

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 11, 2022

8:35 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

OTHER LEGISLATORS PRESENT

Representative Josiah Patkotak

COMMITTEE CALENDAR

HOUSE BILL NO. 229

"An Act relating to the Alaska higher education investment fund; and relating to the Alaska Student Loan Corporation."

- MOVED CSHB 229(EDC) OUT OF COMMITTEE

HOUSE BILL NO. 272

"An Act relating to education; increasing the base student allocation; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 273

"An Act relating to education; increasing the base student allocation; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 229

SHORT TITLE: ALASKA HIGHER EDUCATION INVESTMENT FUND

SPONSOR (s) : REPRESENTATIVE (s) JOSEPHSON

01/18/22 (H) PREFILE RELEASED 1/7/22
01/18/22 (H) READ THE FIRST TIME - REFERRALS
01/18/22 (H) EDC, FIN
02/02/22 (H) EDC AT 8:00 AM DAVIS 106
02/02/22 (H) <Bill Hearing Canceled>
02/07/22 (H) EDC AT 9:00 AM DAVIS 106
02/07/22 (H) Heard & Held
02/07/22 (H) MINUTE(EDC)
02/11/22 (H) EDC AT 9:00 AM DAVIS 106

BILL: HB 272

SHORT TITLE: INCREASE BASE STUDENT ALLOCATION

SPONSOR (s) : REPRESENTATIVE (s) STORY

01/18/22 (H) PREFILE RELEASED 1/14/22
01/18/22 (H) READ THE FIRST TIME - REFERRALS
01/18/22 (H) EDC, FIN
02/09/22 (H) EDC AT 9:00 AM DAVIS 106
02/09/22 (H) Heard & Held
02/09/22 (H) MINUTE(EDC)
02/11/22 (H) EDC AT 9:00 AM DAVIS 106

BILL: HB 273

SHORT TITLE: INCREASE BASE STUDENT ALLOC. INFLATION

SPONSOR (s) : REPRESENTATIVE (s) STORY

01/18/22 (H) PREFILE RELEASED 1/14/22
01/18/22 (H) READ THE FIRST TIME - REFERRALS
01/18/22 (H) EDC, FIN
02/09/22 (H) EDC AT 9:00 AM DAVIS 106
02/09/22 (H) Scheduled but Not Heard
02/11/22 (H) EDC AT 9:00 AM DAVIS 106

WITNESS REGISTER

ARIEL SVETLIK, Staff
Representative Andi Story
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint regarding HB 273 on behalf of Representative Story, prime sponsor.

JIM ANDERSON, Chief Finance Office
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 272 and HB 273.

DEBBIE CARY, Vice President
Kenai Peninsula Borough School Board
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 272 and HB 273.

FADIL LIMANI, Chief Financial Officer
Finance Office
North Slope Borough School District
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 272 and HB 273.

RACHEL LORD, representing self
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 272 and HB 273.

KATIE BOTZ, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 272 and HB 273.

DAVID BOYLE, representing self
No address provided

POSITION STATEMENT: Testified during the hearing on HB 272.

ROBYN BURKE, Clerk
North Slope Borough School District Board of Education
North Slope Borough School District
Utqiagvik, Alaska

POSITION STATEMENT: Testified in support of HB 272 and HB 273.

DIANE HIRSHBERG, Director and Professor of Education Policy
Institute of Social and Economic Research
Anchorage, Alaska

POSITION STATEMENT: In her role as researcher, provided information and responded to questions during the public testimony period of the hearing on HB 272 and HB 273.

ACTION NARRATIVE

[9:06:36 AM](#)

CO-CHAIR HARRIET DRUMMOND called the House Education Standing Committee meeting to order at 8:35 a.m. Representatives Story, Prax, Gilham, Hopkins, Cronk, Zulkosky, and Drummond were present at the call to order.

HB 229-ALASKA HIGHER EDUCATION INVESTMENT FUND

[9:07:21 AM](#)

CO-CHAIR DRUMMOND announced that the first order of business would be HOUSE BILL NO. 229, "An Act relating to the Alaska higher education investment fund; and relating to the Alaska Student Loan Corporation."

[Because of their length, some amendments discussed or adopted during the meeting are found at the end of the minutes for HB 91. Shorter amendments are included in the main text.]

[9:07:59 AM](#)

CO-CHAIR STORY moved to adopt Amendment 1 to HB 229, labeled 32-LS1063\B.2, Marx, 2/8/22. [Amendment 1 is provided at the end of the minutes on HB 229.]

[9:08:02 AM](#)

CO-CHAIR DRUMMOND objected for the purpose of discussion, then spoke to Amendment 1. She said the amendment was recommended by the bill sponsor. She gave a definition of "trust fund." She said the higher education investment fund provides grants and scholarships to thousands of Alaska students, and she opined that the fund needs to be put back into active earning status, which Amendment 1 would do by adding "trust" into the name of the fund.

[9:10:10 AM](#)

CO-CHAIR DRUMMOND removed her objection. There being no further objection, Amendment 1 was adopted.

[9:10:29 AM](#)

CO-CHAIR STORY moved to adopt Amendment 2 to HB 229, labeled 32-LS1063\B.3, Marx, 2/8/22, which read as follows:

Page 5, lines 15 - 26:

Delete all material and insert:

"* Sec. 6. AS 37.14.750 is amended by adding new subsections to read:

(e) The commissioner of revenue is a fiduciary of the Alaska higher education investment fund. In managing the fund, the commissioner shall

(1) have the powers and duties set out in AS 37.10.071; and

(2) invest money in the fund so as to yield competitive market rates as provided in AS 37.10.071.

(f) In addition to the appropriations under (c) of this section, money in the fund may be appropriated to reimburse

(1) the Department of Revenue for the costs of managing the fund; and

(2) other costs of administering the fund."

[9:10:32 AM](#)

CO-CHAIR DRUMMOND objected for the purpose of discussion.

CO-CHAIR STORY spoke to Amendment 2, the intent of which is that the Department of Revenue (DOR) continue to manage the fund. She said the statute relating to the calculation of the annual draw would remain unchanged. Further, the commissioner of DOR would continue to be responsible for the calculation. She named other funds that have similar language. She said the following support Amendment 2: the bill sponsor, the University of Alaska, and the Alaska Commission on Postsecondary Education. She reminded committee members that the fund is managed more aggressively than other state savings accounts and yielded a 27.21 percent return in fiscal year 2021 (FY 21); the average annual return from FY 13 to FY 21 was 8.82 percent.

[9:13:18 AM](#)

REPRESENTATIVE PRAX suggested there could be an advantage to having the Alaska Permanent Fund Corporation manage all the funds. He said he was not certain Amendment 2 was necessary, and further said he did not know whether it was good to add restrictive language.

CO-CHAIR DRUMMOND pointed out that this fund outperformed the permanent fund, and she offered her understanding that the purpose of Amendment 2 was to ensure the fund continue to be managed by DOR.

[9:15:22 AM](#)

CO-CHAIR STORY confirmed that is correct.

REPRESENTATIVE PRAX cautioned that it is a mistake to base evaluation of a fund on one year's performance.

[9:16:33 AM](#)

CO-CHAIR DRUMMOND stated her understanding that Representative Prax clearly was objecting to Amendment 2.

REPRESENTATIVE PRAX said, "Yep."

[9:16:45 AM](#)

CO-CHAIR STORY proffered that the returns over the last eight years have been higher than that of most investment accounts.

[9:17:42 AM](#)

REPRESENTATIVE HOPKINS suggested a bill could be introduced to initiate a discussion regarding the benefits of having one entity manage all funds; however, he said at this time he supports Amendment 2 to maintain the current structure.

[9:19:11 AM](#)

CO-CHAIR DRUMMOND removed her objection to the motion to adopt Amendment 2. She asked if there was any further objection. [None were stated, and the previous confirmation of objection by Representative Prax was treated as withdrawn.] Co-Chair Drummond announced that there being no further objection, Amendment 2 was adopted.

[9:19:27 AM](#)

CO-CHAIR STORY moved to report HB 229, as amended, out of committee with individual recommendations and the accompanying fiscal notes. [No objection was audible.]

[9:19:42 AM](#)

CO-CHAIR DRUMMOND asked if there was any objection. She then asked Representative Prax if he would like to maintain his objection.

[9:19:47 AM](#)

REPRESENTATIVE PRAX said, "The objection is to moving it out of committee. Sorry, I'm not, thank you."

CO-CHAIR DRUMMOND asked if there were "any additional objections." [None were stated.] She then asked Representative Prax if he maintained his objection.

REPRESENTATIVE PRAX said, "Of moving it out of committee, no."

CO-CHAIR DRUMMOND asked, "You're objecting to moving it out of committee?"

REPRESENTATIVE PRAX replied, "Correct. No, I'm not. I'm removing that objection."

[9:20:11 AM](#)

CO-CHAIR DRUMMOND announced there being no further objection, CSHB 229(EDC) was reported out of the House Education Standing Committee.

[9:20:23 AM](#)

The committee took an at-ease from 9:20 a.m. to 9:21 a.m.

[9:21:45 AM](#)

CO-CHAIR DRUMMOND restated that CSHB 229(EDC) had been reported out of committee.

AMENDMENTS

The following amendment to HB 229 was moved for adoption during the hearing. [Shorter amendments are provided in the main text only.]

Amendment 1 [32-LS1063\B.2, Marx, 2/8/22] (adopted):

Page 1, line 1, following "**investment**":
Insert "**trust**"

Page 4, line 21, following "investment":
Insert "**trust**"

Page 4, line 29, following "investment":
Insert "**trust**"

Page 5, following line 1:
Insert a new bill section to read:
"* **Sec. 5.** AS 14.43.915(c) is amended to read:

(c) Of the total amount available annually to the commission for payment of grants under AS 14.43.400 - 14.43.420 and for payment of scholarships under AS 14.43.810 - 14.43.849, one-third of the combined amount in the accounts established under (a) and (b) of this section shall be available solely for payment of grants awarded under AS 14.43.400 - 14.43.420. The commission shall annually allocate to all qualified applicants for scholarships awarded under AS 14.43.810 - 14.43.849 two-thirds of the combined amount in the accounts. If an insufficient number of qualified applicants are awarded grants under AS 14.43.400 - 14.43.420 or scholarships under AS 14.43.810 - 14.43.849, or both, before the end of that fiscal year, the commissioner shall redeposit the remaining funds into the Alaska higher education investment trust fund established under AS 37.14.750."

Renumber the following bill sections accordingly.

Page 5, line 3, following "investment":

Insert "trust"

Page 5, following line 26:

Insert new bill sections to read:

"* **Sec. 8.** AS 37.14.750(d) is amended to read:

(d) In this section, unless the context requires otherwise, "fund" means the Alaska higher education investment trust fund established in (a) of this section.

* **Sec. 9.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for contributions of cash or equipment accepted for

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation, by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association, or by a public or private nonprofit elementary or secondary school in the state;

(2) secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) vocational education courses, programs, equipment, and facilities by a state-operated vocational technical education and training school, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, and an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b (National Apprenticeship Act);

(4) a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association or by a public or private nonprofit elementary or secondary school in the state;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government;

(7) the Alaska higher education investment trust fund under AS 37.14.750;

(8) funding a scholarship awarded by a nonprofit organization to a dual-credit student to defray the cost of a dual-credit course, including the cost of

(A) tuition and textbooks;

(B) registration, course, and programmatic student fees;

(C) on-campus room and board at the postsecondary institution in the state that provides the dual-credit course;

(D) transportation costs to and from a residential school approved by the Department of Education and Early Development under AS 14.16.200 or the postsecondary school in the state that provides the dual-credit course; and

(E) other related educational and programmatic costs;

(9) constructing, operating, or maintaining a residential housing facility by a residential school in the state approved by the Department of Education and Early Development under AS 14.16.200;

(10) childhood early learning and development programs and educational support to childhood early learning and development programs provided by a nonprofit corporation organized under AS 10.20, a tribal entity, or a school district in the state, by the Department of Education and Early Development, or through a state grant;

(11) science, technology, engineering, and math programs provided by a nonprofit agency or a school district for school staff and for students in grades kindergarten through 12 in the state; and

(12) the operation of a nonprofit organization dedicated to providing educational opportunities that promote the legacy of public service contributions to the state and perpetuate ongoing educational programs that foster public service leadership for future generations of residents of the state.

*** Sec. 10.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax levied by AS 43.55.011(e) for contributions of cash or equipment accepted for

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association;

(2) secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) vocational education courses, programs, equipment, and facilities by a state-operated vocational technical education and training school, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, and an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b (National Apprenticeship Act);

(4) a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for

public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; and

(7) the Alaska higher education investment **trust** fund under AS 37.14.750.

*** Sec. 11.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for contributions of cash or equipment accepted for

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association;

(2) secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; and

(7) the Alaska higher education investment **trust** fund under AS 37.14.750.

*** Sec. 12.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due

under this chapter for contributions of cash or equipment accepted for

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation, by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association, or by a public or private nonprofit elementary or secondary school in the state;

(2) secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association or by a public or private nonprofit elementary or secondary school in the state;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government;

(7) the Alaska higher education investment **trust** fund under AS 37.14.750;

(8) funding a scholarship awarded by a nonprofit organization to a dual-credit student to defray the cost of a dual-credit course, including the cost of

(A) tuition and textbooks;

(B) registration, course, and programmatic student fees;

(C) on-campus room and board at the postsecondary institution in the state that provides the dual-credit course;

(D) transportation costs to and from a residential school approved by the Department of Education and Early Development under AS 14.16.200 or

the postsecondary school in the state that provides the dual-credit course; and

(E) other related educational and programmatic costs;

(9) constructing, operating, or maintaining a residential housing facility by a residential school approved by the Department of Education and Early Development under AS 14.16.200;

(10) childhood early learning and development programs and educational support to childhood early learning and development programs provided by a nonprofit corporation organized under AS 10.20, a tribal entity, or a school district in the state, by the Department of Education and Early Development, or through a state grant;

(11) science, technology, engineering, and math programs provided by a nonprofit agency or a school district for school staff and for students in grades kindergarten through 12 in the state; and

(12) the operation of a nonprofit organization dedicated to providing educational opportunities that promote the legacy of public service contributions to the state and perpetuate ongoing educational programs that foster public service leadership for future generations of residents of the state.

*** Sec. 13.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for contributions of cash or equipment accepted for

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation, by a nonprofit, public or private, Alaska two-year or four-year college accredited by a national or regional accreditation association, or by a public or private nonprofit elementary or secondary school in the state;

(2) secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) a facility by a nonprofit, public or private, Alaska two-year or four-year college

accredited by a national or regional accreditation association or by a public or private nonprofit elementary or secondary school in the state;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government;

(7) the Alaska higher education investment trust fund under AS 37.14.750;

(8) funding a scholarship awarded by a nonprofit organization to a dual-credit student to defray the cost of a dual-credit course, including the cost of

(A) tuition and textbooks;

(B) registration, course, and programmatic student fees;

(C) on-campus room and board at the postsecondary institution in the state that provides the dual-credit course;

(D) transportation costs to and from a residential school approved by the Department of Education and Early Development under AS 14.16.200 or the postsecondary school in the state that provides the dual-credit course; and

(E) other related educational and programmatic costs;

(9) constructing, operating, or maintaining a residential housing facility by a residential school approved by the Department of Education and Early Development under AS 14.16.200;

(10) childhood early learning and development programs and educational support to childhood early learning and development programs provided by a nonprofit corporation organized under AS 10.20, a tribal entity, or a school district in the state, by the Department of Education and Early Development, or through a state grant;

(11) science, technology, engineering, and math programs provided by a nonprofit agency or a school district for school staff and for students in grades kindergarten through 12 in the state; and

(12) the operation of a nonprofit organization dedicated to providing educational opportunities that promote the legacy of public service contributions to the state and perpetuate ongoing educational programs that foster public service leadership for future generations of residents of the state.

* **Sec. 14.** AS 43.77.045(a) is amended to read:

(a) A person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for contributions of cash or equipment accepted for

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation, by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association, or by a public or private nonprofit elementary or secondary school in the state;

(2) secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association or by a public or private nonprofit elementary or secondary school in the state;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government;

(7) the Alaska higher education investment **trust** fund under AS 37.14.750;

(8) funding a scholarship awarded by a nonprofit organization to a dual-credit student to defray the cost of a dual-credit course, including the cost of

- (A) tuition and textbooks;
 - (B) registration, course, and programmatic student fees;
 - (C) on-campus room and board at the postsecondary institution in the state that provides the dual-credit course;
 - (D) transportation costs to and from a residential school approved by the Department of Education and Early Development under AS 14.16.200 or the postsecondary school in the state that provides the dual-credit course; and
 - (E) other related educational and programmatic costs;
- (9) constructing, operating, or maintaining a residential housing facility by a residential school approved by the Department of Education and Early Development under AS 14.16.200;
- (10) childhood early learning and development programs and educational support to childhood early learning and development programs provided by a nonprofit corporation organized under AS 10.20, a tribal entity, or a school district in the state, by the Department of Education and Early Development, or through a state grant;
- (11) science, technology, engineering, and math programs provided by a nonprofit agency or a school district for school staff and for students in grades kindergarten through 12 in the state; and
- (12) the operation of a nonprofit organization dedicated to providing educational opportunities that promote the legacy of public service contributions to the state and perpetuate ongoing educational programs that foster public service leadership for future generations of residents of the state."

[End of amendment - CSHB 229(EDC) was reported out of the House Education Standing Committee.]

[9:22:06 AM](#)

ADJOURNMENT

CO-CHAIR DRUMMOND announced that the House Education Standing Committee would recess until 3:30 p.m.

[3:35:36 PM](#)

CO-CHAIR DRUMMOND called the House Education Standing Committee back to order at 3:35 p.m. Present at the call back to order were Representatives Story, Gilham, Hopkins, and Drummond. Representatives Prax and Cronk arrived as the meeting was in progress. Also present was Representative Patkotak.

HB 272-INCREASE BASE STUDENT ALLOCATION
HB 273-INCREASE BASE STUDENT ALLOC. INFLATION

[3:36:10 PM](#)

CO-CHAIR DRUMMOND announced that the final order of business would be HOUSE BILL NO. 272, "An Act relating to education; increasing the base student allocation; and providing for an effective date." and HOUSE BILL NO. 273, "An Act relating to education; increasing the base student allocation; and providing for an effective date."

[3:36:42 PM](#)

REPRESENTATIVE HOPKINS moved to adopt the proposed committee substitute (CS) for HB 273, Version 32-LS1366\W, Marx, 2/7/22, as a working document. There being no objection, Version W was before the committee.

[3:37:10 PM](#)

The committee took a brief at-ease at 3:37 p.m.

[3:37:43 PM](#)

CO-CHAIR STORY, as prime sponsor, presented HB 273 via a PowerPoint presentation [available in the committee packet]. She talked about two areas in which the bill would make a huge difference: protecting services to children by keeping services in the classroom by ensuring fixed costs are increased with inflation, allowing school improvement plans to continue; and providing for stability and certainty desperately needed in K-12 education. She emphasized the stress of having to plan a budget before knowing what the funding will be. She said a known budget can create efficiencies and avoid the need for "pink slips."

[3:42:10 PM](#)

CO-CHAIR STORY turned to slide 3, which highlights that HB 273: introduces inflation proofing to the BSA in the foundation

formula; ties the growth of education funding to the consumer price index (CPI); and helps families and communities by offering steady and reliable funding to children's services. She said Ms. Svetlik would continue the PowerPoint.

[3:43:46 PM](#)

ARIEL SVETLIK, Staff, Representative Andi Story, Alaska State Legislature, on behalf of Representative Story, prime sponsor of HB 273, directed attention to slide 4, showing projected inflation percentages and the fluctuation in changes of the percentage of the CPI. It shows the CPI of urban Alaska by calendar year (CY). She noted that CY 21 was at 4.88 percent, and in comparison, CY 20 was a minus 1.10 percent. Prefacing slide 5, she noted there was a 1.11 percent average inflation growth from CY 18-20, which is what Ms. Svetlik used in her calculation on slide 5, which uses that 1.11 percent to discover what inflation growth would be. She showed the figure: "5930 x 1.0111 = 5996." She discussed the other information on slide 5, which states that the BSA would increase by \$66 per student, an increase of 1.11 percent; by averaging three years, the formula smooths out big swings in inflation; and by adding a lag year, school communities will know their allocation ahead of time, which helps them to craft their budgets and meet student needs. She explained a lag year means that instead of FY 23 - which happens in CY 22 - being gauged on CY 19-21, CY 21 would be removed, and the calculation would be for 2018-2019.

[3:47:33 PM](#)

CO-CHAIR STORY emphasized the benefit of the three-year average and the lag year in providing certainty for schools to budget. She brought attention to slide 6 and, in conclusion, stated that a strong education system creates active and informed citizens and a bright future. She said Ariel would give a sectional analysis.

[3:51:55 PM](#)

CO-CHAIR DRUMMOND noted individuals available for comment. She spoke about the benefit to businesses in having good schools nearby.

[3:53:05 PM](#)

MS. SVETLIK gave a sectional analysis [available in the committee packet] which read as follows [original punctuation provided]:

Section 1. Amends AS 14.17.470, adding a new subsection that adds inflation proofing to the base student allocation in the foundation formula. The base student allocation would increase every year, based on the average inflation of the three-year previous Calendar Years, accounting for an additional lag year, of the Consumer Price Index of Urban Alaska, as measured by the United States Department of Labor, Bureau of Labor Statistics.

Section 2. Provides an effective date for the beginning of Fiscal Year 25 on July 1, 2024.

[3:54:29 PM](#)

CO-CHAIR DRUMMOND invited Jim Anderson to testify.

[3:55:29 PM](#)

JIM ANDERSON, Chief Finance Office, Anchorage School District, testified in support of HB 272 and HB 273. He directed attention to a handout he had provided [available in the committee packet], titled "ASD School Funding Since 2017," which showed a bar graph. He said the graph shows how the BSA has been supported by state "one-time" funds in FY 19 and FY 20, and with federal relief funds from FY 21 through FY 24. He explained the red line at the top of the graph depicts the BSA's inflationary increase, based on the consumer price index urban (CPIU) from 2017 through 2022. The rates from January 2022 to the end of 2024 are estimated based on a 2 percent steady inflation rate and reflect adjusted staffing levels based on projected student enrollment. He explained that the gray, light blue, and gold bars represent BSA equivalent funds that helped offset structural deficits. He discussed how ASD has, for the last six years, applied its balance, Alaska's one-time payments, and federal relief money to maximize educational opportunities. He discussed other changes necessary to fill gaps. He talked about the increase in inflationary costs even with declining enrollment. He explained that the one-time funds have been instrumental in avoiding layoffs but have not allowed the district to implement multi-year strategies to improve student outcomes. He offered further details.

MR. ANDERSON explained that one-time funds hid from the general public the annual structural cost that has continued to grow since 2017, but without a fiscal solution, it will be readily apparent. He said ASD has taken measures to close the gap, for example by closing two schools, combining programs, merging schools into individual buildings, and reducing staff. He offered further examples and spoke about costs per student. In conclusion, Mr. Anderson emphasized that federal funds are running out and it is time to implement an inflation-proof BSA, because there is a need for multi-year strategies, not "one-year Band-Aids." He opined that HB 272 and HB 273 "certainly would accomplish that step."

[4:01:37 PM](#)

CO-CHAIR DRUMMOND noted there are federal relief funds that must be funded by 2024, and she asked whether there would be "a larger gold bar in ASD's BSA" [on the bar chart].

MR. ANDERSON answered only if ASD continues struggling with the hiring of staff. He said he expects \$5 million of \$50 million to be rolled over. He stated further that he does not expect a significant amount of rollover. To a follow-up question regarding difficulty in hiring, he said the district would shift that money to different purposes. He described the shortages this year throughout the district. There were fewer students and, thus, \$12 million less in revenue, and the vacancies offset that loss in revenue.

[4:06:28 PM](#)

REPRESENTATIVE HOPKINS asked about support staff shortages.

MR. ANDERSON said ASD is short about 30 part-time custodians, which means those working are working overtime. He related similar issues with bus drivers and using a system of "rolling routes" where certain routes had to be closed for three weeks at a time. He offered further examples, including food service and teachers' assistants.

[4:09:19 PM](#)

CO-CHAIR STORY asked for Mr. Anderson's thoughts on the three-year rolling formula and lag year proposed under HB 273, and also about his remark about putting a Band-Aid on education funding.

MR. ANDERSON responded that he thinks the three-year average is "probably the optimal way to figure out the BSA increases on CPI" because the CPIU fluctuates year to year. He said he thinks state management cannot react quickly enough to one-year CPI jumps. He emphasized that he likes the proposed three-year average.

[4:11:33 PM](#)

CO-CHAIR DRUMMOND announced that the committee would continue with public testimony on HB 272 [opened during the hearing on 2/9/22], and she opened public testimony on HB 273.

[4:12:01 PM](#)

DEBBIE CARY, Vice President, Kenai Peninsula Borough School Board, testified in support of HB 272 and HB 273. She spoke about increased costs throughout the state for fuel, utilities, supplies, and liability insurance. She said building maintenance is not being addressed. She said COVID relief funds have been used to support social-emotional learning (SEL), but those funds will run out. Ms. Cary noted that without the COVID relief funds, the district would be in a deficit of approximately \$7 million. She talked about subjects, such as art, being dropped to accommodate other subjects, such as science, as a result of lack of funds. She emphasized that the district has been strategic in its management of funds in order to "keep as many dollars in the classroom" as possible.

[4:15:06 PM](#)

MS. CAREY, in response to a question from Representative Prax, stated how the district addresses insurance issues, such as looking for ways to reduce healthcare costs. The district is always looking for ways to reduce the costs of supplies. She noted that Internet access is not available in some parts of the Kenai Peninsula.

CO-CHAIR DRUMMOND said she has received e-mails from schools that state they are limited in the number of insurance providers in Alaska, so that limits the ability to shop around for a lower price.

MS. CAREY confirmed that is correct and added that there is a limitation on the willingness of companies to respond to bids that take place too frequently.

[4:18:03 PM](#)

FADIL LIMANI, Chief Financial Officer, Finance Office, North Slope Borough School District, read written testimony [included in the committee packet] in support of HB 272 and HB 273. He emphasized the challenge and negative effects to students and schools resulting from the pandemic and the need to employ as many financial resources as possible. He reported the district has [a drop in its numbers by] approximately 200 students, a significant decrease in its typical ADM, and that reduces the BSA significantly. Further, he said the district anticipates a drop in local funding for the 2023 budget, the current deficit projected for FY 23 is approximately \$7.9 million. He emphasized the importance of stable funding. He said there is a shortage of teachers who are able to come to the North Slope Region to teach; the district is no longer able to attract and retain teachers with pay and benefits; and teacher turnover has a direct negative impact on student performance.

MR. LIMANI spoke about the interrupted supply chain and the effect of prices that are even higher in the region. He expressed a need for awareness about the diminishing value of flat funding. He talked about the increase in utilities and aging infrastructure of schools. He expressed gratitude for the funding from the CARES Act; however, those funds cannot be used to supplement the constitutionally required funding of public education. He said while the proposed legislation may not address all the needs of the district, it would move in the right direction of allowing the district to be able to offset some of the fiscal shortfalls to come.

[4:22:35 PM](#)

MR. LIMANI responded to a series of questions from Representative Prax. He clarified that student enrollment had hovered around 2,000, and the last count in FY 23 was 1,844. Some of the students transferred to other school districts, while others "just dropped out." He explained that [access to] broadband has been an issue in terms of affordability and providing access for Zoom connections for classes, and the district does not have the staffing necessary to offer "a hybrid model" to provide "distance delivery." He said the district expects some of those students to come back, but not a number certain.

[4:25:49 PM](#)

MR. LIMANI, in response to a question from Co-Chair Drummond, said the district serves eight villages. To a follow-up question, he said the only two villages to and from which a person could drive are Prudhoe and Nuiqsut, and then only in the winter. In response to Co-Chair Drummond mentioning another piece of legislation not on the agenda, Mr. Limani expressed his thoughts on school bond debt reimbursement.

[4:28:39 PM](#)

MR. LIMANI, in response to a question from Representative Hopkins, talked about progress following a school in Kaktovik burning down.

[4:32:00 PM](#)

RACHEL LORD, representing self, testified in support of HB 272 and HB 273. She noted that she and her husband are business owners, and she emphasized the importance of education in producing a strong workforce. She said society pays for underfunded education in a variety of ways, including: healthcare, justice, policing, unemployment, and child protective services. She stated, "Reasonable, rational funding and predictable funding for schools is a foundational step to maintain community-level support for kids and keep them on the right path." She expressed strong support for state funding of schools in Alaska that keeps up with inflation. She spoke of the challenges schools have in covering utilities, health insurance, and other fixed costs. She touched on the state's responsibility and constitutional obligation to provide education to Alaska children, and she emphasized the need for funding in order for that to happen. She asked the committee to support both HB 272 and HB 273.

[4:36:30 PM](#)

KATIE BOTZ, representing self, testified in support of HB 272 and HB 273. She stated that as a school bus driver and aunt to several nieces and nephews, she is concerned about the multi-year flat-funding of education, because she wants a better future for them. She expressed concern about the mental and emotional health of students upon graduation after experiencing the pandemic. She asked the committee to fully fund education and stop flat funding, and to put children's futures first.

[4:38:28 PM](#)

CO-CHAIR STORY thanked Ms. Botz for the service she provides as bus driver.

[4:39:00 PM](#)

DAVID BOYLE, representing self, listed the current funding for four of the five largest school districts in Alaska and noted that the funding formula multiplies the BSA. For example, he said the 4,200 student input to the foundation formula comes out to 7,200; the \$5,930 BSA ends up as \$7,732 per student; and "the proposed \$233 increase goes to \$306." He quoted Superintendent Deena Bishop as having said recently, "We have enough funding." He stated that fixed costs are not the driver of education costs, rather that personnel costs are. For example, he said that personnel costs for the Anchorage School District make up 88 percent of total costs. He concluded, "We need to improve education, but this is not the way to do it."

[4:41:13 PM](#)

ROBYN BURKE, Clerk, North Slope Borough School District Board of Education, North Slope Borough School District (NSBSD), testified in support of HB 272 and HB 273. She echoed the previously made point that 2017 was the last time there was an increase [in funding to education] and offered her understanding that "there's a ten-year projection." She acknowledged the statement of the previous speaker about 88 percent of budget going to personnel, and she noted that a majority of NSBSD's expenses are directed to personnel; however, she said the district has a problem with recruitment and retention of teachers and loses teachers for reasons based on [lack of] funding. She said the district has not finalized its budget for next year, so it does not yet know what positions may need to be cut. She said the district loses one quarter of its teachers each year. She talked about meeting demands when there are shortages in support staff. Ms. Burke mentioned the high cost of broadband that families needed to use to remain connected with education for their children during the pandemic. She noted there are costs unique to the remoteness of the district, for example, paying the cost of flying other school teams to compete against theirs. She expressed hope that the district would have fiscal security to ensure the future of its students.

[4:46:36 PM](#)

MS. BURKE, in response to a question from Representative Prax, talked about ideas for solving the teacher retention problem.

She said that in talking with the union, one idea produced was to offer retention bonuses. She talked about reimbursement of ticket prices for flights to and from Utqiagvik. She said she could not "put a number or a figure on how much more money" [would solve the retention problem]; she indicated the issue is not knowing what to expect when trying to budget for the school year.

[4:49:12 PM](#)

MR. LIMANI added that the district is currently undergoing negotiations with administrators, and negotiations with teachers would commence soon. He stated that housing is a problem in remote Alaska, thus the district provides housing, and there has been "an increase to our leasing units" while "the rates on those housing units have not changed." He said the district has not conducted a study on benefits or cost of living in some time, so many of the rates have remained stagnant. He listed some other things provided by the district: Internet, cell phone, vehicle, and travel out of state for professional development.

[4:51:05 PM](#)

MS. BURKE added that 48 percent of the district's teachers have said they do not expect to remain in the district longer than two to three years.

[4:51:58 PM](#)

MS. BURKE, in response to a question from Representative Hopkins as to what cuts the district has had to make that have impacted student engagement, said as a whole the budget for each of the schools has been decreased for "added duty contracts." She said cuts have been considered for Pre-K and sports, and cuts have been made in areas including administration and technology. She noted that cuts outside the classroom do have a negative effect on the classroom.

REPRESENTATIVE HOPKINS acknowledged the team effort in schools and thanked Ms. Burke for her work.

[4:56:07 PM](#)

MR. LIMANI added that in 2019 the local appropriation was reduced by approximately 10 percent, about \$3.3 million. All cuts were made in central operations. He said the district has

not been able to rebound from that. Now, he said, the district is being fiscally conservative and focusing on that which will benefit the students. That said, projections for upcoming years show that the district will have a difficult time absorbing the budget gaps. He said the district hopes to use some of its fund balance to offset that, but the proposed legislation would help "alleviate some of those fiscal pressures."

[4:58:16 PM](#)

MR. LIMANI, in response to Representative Cronk, acknowledged "for the most part" that the BSA is a set amount of money that is received by the district each year; however, the underlying influx is student enrollment, which fluctuates. He reiterated the number of students had decreased by about 200. In response to a follow-up question, he reviewed that some of the students had dropped out while others had transferred to other districts, and he estimated some may come back. He relayed that the district's student advisory council had told the district it should expect to see an increase in the head count for the second semester.

[5:00:27 PM](#)

CO-CHAIR DRUMMOND offered her understanding that the children who come back to a district the second semester would not have been counted at the beginning of the school year toward the district's funding. Further, the hold harmless is in place, so the district is still getting funding for those students but may not have the teachers for them.

MR. LIMANI responded that is correct.

[5:01:22 PM](#)

DIANE HIRSHBERG, Director and Professor of Education Policy, Institute of Social and Economic Research (ISER), specified that she was speaking in her role as researcher rather than administrator. She stated that a few years ago ISER conducted studies which she offered to return to discuss. That said, she proffered that salary is only a piece of the story in terms of retention. The other factors include access to health care, the distance to travel home to see loved ones, and working conditions. To the last factor, she noted that there are teachers who are given "dry cabins" in which to live, with temperatures falling to 40 degrees below zero Fahrenheit. She described the challenges of this scenario.

MS. HIRSHBERG, regarding the description of the BSA as a known quantity, said it is, but she quantified that the geographic cost differential numbers have not been updated for many years; therefore, it is not known whether the money is being distributed as it should. She stated that these questions would not be answerable without more empirical data and a manner in which to keep that data updated.

[5:04:42 PM](#)

CO-CHAIR STORY asked if she was interpreting ISER's study correctly in thinking that when adjusting for cost of living and geographic cost differentials, "our money" is worth \$12,000, just under the national average; therefore, although "we are giving the same amount of ... BSA, we have less buying power," and fixed costs increase, "and so that money is ... worth less."

MS. HIRSHBERG confirmed that was a correct interpretation. She said there is a geographic cost differential that tries to provide equity for the higher costs being faced in some regions, but whether [the state] is keeping up with those different costs is unknown, particularly because of rapid cost changes. She said there are "some big hits" that have occurred. She stated, "We were hearing very similar stories from districts that energy costs from districts were so volatile that when the legislature raised the BSA, ... all that money went right to energy costs, and the schools were not able to increase teacher salaries or invest in other ways to make teaching in our districts more successful and more attractive."

[5:08:24 PM](#)

CO-CHAIR DRUMMOND thanked Ms. Hirshberg. After ascertaining that there was no one else who wished to testify, she closed public testimony on HB 272 and HB 273.

[5:09:38 PM](#)

CO-CHAIR DRUMMOND announced that HB 272 and HB 273 were held over.

[5:10:07 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 5:10 p.m.