

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 4, 2022

8:17 a.m.

MEMBERS PRESENT

Representative Harriet Drummond, Co-Chair
Representative Andi Story, Co-Chair
Representative Tiffany Zulkosky
Representative Grier Hopkins
Representative Mike Prax
Representative Mike Cronk
Representative Ronald Gillham

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 18

"An Act relating to national board certification for public school teachers."

- MOVED CSHB 18(EDC) OUT OF COMMITTEE

HOUSE BILL NO. 259

"An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; relating to funding for state aid for school districts, the state boarding school, centralized correspondence study, and transportation of pupils; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 164

"An Act relating to early education programs provided by school districts; relating to school age eligibility; relating to early education programs; establishing a parents as teachers program; relating to the duties of the Department of Education and Early Development; relating to certification of teachers; establishing a reading intervention program for public school students enrolled in grades kindergarten through three; establishing a reading program in the Department of Education and Early

Development; relating to a virtual education consortium; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 18

SHORT TITLE: TEACHERS: NATIONAL BOARD CERTIFICATION

SPONSOR(S): REPRESENTATIVE(S) KREISS-TOMKINS

| | | |
|----------|-----|----------------------------------|
| 02/18/21 | (H) | PREFILE RELEASED 1/8/21 |
| 02/18/21 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/18/21 | (H) | STA, EDC |
| 02/25/21 | (H) | STA AT 3:00 PM GRUENBERG 120 |
| 02/25/21 | (H) | -- MEETING CANCELED -- |
| 03/02/21 | (H) | STA AT 3:00 PM GRUENBERG 120 |
| 03/02/21 | (H) | Heard & Held |
| 03/02/21 | (H) | MINUTE(STA) |
| 03/04/21 | (H) | STA AT 3:00 PM GRUENBERG 120 |
| 03/04/21 | (H) | Heard & Held |
| 03/04/21 | (H) | MINUTE(STA) |
| 03/09/21 | (H) | STA AT 3:00 PM GRUENBERG 120 |
| 03/09/21 | (H) | Moved HB 18 Out of Committee |
| 03/09/21 | (H) | MINUTE(STA) |
| 03/10/21 | (H) | STA RPT 3DP 1DNP 1NR 2AM |
| 03/10/21 | (H) | DP: CLAMAN, TARR, KREISS-TOMKINS |
| 03/10/21 | (H) | DNP: EASTMAN |
| 03/10/21 | (H) | NR: STORY |
| 03/10/21 | (H) | AM: KAUFMAN, VANCE |
| 04/30/21 | (H) | EDC AT 8:00 AM DAVIS 106 |
| 04/30/21 | (H) | Heard & Held |
| 04/30/21 | (H) | MINUTE(EDC) |
| 05/10/21 | (H) | EDC AT 8:00 AM DAVIS 106 |
| 05/10/21 | (H) | -- MEETING CANCELED -- |
| 01/21/22 | (H) | EDC AT 8:00 AM DAVIS 106 |
| 01/21/22 | (H) | Heard & Held |
| 01/21/22 | (H) | MINUTE(EDC) |
| 01/26/22 | (H) | EDC AT 8:00 AM DAVIS 106 |
| 01/26/22 | (H) | Heard & Held |
| 01/26/22 | (H) | MINUTE(EDC) |
| 02/04/22 | (H) | EDC AT 8:00 AM DAVIS 106 |

BILL: HB 259

SHORT TITLE: PERMANENT FUND DIVIDEND; 25/75 POMV SPLIT

SPONSOR(S): REPRESENTATIVE(S) SPOHNHOLZ

01/18/22 (H) PREFILE RELEASED 1/7/22
01/18/22 (H) READ THE FIRST TIME - REFERRALS
01/18/22 (H) EDC, W&M, FIN
02/04/22 (H) EDC AT 8:00 AM DAVIS 106

WITNESS REGISTER

CLAIRE GROSS, Staff
Representative Jonathan Kreiss-Tomkins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided brief comment during the hearing on HB 18 on behalf of Representative Kreiss-Tomkins, prime sponsor.

REPRESENTATIVE IVY SPOHNHOLZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 259.

MEGAN HOLLAND, Staff
Representative Ivy Spohnholz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis to HB 259 on behalf of Representative Spohnholz, prime sponsor.

LON GARRISON, Executive Director
Association of Alaska School Boards
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 259.

LISA PARADY, Executive Director
Alaska Council of School Administrators
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 259.

EMILY NAUMAN, Deputy Director
Legislative Legal Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Offered clarification of terminology during the hearing on HB 259.

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

POSITION STATEMENT: Testified during the hearing on HB 259.

SARA DYKSTRA, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 259.

ACTION NARRATIVE

[8:17:12 AM](#)

CO-CHAIR ANDI STORY called the House Education Standing Committee meeting to order at 8:17 a.m. Representatives Drummond, Gillham, Prax, Zulkosky, Hopkins, and Story were present at the call to order. Representative Cronk arrived as the meeting was in progress.

HB 18-TEACHERS: NATIONAL BOARD CERTIFICATION

[8:19:04 AM](#)

CO-CHAIR STORY announced that the first order of business would be HOUSE BILL NO. 18, "An Act relating to national board certification for public school teachers."

[The committee had adopted an amendment to HB 18 at its last hearing of the bill on 1/26/22.]

[8:19:34 AM](#)

CLAIRE GROSS, Staff, Representative Jonathan Kreiss-Tomkins, Alaska State Legislature, on behalf of Representative Kreiss-Tomkins, prime sponsor of HB 18, offered to answer questions from the committee.

[8:20:17 AM](#)

REPRESENTATIVE PRAX observed that the national board certification requirements seemed comparable to those of a master's degree, and he questioned whether the bill sponsor had spoken with the university about that.

MS. GROSS answered that the sponsor's office had not done so, but remarked that was an interesting idea.

[8:22:25 AM](#)

CO-CHAIR DRUMMOND moved to report HB 18, [as amended], out of committee with individual recommendations and the accompanying fiscal notes.

[8:22:48 AM](#)

REPRESENTATIVE CRONK objected. He said he does not feel a statute is necessary, as this is a local decision.

[8:23:18 AM](#)

REPRESENTATIVE PRAX concurred with Representative Cronk. Further, he opined that if the legislature wants to modify its [national board certification] requirements, it should first have a discussion with the university rather than establishing a parallel program.

[8:24:53 AM](#)

CO-CHAIR STORY said she sees the two programs as being separate and complementary.

[8:25:14 AM](#)

REPRESENTATIVE CRONK, in response to Co-Chair Story, confirmed that he maintained his objection.

[8:25:18 AM](#)

A roll call vote was taken. Representatives Zulkosky, Hopkins, Drummond, and Story voted in favor of the motion to report HB 18, [as amended], out of committee with individual recommendations and the accompanying fiscal notes. Representatives Prax, Cronk, and Gillham voted against it. Therefore, [CSHB 18(EDC)] was reported out of the House Education Standing Committee by a vote of 4-3.

[8:26:20 AM](#)

The committee took an at-ease from 8:26 a.m. to 8:29 a.m.

[8:29:35 AM](#)

ADJOURNMENT

CO-CHAIR STORY announced the House Education Standing Committee was recessed to 3:30 p.m.

[3:34:42 PM](#)

CO-CHAIR STORY called the House Education Standing Committee meeting back to order at 3:34 p.m. Present at the call back to order were Representatives Gillham, Cronk, Prax, Hopkins, Drummond, and Story.

HB 259-PERMANENT FUND DIVIDEND; 25/75 POMV SPLIT

[3:35:27 PM](#)

CO-CHAIR STORY announced that the final order of business would be HOUSE BILL NO. 259, "An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; relating to funding for state aid for school districts, the state boarding school, centralized correspondence study, and transportation of pupils; and providing for an effective date."

[3:36:05 PM](#)

REPRESENTATIVE IVY SPOHNHOLZ, Alaska State Legislature, as prime sponsor, presented HB 259. Through a series of slides, she discussed the state of education funding in Alaska; [a slide presentation on the topic given to the next committee of referral, which correlates with this presentation of HB 259, is available on the state's website "BASIS"]. Representative Spohnholz stated that HB 259 is designed to update the permanent fund dividend (PFD) formula "to create a dedicated, stable, and growing funding" for PFDs, education funding, and other essential state government services. She emphasized the impact over the last several years of unstable funding of education. She talked about the value of base student allocation (BSA) and the effect of inflation. She said Alaska is spending approximately \$500 less per child today than it did in 2008. She remarked that education is a bi-partisan concern, and she noted that there have been, at certain years, additional appropriations made to fund education.

REPRESENTATIVE SPOHNHOLZ explained that HB 259 proposes to take a percentage of the permanent fund and apply it directly to public education. She said Article 5, Section 1, of the Constitution of the State of Alaska requires the state to fund public education. She described children as the state's most important natural resource. She acknowledged the value of the state's "hard" natural resources, but said the fluctuations

therein make its use in funding volatile. She said Senate Bill 26, passed in 2008, allowed the legislature to use no more than 5 percent of the permanent fund to pay not only the PFD but also government services. She remarked on the lack of predictability and transparency to the public and the uncertainty of the legislature as to what it will have to work with from year to year.

REPRESENTATIVE SPOHNHOLZ noted that in the Third and Fourth Special Sessions in 2021, the House Special Committee on Ways and Means began looking at various formula amounts for draws from the permanent fund and how they might affect the budget. She showed a slide depicting the updated numbers of the fall 2021 forecast, and she explained the baseline budget and the surplus that was in the budget before paying the dividend. She said she thinks the people of Alaska think they should continue to be paid a dividend, and she agrees. With lower oil prices, a 75 percent of market value (POMV) to 25 percent PFD balance was necessary; with higher oil revenue projections in fiscal year 2022 (FY 22) modest surplus could be produced with a 33/66 percent POMV/PFD draw. The governor's plan would use a 50/50 draw, which she said would result in a significant deficit moving forward.

[3:43:32 PM](#)

REPRESENTATIVE SPOHNHOLZ brought attention to further slides that explain how HB 259 would work. She reiterated that the proposed bill would rewrite the dividend formula and create a stable and growing dividend for Alaskans with a 5 percent POMV from the permanent fund, which would be split as follows: 25 percent to dividends, producing a \$1,301 PFD in FY 24; and 75 percent from the undesignated general fund (UGF) available for essential government services. Of that 75 percent, 50 percent would go to the public education fund for the foundation formula and pupil transportation; and 50 percent would go to the general fund. She explained that if the percentage allocated to education does not fully fund the foundation formula, then the remaining need will be met with UGF. Conversely, if the percentage allocated to education exceeds the amount required by the foundation formula, then the excess will be distributed directly to school districts according to the foundation formula. She remarked that this plan would offer transparency to the people of Alaska. She said she does not think it is good to be negotiating over the dividend formula every year. She pointed out that under HB 259, the dividend would rise to \$1,608 in FY 31. She said the bill would also create stable funding

for Alaska's schools. She indicated a slide showing POMV draw in FY 24 at \$3.6 billion and rising to about \$4.6 billion in FY 31. She noted that the minimum amount to meet the foundation formula obligation is \$1,239.4 billion in FY 24 and rising to \$1,423.7 billion in FY 31. Next she pointed out that HB 259 would produce a modest surplus. It would fully fund education, and a modest surplus would be distributed to school districts according to the foundation formula. The plan would also produce a surplus that would allow strategic and capital investments that are needed.

[3:49:15 PM](#)

REPRESENTATIVE SPOHNHOLZ, in response to Representative Prax, acknowledged there are a number of bills currently in circulation related to the PFD, and it remains to be seen which will "get legs." In response to a follow-up question, she specified her intent to use the word "designate" rather than "dedicate" as pertains to funds.

REPRESENTATIVE PRAX stated that conceptually, the legislature has "forever" treated a designated fund as a dedicated fund. He pointed out there are needs other than education. He observed that if [the budget] is "less than" the education foundation funding formula, then "the remaining has to come from the general fund," which will create a problem [funding] everything else.

REPRESENTATIVE SPOHNHOLZ responded that the BSA is separate law, which HB 259 does not propose to change. She reviewed that HB 259 is designed to result in surplus funds for the state. She explained that it is her expectation that if there was a fiscal plan that balances the budget, then the legislature would honor the law [that requires the state to fund education]. She acknowledged that there are areas other than education that also need funding, and she expressed that HB 259 proposes a plan to create a surplus in the budget such that the legislature would not have to "make those difficult choices" and could begin to make strategic investments.

REPRESENTATIVE PRAX said he understood but did not share Representative Spohnholz' point of view.

[3:54:52 PM](#)

REPRESENTATIVE HOPKINS questioned whether the bill sponsor had considered what needs to be done with the BSA funding "to catch

up to inflation" and whether HB 259 would "cover how far we have fallen behind."

REPRESENTATIVE SPOHNHOLZ deferred to Co-Chair Story.

[3:55:47 PM](#)

CO-CHAIR STORY offered her understanding that \$500 million "is the number."

REPRESENTATIVE HOPKINS calculated that a \$500 million shortfall would not be covered by HB 259, but speculated the bill is "trying to catch up and doing a good job of stable funding." He asked for confirmation that HB 259 would "sort of level out the funding," thus would not be "a roller coaster" and "would not be based on one-year increases or drops in the market."

REPRESENTATIVE SPOHNHOLZ confirmed that is correct. She emphasized that the cost of funding state services does not change with the price of oil, so the state should be saving money when the price of oil is high, then using a stable, five-year rolling average to produce income to pay for those services. In response to a follow-up question, she confirmed that HB 259 does not propose a constitutional amendment.

[3:59:31 PM](#)

REPRESENTATIVE SPOHNHOLZ, in response to Representative Drummond, restated the various POMV/PFD formulas.

[4:01:27 PM](#)

CO-CHAIR STORY commended the bill sponsor's consideration of "people transportation." She asked Representative Spohnholz if she had considered how other essential services would be effected.

REPRESENTATIVE SPOHNHOLZ said she considered "a status quo budget" and fully funding education, while providing "a meaningful dividend." She mentioned various public services from which everyone benefits and how they are adversely affected by austere budgets.

CO-CHAIR STORY said she likes the proposed bill's intent of providing stability and certainty not only for education but also for other services in the state. She mentioned the restraint of government spending and insurance of a larger

dividend, and she asked whether the bill sponsor had considered a provision to increase the share for dividends under certain conditions.

REPRESENTATIVE SPOHNHOLZ said she is open to discussing various "triggers."

[4:08:07 PM](#)

The committee took an at-ease from 4:08 p.m. to 4:10 p.m.

[4:10:30 PM](#)

REPRESENTATIVE SPOHNHOLZ added that the proposed bill would allow the legislature "to appropriate as needed in extraordinary situations."

[4:12:05 PM](#)

MEGAN HOLLAND, Staff, Representative Ivy Spohnholz, Alaska State Legislature, on behalf of Representative Spohnholz, prime sponsor, presented the sectional analysis to HB 259 [included in the committee packet].

[4:17:20 PM](#)

REPRESENTATIVE SPOHNHOLZ, in response to a question from Representative Hopkins, indicated the reason for proposing the effective date of 2023, rather than 2022, was because of the time it would take to implement the provisions under HB 259.

[4:17:44 PM](#)

CO-CHAIR STORY announced the committee would hear invited testimony.

[4:17:55 PM](#)

LON GARRISON, Executive Director, Association of Alaska School Boards, testified on behalf of the Association of Alaska School Boards (AASB) in support of HB 259. He reviewed AASB's several resolutions that support the proposed legislation. He spoke about the need for education funds and the responsibility of the legislature to provide them. He noted that while HB 259 is not a BSA bill, it would create "a foundation for a possibility of increasing education funding over time." He reported that the BSA has not been increased since FY 17, while the necessary

expenses of education have all increased and will continue to do so. He pointed to the structure of the bill that would address times when the formula does not meet the BSA and times when it goes beyond the BSA, and he opined this "seems to be a reasonable solution." He said the bill would remove education from competition with all other appropriations. It would end the ongoing debate about funding the PFD, provide a stable funding source for education, and allow districts to concentrate "on educational innovation to improve student outcomes" rather than cutting programs and staff as a result of funding uncertainty. Mr. Garrison said AASB encourages the support of HB 259.

[4:23:08 PM](#)

CO-CHAIR DRUMMOND asked Mr. Garrison to forward a list of AASB's goals to the committee.

[4:23:36 PM](#)

REPRESENTATIVE PRAX returned to the idea that the funds are dedicated because it seems the intent is to make the funding of education a priority "over everything else."

MR. GARRISON confirmed it is the intent of AASB to prioritize the funding of education as a constitutionally mandated requirement. He mentioned the long-term effect that education has on the prosperity of Alaska.

REPRESENTATIVE PRAX said he does not disagree. He then asked why AASB is favoring [HB 259] over some other approach.

MR. GARRISON emphasized the importance of stability. He talked about having the opportunity to have a conversation about this issue and how HB 259 creates opportunity for that conversation to take place. It sets up a roadmap, he said. He acknowledged that the legislature always has the authority to appropriate. He said the formula proposed under HB 259 may need to be adjusted, and he hopes the conversation can continue.

[4:30:12 PM](#)

REPRESENTATIVE SPOHNHOLZ acknowledged that she had misspoken earlier, using "dedicated" instead of "designated" when speaking about funds. She encouraged Co-Chair Story to invite a representative from Legislative Legal Services to speak.

[4:31:24 PM](#)

REPRESENTATIVE HOPKINS pointed to Section 6, on page 4 of HB 259, which clearly states that the legislature may "appropriate". The words "dedicate" and "designate" are not used.

[4:32:58 PM](#)

LISA PARADY, Executive Director, Alaska Council of School Administrators, testified in support of HB 259. She said the Alaska Council of School Administrators' (ACSA's) members work together to develop joint position statements. While student achievement remains the top priority, adequate funding remains the most critical need, and HB 259 addresses that, she said. She shared that ACSA supports that the proposed bill recognizes the responsibility of the state to provide timely, reliable, and predictable revenue for schools. She mentioned teacher investment in public education and the effect of inflation, and she noted there has been approximately a 16 percent decline on the value of operating dollars since 2007. She advised that early notification of funding and stable funding is crucial. She said budget shortfalls in the state and nationally are adversely affecting all aspects of education. She talked about loss of teachers resulting from instability of funding. She said HB 259 could help stabilize districts, as well as fund service increases associated with economic development, deferred maintenance, and inflation. She said ACSA looks forward to partnering with all stakeholders and the House Education Standing Committee as the bill moves forward, and she offered to answer questions.

[4:38:25 PM](#)

CO-CHAIR STORY asked Ms. Nauman to speak on the difference between designated and dedicated funds.

[4:38:53 PM](#)

EMILY NAUMAN, Deputy Director, Legislative Legal Services, Legislative Affairs Agency, indicated that "designated" is a [word] used to differentiate between the two types of funds but is not a word that would be in statute. She mentioned Wielechowski v. State of Alaska, which said the legislature has the authority to appropriate the entire balance of the earnings reserve account (ERA) each year; the money is subject to the annual appropriation cycle of the legislature. Currently the

statutes say "shall", but in reality the legislature has to make that appropriation every year. Ms. Nauman said that "the workaround" in statute is to say that the legislature "may" appropriate, which she explained is called designation, as opposed to a dedication, which would be statute language stating something must be appropriated. The use of "may" gives future legislatures knowledge that it was the intent of the legislature that set up the statute that that was the intent of the legislation, but it is not a requirement. Ms. Nauman said there are only a few funds that are constitutionally dedicated; they are funds that "preexist the constitution" and "a few others that are specifically mentioned in the constitution."

[4:40:46 PM](#)

REPRESENTATIVE PRAX said he does not get the point of telling the legislature it has the ability to do something that it already has the ability to do. He questioned the legal benefit of "giving ourselves guidance."

MS. NAUMAN reiterated that it clarifies legislative intent, and she said this is common across all statutes. That said, she acknowledged that it is up to the legislature what to put into law and to determine the value of the language.

CO-CHAIR STORY remarked that intent may need to be adjusted.

[4:43:09 PM](#)

REPRESENTATIVE SPOHNHOLZ observed that the legislature follows the law when at all possible; the exceptions come with "structural challenges that prohibit our ability to follow the law." She said she thinks it is time to address the one part of the budget that has no statutory stability. The law as currently written is unaffordable, she opined. She spoke about the affect of the PFD on the budget and seeking a dividend formula the state can afford.

[4:46:00 PM](#)

NORM WOOTEN, Advocacy Director, Association of Alaska School Boards, expressed excitement that [HB 259] addresses many of the recommendations made by the fiscal policy work group, including getting the PFD "off the table" and funding education. He said that is the crux of AASB's support. He talked about a pro rata provision in Title XIV, which states that if there is not enough money, "it is spread across the foundation formula" and "effects

every school district in the state." He said that has always been in place "and always will be."

[4:50:17 PM](#)

REPRESENTATIVE CRONK posited that there are "a lot of tough questions that we refuse to talk about." He remarked that more money may make things easier but does not necessarily make things better. He said he views his job as figuring out how to make things better. He asked where the data is that shows that more money is needed. He emphasized the idea of increasing outcomes and accountability. He mentioned PFDs being taken from families and questioned whether those families have been asked how that would affect them.

[4:53:50 PM](#)

MR. GARRISON, at the invitation of Co-Chair Story, responded that Representative Cronk is right that those are difficult questions that need to be answered, and he said he thinks that is a conversation that will continue. He said costs have increased, as well as have "the needs for educating our children," while the funds necessary have not been available.

[4:55:39 PM](#)

REPRESENTATIVE SPOHNHOLZ recalled meeting Representative Cronk when he was a school teacher requesting stable funding. She talked about putting enough in to keep things going. She emphasized the need for money to recruit and retain teachers and spoke about evidence-based reading programs for children.

[4:59:10 PM](#)

CO-CHAIR STORY opened public testimony on HB 259.

[4:59:34 PM](#)

SARA DYKSTRA, representing self, testified that she is a parent and educator who supports HB 259. She expressed the importance of a stable and consistent fiscal plan for the state, one that addresses inflation. She remarked on the inconsistency of funding from year to year and the difficulty in making plans as a result. She said educators are seeing increased learning gaps and mental issues in students and are struggling to keep schools open and avoid burnout. She encouraged the committee to prioritize education funding by moving forward HB 259.

5:03:21 PM

CO-CHAIR STORY, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 259.

CO-CHAIR STORY expressed appreciation for the discussion.

[HB 259 was held over.]

5:04:22 PM

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 5:04 p.m.