

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 11, 2024

8:00 a.m.

MEMBERS PRESENT

Representative Jamie Allard, Co-Chair
Representative Justin Ruffridge, Co-Chair
Representative Mike Prax
Representative CJ McCormick
Representative Tom McKay
Representative Rebecca Himschoot
Representative Andi Story

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Dan Ortiz

COMMITTEE CALENDAR

HOUSE BILL NO. 71

"An Act relating to education; and relating to a school district online checkbook."

- HEARD & HELD

PRESENTATION(S): CHARTER SCHOOLS: STRENGTHENING PUBLIC EDUCATION

- HEARD

HOUSE BILL NO. 280

"An Act relating to education; relating to local contributions of a city or borough school district; relating to school funding; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 71

SHORT TITLE: SCHOOL DISTRICT ONLINE CHECKBOOK

SPONSOR(S): REPRESENTATIVE(S) RAUSCHER

02/13/23	(H)	READ THE FIRST TIME - REFERRALS
02/13/23	(H)	EDC
03/06/23	(H)	EDC AT 8:00 AM DAVIS 106
03/06/23	(H)	Heard & Held
03/06/23	(H)	MINUTE(EDC)
03/20/23	(H)	EDC AT 8:00 AM DAVIS 106
03/20/23	(H)	<Bill Hearing Canceled>
03/29/23	(H)	EDC AT 8:00 AM DAVIS 106
03/29/23	(H)	Heard & Held
03/29/23	(H)	MINUTE(EDC)
04/12/23	(H)	EDC AT 8:00 AM DAVIS 106
04/12/23	(H)	Scheduled but Not Heard
03/11/24	(H)	EDC AT 8:00 AM DAVIS 106

BILL: HB 280

SHORT TITLE: SCHOOL FUNDING; LOCAL CONTRIBUTION

SPONSOR(S): REPRESENTATIVE(S) PRAX

01/18/24	(H)	READ THE FIRST TIME - REFERRALS
01/18/24	(H)	EDC, FIN
03/11/24	(H)	EDC AT 8:00 AM DAVIS 106

WITNESS REGISTER

REPRESENTATIVE GEORGE RAUSCHER

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 71.

KATHY MCCOLLUM, Vice President

Matanuska-Susitna School Board

Wasilla, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 71.

RUSS SIMNICK, Senior Director of State Advocacy

National Alliance for Public Charter Schools

Indianapolis, Indiana

POSITION STATEMENT: Gave a PowerPoint presentation, titled "Charter Schools: Strengthening Public Education."

REPRESENTATIVE MIKE PRAX

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 280.

MAGGIE ELLIOT, Staff

Representative Mike Prax
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave the sectional analysis to HB 280 on behalf of Representative Mike Prax, prime sponsor.

SAVANNAH FLETCHER, Presiding Officer
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 280.

DAN BOCKHORST, Retired
Local Boundary Commission
Ketchikan, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 280.

BRANDY HARTY, President
Fairbanks North Star Borough School District
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 280.

ACTION NARRATIVE

[8:00:11 AM](#)

CO-CHAIR JAMIE ALLARD called the House Education Standing Committee meeting to order at 8:00 a.m. Representatives McKay, Allard, and Ruffridge were present at the call to order. Representatives Prax, McCormick, Himschoot, and Story arrived as the meeting was in progress. Also present was Representative Ortiz.

The committee took an at-ease from 8:01 a.m. to 8:05 a.m.

HB 71-SCHOOL DISTRICT ONLINE CHECKBOOK

[8:05:19 AM](#)

CO-CHAIR ALLARD announced that the first order of business would be HOUSE BILL NO. 71, "An Act relating to education; and relating to a school district online checkbook."

[8:06:24 AM](#)

The committee took an at-ease from 8:06 a.m. to 8:07 a.m.

8:07:20 AM

REPRESENTATIVE GEORGE RAUSCHER, Alaska State Legislature, as prime sponsor, introduced HB 71 and began with the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

The School Districts around Alaska spend millions of dollars each year without a clear understanding of where the money goes. We believe it goes to everything from office supplies, to teacher salaries, administrative workers and hopefully the kids in the classroom. A tool like an online checkbook will help the Governor and Legislature understand where the deficit is, and where funding is needed. Public accountability helps ensure that funds are spent wisely, and the public is entitled to understand where the funding goes also.

The intent of the online checkbook is to create a free, searchable website that provides Alaskans with easy access to detailed and comprehensive information on School District spending. This will encourage better understanding of district needs and, ultimately, help ensure that funding is directed to where it should be.

REPRESENTATIVE RAUSCHER brought attention to the sectional analysis [included in the committee packet]. He related that his staff would be available to read it at the will of the committee.

8:09:07 AM

KATHY MCCOLLUM, Vice President, Matanuska-Susitna School Board, gave invited testimony in support of HB 71. She said she advocated for transparency, accountability, public funds, and school responsibility. She offered her belief that it may be a unique situation in the Matanuska-Susitna ("Mat-Su") Borough School District in that everything is currently visible online, which she summarized. She noted that the borough was moving over to a new budget development software that would be more user friendly for the public, and she offered to answer questions regarding it.

[8:10:58 AM](#)

REPRESENTATIVE HIMSCHOOT asked what "open data" cost.

MS. MCCOLLUM clarified that the budget development software is called Gravity Software and although the open data part is included with the software there would be a very small cost.

REPRESENTATIVE HIMSCHOOT asked Ms. McCollum whether she could specify how much staff time is needed.

MS. MCCOLLUM offered her belief that the borough was switching to Gravity Software because it would reduce staff time. She said she had no knowledge of exact staff time, and the finance person at the district could answer that specific question.

[8:12:38 AM](#)

REPRESENTATIVE STORY asked Representative Rauscher whether the bill required a district to have a license to any particular software program.

REPRESENTATIVE RAUSCHER replied that the bill does not call out for any specific software program.

[8:13:28 AM](#)

CO-CHAIR ALLARD opened public testimony on HB 71. After ascertaining no one wished to testify, she closed public testimony.

[8:13:50 AM](#)

CO-CHAIR ALLARD announced that HB 71 was held over.

[8:14:28 AM](#)

The committee took an at-ease from 8:14 a.m. to 8:16 a.m.

PRESENTATION(S): Charter Schools: Strengthening Public Education

[8:16:21 AM](#)

CO-CHAIR ALLARD announced that the next order of business would be the Charter Schools: Strengthening Public Education presentation.

[8:16:53 AM](#)

RUSS SIMNICK, Senior Director of State Advocacy, National Alliance for Public Charter Schools, gave a PowerPoint, titled "Charter Schools: Strengthening Public Education" [hard copy included in the committee packet], and provided a background of public charter schools. He stressed that his organization was non-partisan and that the schools are not a partisan issue. He said that in Alaska, an issue that could be addressed is the large wait list due to charter schools doing well in the state, as shown on slide 2, titled "Charter Schools Can't Meet Demand." He pointed out that nationwide, there are 5.3 million students on a waiting list, and there are 8.5 million potential number of charter school students in the U.S. One policy area that he said could be addressed is authorization, as shown on slide 4, titled "Authorizers." He stated there is a multitude of authorizer entities working in the state, meaning an entity other than local school districts. Slide 5 showed a chart with the type of authorizer, advantages, and disadvantages. He summarized each authorizer and concluded by recommending an additional one or more statewide authorizers in Alaska. He offered to serve as a resource to the committee to work through this topic.

[8:23:40 AM](#)

REPRESENTATIVE PRAX, referencing state charter schools, questioned whether the state provided more financial assistance or if it is left up to the municipalities.

MR. SIMNICK, in response to questions from committee members, said financial assistance to charter schools is governed by the education funding formula in the state. He recommended that the state federal monies go through the respective state's department of education, and then directly to the charter schools. He confirmed he could provide examples to the committee at a later date. He said Alaska's Board of Education would be categorized as a state education agency (SEA) "bucket." He said he could provide examples of state boards as appointed or elected authorizers. He shared that the vast majority of education service providers are not-for-profit, and most of the time they do not contract directly with an authorizer to open a school. He added that many states have specific prohibitions against for-profit education service providers.

[8:32:01 AM](#)

The committee took an at-ease from 8:32 a.m. to 8:33 a.m.

[8:33:42 AM](#)

CO-CHAIR ALLARD invited questions from committee members.

[8:34:01 AM](#)

The committee took a brief at-ease at 8:34 a.m.

HB 280-SCHOOL FUNDING; LOCAL CONTRIBUTION

[8:34:53 AM](#)

CO-CHAIR ALLARD announced that the final order of business would be HOUSE BILL NO. 280, "An Act relating to education; relating to local contributions of a city or borough school district; relating to school funding; and providing for an effective date."

[8:35:14 AM](#)

REPRESENTATIVE MIKE PRAX, Alaska State Legislature, as prime sponsor, introduced HB 280 and paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

The Alaska Department of Education and Early Development projects that the system will educate over 127,000 students next school year at a cost of \$1.53 billion. The state's funding formula for education accommodates the great diversities among Alaska's 53 school districts to reasonably ensure that each will receive "basic need." Basic need fairly measures the funds necessary to provide for basic education in each of Alaska's school districts, however the way basic need is funded is flawed.

In the late 1980s, the state fully funded basic need. Today, only 75 percent of basic need comes from the state. Payment of basic need by the state to city governments that operate school districts (home-rule and first-class cities in the unorganized borough) and organized boroughs is reduced by the equivalent of a 2.65 mill tax levy on the full and true value of the taxable real and personal property within the district. This reduction in the payment of basic need

is referred to as a "required local contribution" (RLC). Only 34 of Alaska's 53 school districts (16 city districts and 18 borough districts) are required to make a local contribution. A local contribution is not required from the 19 REAAS. Alaskans are not treated equally and do not have corresponding obligations when it comes to education funding.

Public education is a fundamental responsibility of the state government. Article VII, Section 1 of the Alaska Constitution (the "Public Schools Clause") states, "the legislature shall by general law establish and maintain a system of public schools open to all children of the state and may provide for other public educational institutions." This provision is two-pronged in that it bestows a right and orders a responsibility. Not only does the provision guarantee all Alaskan children a right to public education, but it also requires the legislature to "establish and maintain" the public schools.

Furthermore, the Mandatory Borough Act of 1963 included a clear and formal statement of intent that "no area incorporated as an organized borough shall be deprived of state services, revenues, or assistance or be otherwise penalized because of incorporation." The FY 2025 RLC to be paid by the 34 city and borough school districts totals \$314 million, a clear violation of this Act's intent. Since 2010, due to the RLC calculation's link to local property values, RLC has increased, statewide, at a rate of over 2.5 times that of state aid.

HB 280 seeks full funding of basic need by the state for all school districts. Full funding of basic need would honor constitutional intent by ensuring the state takes the lead in adequately funding education without disproportionately burdening individual communities. It would eliminate one of the most onerous financial burdens placed on taxpayers of existing organized municipalities, allowing local governments to provide additional funding for education, property tax relief, and/or other priorities, and would remove the biggest financial disincentive to incorporation of new boroughs.

I urge your support for HB 280.

[8:39:22 AM](#)

MAGGIE ELLIOT, Staff, Representative Mike Prax, Alaska State Legislature, gave the sectional analysis to HB 280 on behalf of Representative Prax, prime sponsor. The sectional analysis [included in the committee packet] read as follows [original punctuation provided]:

Section 1

Conforming amendment removing reference to the required local contribution under the Funding for Charter school section, AS 14.03.260.

Section 2

Amends 4.12.020(c) by replacing the reference to Regional Education Attendance Areas with "districts of the state public school system described in AS 14.12.010", which includes city school districts, borough school districts and REAAs. This section also amends language from requiring a local contribution from borough and city school districts to making additional local contributions optional.

Section 3

Amends 14.17.410(b) by removing language requiring a local contribution from the calculation of state aid and amends the rest of the subsection section with conforming language.

Sections 4 to 9

Amends AS 14.17.410(c), 14.17.420(a), 14.17.460(a), 14.17.510(a), 14.17.990(3), and 14.20.177(a) with conforming language.

Section 10

Amends 29.45.050(m) to allow municipalities to completely exempt property taxes for an economic development property. Currently, only the amount above the school district's local required contribution may be exempted.

Sections 11 and 12

Amends 43.23.220(d), and 43.23.230(c) with conforming language.

Section 13

AS 14.17.410(d), 14.17.410(e), and 14.17.410(f), each relating to required local contributions, are repealed.

Section 14

Adds an effective date of July 1, 2024.

[8:41:29 AM](#)

REPRESENTATIVE PRAX pointed out a drafting error on page 2, line 21; the word "minus" should not be deleted in the bill.

[8:42:22 AM](#)

CO-CHAIR ALLARD welcomed invited testifiers.

[8:42:51 AM](#)

SAVANNAH FLETCHER, Presiding Officer, Fairbanks North Star Borough, gave invited testimony in support of HB 280. She opined that the bill is a key piece to finding sustainable solutions moving forward. There is a burden on local taxpayers and local budgets when there is a decrease in the amount of state funding to the region's schools, she said. She gave examples of budget numbers and how they pertain to basic needs. She added that costs are also going up for community members and how it has an effect; therefore, more stable funding solutions are critical. She further stated she was testifying to underscore a few policy points that make HB 280 "a very smart bill" to move forward.

[8:46:37 AM](#)

MS. FLETCHER continued summarizing policy points and gave further examples referencing the Fairbanks North Star Borough. She reiterated that it would be an "amazing opportunity" for local communities to chip in and support local schools more if the required local contribution was taken off the burden of only some communities. She opined the result would bring the freedom of local control.

[8:49:26 AM](#)

DAN BOCKHORST, Retired, Local Boundary Commission, gave invited testimony in support of HB 280. He provided his background, noting that he spent 40 years in local government in Alaska including spending time in the local boundary commission which

deals with school district annexation, among other areas. He read from an example of court proceedings regarding the required local contribution being deemed unconstitutional. If HB 280 were enacted, he opined, it would be the most significant local government legislation since the 1963 Mandatory Borough Act. He further commented on the 1963 Act.

[8:56:28 AM](#)

MR. BOCKHORST offered his belief that HB 280 would rectify a long-standing injustice by aligning state law with the original intent of the 1963 Act, and he urged the committee to support HB 280.

[8:58:13 AM](#)

BRANDY HARTY, President, Fairbanks North Star Borough School District, gave invited testimony in support of HB 280. She said over the past several decades, the burden of financing the education system in Alaska has shifted to the local municipalities, and she provided examples of funding and taxes. She noted that currently there are four schools up for consideration for closing, and removing the required local contribution would dramatically improve the community's ability to support its schools and stop the need for further closures. She stated Fairbanks can no longer afford to pay this "hidden tax."

[9:01:18 AM](#)

REPRESENTATIVE STORY referred to \$70 million and whether it should go to the Regional Education Attendance Area (REAA) school districts and the state would not get local impact aid anymore.

REPRESENTATIVE PRAX replied that where the federal impact aid goes is a separate question. He said what HB 280 deals with is inequity between organized and unorganized boroughs, and the point that needs to be addressed is the two groups are being treated differently and the state constitution says everyone should be treated equal under the law.

REPRESENTATIVE STORY encouraged Representative Prax to think about including the \$70 million.

REPRESENTATIVE PRAX agreed he would give it thought.

[9:05:17 AM](#)

REPRESENTATIVE HIMSCHOOT asked where the \$314 million came from.

REPRESENTATIVE PRAX responded it came out of the state general fund.

[9:05:34 AM](#)

REPRESENTATIVE MCCORMICK asked Representative Prax to expand on the inequity between organized and unorganized boroughs.

REPRESENTATIVE PRAX explained that the inequity is that the state is mandated to provide and maintain a system of public schools; however, they maintain them [the two boroughs] differently and have different requirements.

REPRESENTATIVE MCCORMICK referred to a visit Representative Prax made to the Bush and asked him to expand on the inequities he saw in terms of lifestyle and economic opportunities from the district he represents and that of in rural Alaska.

REPRESENTATIVE PRAX stated that he appreciated the difference in "the ability to pay." He said it is a big question that must be addressed and there is a constitution to enforce.

[9:07:58 AM](#)

MR. BOCKHORST commented on Representative Story's previous question about impact aid as a support.

REPRESENTATIVE STORY offered her belief that her question had been answered but welcomed more insight from Mr. Bockhorst.

MR. BOCKHORST said that the question had been raised in the past whether federal impact aid is the equivalent of a local contribution by municipal governments and that is not reasonable interpretation. He provided brief examples of education attendance areas and impact aid.

[9:11:25 AM](#)

REPRESENTATIVE MCCORMICK reflected on a testifier who opined that if the bill passed, it may encourage unincorporated boroughs to become incorporated. He asked Representative Prax if he shared that sentiment.

REPRESENTATIVE PRAX responded that it was hard to say, and it is an obstacle or disincentive for some communities throughout the state; it would be up to individual communities. He reiterated that HB 280 addressed inequity.

REPRESENTATIVE MCCORMICK referred to funding being cut for various services and offered his opinion that he does not feel confident that the state will hold up its end of the bargain.

REPRESENTATIVE PRAX concurred that was a valid point and there are big decisions to make; however, there are still inequities and the constitution "drives it."

[9:14:24 AM](#)

CO-CHAIR ALLARD thanked the bill sponsor and added that her district suffers due to the inequity that the organized boroughs carry.

CO-CHAIR ALLARD announced that HB 280 was held over.

[9:15:41 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:15 a.m.