

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS**  
Anchorage, Alaska  
October 28, 2021  
1:31 p.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Chair  
Representative Andy Josephson  
Representative Calvin Schrage  
Representative Andi Story (via Microsoft Teams)  
Representative Mike Prax (via Microsoft teams)

**MEMBERS ABSENT**

Representative Adam Wool  
Representative David Eastman

**OTHER LEGISLATORS PRESENT**

Representative Bart LeBon (via teleconference)  
Representative Dan Ortiz (via teleconference)

**COMMITTEE CALENDAR**

HOUSE BILL NO. 4003

"An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB4003

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

SPONSOR(S): WAYS & MEANS

10/04/21	(H)	READ THE FIRST TIME - REFERRALS
10/04/21	(H)	W&M, FIN
10/13/21	(H)	W&M AT 10:00 AM ANCH LIO DENALI Rm
10/13/21	(H)	Heard & Held
10/13/21	(H)	MINUTE (W&M)
10/28/21	(H)	W&M AT 1:30 PM ANCH LIO DENALI Rm

**WITNESS REGISTER**

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

**POSITION STATEMENT:** Co-presented a PowerPoint presentation during the hearing on HB 4003 on behalf of the House Special Committee on Ways and Means, prime sponsor, on which Representative Spohnholz serves as chair.

KELLY O'SULLIVAN, Fiscal Analyst  
Legislative Finance Division  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 4003.

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Provided invited testimony during the hearing on CSHB 4003 (W&M).

TOM KLAAMEYER, President  
NEA Alaska  
Juneau, Alaska

**POSITION STATEMENT:** Provided invited testimony during the hearing on CSHB 4003 (W&M).

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

**POSITION STATEMENT:** Provided invited testimony during the hearing on CSHB 4003 (W&M).

LON GARRISON  
Association of Alaska School Boards  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on CSHB 4003 (W&M)

CAROLINE STORM  
Great Alaska Schools  
Anchorage, Alaska

**POSITION STATEMENT:** Provided invited testimony during the hearing on CSHB 4003 (W&M).

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

**POSITION STATEMENT:** Provided invited testimony during the hearing on CSHB 4003 (W&M).

#### **ACTION NARRATIVE**

[1:31:06 PM](#)

**CHAIR IVY SPOHNHOLZ** called the House Special Committee on Ways and Means meeting to order at 1:31 p.m. Representative Josephson, Schrage, Story (via Microsoft teams), Prax (via Microsoft Teams), and Spohnholz were present at the call to order. Also present were Representatives LeBon (via teleconference) and Ortiz (via teleconference).

#### **HB4003-PERMANENT FUND DIVIDEND; 25/75 POMV SPLIT**

[1:32:01 PM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be HOUSE BILL NO. 4003, "An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; and providing for an effective date."

[1:32:57 PM](#)

CHAIR SPOHNHOLZ provided introductory remarks on HB 4003. She directed attention to a PowerPoint presentation, titled "CSHB 4003: Updated Permanent Fund POMV Funding for Dividends, Education, and other Essential State Services" [hard copy included in the committee packet]. Beginning on slide 2, she reviewed the impacts of various dividend formula rewrite bills.

[1:33:32 PM](#)

REPRESENTATIVE PRAX expressed his opposition to the forthcoming committee substitute (CS) for HB 4003, noting that he would be leaving the committee early today for a prior engagement.

CHAIR SPOHNHOLZ resumed the presentation on slide 3, which used assumptions from the Fiscal Policy Working Group to highlight elements from the various fiscal plans. She explained that presentations from the Legislative Finance Division (LFD) had

made it clear that a 75/25 split, which was the basis for HB 4003, would come closest to balancing the budget while still providing for a meaningful [dividend]. She stated that the purpose of the plan was to create stable fiscal footing for the state and to stabilize and grow both the PFD and education funding.

[1:36:17 PM](#)

CHAIR SPOHNHOLZ turned to slide 4, which outlined the impact on the dividend. She pointed out that under HB 4003, the dividend would grow to \$1,575 by FY 28. She addressed the increase in outmigration due to the state's fiscal instability. She proceeded to slide 5, which highlighted Article 7, Section 1, of the Alaska State Constitution and read as follows [original punctuation provided]:

The legislature shall by general law establish and maintain a system of public schools open to all children of the state..

CHAIR SPOHNHOLZ said the legislature's inability to resolve the state's fiscal situation had placed downward pressure on K-12 funding for years. While other states made investments in K-12 education, Alaska's education funding remained largely static. Proceeding to slide 6, she noted that the base student allocation (BSA) had not been increased since 2015. Additionally, when adjusted for inflation, Alaska's investment in K-12 education decreased in each of the last four years. She emphasized the impacts of unstable education funding on slide 7, adding that sustainable funding helped drive reform, outcomes, and performance.

[1:40:01 PM](#)

CHAIR SPOHNHOLZ advanced to slide 8, which read as follows [original punctuation provided]:

CSHB 4003: Updates the Dividend Formula

Rewrites the dividend formula as follows:

The 5% Percent of Market Draw from the Permanent Fund will be split as follows:

- 25% to dividends
- 75% UGF available for essential government services

- o 50%\* to the public education fund for foundation formula and pupil transportation
  - o If the percentage allocated to education does not fully fund the foundation formula, the remaining need will be met with UGF
  - o If the percentage allocated to education exceeds the amount required by the foundation formula, the excess will be distributed directly to school districts according to the foundation formula.
- 50% to general fund

[1:41:12 PM](#)

MEGAN HOLLAND, Staff, Representative Ivy Spohnholz, Alaska State Legislature, co-presented a PowerPoint presentation, titled "CSHB 4003: Updated Permanent Fund POMV Funding for Dividends, Education and other Essential State Services," on behalf of the House Special Committee on Ways and Means, prime sponsor of HB 4003. She continued to slide 9, which illustrated the revised POMV split proposed in the CS. She turned to slide 10, which provided projections from LFD through FY 30. She indicated that HB 4003 would create a stable fund source for Alaskan schools that would grow into the future.

[1:44:24 PM](#)

MS. HOLLAND provided a sectional analysis of CSHB 4003(W&M) [included in the committee packet], which read as follows [original punctuation provided]:

Section 1: Amends AS 14.17.300 adding new language allowing the foundation formula for public education to be funded through a percentage of the POMV draw. Clarifies that in the case that the percentage of the POMV is not sufficient, foundation funding may be provided by the general fund.

Section 2: Amends AS 37.13.140, clarifying that the amount available for appropriation may not exceed the balance of the earnings reserve account.

Repeals the old formula for calculating PFDs.

Section 3: Amends AS 37.13.145(b) to allow appropriations from the earnings reserve account in

accordance with AS 37.13.140(b), (the POMV statute), as follows: 25% to the dividend fund under AS 43.23.045 and 75% to the general fund.

Of the 75% distributed to the general fund, no less than 50% may go to the public education fund for state aid to school districts to satisfy the foundation formula.

Section 4: Amends AS 37.13.145(c) to clarify that an appropriation is required to move funds from the earnings reserve account to the principal of the permanent fund for purposes of inflation proofing.

Section 5: Amends AS 37.13.145(d) to stipulate funds associated with the Amerada Hess settlement are not included in the calculation of the percent of market value under AS 37.13.140(b).

Section 6: Adds a new subsection that states, of the 75% distributed to the general fund, no less than 50% may go to the public education fund for state aid to school districts to satisfy the foundation formula.

Additionally, this section provides that if this percentage of the POMV draw does not satisfy the foundation formula, the remaining funds may come from the general fund. And, if it exceeds the formula, the excess may be distributed according to the foundation formula.

Section 7: Amends AS 37.13.300(c) to specify that income from the mental health trust fund is not included in the calculation of the percent of market value under AS 37.13.140(b).

Section 8: Amends AS 37.14.031(c) to require the Alaska Permanent Fund Corporation calculate the net income of the mental health trust fund annually on the last day of the fiscal year, excluding any unrealized gains or losses.

Section 9: Amends AS 43.23.025(a) to clarify that funds must be appropriated to the dividend fund, rather than transferred as current statute provides.

Section 10: Repeals AS 37.13.145(e) and (f). These sections restricted to appropriations from the earnings reserve account to the general fund to not more than was available for appropriation. Similar language is now found in Section 2 of this bill.

Section 11: Provides an effective date of July 1, 2022.

[1:47:38 PM](#)

REPRESENTATIVE JOSEPHSON, referring to slide 10, highlighted the total anticipated foundation funding of \$1.26 billion in FY 23. He asked what that number would be if there had been a 2 percent growth in the BSA since FY 15. Additionally, he pointed out that in FY 30, LFD projected a \$240 million increase in funding beyond the BSA formula. He asked what the \$240 million would be used for and whether school districts had indicated that they needed that much in additional funding.

CHAIR SPOHNHOLZ deferred to Ms. O'Sullivan.

[1:50:30 PM](#)

KELLY O'SULLIVAN, Fiscal Analyst, Legislative Finance Division, offered to follow up with the requested information.

CHAIR SPOHNHOLZ, regarding the inquiry from Representative Josephson about the additional \$240 million in FY 30, explained that the bill did not specifically propose an update to the BSA formula. She explained that the funds could be used in various ways, such as capital expenses, pre-kindergarten, or reading programs.

[1:52:57 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt the proposed committee substitute (CS) for HB 4003, labeled 32-LS1209\B, Nauman, 10/27/21, as the working document. There being no objection, Version B was before the committee.

CHAIR SPOHNHOLZ welcomed invited testimony.

[1:54:34 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, read the following prepared remarks [original punctuation provided]:

Thank you for the invitation to provide testimony on HB 4003. As you're aware, AML has presented a few times to this committee and offered to be a resource as necessary.

The Alaska Municipal League is a membership organization comprised of Alaska's 165 cities and boroughs. Our role is to strengthen local governments, including to provide a variety of services and to coalesce municipal perspectives on issues affecting local governments.

As you've heard from me before, that diverse membership means that we may not be able to take a position on specific bills but offer considerations for you instead, so that you may include these in your deliberations. Today's approach will be similar - I will review a number of aspects of this bill that relate back to local government and intersect with resolutions or a position taken by AML's membership.

First, AML members adopted a resolution (2021-08) in support of a balanced approach to addressing the State's deficit and continuing fiscal challenges.

Second, AML members have adopted a resolution (2021-03) in support of a sustainable draw from the Permanent Fund. The resolution notes that this is a component of a sustainable fiscal policy that includes revenues and expenditures that are balanced, emergency reserves that have been replenished, and a fund balance established.

Third, AML members have adopted a resolution in support of a broad-based tax (2019-06). HB 4003 does not address new revenues, which we believe will be necessary to adequately account for the State's responsibilities. This is not within the remit of the bill, from our understanding, as it is limited to how the State may appropriate available funds and to which purposes. Thus, we haven't evaluated distributional impact in relation to other revenue sources.

Fourth, AML members have adopted a resolution (2020-12) that encourages the Legislature to come to consensus on the Permanent Fund Dividend. Essentially, AML has not taken a position on how or what the PFD should be, only that we hope the Legislature can come to agreement on this issue. To the extent that this bill - similar to other PFD legislation - can do that, we are hopeful.

Finally, AML members adopted a resolution (2019-01) in support of a Community Dividend. The addition in HB 4003 of what is essentially a fund source for education, a Constitutional obligation of the State, feels very similar to that.

Adequately funding this public education has been a policy statement of AML's for a long time, and AML members passed a resolution (2021-05) that encourages collaboration that fosters new approaches to public education, and sufficient and consistent funding. To that end, allocating a portion of the POMV draw to meet this responsibility of the State's is an important and even critical assurance that this can be done sustainably.

It promises the potential, at some point, to meet other goals identified by AML members - early childhood education, for instance, inflation-proofing the BSA, overcoming barriers to teacher recruitment and retention, and ensuring funding for school construction and major maintenance. The inclusion here of funding to meet a primary function of the State is meaningful.

AML continues to advocate for a State able to meet its obligations, with multiple resolutions adopted by members arguing for full and sufficient funding for any number of programs that are directly relevant to local governments. We appreciate the attention and diligence of this Committee as you work to find solutions that do that.

Thank you.

[1:58:23 PM](#)

REPRESENTATIVE JOSEPHSON asked whether AML would support a bill that designated 50 percent of the draw not spent on dividends to education.

MR. ANDREASSEN declined to take a position on that question without a formal proposal in front of the committee. He reiterated that fully funding education was a priority for AML, adding that many components of this bill would meet important criteria for AML members.

1:59:40 PM

TOM KLAAMEYER, President, NEA Alaska, read the following prepared remarks [original punctuation provided]:

Good afternoon, Chair Spohnholz and members of the House Ways and Means Committee.

For the record, my name is Tom Klaameyer, and I serve as the President of NEA-Alaska. I am here on behalf of the over 11,000 educators who represent the vast majority of classroom teachers and education support professionals in Alaska.

Thank you for the opportunity to testify today on HB 4003

I would like to thank the Chair and members of the legislature who have made public education and Alaska students a priority. Of course, it is a Constitutional mandate, but it doesn't always feel that way, considering the public school funding roller coaster ride we've been on over the last decade or so. It's quite refreshing to read HB 4003, actually, as it attempts to replace that volatility with stability for the institution of public education in our state, which is the cornerstone of democracy and addresses the critical need for the future development and economic development of our state by investing in our students.

As you may know, this has been one of the most difficult years for educators in memory. Not only have educators been dealing with the chronic underfunding of our schools and the lack of student resources it causes, but for the last (almost) two years, the impacts of a global pandemic in their workplace and on

their students. Teaching is difficult; it's gotten harder. And teaching in Alaska can be uniquely more challenging.

A 2020 report from the All Alaska Pediatric Partnership documented that even before the pandemic, 36% of Alaska students ages 0-8 live in poverty. Alaska has the highest rate of child maltreatment in the nation. The report goes on to detail that only one-third of Alaska children start kindergarten "ready", and low-income children are even less likely to be well equipped to start their education.

The simple fact is that many Alaska students are coming from some challenging backgrounds and arrive at school unprepared. Furthermore, our state currently invests less than 1% of general funds in early childhood education, and another bill, introduced to help rectify that, has stalled in the legislature for the last two years.

Add to this mix the fact that Alaska offers the worst retirement system in the country for teachers. Alaska teachers (hired since 2006) do not receive Social Security and do not earn a pension. A 2019 analysis by the Chief Investment Officer of the State of Alaska demonstrated that after a 30-year teaching career, only about 31% of teachers hired after 2006 would have sufficient assets to support themselves in retirement. With no Social Security, this is a very scary prospect for many and the reason so many leave after five years (they can take what they earned and to teach in another state).

Finally, consider what it has been like for teachers over the last 10 years as the state budget crisis and legislative gridlock have created almost annual uncertainty for jobs and impacts to the school districts.

Imagine being a first-year teacher with student loans, or an early career teacher who has just bought a home and receiving a "pink slip" from your employer because of the inability of the Legislature to pass a budget on time. A 2020 study by the Regional Education Laboratory showed that 22 percent of teachers and 25% of principals leave their schools and their roles each

year. Imagine how dangerous the oil production and exploration on the North Slope would be if employers there experienced that kind of turnover.

And this turnover costs the state of Alaska real money. A 2017 study by ISER detailed costs of \$20,000 per teacher to the tune of \$20 million per year. It is estimated that Principals cost \$75,000 per year in recruitment and retention costs. And it's not just the state and school districts that pay for educators coming and going from our schools and communities, unfortunately, it is our students.

Educators grow and develop with experience. They get to know families and students. They become part of the community and build long-term relationships that support student learning and connected school communities. This doesn't just make common sense, it's supported by the data. ISER has shown that in the five school districts in Alaska with the lowest turnover rates (average of 8.7%) student reading proficiency is an impressive 85.8%. Conversely, in the five Alaska school districts with the highest turnover rates (churning out an average of 37.9% of teachers each year) their student reading proficiency dropped dramatically to only 46.9%.

I am here today before you because I am excited about the potential impact of HB 4003. It represents a real acknowledgment that we need to do better and more for our students and educators. It builds a sustainable stream of investment for our students and schools so we can chart a strategic and productive course moving forward. It starts to resolve the state fiscal crisis which has been so damaging to public education.

In very recent history, and almost annually, the entire apparatus related to public education has been mobilized to make the case against massive and damaging cuts to education. In 2015 we saw a very serious proposal from the Senate Finance Committee to make a 5% cut to education funding. More recently, we saw a proposal to cut education funding by 23% in the Governor's budget, followed by vetoes of education funding - including funding for early childhood education.

Fortunately, helping students who need it the most is exactly why many educators joined the profession, to begin with, but unfortunately, however, fewer and fewer educators are choosing to make Alaska their home. In fact, there are 1,000 fewer certificated teachers working in Alaska than a decade ago. Years of flat funding, further eroded by inflation, have strained our system.

Sometimes I think about the energy and human capital that educators, parents, and administrators have had to invest over the last decade to make the case to just hold students and schools harmless from funding cuts. What if the adults involved in public education had been able to spend 100% of their time focused on students? What if they didn't have to worry about an insufficient retirement, pink slip, or a school closure, or a funding cut.

Even the idea of "forward funding", a modest, no-cost, signal to school districts that there will be some stability in education funding turned out to be controversial. Though, I hope legislators who are interested in a no-cost way to instill confidence and support stability will continue to propose and advocate for forward funding.

HB 4003 represents a real opportunity for Alaskans to come together, to put a big part of the fiscal crisis behind us and to make an enduring investment in Alaska's kids and our state's future.

We are still carefully studying the details of HB 4003, but after an initial review I am eager to continue this conversation as it represents an acknowledgement of our Constitutional obligation to public education, it is an innovative idea that shows we can and must do better, and it puts Alaska's students and young people at the center of the conversation about moving forward.

Thank you, Chair Spohnholz for bringing this proposal forward, and thank you all for your time, attention, and consideration.

[2:09:05 PM](#)

REPRESENTATIVE JOSEPHSON asked what more the legislature could do to ensure a stream of funding for K-12 education.

MR. KLAAMEYER said he was excited by the prospect of HB 4003, which would provide stability and allow funding to continue to grow. He emphasized the importance of installing best practices in schools and catering to unique needs in individual communities. He expressed the need for high quality educators and reducing the student-to-teacher ratio, as well as improving the retirement system.

[2:12:40 PM](#)

REPRESENTATIVE SCHRAGE returned to slide 6 and asked Mr. Klaameyer to contextualize the reductions in funding and speak to the challenges that school districts are facing in today's world.

MR. KLAAMEYER highlighted the impact on students; access to medical care, school counselors, and social workers; retaining high quality educators; maintaining enough paraprofessionals and fully funding special education. He characterized Alaska's retention issues as "creating a class of education tourists" who after five years, leave Alaska after becoming fully vested.

[2:16:07 PM](#)

REPRESENTATIVE STORY sought clarification on the funding components in HB 4003.

CHAIR SPOHNHOLZ stated that she had specifically excluded a specific description of what would be funded. She added that nothing in the bill would preclude a policy bill that would rewrite the formula in some way to allow for growth over time consistent with the legislation as drafted.

MS. HOLLAND asked Ms. O'Sullivan to list what foundation formula direct aide to school district funding could be used for by districts.

[2:19:57 PM](#)

MS. O'SULLIVAAN offered to follow up with the requested information.

[2:21:07 PM](#)

NORM WOOTEN, Director of Advocacy, Association of Alaska School Boards (AASB), read the following prepared remarks [original punctuation provided]:

Good afternoon members of the House Ways & Means Special Committee. My name is Norm Wooten and I serve as the Director of Advocacy for the Association of Alaska School Boards. Also, on-line today is AASB's Executive Director, Lon Garrison. Thank you for the opportunity to testify today.

We are supportive of the language of CS HB 4003(W&) and its intent is in alignment with several resolutions approved by the AASB Delegate Assembly.

We watched with interest the meetings of the Legislative Fiscal Work Group and were gratified with the recommendations of the Work Group. AASB's Resolution 2.1 - SUSTAINED, RELIABLE AND ADEQUATE STATE FISCAL PLAN AND EDUCATIONAL FUNDING FOR ALASKA'S STUDENTS THROUGH A NON-VOLATILE FUNDING SOURCE directly supports the Work Group's recommendations as well as the proposed use of the POMV draw and the division of the revenue from the Permanent Fund. CS HB 4003(W&M) meets the recommendations of the Work Group by putting into place a step toward a fiscal plan as well as revising the PFD statute. The future of Alaska, as well as the future of public education, depend on a workable fiscal plan.

Creating in statute a sustainable use of the POMV draw puts to rest what has become the focus of many discussions in the legislature. The debate over the question, "How much is the PFD this year" is a distraction to the business of the legislature - that business is policy decisions that affect every sector of Alaska's population, including our public-school students. I'm not here this afternoon to advocate for an amount of the PFD. There are many thoughts on that topic both within the Capitol as well as the general population. I commend you for considering legislation that creates a stable funding source for the PFD so that legislators can concentrate on greater responsibilities and move this debate off the table.

Each year school board members and education advocates plead for education funding. And you routinely remind

yourselves and the public of your constitutional responsibility that is contained in Alaska's constitution. Article 7, Section 1 requires your support and funding of a public school system. And you have never failed to fund education, however, the Base Student Allocation has not been increased from the current \$5,930 since FY 17. Six years with no increase seems disingenuous to expect constant improvement in instruction and increasing standardized test scores. Utilities, supplies, transportation, fuel, salaries, maintenance, freight, food, instructional materials, communications, internet, and a myriad of other supplies and services necessary for operating a school system have all increased. It seems as if the cost for everything has increased. About the only thing that hasn't increased is the BSA. The proposed new language in CS HB 4003(W&M) has provisions that address those times when the formula draw does not meet the BSA and also when the formula draw goes beyond the BSA need. This seems to be a responsible solution. It also meets the request of AASB's Resolution 2.2 - URGING EARLY, ADEQUATE, EQUITABLE, AND PREDICTABLE FUNDING OF PUBLIC EDUCATION

The proposed language in CS HB 4003(W&M) would remove education from competition with all other appropriations and fulfill the responsibility of Article 7, Section 1 of Alaska's Constitution. The legislature could then concentrate on the remainder of other services that provide for Alaska's citizens and make our state such a wonderful place to live and raise families.

My own daughters and granddaughters received an outstanding public-school education that laid the foundation for them to lead successful adult lives. I want my great granddaughters to also have that same opportunity. CS HB 4003(W&M) will undoubtedly go through many iterations as it progresses through the committee process in both bodies. AASB commits to weighing in at every opportunity and to help make it the best possible support for every public school student in Alaska.

AASB has several other resolutions that support CS HB 4003(W&M) and they are included in the written copy provided to the committee.

Thank you for the opportunity to testify in support of CSHB 4003(W&M). Both AASB Executive Director Lon Garrison and I are available for any questions you might have.

AASB Resolutions Supporting HB 4003

B.7 EDUCATIONAL PROGRAMS AND FUNDING AS TOP PRIORITY

Article VII, Sec. 1 of the Alaska State Constitution states that the Legislature shall establish and maintain a system of public schools open to all school age children. Public education is fundamental to democracy and economic advancement of the state and tribes. AASB calls upon the Governor and the Alaska Legislature to make early, sustainable, adequate and equitable funding a top priority for the exemplary education of our youth.

2.1 SUSTAINED, RELIABLE AND ADEQUATE STATE FISCAL PLAN AND EDUCATIONAL FUNDING FOR ALASKA'S STUDENTS THROUGH A NONVOLATILE FUNDING SOURCE

The sustainability, reliability and adequacy of Alaska's funding for public education are of highest concern to the Association of Alaska School Boards. AASB urges the Legislature to develop a state fiscal plan. This fiscal plan would provide a long-term approach to funding the costs of public education and other services upon which Alaska's students and their families depend. The plan should be strategic, sustainable and realistic, providing a framework for balancing budgets while adequately funding public education.

2.2 URGING EARLY, ADEQUATE, EQUITABLE, AND PREDICTABLE FUNDING OF PUBLIC EDUCATION

AASB urges the State of Alaska to provide early, adequate, equitable, and predictable funding of public education. AASB believes that adequate funding should include the following:

- State funding of the TRS-PERS retirement liability;
- An increase to the Base Student Allocation to account for both inflation and adequate pre-K through 12th grade education;
- Recognition of the need to keep pupil-teacher ratios to a level in line with research-based best practices;
- Career and technical education.

- An early adoption timeline that allows school boards and district administration to effectively plan instruction and staffing for the upcoming school year.
- Programs and Initiatives focusing on Alaska Native languages and cultures.

AASB urges that in the years when the Alaska Legislature has not approved an education budget by April 1, the budget from the previous year shall be the legal minimum funding for the next fiscal year.

AASB urges the Legislature to review and recommend appropriate adjustments to AS.14.17.460, District Cost Factors, to ensure equity in school funding.

AASB urges the Legislature to provide stable forward funding that addresses inflation, including the use of an education endowment, to ensure funding predictability.

#### 2.10 EDUCATION ENDOWMENT

AASB lends its full support to the establishment of an adequately funded and well-managed educational endowment to help secure stable and full funding for education to be used for public elementary and secondary education.

#### 2.14 PUPIL TRANSPORTATION

AASB urges the State of Alaska to adequately fund pupil transportation by increasing the transportation allocation to accurately reflect true costs, to avoid the use of operating fund dollars, and to provide funding for districts with increased transportation needs due to state legislated labor costs, special circumstances and/or student growth. Getting students safely to and from school is a vital part of public education.

#### 2.23 FUNDING FOR SCHOOLS BY ESTABLISHING THE BASE STUDENT ALLOCATION IN ADVANCE

AASB supports funding for schools in advance. At a minimum, the Base Student Allocation (BSA) should be established at least one, and preferably three, years ahead to provide sufficient time for school districts to prepare and submit their budgets in a timely manner without spending unnecessary time and resources revising budgets based on legislative action after the

local budget process has begun. The Education Fund, AS 14.17.300, must also be maintained and increased for this purpose.

2.50 INFLATION-PROOFED BASE STUDENT ALLOCATION (BSA) INVESTMENTS

AASB urges the State of Alaska to make inflation-proofed incremental investments to the BSA to make up for flat funding since FY 2011.

[2:26:56 PM](#)

REPRESENTATIVE STORY asked Mr. Wooten to share what had been cut from the education budget due to flat funding.

MR. WOOTEN conveyed that many things had been cut, such as counseling in rural districts and school nurses. He pointed out that increased class sizes were also a direct result of flat funding. He deferred to Mr. Garrison to elaborate.

[2:31:22 PM](#)

LON GARRISON, Association of Alaska School Boards (AASB), said AASB tried to instill a notion of focusing on student outcomes and strategic planning for school districts in school board members, as opposed to solely focusing on cutting the budget. He emphasized that educational plans needed to reflect community values and needs, which varied from district to district in Alaska. He acknowledged the importance of local control; however, he pointed out that decisions couldn't be made without adequate resources. He stated that the opportunity to offer an excellent education for every student every day was diminished in those districts with exceptionally high turnover rates among educators. He continued to note that AASB offered robust training to help public officials understand their role and commitment to working with their communities.

[2:33:28 PM](#)

CHAIR SPOHNHOLZ asked whether increases to the foundation formula should be used on recruitment and retention efforts, including increases to salary and benefits, to help alleviate the high rates of turnover among educators.

[2:33:57 PM](#)

MR. GARRISON answered yes, adding that salary and benefits were one of the largest expenses for school districts.

CHAIR SPOHNHOLZ acknowledged the challenge faced by school districts across the state, as they tried to stretch the same amount of dollars with inflation at a record high.

[2:35:29 PM](#)

CAROLINE STORM, Great Alaska Schools, read the following prepared remarks [original punctuation provided]:

Alaska has long needed a stable, consistent, predictable, and adequate funding source for education. Great Alaska Schools supports those bills that move us closer to such a stable, consistent, predictable, and adequate funding for education. This Committee Substitute for HB 4003 is such a bill.

Throughout our advocacy efforts we've learned that Alaskan families really want our children to be prepared for the workforce or for further learning when they leave Alaska's public schools as young adults. A strong education system is really the only means for the majority of students to succeed. There is plenty of research showing that a high-quality teacher leads to the greatest education outcomes. However, there is a national shortage of quality educators, and Alaska is losing those educators to other states. Alaska must prioritize creating an attractive work environment to retain the educators we have and attract future impassioned educators.

When we ask our education leaders why there are so many vacant positions, we hear time and again that recruitment and retention are the greatest challenges. Other states have shown that by prioritizing education with consistent funding they can draw quality teachers through solid retirement benefits, attractive healthcare options, and by incentivizing or compensating for higher learning in the profession.

The teacher turnover rate in Alaska is high and getting higher. This is incredibly costly to all districts, both financially and emotionally for students. Per Jim Anderson, CFO of ASD, it costs ASD approx. \$108,000 to onboard a single teacher. That's

money that does not make it to the classroom. The lack of consistency for students has a bigger and impact on students than we can fully outline, but especially during this pandemic, during a time of dramatic uncertainty for children, the relationships students have with their educator is all too often the only solid relationship that they have with an adult outside their home. When that adult is forced to relocate, it can be very destabilizing for a student.

Furthermore, since the BSA has been flat and the cost of operations have compounded over the last 6 years, ASD has worked carefully to equally allocate teachers in their schools, so when budgets are continually squeezed, it has led to a teachers being moved to other schools, the result of those moves are losses of continuity and colleague relationships for educators, and significant disruption for students.

This pandemic has certainly underscored just how critical it is to have a safe and nurturing place for our kids to go in order for parents to be able to continue to work. I personally believe that there is a greater appreciation for our educators now, so let's take this opportunity to show them that they are valued by enacting legislation to support them.

Great Alaska Schools sees this CS for HB 4003 as a sincere effort by legislators to set up stable, consistent, predictable, and adequate funding for public education. We fully support this Bill and the % of the POMV being specifically allocated for public education.

[2:40:15 PM](#)

REPRESENTATIVE STORY questioned how families prioritize education. She pondered whether it influenced their reasoning for living in a certain area.

MS. STORM conveyed that many of her architectural colleagues had left the state, in part due to the education system in Alaska.

CHAIR SPOHNHOLZ recalled that quality public schools were critical to military members as well.

[2:42:42 PM](#)

DR. LISA PARADY, Executive Director, Alaska Council of School Administrators, read the following prepared remarks [original punctuation provided]:

Good Afternoon

For the record my name is Dr. Lisa Skiles Parady, Executive Director Alaska Council of School Administrators or ACSA

Established in 1973, the Alaska Council of School Administrators (ACSA) was created to serve as an umbrella for some of Alaska's premier educational leadership organizations including the: Alaska Superintendents Association, the Alaska Association of Secondary School Principals, the Alaska Association of Elementary School Principals, the Alaska School Business Officials and all the hard-working school administrators across Alaska

Thank you for inviting me to speak to the CS for House bill Number 4003, thank you to the committee for introducing it.

ACSA's unifying purpose is to support educational leaders through providing a collective voice that champions possibilities for all students and purposeful advocacy for public education.

Each year our members work together to develop what are called the Joint Position Statements. The Joint Position Statements envelop the highest priorities for education policy positions. While student achievement is our number one priority, Adequate funding remains our most critical need.

Specifically, we are supportive that the CS for HB4003 recognizes that the state of Alaska must provide timely, reliable and predictable revenue for schools, funding the actual cost of education in all districts and providing full and equitable funding for all initiatives, laws that require additional resources. We are also excited to see the seeds planted within the bill for future investment in public education.

Early notification of funding and stable funding is crucial to school district sound financial management as well as recruitment and retention of quality educators.

We are in the greatest period of education staff shortage in the history of Alaska - this crisis is at every level of our K-12 system, teachers, substitutes, mechanics, bus drivers, paras, principals, superintendent and education professionals such as our business managers are feeling it too.

We have been in a Groundhog Day cycle of uncertainty - unpredictable funding, leads to district uncertainty (hiring, services and retention of quality educators), which leads to district instability and ultimately impacts instruction negatively

Implementation of a long-term, multi revenue fiscal plan remains imperative to maximize districts' ability to meet student needs.

We are very encouraged by this committee's consideration of a new structure to provide stable, predictable funding. We look forward to partnering with all stakeholders and the committee as this bill moves forward in the process. It is especially noteworthy to see such substantive ideas come forward from this fourth special session.

Thank you for the opportunity to testify in support. I am happy to answer any questions.

[2:49:59 PM](#)

REPRESENTATIVE JOSEPHSON inquired about the number of type A certificates that had been lost in the last decade.

DR. PARADY believed that Mr. Klaameyer had testified to that. She offered to follow up with the requested information.

REPRESENTATIVE JOSEPHSON recalled that the number was 1,000; however, he wanted to be sure.

[2:50:57 PM](#)

REPRESENTATIVE STORY questioned how Alaska compared to other states in terms of education funding.

DR. PARADY explained that Alaska relied heavily on the Lower 48 to recruit educators. She pointed out that recruitment difficulties were heightened by a severe staff shortage across the country in addition to poor salary and benefits.

REPRESENTATIVE STORY asked whether any states were making education a top priority.

DR. PARADY believed that some states were prioritizing education. She offered to follow up with that information.

[2:54:05 PM](#)

CHAIR SPOHNHOLZ, in response to Representative Josephson's question, confirmed that 1,000 [type A certificates] had been lost. She provided closing remarks, noting that this was the last committee hearing planned for the current special session. She acknowledged the frustration felt by many over the fact that a fiscal plan had not been passed; however, she pointed out that passing a "grand bargain" would take a lot of time, thought, collaboration, and compromise. She addressed the cost of inaction and the impact of cuts to government, as well as the impact of instability on the entire state of Alaska. She shared her belief that the people of Alaska were its most important resource, emphasizing the importance of a robust education system. In closing, she commended the governor for recognizing the need to pass a comprehensive fiscal plan, as well as the Fiscal Policy Working Group for identifying several consensus points in a seemingly divided legislature.

[2:59:50 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 2:59 p.m.