

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 4, 2022

8:04 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Tiffany Zulkosky
Representative Mike Prax

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 48

"An Act relating to the Alaska performance scholarship program."

- HEARD & HELD

HOUSE BILL NO. 350

"An Act relating to school bond debt reimbursement; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 108

"An Act relating to concurrent vocational education, training, and on-the-job trade experience programs for students enrolled in public secondary schools; relating to child labor; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 48

SHORT TITLE: AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY

SPONSOR(S): REPRESENTATIVE(S) STORY

02/18/21 (H) PREFILE RELEASED 1/8/21

02/18/21 (H) READ THE FIRST TIME - REFERRALS

02/18/21 (H) EDC, FIN
04/12/21 (H) EDC AT 8:00 AM DAVIS 106
04/12/21 (H) Heard & Held
04/12/21 (H) MINUTE(EDC)
04/28/21 (H) EDC AT 8:00 AM DAVIS 106
04/28/21 (H) Heard & Held
04/28/21 (H) MINUTE(EDC)
02/22/22 (H) SPONSOR SUBSTITUTE INTRODUCED
02/22/22 (H) READ THE FIRST TIME - REFERRALS
02/22/22 (H) EDC, FIN
02/25/22 (H) EDC AT 9:00 AM DAVIS 106
02/25/22 (H) Heard & Held
02/25/22 (H) MINUTE(EDC)
03/04/22 (H) EDC AT 8:00 AM DAVIS 106

BILL: HB 350

SHORT TITLE: SCHOOL BOND DEBT REIMBURSEMENT

SPONSOR(s): REPRESENTATIVE(s) DRUMMOND

02/22/22 (H) READ THE FIRST TIME - REFERRALS
02/22/22 (H) EDC, FIN
03/04/22 (H) EDC AT 8:00 AM DAVIS 106

BILL: HB 108

SHORT TITLE: CONCURRENT SECONDARY & TRADE SCHOOL

SPONSOR(s): REPRESENTATIVE(s) MCCARTY

02/22/21 (H) READ THE FIRST TIME - REFERRALS
02/22/21 (H) EDC, L&C, FIN
04/09/21 (H) EDC AT 8:00 AM DAVIS 106
04/09/21 (H) Heard & Held
04/09/21 (H) MINUTE(EDC)
02/23/22 (H) EDC AT 3:30 PM DAVIS 106
02/23/22 (H) Heard & Held
02/23/22 (H) MINUTE(EDC)
03/04/22 (H) EDC AT 8:00 AM DAVIS 106

WITNESS REGISTER

SANA EFIRD, Executive Director
Alaska Commission on Postsecondary Education
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on SSHB 48.

SARAH EVANS, Staff

Representative Harriett Drummond
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave a sectional analysis of HB 350 on behalf of Representative Drummond, prime sponsor.

HEIDI TESHNER, Acting Deputy Commissioner
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 350.

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

POSITION STATEMENT: Provided invited testimony during the hearing on HB 350.

JIM ANDERSON, Chief Financial Officer
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 350.

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 350.

PETER HOEPFNER, Vice President
Cordova School District Board of Education
Cordova, Alaska

POSITION STATEMENT: Testified in support of HB 350.

PENNY VADLA, School Board Treasurer
Kenai Peninsula Borough School District
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 350.

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

POSITION STATEMENT: Testified in support of HB 350.

REPRESENTATIVE KEN MCCARTY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, provided comment regarding Amendment 1 during the hearing on HB 108.

ACTION NARRATIVE

[8:04:42 AM](#)

CO-CHAIR ANDI STORY called the House Education Standing Committee meeting to order at 8:04 a.m. Representatives Hopkins, Cronk, Gillham, Drummond, and Story were present at the call to order.

CO-CHAIR STORY reviewed the agenda and handed the gavel to Co-Chair Drummond.

The committee took a brief at-ease at 8:06 a.m.

HB 48-AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY

[8:06:17 AM](#)

CO-CHAIR DRUMMOND announced that the first order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 48, "An Act relating to the Alaska performance scholarship program."

CO-CHAIR DRUMMOND reviewed that when the committee last heard SSHB 48 [on 4/12 and 4/28/21], it heard invited and public testimony. [The sponsor substitute was introduced on the House floor on 2/22/22.]

[8:06:48 AM](#)

CO-CHAIR STORY, as prime sponsor of SSHB 48, presented a letter of support for the bill [included in the committee packet] from Juneau School District member Carin Smolin. She stated Ms. Smolin's letter summarizes the changes the proposed bill makes to the Alaska Performance Scholarship (APS) as follows: creates rigorous courses for career and technical education; removes college entry exams; increases award amounts to help APS remain competitive; extends APS to eight years; and gives junior year students access to information to keep them on track to receive scholarships. She stated the purpose of the legislation is to enable students to choose education in Alaska and grow the state's workforce. She announced that Sana Efird is available for questions.

[8:08:47 AM](#)

SANA EFIRD, in response to a question from Representative Cronk, stated that current statute allows six years for an APS recipient to utilize the grant. She continued that SSHB 48 would change the time limit to eight years.

CO-CHAIR STORY commented that in Alaska many nontraditional students go to work right after high school. The bill offers students [who were granted an APS] the opportunities to gain work experience and credentials and then return to their education.

[8:10:12 AM](#)

CO-CHAIR DRUMMOND announced that SSHB 48 was held over.

CO-CHAIR DRUMMOND passed the gavel to Co-Chair Story.

[8:10:32 AM](#)

The committee took an at-ease from 8:10 a.m. to 8:12 a.m.

HB 350-SCHOOL BOND DEBT REIMBURSEMENT

[8:12:29 AM](#)

CO-CHAIR STORY announced that the next order of business would be HOUSE BILL NO. 350, "An Act relating to school bond debt reimbursement; and providing for an effective date."

[8:12:48 AM](#)

CO-CHAIR DRUMMOND, as prime sponsor, presented HB 350. She stated that she represents a district with five physical school buildings, adding that there are at least 17 school attendance areas. As decisions made in the legislature impact every school, she stated she is not just representing the needs of the Anchorage School District (ASD) but the needs of Alaska's 500-plus schools. Beginning in 2015 the state stopped reimbursing new school bond debt as a result of Senate Bill 64 [passed during the Twenty-Ninth Alaska State Legislature]. She stated that bill passed due to revenue shortfalls in the state. However, she added that the state has continued to pay the debt from school bonds passed prior to 2015. She stated she voted against the legislation in 2015, but the bill passed with a retroactive date of January 1, 2015, instead of July 1, 2015. Starting in spring 2015 Anchorage taxpayers paid more for school

bonds than if the moratorium had not been set by the legislature. She added that in 2020, since the state was still having serious revenue issues, House Bill 106 [passed during the Thirty-First Alaska State Legislature] extended the moratorium to 2025. She stated that school bonds are critical to school districts by helping build new schools and keeping older facilities running. Bonds pay for a variety of construction and maintenance projects, such as new boilers, roof replacements, security improvements, and more. She remarked that school districts already spend a substantial amount of their budget on regular maintenance to keep buildings in good repair and students and staff in safe and healthy schools. But as school facilities age, and thousands of students and staff come and go, facilities wear out, and daily maintenance is insufficient. She stated that districts must bring forward carefully considered bond issues developed in consultation with their school communities and local governments.

CO-CHAIR DRUMMOND said that the school bond debt moratorium is set to end July 1, 2025. The proposed legislation would change the date to July 1, 2022, allowing the state to help the pay school bonds sooner. She explained that the 2015 legislation also decreased the rate the state reimbursed communities to 40 percent or 50 percent, depending on whether the bonds covered new construction or major maintenance. She stated that HB 350 seeks to increase the reimbursable school bond debt back to the original 60 percent or 70 percent. She voiced her opinion that Alaska taxpayers and school districts can no longer afford to pay the full price for essential maintenance and construction of public schools. She stated that ASD continues to approve school bonds, but the district limits new bonds to be no more than retired annual bond debt. She added that instead of every year, ASD puts new school bonds on the ballot every two years. She said that there are over 500 school facilities in the state and all either suffer from maintenance issues or need to be replaced. She referenced the 2021 study by the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage. The study found that school districts in Alaska are unable to address all maintenance problems due to underfunding.

[8:17:46 AM](#)

CO-CHAIR DRUMMOND continued that ISER noted since the moratorium began in 2015, out of 21 school districts, only Anchorage and the North Slope Borough could "afford" new school bonds. She emphasized, "We all know how much costs have gone up." In example, she stated she served on the schoolboard between 1994

and 2003, and the cost to build a new elementary school was \$10 million to \$12 million; today the cost would be \$35 million. She surmised that due to the decline in the population of Alaska, the state will not need to build as many new schools. She said ISER noted that the National Council on School Facilities (NCSF) recommends states spend 4 percent of the state's total school replacement value annually on capital projects. She stated that Alaska currently spends about 2.6 percent of school replacement value; thus, the state's school facilities are falling behind. She said the legislature is mandated to supply a minimum amount of funding to rural schools in [Regional Education Attendance Areas (REAs)] that do not have taxing authority. She pointed out municipalities do not have a funding guarantee and are falling behind. In conclusion, she urged the committee to support HB 350. She deferred to her staff to present the sectional analysis.

[8:19:44 AM](#)

SARAH EVANS, Staff, Representative Harriet Drummond, Alaska State Legislature, on behalf of Representative Drummond, prime sponsor, gave a sectional analysis of HB 350, [included in the committee packet], which read as follows [original punctuation provided]:

Section 1: Amends AS 14.11.014 (d)

Sunset the moratorium on school bond debt reimbursement provisions for school construction and major maintenance from July 1, 2025, to July 1, 2022.

Section 2: Amends AS 14.11.100(a)

Page 7, line 3 inserts language relating to bonds authorized on or after July 1, 2022.

(18) For projects approved under AS 14.11.100 (h), (i), and (j)(2) - (5) the reimbursement would be 70 percent on or after July 1, 2022.

(19) For projects approved under AS 14.11.100 (h), (i), and (j)(2), (3), and (5) the reimbursement would be 60 percent on or after July 1, 2022.

Section 3: Amends AS 14.11.100 (s)

Restricts the Commissioner from approving an application for bond debt reimbursement on or after January 1, 2015, but before July 1, 2022

Section 4: Amends AS 14.11.102 (c)

Restricts the Commissioner from approving an application for bond debt reimbursement on or after January 1, 2015, but before July 1, 2022.

Section 5: Section 6, ch. 3, SLA 2015, is amended to read: 28 Sec. 6. AS 14.11.014(d), 14.11.100(s), and 14.11.102(c) are repealed July 1, 2022.

Section 6: The uncodified law of the State of Alaska is amended by adding a new section to read:

Retroactivity. If this Act take effect after July 1, 2022, this Act is retroactive to July 1, 2022.

Section 7: This Act takes effect immediately under AS 01.10.070 (c).

MS. EVANS hypothesized if HB 350 passes and the governor does not sign the bill before July 1, 2022, then any school bonds that pass with reimbursements would be retroactive to July 1, 2022.

[8:22:40 AM](#)

CO-CHAIR DRUMMOND stated that she believes ASD is the only community with a spring election, so the bond issue on Anchorage's ballot would not be eligible under the proposed legislation.

[8:23:20 AM](#)

REPRESENTATIVE HOPKINS inquired how many schools with bonds on the major maintenance list would be included under the bill.

[8:24:52 AM](#)

HEIDI TESHNER, Acting Deputy Commissioner, Department of Education and Early Development (DEED), stated that the department does not know the exact number of qualifiable projects on the current major maintenance list. She offered that there are currently 18 municipalities and school districts

that receive funding under the school debt bond reimbursement program. She stated that it is safe to assume if ASD sold bonds, then it would have several projects on the list that potentially qualify under the program. In response to a follow-up question, she stated that the proposed bill would open the bond reimbursement program on July 1, 2022, affecting bonds loaded on or after this date.

[8:26:15 AM](#)

The committee took a brief at-ease at 8:26 a.m.

[8:26:51 AM](#)

MS. TESHNER directed attention to the fiscal note with the Office of Management & Budget component 153. She stated that the fiscal note is indeterminate because DEED does not know how many municipalities or school districts will come forward and start selling bonds immediately after July 1, 2022. She stated, due to the timing of voter approval, DEED assumes the earliest the program would grow is fiscal year 2024 (FY 24). She added that under AS 14.11.102, the districts and municipalities must provide to DEED their anticipated debt for the following fiscal year by October 15 of every year. This anticipated debt would be included in DEED's October 21 budget report. She stated that assuming the districts and municipalities could organize and submit the anticipated debt by the deadline, it would be included in the FY 24 governor's budget.

[8:28:29 AM](#)

LISA PARADY, PhD, Executive Director, Alaska Council of School Administrators (ACSA), noted that ACSA is the umbrella organization for superintendents, elementary and secondary principals, school business officials, and "all hard-working school administrators" in Alaska. She stated her support for HB 350, noting that the bill addresses school safety, which is a high priority in ACSA's position statement. She reiterated Co-Chair Drummond's remark that one of the continuing challenges in Alaska is the ongoing deferred maintenance for schools. She said that the average school facility is 44 years old with almost 50 buildings around 60 years old, while the current financial backlog is hundreds of millions of dollars. In agreement with Representative Hopkins's statement, she stated this is not just an ASD issue but a huge issue for all school districts.

DR. PARADY stated that ACSA supports funding for school capital projects and major maintenance for facilities in order to provide students a safe and healthy learning environment. She said that ACSA and the Alaska Municipal League (AML) designed a survey together to better understand school districts' maintenance backlog. She stated that after all school districts have responded to the survey, the information will be provided to committee members. Thus far the survey has reported 10 districts with major maintenance needs ranging from \$1 million to \$10 million, and 7 districts reported major maintenance needs ranging from \$10 million to \$100 million. One of the survey questions addresses the actual process a district must go through to request funds from DEED. This process is estimated to cost \$10,000 per request. She said that school districts must weigh the risk of making a \$10,000-plus investment to put an application forward. So far 61 percent of school districts responded that there is "no point," as most projects are not funded.

DR. PARADY related that of the school districts that reported funding needs, one district said it needed a heating system and had to close the school for two days due to no heat. She stated other districts requested dramatic upgrades to old and unsafe school buildings. She explained that since the school bond debt moratorium in 2015 many school districts have been deferring their major maintenance needs. In 2021 ISER reported that from FY 00 to FY 14 Alaska paid an average of \$300 million on K-12 capital spending. She stated for FY 15 to FY 20 Alaska spent \$124 million. She reiterated NCSF's suggestion that spending for Alaska schools should be \$374 million for essential maintenance. She stated she believes HB 350 could alleviate deferred school maintenance by sunseting the school bond debt moratorium and changing reimbursement amounts for major maintenance. She concluded that this would help ensure Alaska students have a safe learning environment.

[8:34:03 AM](#)

DR. PARADY, in response to a question from Co-Chair Drummond, said that the estimated \$10,000 is not a fee charged to districts by DEED, but the sum represents the cost school districts incur during the application process and equates to staff time.

[8:34:40 AM](#)

MS. TESHNER, in response to a question from Co-Chair Story, stated that any inquiries about Alaska's capacity for statewide debt should be directed to the State of Alaska Department of Revenue.

[8:35:42 AM](#)

MS. TESHNER, in response to a question from Co-Chair Drummond, stated that DEED maintains a major maintenance list on an annual basis. She said that the list is posted on DEED's website, and she offered to forward a copy to committee members. She stated that DEED finalized the 2023 list on January 1, and there are 97 projects for a total state share of \$196.6 million. She said districts need to apply by September 1. The applications go through a scoring and ranking process, and the major maintenance list becomes available by November 5 every year.

[8:37:06 AM](#)

MS. TESHNER, in response to a question from Co-Chair Story, stated that there are currently no major maintenance projects in the FY 23 capital budget, only school construction.

[8:37:27 AM](#)

MS. TESHNER, in response to a question from Representative Hopkins, stated that the school debt reimbursement program is only available to the municipalities and school districts that have bonding authority. All districts can be included on the major maintenance list if they apply by September 1 of every year, as outlined in AS 14.11.100. She described the major maintenance list as a grant program and school debt reimbursement as an entitlement program.

[8:38:50 AM](#)

JIM ANDERSON, Chief Financial Officer, Anchorage School District, stated that when the governor vetoed state reimbursement [of school bond debt] by 50 percent in FY 20, \$16.5 million [of debt] shifted to Anchorage property owners. He continued that in FY 21 an additional \$38 million shifted to property owners, and in the current year property owners incurred another \$20.3 million. He explained that before each year's reduction of bond debt reimbursements ASD had already passed its following year budget. He continued that in each case ASD had to pay an entire fiscal year of unexpected costs in order to receive additional tax revenue the following year. As

a public entity with 91 facilities worth approximately \$2 billion, he stated ASD has one of the largest fiscal plans in the state.

MR. ANDERSON directed attention to a slide titled, "ASD Bond Debt vs. Facility Backlog," [included in the committee packet] and pointed out the graph shows that over the past 10-plus years total bond debt decreased and deferred maintenance increased. He directed the committee to FY 10, FY 11, and FY 12, when ASD kept deferred maintenance costs at just over \$100 million a year. He said that ASD never caught up but described the situation as "bearable." As a result of the moratorium in 2015, he pointed out ASD bond debt spiked in FY 16. After that the voters in the community supported decisions to make sure ASD would never add another bond that was higher than what it could afford. He surmised the total bond debt has decreased and leveled off since the earthquake [November 2018]. He voiced doubt on whether voters will pass a \$112 million bond currently on the ballot. He predicted that by FY 25 the ASD deferred maintenance will be over \$1 billion. He said that resuming the state bond reimbursement program would be a relief to Anchorage taxpayers as they have carried an additional debt of \$75 million over the past three years while also paying 100 percent on all bonds since 2015. He stated he believes at some point everything must level off. Referencing ISER's recommendation [capital projects be 4 percent of total school replacement value], he said that that would cost about \$80 million a year for Anchorage; he stated that it would be very difficult to ask Anchorage voters in this economy for \$80 million per year in school bonds. In conclusion, he stated restoring bond debt reimbursement in 2022 would give ASD time to communicate with the community and start taking care of facilities, instead of [using] Band-Aids.

[8:45:01 AM](#)

CO-CHAIR STORY opened public testimony on HB 350.

[8:45:20 AM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, stated he feels he could talk at length on the state's obligation regarding school construction and major maintenance. He stated that he appreciates HB 350 and will focus his testimony on the result of the [2015] moratorium on school bond debt reimbursement. After speaking with [AML] members, he stated he believes that they would be "just fine" if the bill

passes, but there is a trust issue with local governments on whether the state will meet its reimbursement obligation. He stated each district would need to evaluate its own risk in case the state did not follow through with reimbursement; this is challenging as recent history demonstrates the state is not positioned to carry through on its obligation. Due to the needs of school districts, he said that he believes the state has significant obligations with \$2 billion in projects in the coming years. He stated he observed that historically the state only funded 8 percent of its maintenance list. He stated that school bond reimbursement works as a mechanism for fulfilling the state's obligation to fund public education.

MR. ANDREASSEN said he is encouraged that the proposed bill increases reimbursements to at least 50 percent. He advised committee members to think about the state's guarantee to local governments and school districts; if the current debt structure is not enough, evaluate the state's debt book and other types of state debt that guarantees fulfillment. He suggested there are opportunities to specify the debt type [in the proposed legislation], whether it is state guaranteed debt or state supported debt. He noted that the state keeps its obligation for a variety of levels of debt. He stated AML represents 165 cities and boroughs across Alaska. Considering the important community-level need of school construction and major maintenance, if HB 350 "moves in the right direction," then [AML] will be "happy to see it pass." He added that [if the state fails to meet its obligation], then he does not know what will happen. He said that strengthening the bill by clarifying [the state's] responsibility would help.

[8:50:23 AM](#)

CO-CHAIR DRUMMOND expressed interest to learn about the other types of state debt referred to by Mr. Andreassen. Concerning funds from the Infrastructure Investment and Jobs Act (IIJA), she stated that many communities consider schools to be a critical piece of infrastructure. While schools are not roads or bridges, she stated that in many communities in Alaska the school is the major public facility. She expressed interest in whether IIJA funds could be applied to school facilities in addition to other types of public facilities.

MR. ANDREASSEN expressed confidence that IIJA will not fund schools. He suggested creativity in the approach state and local governments can take, for example, with broadband, water and sewer, transportation, climate change, and pollution

prevention in relation to school construction and major maintenance. But he emphasized that IIJA does not take the place of the state's obligation to fund public education. He said that with the influx of funding from IIJA, new opportunities and offsets may help local governments address construction and maintenance needs in their communities. But he stated that after four to seven years of decreased bond debt reimbursement and two years of the COVID-19 pandemic, local governments made up costs by using their deferred maintenance budgets. Thus, he stated that school districts and communities are not [financially] well positioned.

[8:53:04 AM](#)

REPRESENTATIVE HOPKINS stated that HB 350 would only impact schools in organized municipalities and not REAA schools. He continued that the average age of schools in Alaska is 44 years, so "we are not getting rid of shiny new buildings with shinier new buildings." He stated concern over available options for municipalities to fund major maintenance projects without assistance from the state.

MR. ANDREASSEN advised that funding major maintenance and school construction projects is the state's responsibility, but local governments do try to address the safety of students in classrooms. He stated most school districts in Alaska are municipal districts, and most of these would have school bond debt reimbursement as an option. He stated a formula exists for funding REAA school districts, but he does not know the formula. Otherwise, he said that local governments have the option to pull funds from public safety, local education contribution, and other infrastructure projects. This means local governments either pull funds from existing saving accounts or increase local taxes. He stated that he believes local governments will have to contribute funds for HB 350 to be successful.

[8:56:20 AM](#)

CO-CHAIR DRUMMOND referred to the lengthy process a community must go through to evaluate need for a school bond package. She inquired whether ALM knows of communities that would be ready to have a school bond package on their ballot this fall. She stated that ASD is on a different voting cycle. She emphasized that she is not "planning any tricks" to make the bill retroactive like [Senate Bill 64] in 2015.

MR. ANDREASSEN responded that AML is unaware of any members who are "chomping at the bit" to take advantage of the program. He stated that that does not mean there are not projects that would fit in a bond package. He stated he believes the need exists, so some members would be responsive to an opportunity for bond debt reimbursement in order to save local tax dollars.

CO-CHAIR DRUMMOND stated she appreciates Mr. Andreassen's comments concerning trust issues between municipalities and the state. She questioned Mr. Anderson on any change in the amount that is devoted to regular maintenance in the ASD's budget.

[8:58:37 AM](#)

MR. ANDERSON replied that ASD spends around \$25 million a year on maintenance, with a gradual increase over the last several years. The school district has also used bond debt on some emergency projects that fell outside of the bond. He stated that ASD stopped using bonds for security updates and intercom systems because the school district could not put larger bonds in front of voters without a secured reimbursement. He said he has not yet determined the percentage between fund balance and the cost of maintenance. Due to inflation and the COVID-19 pandemic, he stated that construction costs have spiked in the last six to eight months. He continued that he believes five years ago ASD would have never resorted to using fund balances.

CO-CHAIR DRUMMOND stated that when she last served on the school board [1994 through 2003] ASD had \$25 million a year for its maintenance budget. She stated that this reflects the pressure school budgets are under to provide enough funds for the classroom and regular maintenance of aging facilities.

MR. ANDERSON stated that the base student allocation has remained stationary for six years and many reductions had to be made across the board in order to limit the impact on classrooms. He stated that "everything is on the table every year and has been for a while."

[9:01:17 AM](#)

PETER HOEPFNER, Vice President, Cordova School District Board of Education, said in 2015 he testified against Senate Bill 64 because construction needs in Alaska school districts "do not just disappear." He stated that construction prices have risen over the last seven years, and deferred maintenance costs more. He said that he believes the lack of investment [in school

maintenance and construction] harms education, and the bill will help shift costs away from communities. He addressed that the change in the 2015 legislation [for bond debt reimbursement] resulted in a 20 percent reduction by the state. He emphasized the importance of commitment for the length of the bond, "and no going back." He stated communities voted on a known tax, and the state did not honor this tax amount. When a promised financial plan from a known entity fails, the result is an unanticipated debt. He stated this debt to the Cordova School District (CSD) accompanied a reduction in funding to the education of Cordova's students. He stated, "There needs to be teeth to this promise." People voted for bonds knowing and planning on the amount of the intended debt. For example, he stated that last year CSD had an unexpected \$1.5 million obligation. He said that CSD had an education funding contribution cap of \$2.1 million. Due to the unanticipated amount outstanding, CSD only had funds of \$1.7 million and bond debt reimbursement of \$1.5 million. He concluded that something needs to be done.

[9:04:14 AM](#)

PENNY VADLA, School Board Treasurer, Kenai Peninsula Borough School District (KPBSD), stated her support of HB 350. She described the district as a large and diverse with a variety of 42 schools covering 26,000 square miles. She stated one of KPBSD's main legislative priorities is the review of the school bond debt moratorium and to ensure funding for the existing state bond reimbursement program. She stated that KPBSD's maintenance department continues to work but finds it impossible to complete the large repairs and potential rebuilds with such a wide variety of schools spread across the central peninsula, outlying areas, and across the bay. She stated that KPBSD needs the state support with bond debt reimbursement of 60 percent for school repairs and 70 percent for school rebuilds. Cost-shifting to the communities impacts schools by halting services, programs, and other support needs.

MS. VADLA remarked that unlike large municipalities with constituencies in one town, KPBSD is diverse and extensive, making it difficult to obtain support for a small bond for one community. She added that KPBSD supports all schools in Alaska. She said that for years KPBSD maintained its own buildings, but now without state support repairs are delayed. She emphasized that the state needs to fulfill its obligation to prioritize a quality education to the state's students in safe buildings with the bond debt reimbursement program. She acknowledged that she

does not know how KPBSD will attain the current \$420 million of deferred school maintenance. She stated that KPBSD had a bond listing 19 projects for maintenance along with a new building at the Kachemak Selo School; the bond included 38 schools to ensure the vote of the communities. She concluded by stating her appreciation of HB 350 and the support of the committee. She added that the state's job is to educate its students.

[9:09:11 AM](#)

MS. VADLA, in response to a question from Co-Chair Drummond, stated that the Kenai Peninsula voters defeated the original bond for the community of Kachemak Selo. After that the schoolboard put together another bond that stalled due to the COVID-19 pandemic. She stated that KPBSD took a different direction with the bond, but it stalled as well. There is no current bond going forward. She stated that she can provide documentation on these bond packages. In response to a follow-up question, she said she does not have all the information concerning the bond amounts and does not want to put forth misinformation.

[9:12:09 AM](#)

NORM WOOTEN, Director of Advocacy, Association of Alaska School Boards, stated that prior to the [2015] moratorium local municipalities had vested interest with a share of 30 percent or 40 percent, depending on the bond proposal put forward, whether it was for new construction or major maintenance. When Senate Bill 64 passed in 2015, he stated it was like a "gut punch" to districts. Before this, during his time on the schoolboard in Kodiak, a major bond package passed to rebuild the high school in Kodiak. He stated that that package passed due to the voters' knowledge of the many years of promised reimbursement by the state. He stated the Kodiak community and school district was "shocked" to have a longtime commitment pulled from the bond package. He stated across Alaska many districts were in the same situation. He said that some municipalities found the money to pay down the bond debt either by reducing funding to schools or by increasing property tax. He stated that he believed the legislature created cost-shifting by transferring its shortfall to the municipalities; he emphasized that the money still had to be paid, so debt was shifted to boroughs and municipalities. He said that by passing HB 350, [financial] support would go to school districts and municipalities but most importantly, to the students within the state.

CO-CHAIR DRUMMOND stated she visited Kodiak recently and commented that Kodiak takes good care of its schools. She stated that she also remembers the 2015 legislation like a "gut punch." She commented that facing voters became difficult after that, as [Senate Bill 64] translated to a local tax increase.

[9:15:59 AM](#)

CO-CHAIR STORY, after ascertaining that no one else wished to testify, closed public testimony on HB 350.

[9:16:39 AM](#)

CO-CHAIR STORY announced that HB 350 was held over.

HB 108-CONCURRENT SECONDARY & TRADE SCHOOL

[9:16:58 AM](#)

CO-CHAIR STORY announced that the final order of business would be HOUSE BILL NO. 108, "An Act relating to concurrent vocational education, training, and on-the-job trade experience programs for students enrolled in public secondary schools; relating to child labor; and providing for an effective date."

[9:17:47 AM](#)

REPRESENTATIVE GILLHAM moved to adopt Amendment 1 to HB 108, labeled 32-LS0345\G.2, Marx, 2/8/22, which read as follows:

Page 5, line 30, following "(18)":

Insert "**collaborate with school districts to**"

Page 6, line 9:

Delete "The department"

Insert "A school district"

Page 6, line 14:

Delete "The department"

Insert "A school district"

Page 7, line 2, following "department":

Insert "or the school district"

Page 7, line 3, following "department":

Insert "or school district"

Page 7, line 7:

Delete "department"

Insert "school district"

Page 7, lines 8 - 9:

Delete "The department shall annually compile, provide to school districts, and publish on the department's"

Insert "A school district shall annually compile and publish on the school district's"

Page 7, line 11:

Delete "department"

Insert "school district"

Page 7, lines 12 - 14:

Delete all material and insert:

"(b) For each listed program, the school district shall identify any geographic attendance restrictions and program availability."

Page 7, line 15:

Delete "The department"

Insert "A school district"

Page 7, line 20:

Delete "department"

Insert "school district"

Page 8, following line 24:

Insert a new section to read:

"Sec. 14.35.130. Definition. In AS 14.35.100 - 14.35.130, "school district" or "district" means a borough school district, a city school district, or a regional educational attendance area."

REPRESENTATIVE HOPKINS objected for the purposed of discussion.

[9:18:00 AM](#)

The committee took an at-ease from 9:18 a.m. to 9:21 a.m.

[9:21:08 AM](#)

REPRESENTATIVE GILLHAM asked to hear from the bill sponsor regarding the changes proposed under Amendment 1.

[9:21:34 AM](#)

REPRESENTATIVE KEN MCCARTY, Alaska State Legislature, as prime sponsor, announced that Amendment 1 changes the language in HB 108 to allow school districts an active role in decision making, contracting, and connecting with instructors [for career and technical education (CTE), training, and on-the-job programs]. He stated that the amendment moves the responsibility from DEED to the school districts.

[9:22:36 AM](#)

REPRESENTATIVE MCCARTY, in response to Co-Chairs Story and Drummond, confirmed that Amendment 1 would allow DEED to collaborate with the school districts to provide opportunities [for CTE programs]. He continued to elaborate on the changes in the bill, stating that the districts have asked to be involved because they know the resources in the region better than DEED. He stated that if school districts made their own [CTE] contracts, the process would be less expensive.

[9:25:53 AM](#)

CO-CHAIR DRUMMOND questioned whether shifting responsibility from DEED to the school districts "in every instance" would reduce the fiscal note. She stated that there is around a \$400,000 fiscal note in the first year and \$600,000 to \$900,000 in the "out years" from DEED.

REPRESENTATIVE MCCARTY offered his understanding that from the discussion last year there may be a zero fiscal note. He stated that DEED will wait for that committee's decision on the amendment before making the fiscal note, as it may contain regulation changes. He stated he believes the new fiscal note would be far less than what is reflected in the current fiscal note.

[9:27:16 AM](#)

REPRESENTATIVE MCCARTY, in response to a question from Representative Hopkins, stated that he believes all school districts would like to be part of the contracting decisions. In response to a follow-up question, he stated that he communicated with the districts via Internet, telephone, and people coming into the office. He stated he felt school districts were apprehensive about HB 108, and Amendment 1 will

gather more support for the bill [by giving school districts more involvement establishing CTE programs].

REPRESENTATIVE HOPKINS referenced the section of the amendment on page 7, lines 8 and 9, that switches the program publication requirement from DEED to the school districts. He questioned whether DEED should be an intermediary for program ideas, or each school district should develop its own programs.

REPRESENTATIVE MCCARTY stated that some school districts became concerned by a possible [DEED] requirement for districts to provide [multiply standardized CTE] programs. The amendment enables school districts to offer specific programs to their region. In response to a follow-up question, he stated program publication within districts enables local students and families to be a part of regional programs. He added this will enable schools to have "bragging rights" on the new careers of alumni.

[9:31:00 AM](#)

REPRESENTATIVE HOPKINS withdrew his objection. There being no further objection, Amendment 1 to HB 108 was adopted.

[9:31:21 AM](#)

REPRESENTATIVE GILLHAM moved to adopt Amendment 2 to HB 108, labeled 32-LS0345\G.3, Marx, 2/8/22, which read as follows:

Page 6, line 8:

Delete "from nonsectarian agencies"

Page 6, line 14:

Delete all material.

Reletter the following subsection accordingly.

[9:31:27 AM](#)

REPRESENTATIVE HOPKINS objected for the purpose of discussion.

[9:32:06 AM](#)

REPRESENTATIVE MCCARTY stated, per the Alaska State Constitution, DEED cannot give funds directly to a sectarian school or organization. He explained that in some villages there may be a sectarian school or organization offering [CTE] programs. If the public school would like to offer that CTE

program, the district could contract with that sectarian school or organization. He stated that this would not entail sectarian belief in the classroom.

[9:32:49 AM](#)

REPRESENTATIVE HOPKINS inquired whether Representative McCarty had obtained legal analysis from Legislative Legal Services about credit being earned from a sectarian institution.

REPRESENTATIVE MCCARTY stated that the school credit comes from the public school that has contracted with a sectarian school or organization with onsite training. He stated that he learned from Legislative Legal Services many examples of indirect funds that follow students to the different schools, as a student with a state scholarship for post-secondary education may attend a sectarian university. He explained that the sectarian school would not receive money directly. In response to a follow-up question, he stated that school districts can contract with a sectarian school or organization for CTE if the instructor at that entity has a Type M Certificate.

REPRESENTATIVE HOPKINS expressed his confusion and speculated whether DEED would supply a Type M Certificate to an individual who is not a school district employee but a sectarian school employee.

REPRESENTATIVE MCCARTY stated his understanding is to allow school districts latitude to contract and offer CTE programs with all entities in their region. He continued that this requires instructors to have a Type M Certificate before being contracted, per the language of the bill.

REPRESENTATIVE HOPKINS established that the language initially in the bill specified nonsectarian agencies, but now the amendment takes out the language. He then questioned if Legislative Legal Services initially put in the language or whether it was the request of the sponsor.

REPRESENTATIVE MCCARTY responded that during the original draft of the bill Legislative Legal Services referenced the Alaska State Constitution in its recommendation to include the language. He stated that school districts requested more latitude [establishing CTE programs], and they asked to have the language removed.

[9:37:42 AM](#)

REPRESENTATIVE HOPKINS maintained his objection to Amendment 2 to HB 108, explaining that if Legislative Legal Services included language due to constitutional concerns, he believes the language should remain in the bill. He stated he is apprehensive to "open doors" that would impact the constitution. He stated he strongly supports the concept of the legislation to avail avenues for apprenticeships and on-the-job training, but due to constitutional concerns he maintains his objection.

[9:38:31 AM](#)

CO-CHAIR DRUMMOND expressed confusion regarding Amendment 2, remarking that a nonsectarian organization is not associated with a religion or a church, so a college, a trade school, or another nonunion association may or may not offer classes. She stated she would like to divide the question. She argued that the first part of the amendment does not make sense with the second part. She stated she does not understand the removal of "nonsectarian agencies" on line 8 or the removal of line 14. She stated her objection to Amendment 2.

[9:39:56 AM](#)

The committee took an at-ease from 9:40 a.m. to 9:41 a.m.

[9:41:41 AM](#)

REPRESENTATIVE GILLHAM withdrew his motion to adopt Amendment 2 to HB 108.

[9:41:47 AM](#)

The committee took an at-ease from 9:41 a.m. to 9:43 a.m.

[9:43:07 AM](#)

CO-CHAIR STORY announced that HB 108 was held over.

[9:44:11 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:44 a.m.