of Alaska. Anchorage voters are informed citizens who assess the value of their investments. Evidence of this is that Anchorage is one of the few local incorporated areas that has continued to invest in construction projects after the repeal of the state share four years ago when the law changed on future debt reimbursement. The municipality transparently communicated the local responsibility for its construction investment since the legislation in 2015 stopped the portion of state aid. Over the last three years, Anchorage bonds have passed. They have kept the amount of bond debt retirement at the level of new money invested to support the security and care of the school buildings for all stakeholders.

DR. BISHOP said the municipality has not bonded for new buildings; their capital projects are designed to upkeep over 86 buildings, many of which were built in the high growth years of the 50s, 60s, and 70s. Anchorage voters are informed and take care of their community's needs. While the municipality

continues to bond for projects, it has closed two schools within the last three years and moved two programs from rented space. SB 64 will remove trust in government and impact future contracts and business in the state when new investment is sought. The governor says that Alaska is open to business but she does not believe this is so. Not paying contracts agreed upon by the state does not solve state spending. It shifts the debt to individual Alaskans. The present OMB director reports that the state is solving its overspending and reducing expenses with the new budget but it is reminiscent of Hans Christian Andersen's tale, "The Emperor Has No Clothes." In this story it was the children who said the emperor has no clothes. She said Alaskans are not fooled either and would ask the state to follow through on its commitments.

DR. BISHIOP said as the legislature undergoes the difficult task of creating a budget to meet the state's needs during a time of shrinking revenues, she is compelled to share the impact on the Anchorage School District and community. The Anchorage School District anticipates losing \$41 million in school bond debt reimbursement from the state. This shifts \$320 million of voter-approved debt from the last 20 years to the municipality. In 2018 the average mill rate in Anchorage was 16.06, yielding a property tax rate of \$1,606 for \$100,000 of assessed value. If the burden to repay the bonds is shifted solely to the municipality, the average homeowner in Anchorage would experience an increase in taxes of \$437. This is an increase of seven to eight percent of the total tax bill for an average home. Costs of goods and services may become more expensive as commercial property has a higher tax burden that would be passed through to customers. These are not budget reductions, but responsibility shifting. She concluded by saying that just because the state can do something doesn't mean it should.

SENATOR BIRCH stated agreement with the foregoing testimony. He asked her to speak to the multipurpose aspects of school construction in Anchorage and how to manage school construction to keep costs competitive. For example, does the school district pay more than the going rate for a roofing project.

DR. BISHOP related that testimony at the district level was that roof projects were seemingly out of market, but resurfacing roofs includes seismic upgrades and that is needed in Southcentral Alaska. The district has seven roofs on a bond project right now and there is a community committee that supports the district in regard to the expenses and projects placed on the bonds. Department of Education and Early

Development (DEED) metrics and parameters for pricing bonds are used the bonds are sold and put out to bid over a period of time to keep the construction costs down and meet the market share. In regard to the multipurpose use of schools, there are in-house medical clinics in four high schools. The schools are rented out evenings to the community. She said these are community schools and their playgrounds are part of city's parks and recreation services. She noted that with declining school enrollment one school was closed in 2017 and another in 2019. Programs are also moved as the district looks at efficiencies.

[10:24:34 AM](#)

NORM WOOTEN, Executive Director, Association of Alaska School Boards, Juneau, Alaska, opposed SB 64. He said school districts are affected as municipalities are hit with increased costs. Municipalities have already been impacted by the suspension of school debt reimbursement through 2021. He said he would not that the point that the initiative language that voters approved included the caveat about reimbursement. However, the state has had a long history of sharing and paying for that and voters expected that to continue. School districts are concerned that as municipalities absorb that cost, they will be hard pressed to continue funding for school districts under the foundation formula beyond the required minimum contribution. Many of the municipalities are approaching or at the cap in support of education. He said he believes that will no longer be the case should SB 64 become law. The education of children across the state will be affected.

CHAIR STEVENS commented that the administration discussed how other states operate, but he was only familiar with Oregon. He said school districts in that state establish a tax but school districts in Alaska do not have that ability.

MR. WOOTEN agreed; municipalities are the taxing authority for school districts within the state of Alaska under the foundation formula.

[10:27:06 AM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, Juneau, Alaska, opposed SB 64. He said he was speaking on behalf of the mayors of the Aleutians East Borough, City and Borough of Juneau, City and Borough of Sitka, City and Borough of Wrangell, City of Dillingham, City of Cordova, Haines Borough, Ketchikan Gateway Borough, City of Sand Point, Mat-Su Borough, City of Nome, Petersburg Borough, City of Unalaska, City of Valdez, and the City of Hoonah have all agreed to this joint statement.

Over the past decades, 656,000 Alaskans in 15 of Alaska's 19 boroughs and six cities voted for new and improved schools. The promise to voters was that the state would pick up 60 to 70 percent of the school bond debt and the taxpayers would pay the balance. He acknowledged the caveat in the agreement that the reimbursement was subject to appropriation, but there was no reason to believe that this commitment would change. Years of payments strengthened that understanding, he said.

MR. ANDREASSEN said the governor promised to restore trust in government, but his first step is to break a promise the state made to those voters, to those taxpayers, and to those local governments. Alaska residents and municipalities made a decision to support schools in good faith, faith that has been broken. The message to Alaska voters and to taxpayers is that the state cannot be a trusted partner and trust in government cannot go beyond a two-year election cycle or an annual appropriation. It is evident that the state is committed to balancing its budget. Similarly, local governments have a responsibility for the budget that they deliver to taxpayers. For those municipalities with school bond debt, which will be \$105 million this year, those taxpayers will balance the state's budget. Not only is the state proposing that today's bond debt not be paid, but an entire repeal of that obligation will shift more than \$900 million to local taxpayers. Balancing the state budget on the backs of local governments cannot restore trust in government. Voters and taxpayers will clearly feel that their trust has been misplaced.

MR. ANDREASSEN said that state decision-making must take into account how local governments respond as there is no common response. Local governments are diverse across Alaska. Shifting almost a billion dollars their way will be met with a different approach across the state. Some of the options are straightforward. Some have room to increase taxes, but the scale of these shifts will put them up against the cap before their obligations are met. Some can raise taxes outside the cap to meet those debt obligations. Some will spend from reserves or reduce services. In many areas this will require an overhaul of tax codes. Where the state preempts the collection of revenues, that significantly impacts a municipality's ability to repay these bonds. There are no easy or across-the-board solutions. Taxpayers are less likely to approve increased taxes for bond debt for new and improved schools. Options are limited by voter-approved tax caps and cash reserves and tax bases. In some communities where there is no property tax and the state

preempts the collection of fisheries taxes or petroleum property taxes that they depend on, there are few alternatives. He asked what happens when residents leave as an outcome of budget reductions and the tax base further deteriorates, what happens to credit rating when receipt of state funding was part of the deal, and what are the legal ramifications for municipalities and the state. The repeal of school bond debt reimbursement is not singular. Municipalities face multiple impacts from the FY 20 proposals: reduced ability to collect taxes from some sectors, loss of state-supported services, and increased expectations to pick up the costs. The state must not renege on its promises. The school debt reimbursement should be treated like any other contract if they are to restore trust in government. Following through on promises, especially when it comes to schools, must be on the top of the list.

[10:31:38 AM](#)

ANDY RATLIFF, Director, Office of Management and Budget, Anchorage School District, Anchorage, Alaska, opposed SB 64. He wanted to echo Dr. Bishop's testimony about shifting the cost of \$41 million for this year onto the local Anchorage taxpayer. The timing is such that not only will the taxpayers have to pick up an additional \$41 million, but due to the timing and the timing of the Anchorage municipality tax collection, taxpayers will have to pick up additional costs associated with issuing tax anticipation notes or use their working capital, which will result in a loss of flexibility to remediate earthquake damage and loss of interest earnings. They do respectfully ask them to look hard at this decision to shift costs to local taxpayers.

[10:32:53 AM](#)

BRITTANY SMART, Special Assistant to the Mayor, Fairbanks North Star Borough Mayor's Office, Fairbanks, Alaska, opposed SB 64. She said she was speaking for Mayor Bryce Ward in opposition to SB 64. The state is constitutionally responsible for ensuring that Alaska's youth receive an education in safe, productive learning environments and facilities. The borough has a long history of being a partner in providing quality education. The community has supported the Fairbanks School District with local contributions by supplementing the school district's budget and sharing in school construction costs. The borough's estimated FY 20 contribution for school bond debt equates to 1.1 mills, which represents about \$9 million. They value their schools, teachers, and investing in their youth, as shown by the repeated approval of bond proposals. The generosity and commitment of the Fairbanks community should not equate to an ability to fully fund school construction. The elimination of school bond debt

reimbursement will have significant, long-term impacts to the community. At a minimum, the local ability to supplement the state's budget for the school district will likely be reduced or eliminated to cover the additional cost. More worrisome is whether the community will be able to fund the future capital needs of the school district, further exacerbating the borough's and state's ability to fund and execute much needed capital projects. The mayor urges them to reject SB 64 and maintain the state's commitment to schools.

10:34:34 AM

CYNNA GUBATAYAO, Finance Director, Ketchikan Gateway Borough, Ketchikan, Alaska, opposed SB 64. She said Ketchikan's share of the bond debt reimbursement is 30 percent. That is not insignificant. The bond debt reimbursement is not a handout. It is part of the way of the state delivers on its promise to provide a system of education to all Alaskans. Borough residents have skin in the game. Ketchikan taxes itself to pay for their share of the bond debt reimbursement, school building insurance, and major maintenance on all the buildings. That is entirely separate from the required local and discretionary contribution. The Ketchikan Gateway Borough is opposed to SB 64 and asks for their help in resolving the issue.

10:35:35 AM

ALVIN OSTERBACK, Mayor, Aleutians East Borough, Sand Point, Alaska, opposed SB 64. He said the Aleutians East Borough is responsible for six communities with a population of 3,141 residents: Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon, and Sand Point. On January 10, the borough passed a resolution opposing SB 64. The debt obligation program to construct and conduct school renovations is a large responsibility. One of the main reasons the borough formed in 1987 was to have local control of schools. They are committed to providing a quality education to young people. The Aleutians East Borough is obligated to pay a minimum of \$517,000 for education. They have frequently paid much more than that because they believe their children are the future of the region and the state. They have taken on a share of school bond debt, recognizing that the state would cover a portion of this. Since 1970 the state of Alaska has encouraged municipalities to bond for major school maintenance projects by reimbursing municipalities with bonding authority. The Aleutians Borough has a small tax base to draw from, but always has done their share in partnership with the state. The borough's school bond debt in FY 20 is anticipated to be \$654,700 with the state paying about 70 percent. Their total outstanding school bond debt is just

over \$7.5 million. SB 64 would require them to pick up the state's share, which will increase the borough's share annual share by nearly half a million dollars. The changes outlined in SB 64 would shift the burden to small municipal governments like theirs. The packages of reductions proposed by the governor would be devastating and threaten the viability of the Aleutians East Borough. They ask them to leave the school bond debt reimbursement program intact.

[10:38:03 AM](#)

DEBRA SCHNABEL, Manager, Haines Borough, Haines, Alaska, opposed SB 64. She said 30 percent of their general fund goes to operate schools. In Haines, the school and library are the facilities and programs they are most proud of. They have a tax cap of 10 mills, which does not include the debt retirement. In addition to the 10 mills tax cap, the debt retirement requires 1.25 mills of property tax. The annual school debt reimbursement is \$1.2 million, and the state reimburses 70 percent, which is \$904,000 a year. If Haines were to assume that payment, it would be another 4 mills. Seven more years of taxing the community at 14 mills would be devastating. They anticipate that it would be impossible for many to continue to live in their community with that high a levy of property taxes. She urged them to think about the impact of people who would receive that property tax bill and have to make decisions about where to live. In many ways the entire budget proposal is asking Alaskans to consider that living in Alaska may not part of their future. She encouraged them to consider the impact of SB 64 on the people of the state and reject it.

[10:40:44 AM](#)

SENATOR BEGICH said he wasn't sure if the public knew what Article VII, Section 1, of the Alaska Constitution says. "The legislature shall by general law establish and maintain a system of public schools--not just education, but public schools--open to all children of the State," he said. They should really be aware during the testimony that the legislature has a constitutional obligation to provide for schools and it rests with the state, as Senator Birch mentioned, not municipalities.

SENATOR BIRCH said that the legislation includes references to consideration of multipurpose function designs to reduce overall facility costs for the community. He asked if she could speak about the deliberative process in her community to decide to engage in construction.

MS. SCHNABEL replied that the Haines borough was supporting three separate buildings when they started discussing replacing the middle school and determined that it would be more cost effective to combine the primary, middle, and high school into one facility. That was a very conscious decision on their part. She was on the borough assembly at the time they were considering this and the school debt reimbursement program was part of the decision to go forward with the construction of the school. The school building does not have additional space. She is not sure what the governor is thinking with multipurpose. She asked if he is thinking of combining a school building with theaters or libraries. She doesn't know what multipurpose means. Their facility is completely dedicated to education. It is used for community education, for recreational purposes, for community meetings, but it is primarily an education facility. They are proud they were able to reduce the costs in the borough by having one facility.

[10:44:42 AM](#)

LUCY NELSON, Mayor, Northwest Arctic Borough, Kotzebue, Alaska, stated that the borough, which serves 11 communities, opposes SB 64. She reported that \$18.7 million of the borough's \$29.4 million bond debt was to be reimbursed through the schedule currently in place and \$10.6 million would be paid by the borough. This does not include the \$12.8 million general obligation bond debt to construct the Kivalina school that the borough has been told will not be reimbursed by the state. She said the borough currently spends about 50 percent of its budget for education, 30 percent for bond debt, and for the remainder for the mandatory local contribution and rent. Eliminating the bond debt program would have a drastic, negative impact on borough finances. Essential borough services that help protect the lives, health, and safety of residents would have to be reduced or eliminated.

MAYOR NELSON emphasized that the state is responsible for funding schools and made a prior commitment to reimburse a portion of school bond debt. Local governments have relied on that commitment in good faith and any change to that commitment will shift a significant financial burden on to local communities and their residents. The Northwest Arctic Borough is therefore opposing SB 64, she said.

[10:47:29 AM](#)

MIKE COONS, representing self, Palmer, Alaska, stated that as a taxpayer with no kids in school, he supports SB 64. He mentioned population decreases in Anchorage and wondered how much is due

to the lack of jobs and the recession created by this legislature and former governor. He suggested bringing back the school tax and tax the people with kids in school, including for the cost of the buildings. This would free senior citizens like failing education system." In conclusion he said he is 100 percent behind the governor, his budget, and what he is doing.

10:52:07 AM

WALTER SAMPSON, Assembly Member, Northwest Arctic Borough, Board of Directors, Alaska Municipal League, Kotzebue, Alaska, stated that education is an integral part of the region, which means infrastructure is critical to give students the best education possible. He related that schools that were built in 1960s deteriorated and students got sick from the rotting buildings. In the early 1980s, Northwest Arctic Borough region started to discuss ways to support education and the borough was ultimately created in 1986. In the mid-90s, the borough started to look at replacing the aging education infrastructure in communities throughout the borough. The question of whether to bond for the schools was put before the voters and they supported bonding up to \$100 million. Eight new schools were built and now they are starting to deteriorate. He said the Red Dog Mine is the only tax base in the region and opportunities for work are limited. The borough continues to look for other ways to expand the tax base so they can continue to support education. He said it is sometimes easy for leaders to pass the buck but he believes the state needs to take responsibility for education. He opined that it is critically important to continue to work with the state, but as a member of the borough assembly and as an AMS board member, he does not support SB 64.

SENATOR BIRCH thanked him for his leadership and continued engagement on this important issue.

10:58:28 AM

DAVID NEES, representing self, Anchorage, Alaska, reported that the House Sustainable Education Task Force in 2014 recommended ending the bond debt reimbursement program. The legislature did place a moratorium on the program , but that has not slowed people of Anchorage from incurring new bond debt. He opined that if SB 64 were to pass, the legislature should pass legislation to make whole the people who bought into this reimbursement. Before bond debt reimbursement, the state sold bonds for school construction. He noted that the cigarette tax is also a dedicated tax that goes out, but unevenly. The boroughs do not get as much of the funds as the students they house. He said

that tax could be increased and dedicated to the Bond Debt Reimbursement Program payoff.

MR. NEES said that if the reimburse program is eliminated, it is of primary importance to have a replacement component to ensure that organized areas are not unfairly impacted because they bought into the program. He pointed out that all the testifies have said that they have to reconsider what they are doing. He said a secondary barrier is that the Supreme Court looked at the Ketchikan decision and said the required local contribution is probably unconstitutional. He pointed out that if that is removed from the funding bill, it will remove the caps on municipalities and organized areas to tax citizens for their schools. He noted that the solution in the 1970s was that the state sold bonds and again emphasized the importance of a hold harmless component in the debt reimbursement if there is no way to collect the money to make the payments.

[11:01:45 AM](#)

JIM COLVER, representing self, Palmer, Alaska, quoted Robert Service said that "a promise made is a debt unpaid." He said he is hearing that education and public safety are the top responsibilities of the state of Alaska. If SB 64 were to pass, it would shift \$200 million of debt to the Mat-Su borough, about \$18.4 million a year, which is equivalent to two mills. That would represent a 20 percent increase in the base tax rate before adding service areas. In total, that is about 16 to 17 mills, which would be a major increase. In 2011, when the governor was the school board president, a large bond issue was put before voters. Both the governor and school district advocated for the \$200 million bond package. That went before voters as a 70 percent state reimbursement. Mayor Vern Halter, who was then an assembly member, made sure the ballot language said that under no circumstance would the bonds be sold if they weren't eligible for 70 percent reimbursement. That was the promise to voters and it needs to be upheld.

If the state wants to renege on the obligation, it should pay the debt and start fresh. That would result in a \$900 million fiscal note. He said the Mat-Su Borough has a reserve fund balance of about \$25 million and the impact of SB 64 would be to exhaust it in one year. From a policy perspective it doesn't make sense to not support education because education is the future of an increasingly knowledge-based economy.

[11:04:53 AM](#)

BRANDY WAGONER, representing self, Kodiak, Alaska, stated opposition to SB 64. She said many people have realized that school debt reimbursement cannot last forever, but no one is ready for it to be cut to zero immediately. The Kodiak Island Borough area-wide mill rate is 10.75. To recover from the loss of school bond debt reimbursement just this year would increase the mill rate to 14.51. It could possibly exhaust the fund balance and the borough would not be prepared for any future bonded debt projects. While the ballot language did say that the balance would fall to the taxpayers if the school debt reimbursement was not funded, the bond debt would not have been proposed if the projects had not been approved for school bond debt reimbursement. She said SB 64 is akin to rearranging the deck chairs on the Titanic. She suggested looking at this policy in the long term and adopting something in the middle to satisfy short-term needs and keep the focus on the future. Everyone can deal with a cut, but no one can deal nothing at all, she said.

[11:07:01 AM](#)

VIKKI JO KENNEDY, representing self, Kodiak, Alaska, said education is important to the state but she supports SB 64. When the state had money, spending was out of control and now that the money is gone it is necessary to start somewhere to rein in spending.

[11:09:48 AM](#)

GREG WEAVER, self, Wasilla, Alaska, said he supports the governor's budget cuts such as SB 64. He opined that everyone must strive for more efficiency in the state and conserve current resources. He placed the onus for overspending on the legislature and emphasized the need to stop blindly throwing money at education. He expressed hope that the current budget situation leads to a mass exodus from the state, leaving people who want to be in Alaska and part of a thriving society. He mentioned the ferry system as an example of spending he didn't agree with. He compared the areas of the state to a fried egg. Southeast represents the fringe of the white that burns first whereas Southcentral represents the yolk which most people are most concerned about. He asked legislators to consider what is best for the state, not just individual districts. He encouraged the state to take care of seniors, homeless kids, and disabled veterans and to stop throwing money at vocational schools like the one in Palmer.

[11:14:18 AM](#)

SENATOR COSTELLO said she had two clarifying questions for Mr. Barnhill. One of the testifiers indicated that school bond debt

reimbursement is somehow filtered through the school foundation formula and her understanding is that it is not.

MR. BARNHILL said his understanding is that school debt reimbursement has no place in the foundation formula. Therefore, any shift, like SB 64 proposes, of school debt responsibility back to municipalities would not impact the voluntary cap under the foundation formula.

SENATOR COSTELLO said Mayor Nelson from the Northwest Arctic Borough testified that she is getting word that the state is not reimbursing \$12.8 million for the Kivalina school and information in the packet indicates that the state is putting the program on hold. She asked him to clarify the status of that school and the program as a whole.

MR. BARNHILL deferred the question to DEED.

[11:15:56 AM](#)

HEIDI TESHNER, Director, Administrative Services Section, Department of Education and Early Development (DEED), Juneau, Alaska, said her understanding is that the \$12 million is the Northwest Arctic Borough's participating share of the bond debt to build the Kivalina school. The state is responsible for the balance. She offered to follow up with information about the exact amount.

[11:16:30 AM](#)

CHAIR STEVENS asked her to provide that information to the committee. He kept public testimony open and held SB 64 in committee.

[11:16:37 AM](#)

There being no further business to come before the committee, Chair Stevens adjourned the Senate Education Standing Committee at 11:16.