

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

April 6, 2022

8:00 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Tiffany Zulkosky

COMMITTEE CALENDAR

HOUSE BILL NO. 413

"An Act relating to facilities constituting a school; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 413

SHORT TITLE: FACILITIES CONSTITUTING A SCHOOL

SPONSOR(S): EDUCATION

04/04/22	(H)	READ THE FIRST TIME - REFERRALS
04/04/22	(H)	EDC
04/06/22	(H)	EDC AT 8:00 AM DAVIS 106

WITNESS REGISTER

GEORGE ASCOTT, Staff
Representative Harriett Drummond
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 413 on behalf of the prime sponsor, the House Education Standing Committee, Representatives Drummond and Story, Co-Chairs.

GENE STONE, Chief School Administrator

Lower Yukon School District
Mountain Village, Alaska

POSITION STATEMENT: testified that HB 413 will remedy an unfair penalty the Lower Yukon School District is experiencing.

ANDREW LEAVITT, Chief Business Officer
Lower Yukon School District
Mountain Village, Alaska

POSITION STATEMENT: Provided information during the hearing on HB 413.

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

POSITION STATEMENT: Provided information during the hearing on HB 413.

ACTION NARRATIVE

[8:00:33 AM](#)

CO-CHAIR HARRIET DRUMMOND called the House Education Standing Committee meeting to order at 8:00 a.m. Representatives Hopkins, Prax, Gillham, and Drummond were present at the call to order. Representatives Cronk and Story arrived as the meeting was in progress.

HB 413-FACILITIES CONSTITUTING A SCHOOL

[8:01:22 AM](#)

CO-CHAIR DRUMMOND announced that the only order of business would be HOUSE BILL NO. 413, "An Act relating to facilities constituting a school; and providing for an effective date."

[8:01:56 AM](#)

GEORGE ASCOTT, Staff, Representative Harriett Drummond, Alaska State Legislature, presented HB 413 on behalf of the House Education Standing Committee. He presented that HB 413 seeks to remedy a funding formula that negatively effects the Lower Yukon School District. He said HB 413 would add three words to existing law [AS 14.17.905]: "excluding charter schools." He explained that the district recently opened a charter school in Hooper Bay. The community is now seen as having two schools instead of one. Through the current formula, the addition of the charter school reduces the district's funding by about \$1

million [per funding year]. He suggested while the school district tried to provide a wider variety of services for students without increasing costs, it was inadvertently punished. He stated the proposed bill has an effective date of July 1, 2022.

[8:03:52 AM](#)

GENE STONE, Chief School Administrator, Lower Yukon School District, related that he had worked in Lower Yukon School District (LYSD) for five years, three of those years as chief of operations and the past two years as the chief school administrator. He continued by reading from his written testimony [available in the committee packet], as follows:

On behalf of the Lower Yukon School District, allow me to express our appreciation for the introduction of HB 413. The district is in full support of HB 413. HB 413 will remedy a funding issue that unfairly penalizes the Lower Yukon School District for opening a charter school in Hooper Bay. The penalty within the statute for adding a charter school in Hooper Bay resulted in an annual reduction in funding of \$1,033,000 for fiscal year 2021 and \$1,021,000 for fiscal year 2022. Until this funding penalty is remedied, LYSD will lose approximately \$1 million annually. The district operates two separate educational programs in the Hooper Bay School: the conventional K-12 school [and] a fourth- to eighth-grade charter school that features a culturally relevant, place-based learning curriculum for its students. Additionally, the school has a K-3 Yupik immersion program but is not part of the charter school and functions as part of the conventional school as a special program. Some may argue that HB 413 has a fiscal note to the State of Alaska of \$1 million annually. LYSD sees the opposite; to date our loss of foundation funding has resulted in fiscal surplus to the state of \$2 million dollars for fiscal year 21 and fiscal year 22. As a result of the Hooper Bay Charter School, our district has the same number of students - the exact same students - inside the same school building, and yet we realize a funding penalty of over \$1 million per year. By adding the three words "excluding charter schools" to AS 14.17.905, the annual funding penalty is remedied, and it becomes feasible to fund Hooper Bay's charter

school. As it stands now, the statute is punitive and this unintended \$1 million annual funding penalty impacts our entire school district and effectively jeopardizes rural Alaskans' access to school choice. HB 413 would remedy this funding problem and support charter school equity for rural Alaska schools.

8:07:22 AM

REPRESENTATIVE PRAX asked why a separate charter school is needed.

MR. STONE offered his understanding that the Department of Education and Early Development (DEED) responds favorably to school districts that offer school choice. He described Hooper Bay as a "community that has been, in many ways, underserved and has underperformed." He said the district should not "be blamed" for operating with autonomy and trying something different. The charter school conversation had been ongoing for several years in LYSD, but once approved, timing with formulating language, the COVID-19 pandemic, and a change in statute [AS 14.17.905] created a more complicated process. He surmised the district shouldn't be treated any differently in offering school choice.

8:10:04 AM

CO-CHAIR DRUMMOND asked Mr. Stone to explain the difference between the amount of funding in the fiscal note versus the amount in his opening statement and to describe when the penalty amounts would occur.

MR. STONE responded that the difference is because of the average daily membership (ADM), stating these numbers change slightly every year. Due to the ADM formula, the funds waiver from \$20,000 to \$50,000 [per student] each year. He said the amount of funding will be somewhere between \$1 million and \$1.1 million annually. In response to a follow-up question, he explained that the district has already incurred a penalty with a loss of approximately \$2 million.

CO-CHAIR DRUMMOND followed that she understood a "relief period" exists, allowing the penalty to be gradually applied. Considering the charter school opened in the 2020 to 2021 school year, she said it seemed the district should have had some fiscal relief prior to this point.

MR. STONE said there had been a two-year period before the charter school opened when waivers were provided to the district. But the timing of a new [provision in] the aforementioned statute addressing the 425 ADM threshold, along with the opening of the charter school, created a "the perfect storm." At this time Mr. Stone deferred to the chief business officer of the school district.

[8:13:20 AM](#)

ANDREW LEAVITT, Chief Business Officer, Lower Yukon School District, said Co-Chair Drummond's understanding of a "relief period" is called a "hold harmless provision." This provision addresses decreased funding due to a drop in a school's ADM level. He said in this case the provision was not "triggered," and the district did not qualify for a gradual reduction in funding. In response to a follow-up comment, he affirmed Co-Chair Drummond's suggestion the provision did not apply because student population did not change.

[8:14:30 AM](#)

CO-CHAIR STORY made two points. First, she suggested the school could reconfigure to a "school within a school" so the district could retain its funding. Second, she suggested the proposed legislation could affect the funding of other charter schools statewide. She referenced the Alaska Association of School Business Officials (ALASBO) on this issue.

[8:16:22 AM](#)

MR. STONE responded that a "charter school" designation allows for choice in programs. He gave the example of a unique model of a culturally relevant, place-based program for fourth through eighth grades. He said that research shows this age group responds better to activities that have "local flavor." He added that the local and state schoolboards back the initiative. He also asserted that the proposed legislation would not impact any other school in the state.

CO-CHAIR STORY stated her support of school choice but wondered if the schoolboard had considered solutions to the LYSD's problem with other optional programs. She cited the Montessori program in the Juneau School District that offers choice with their curriculum, but it is not called a "charter school." Summarizing, she said if the school were in the original school

model and called "an optional school," the district could receive the \$1 million lost in funding.

MR. STONE responded that could be done, but it skirts the real issue and denies the school the opportunity to have an independent school and administration. He said if the Hooper Bay school became a "special mission school," it would remedy the funding, but disallow choice.

CO-CHAIR STORY, seeking verification that other schools would not be affected, suggested the proposed legislation could read "excluding Hooper Bay Charter School" versus "excluding charter schools."

[8:23:12 AM](#)

ELWIN BLACKWELL, School Finance Manager, Department of Education and Early Development, stated with the proposed legislation only LYSD would be affected at this time, as there are no other schools "anywhere near 425 ADM" in rural Alaska. He continued that in 2018 the Hooper Bay Charter School first exceeded 425 ADM, changing funding for the school from two adjustments to one. He said, as a remedy, the statute was changed; but, when the charter school was approved in 2020, the district was seen as having two schools and "that knocked them out of that fix." The proposed change in the statute, "excluding charter schools," would again qualify the K-12 facility for the two adjustments.

[8:24:55 AM](#)

MR. LEAVITT, in response to a question from Co-Chair Story, clarified the number of students in the charter school as 47 and the number in K-12 as 421.

[8:27:18 AM](#)

MR. BLACKWELL responded to Co-Chair Story that urban areas will not be affected because the ADM in these schools is far above the 425 threshold, and urban areas already have multiple school facilities.

[8:28:28 AM](#)

REPRESENTATIVE CRONK inquired about the plans to take the charter school out of the K-12 facility.

[8:28:50 AM](#)

MR. STONE responded that the charter school is currently housed in Hooper Bay's conventional school. The intention is for the charter school to have its own facility through grants and budget surpluses.

[8:29:56 AM](#)

CO-CHAIR DRUMMOND opened public testimony on HB 413. After ascertaining there was no one who wished to testify, she closed public testimony.

[8:30:22 AM](#)

CO-CHAIR DRUMMOND would like to know the specifics of the charter school's contract, stating that once a charter school is opened, it is difficult to close.

[8:30:43 AM](#)

MR. LEAVITT responded that the charter school started officially July 1, 2020, initially with a five-year contract. To a follow-up question, he said he believed the contract would be up for a review and renewal in five years, and then after that it is a 10-year contract.

[8:31:32 AM](#)

CHAIR DRUMMOND announced that HB 413 was held over.

[8:31:46 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 8:32 a.m.