

HOUSE FINANCE COMMITTEE  
February 8, 2024  
1:47 p.m.

1:47:04 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:47 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Leah Van Kirk, Healthcare Policy Advisor, Department of Health; Gene McCabe, Director, Division of Water, Department of Environmental Conservation; Carrie Bohan, Facilities Program Manager, Department of Environmental Conservation; Karen Morrison, Director of School Finance and Facilities, Department of Education and Early Development,; Laurel Shoop, Special Assistant and Legislative Liaison, Department of Education and Early Development,; Madeline Aguiard, Superintendent, Kuspuks School District,; Kim Hanisch, Superintendent, Unalaska School District; Lisa Parady, Executive Director, Alaska Council of School Administrators,; Karen Morrison, Director of Finance and Support Services, Department of Education and Early Development,; Laurel Shoop, Special Assistant and Legislative Liaison, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Michael Williams, Deputy Director, Tax Division, Department of Revenue, Anchorage; Amy Eakin, Director of Technology, Northwest Artic Borough School District; Jennifer Eller, Director of Educational Technology and Infrastructure, Bering Strait School District, Unalakleet; Christine O'Connor, Executive Director, Alaska Telecom Association, Wasilla.

SUMMARY

HB 89 DAY CARE ASSIST./CHILD CARE GRANT PROGRAM

HB 89 was REPORTED out of committee with seven "do pass" recommendations, three "no recommendations", and one "amend" recommendations and with two new fiscal impact notes from the Department of Health and the Department of Revenue.

HB 193 INTERNET FOR SCHOOLS

HB 193 was HEARD and HELD in committee for further consideration.

HB 178 VILLAGE SAFE WATER FACILITIES

HB 178 was HEARD and HELD in committee for further consideration.

#hb89

HOUSE BILL NO. 89

"An Act relating to the day care assistance program and the child care grant program; and providing for an effective date."

Co-Chair Foster reviewed the meeting agenda.

[1:49:20 PM](#)

Co-Chair Foster noted that there were two amendments.

[1:49:31 PM](#)

Representative Coulombe MOVED Amendment 1 (copy on file):

Page 22, line 4:  
Delete "January 1, 2025"  
Insert "January 1, 2026"

Page 22, line 18:  
Delete all material.

Renumber the following bill sections accordingly.

Page 22, lines 22 - 23:  
Delete "secs. 40 and 41 of this Act, this Act takes effect January 1, 2024"

Insert "sec. 40 of this Act, this Act takes effect immediately under AS O 1.10.070( c )"

Co-Chair Foster OBJECTED for the purpose of discussion.

Representative Coulombe explained that the amendment would change two dates. One date was an error in drafting and was changed to 2026.

[1:50:25 PM](#)

LEAH VAN KIRK, HEALTHCARE POLICY ADVISOR, DEPARTMENT OF HEALTH, indicated the department was requesting a date change because it aligned with the federal childcare development fund application deadline and approval. The department would submit its 3-year plan in July 2024. There was not a specified time for the Administration for Children and Families to respond.

[1:51:32 PM](#)

Representative Josephson asked about the deadline for the federal government to review whether the state could move to a cost of care model. He deemed that it could not be done within 6 months of the completion of the state's supplementary report on July 2024. Ms. Van Kirk responded that in discussions with the childcare program office, she determined that the typical response time was approximately six months. She noted that it could be implemented sooner if the state was approved for an alternative methodology prior to implementation.

Co-Chair Foster WITHDREW the OBJECTION. There being NO OBJECTION, it was so ordered.

Amendment Number 1 was adopted.

[1:52:48 PM](#)

Representative Galvin MOVED amendment 2 (copy on file):

Page 1, line 2, following "facilities;":

Insert "establishing a child care grant program tax credit;"

Page 6, following line 13:

Insert a new bill section to read:

"\* Sec. 7. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.019. Child care grant program tax credit.  
(a) A taxpayer is allowed a credit against the tax due under this chapter for contributions of cash accepted for the child care grant program established under AS 47.25.071.

(b) The amount of the credit is 100 percent of contributions, not to exceed \$3,000,000.

(c) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

(3) reduce a person's tax liability under this chapter to below zero for any tax year; an unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

(d) Beginning January 1, 2030, and every five years thereafter, the Department of Labor and Workforce Development shall adjust the dollar limit on credits under

(a) of this section for inflation, using 100 percent of the change over the preceding five calendar years in the Consumer Price Index for all urban consumers for urban Alaska, compiled by the Bureau of Labor Statistics, United States Department of Labor."

Renumber the following bill sections accordingly.

Page 21, line 28:

Delete "sec. 24"

Insert "sec. 25"

Page 21, line 31:

Delete "sec. 24"

Insert "sec. 25"

Page 22, line 7:

Delete "sec. 24"

Insert "sec. 25"

Page 22, line 18:

Delete "Section 39"

Insert "Section 40"

Page 22, line 19:

Delete "sec. 24"

Insert "sec. 25"

Page 22, line 22:

Delete "secs. 40 and 41"

Insert "secs. 41 and 42"

Co-Chair Foster OBJECTED for discussion

Representative Galvin was supportive of the bill and thought it was a good start in addressing the lack of childcare. She was grateful for all the work that had been done. She thought the amendment would make the effort stronger and expand it beyond the bills limited program that supported employers and their beneficiaries' children. She elaborated that the state tax credit also applied to the state child care grant program. The program was currently in existence and the bill would remove the existing cap. The amendment allowed for tax credits to be issued if the private sector chose to utilize the state childcare program. She felt that it was important, and it

could change the whole landscape for childcare opportunities. A fully funded childcare grant program would increase opportunities to expand new childcare facilities at home or for faith based care. She pointed to the Amendment 2 backup she provided titled "HB 89 Day Care Assistance/Child Care Grant Program, Coulombe (H)FIN DOH, PA Appropriation, Child Care Benefit Allocation" (copy on file) that explained the amendment and provided an example of the work that the childcare grant program could accomplish based on how Juneau implemented a successful similar program that was modeled after the state program. She noted that the state program was not funded enough to offer the same level of services as the Juneau program. The Juneau program offered more opportunities for families that needed the extra stipend, increased the number of childcare providers, and increased the average salary for childcare workers from \$12 to \$18 per hour. She related that the task force identified wages as a major area of concern. The success of the Juneau program was the impetus for Representative Galvin to integrate the same opportunity into HB 89. Her amendment offered that same sort of public/private partnership as in the Alaska state run grant program.

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Representative Coulombe spoke against the amendment. She appreciated Representative Galvin's passion for the issue. However, she would not support the amendment because she was trying to get the private sector to take care of its workers and to view childcare as a benefit. She did not think it would be helpful to divert funding to a state fund that was managed by a "middleman."

Representative Cronk asked if there would be any additional fiscal notes with the amendment. Representative Galvin responded in the negative. Representative Cronk asked whether the proposal would need increased funding. Representative Galvin replied that the program was already in existence, and they would not need any new administration to implement the proposal. She offered that the funding would be diverted to the broader statewide program versus the employee program.

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Representative Stapp was confused about the amendment description. He asked for more information. He understood that amendment 2 allowed the tax credits to go to the state childcare grant program. He asked what the actual difference was between the state and Juneau childcare grant programs. Representative Galvin answered that the Juneau program was not funded by the state program. She reiterated that it was modeled after the state program. The goals were the same in attempting to expand childcare opportunities in Juneau. It was also administratively modeled the same way as the state except it was managed by Southeast Alaska Association for the Education of Young Children (SEAEYC). The amendment would not take away the opportunity for businesses to support their own employees in childcare. Amendment 2 merely offered another option in case there was a business entity that wanted to impact all childcare in Alaska. The proposal was also built around a public private partnership, which she endorsed.

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Representative Coulombe understood that the Juneau program subsidized wages for childcare workers. Representative Galvin responded that she did not think it was done that way. She understood that the wage increases were due to more dollars for childcare. She explained that the families received a stipend and could afford to pay more for childcare. The funding was also used to help childcare startups by providing new materials for beginning childcare businesses. Representative Coulombe noted that there was a Juneau representative on the taskforce and recalled hearing Juneau was subsidizing wages. She did not believe in subsidizing wages, whether it was happening in the Juneau program or not. She wanted the marketplace to fix the problem. Representative Galvin countered that via the program, average salaries increased from \$12 to \$18 per hour. She did not receive any information that the wages were subsidized.

[2:03:10 PM](#)

Representative Josephson supported the amendment. He was concerned that the bill may be underutilized because of the self-interest of the employers, which he understood. He referenced subsidized wages and thought that indirectly, wage increases were the desired result favored by many legislators and Juneau had succeeded in that result. He

mentioned the "generous" grants received during COVID that were "applauded," including the \$7.5 million awarded in the current year and he mentioned concerns over losing that funding. He remarked that THREAD, Alaska Childrens' Trust, and other stakeholders were seeking \$30.5 million. The legislation was effective in opening up opportunities, that was done in part to encourage employment, which was not a compulsion to pay \$18 per hour, but a hope that one result would be higher wages and help support the industry more broadly.

Representative Ortiz asked if Representative Galvin used the situation in Juneau as a model for the amendment and how the wages in Juneau increased. He asked what the forces were that caused it to happen if it was not a direct subsidy. Representative Galvin responded that there was a fund put together by the City and Borough of Juneau (CBJ). She delineated that CBJ asked SEAEYC to manage the fund. The fund was used to help licensed daycare providers to purchase materials and provide subsidies for families who could not afford childcare. The subsidies for infants was \$4 hundred for full-time care and for preschool it was \$100 per month for full-time care. She understood that there were more dollars in the entire universe of childcare in Juneau and the program lowered the need. She announced that there was no problem for families to be able to get childcare in Juneau. She believed that it was a "huge change" that happened within 4 years. Sometimes it took money to solve a problem, and this was how Juneau distributed it. She reported that the state had been hard at work on the issue but the amount it could spend was capped. She indicated that state dollars could currently go straight into the fund or also to those who were experiencing childcare problems throughout the state. The amendment provided an option to impact the greater need. She shared that children were showing up between one and two years behind in kindergarten. She spoke of the importance to have children ready for school. She would love to see the state program funded to provide the same results as Juneau.

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Representative Stapp opposed the amendment. The reason was he viewed the problem as an employee benefit issue. He liked that the bill preserved the tax reduction for the employer. He deduced that there was a two-piece solution

via incentives for the employer to think about childcare coupled with Section 125 Flexible Spending Accounts (FSA), that allowed employees to use pre-tax earnings to pay for dependent childcare costs, which was underutilized. He shared that he asked his local Chamber of Commerce to poll their own members to see if they used the program. He believed that if HB 89 was adopted as the sponsor designed it was a "really good package" incentivizing the employer. He thought that childcare was an employee benefit. He felt that more parents would start utilizing Section 125.

Representative Hannan spoke in support of the amendment. She related that many employees in Juneau were state employees. She believed that putting the money in the hands of the parent allowed the childcare providers to increase wages since it served private and public sector workers. Increased wages were not a direct subsidy, but people were able to pay a higher price for childcare. She noted that the mines in Juneau were the largest private sector employers, with a large non-resident workforce. However, they could choose to either put the tax benefit into the entire community or solely into their own employees via Amendment 2.

Representative Tomaszewski was not in favor of the amendment. He thought it sounded like a great idea but without the proper fiscal note and actual cost laid out, he could not vote for it. He thought the amendment would be better as its own bill and be thoroughly vetted.

[2:12:11 PM](#)

Representative Galvin appreciated the discussion and thought it was important to discuss the challenges of childcare. She reiterated that the reason that it did not have a fiscal note was because there were no extra administrative costs since the state had a childcare grant fund and the tax credits would go toward the state program. The option for the employer to only support their employees still existed. She believed that distributing funds to parents created more demand for childcare and natural market forces would increase the costs until supply stabilized demand. She offered that supply would equalize when the providers were making a living wage. She wanted to benefit all Alaskans especially rural Alaskans. She was grateful for the comments and was supportive of the bill.

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Co-Chair Foster WITHDREW the OBJECTION.

[2:14:12 PM](#)

Representative Stapp OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz

OPPOSED: Edgmon, Foster, Johnson, Coulombe, Cronk, Stapp, Tomaszewski

Amendment 2 FAILED 4/7.

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Co-Chair Foster noted that there were two fiscal notes and asked for a review.

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Ms. Van Kirk discussed both fiscal notes from the Department of Health. She referred to the fiscal note allocated to Child Care Benefits dated February 7, 2024. She explained that the new fiscal note amounted to approximately \$6.1 million. She pointed to the Grants and Benefits line that represented the majority of the costs. The expenses were for the cost of providing a subsidy to families with income not exceeding 85 percent and up to 105 percent of the state median income. She detailed that approximately 18,000 additional children aged 12 and under would meet the eligibility criteria with the increase to 105 percent. The department developed a series of assumptions to provide the projections based on the average state rate and the 7 percent cash copay and calculated the total based on a 7 percent utilization rate of all eligible children, which mirrored the current childcare assistance program utilization rate totaling \$5.6 million. She furthered that the Child Care Program Office required one Accounting Technician 1 to administer the increase to eligibility standards and process payments to the providers. The Childcare program Office utilized grantee organizations to determine eligibility, which required increasing grant funding to four Child Care Assistance

Program grantees so each grantee can fund one new Eligibility Technician to administer the program on behalf of the state. In addition, one Program Coordinator 1 position was required to implement the program to partner with private sector entities to create employer incentives to develop onsite or near site childcare. She communicated that the positions were eligible to be funded by 50 percent federal funds and 50 percent general fund (GF) match.

Representative Josephson asked what the current grant program budget was without the \$6 million request. Ms. Van Kirk answered that the Childcare Assistance Program received approximately \$22 million in federal funding, with a required 75 percent for direct services, that were subsidies for families. Representative Josephson ascertained that currently the state contribution to the \$22 million was zero and under the bill GF would increase to \$6 million.

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Representative Stapp wondered whether the range 12 accounting technician would qualify for the childcare grant. Ms. Van Kirk would make the assessment based on the family size.

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MICHAEL WILLIAMS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), reviewed the new fiscal note from the Department of Revenue (DOR) allocated to the Tax Division dated February 9, 2024. He read from the analysis on page 2 of the fiscal note.

#### Background

The education tax credit is a credit for qualifying contributions to Alaska universities and accredited nonprofit Alaska two- or four-year colleges for facilities, direct instruction, research and educational support purposes; donations to a school district or a state- or regional-operated technical and training school for vocational education courses, programs and facilities; and donations for Alaska Native cultural or heritage programs for public school staff and students; and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

The credit is available to be claimed against insurance premiums tax, title insurance premiums tax, corporate income tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax. The credit for any one taxpayer cannot exceed \$1 million annually across all tax types. The credit is currently scheduled to be repealed effective January 1, 2025.

This bill would expand the education tax credit to include donations made to childcare facilities (employer run or nonprofit) for the children of the taxpayer's employees, or for payments made to an employee of the taxpayer for the purpose of offsetting the employee's childcare costs. The new provisions would take effect 90 days from being signed into law (est. July 1, 2024). This bill also would increase the credit limit from \$1 million to \$3 million annually per taxpayer. The bill extends the sunset provisions to January 1, 2028.

#### Revenue Impact

The change in revenues reflected in this fiscal note only include those eligible tax programs administered by the Department. The bill's fiscal impacts can be divided into three categories: (1) expansion of the education tax credit to childcare facilities and employer costs, (2) increase to the annual tax credit limit, and (3) extending the credit repeal date.

(1) The revenue impact of the expansion of the credit to childcare facilities and costs cannot be determined because the Department of Revenue does not have Alaska-specific data to estimate how many taxpayers will claim the expansion of the credit, how many taxpayers currently pay their employees' child care costs or make donations to child care facilities for the children of their employees, or how many taxpayers will start paying their employees' child care costs or making donations to child care facilities for the children of their employees.

(2) The revenue impact of the increase in the credit limit is estimated by applying historical information at higher credit limits and interpolating the impact

of the \$3 million annual credit limit. See the table below.

(3) The revenue impact of the increase in the extension of the repeal date is estimated by using the average of the last three years of actual credits claimed as a basis going forward. See the table below

[The table contained the estimated revenue impact in millions of dollars from FY 2025 through half of FY 20228.]

Other sources of uncertainty stem from the high contribution limits and high cost of care in Alaska, as well as the fact that the credit is available against multiple tax types in Alaska.

#### Implementation Cost

This legislation would require the Department of Revenue to make minor changes to its Tax Revenue Management System ("TRMS"). Resources required to implement this bill would include staff time to updated tax forms, TRMS, and Revenue Online, and other miscellaneous costs when applicable. These costs will be absorbed by the Tax Division using existing

Mr. Williams noted that the fiscal note would be updated to reflect the adopted amendment.

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Representative Josephson recounted that Amendment 2 would have constrained the credit by noting that the deduction was not also allowed under 26 usc 170 [any charitable contribution under the U.S. Tax code] and the deduction was disallowed to drive the liability under zero dollars. He cited that the language was in Section 5 of the bill but not elsewhere. He wondered whether there was a concern regarding the language in the failed amendment that was not included in the bill. Mr. Williams responded that most of the statutory language in AS 43.220.014 of the corporate income tax code stating the constraint under 26 usc 170 remained unchanged by the proposed language of the bill. The constraint remained in law with passage of HB 89.

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Representative Stapp relayed an antidote regarding an unrelated employee pretax deduction. He wondered if an

employer who operated its own childcare and deducted their state corporate income tax and their employees dependent care pretax was legal. Mr. Williams offered to provide the answer after researching the matter.

Representative Galvin referenced the analysis stating that it was difficult to predict the rate of participation and therefore difficult to predict the amount of decreased revenue. Mr. Williams confirmed the statement. Representative Galvin asked how many corporations had a corporate tax bill of \$3 million or larger. Mr. Williams would provide the information.

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Co-Chair Johnson MOVED to REPORT HB 89 as amended from committee with individual recommendations and accompanying fiscal notes and allow Legislative Legal services make technical and conforming changes.

[2:30:23 PM](#)

Co-Chair Foster OBJECTED for the purpose of discussion.

Representative Josephson was grateful for the bill, and thought it opened up some beneficial avenues for childcare. He expressed concern regarding Representative Stapp's remarks that he viewed it as an employee benefit issue. He was concerned about economic sectors like retail and how their employees' children would benefit from the tax credits in the bill. He wanted something more than an employee benefit bill and believed that people would be left out. However, he concluded that the legislation was headed in the right direction.

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Representative Galvin appreciated the bill and felt that the childcare benefits to families was expanding as well as the need for childcare. She deduced that the corporate credits would help with the expanded need to a certain degree. She viewed it as a first step in ensuring children were getting high quality childcare and there was much more work to do.

Representative Tomaszewski remarked that Representative Coulombe had worked arduously on the bill and thanked her for the work.

Co-Chair Foster WITHDREW the objection. There being no other OBJECTION, it was so ordered

HB 89 was REPORTED out of committee with seven "do pass" recommendations, three "no recommendations", and one "amend" recommendations and with two new fiscal impact notes from the Department of Health and the Department of Revenue.

#hb178

HOUSE BILL NO. 178

"An Act relating to village safe water and hygienic sewage disposal facilities."

2:35:12 PM

Co-Chair Foster referenced a letter from the Department of Environmental Conservation (DEC) Village Safe Water Program (VSW) (copy on file) regarding the change to the scoring system, which was the main provision in the bill.

GENE MCCABE, DIRECTOR, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, voiced that VSW heard the request from the legislature and starting with the current funding cycle DEC had eliminated the use of Operations and Maintenance Best Practices (O&M Best Practices) scores for eligibility criteria for VSW funding. The issues of capacity and sustainability would be discussed as part of project development as the process moved along. The management practice scores would be reviewed if they were voluntarily submitted as part of the evaluation process but would not be a perceived barrier.

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Representative Hannan noted that she did not have a copy of the letter.

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AT EASE

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RECONVENED

Co-Chair Foster indicated that the committee received the letter and had it in their possession. He recounted that

the impetus for the bill was in response to small communities around the state without water and sewer or in need of upgrades and concerns shared by entities representing the communities like the Alaska Health Board and the Alaska Native Tribal Health Consortium (ANTHC). Due to the cost of developing the infrastructure, capacity was an issue. If there was no one to maintain it would develop into a larger issue over time, which was the motivation behind the scoring system. However, scoring was an issue for small communities that lacked capacity but needed water and sewer systems the most; some communities lacked modern water and sewer systems for many years. He characterized the issue as a Catch 22. He remarked on the frustration over the slow progress on developing rural water and sewer systems. He believed that the systems should be supported. He voiced that the bill was one way to speed up the progress and figure out the problems later. He read the email from DEC's Office of the Commissioner that was attached to the letter:

Good morning,

DEC has heard the concerns expressed by communities and partners regarding the implementation of Operations and Maintenance Best Practices (O&M Best Practices) assessment tool for Capital Improvement Project (CIP) funding eligibility. To more effectively meet the needs of communities, collaborate with our partners, and ensure the efficient and timely use of the available funds, DEC will no longer use O&M Best Practices as an eligibility criteria for VSW CIP funding.

Below you will find an email that will be shared with Stakeholders shortly regarding VSW Best Practice scoring. Please let me know if you have any questions.

Thank you and have a great day.

Co-Chair Foster wanted to ensure that the letter was on the record since the bill had been introduced, but the situation appeared to be resolved. He asked the department to explain how it will proceed without the scoring system.

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CARRIE BOHAN, FACILITIES PROGRAM MANAGER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, noted that DEC was not eliminating the best practices tool altogether but was removing the score as a criterion for funding. She believed that it was an important tool and the partners at the Rural Utility Business Advisor agreed. She delineated that the department needed a way to gauge how the communities were performing in the financial, managerial, and technical categories to determine how to allocate resources to provide the proper support. The department had programs and worked collaboratively with programs in the Department of Commerce, Community and Economic Development (DCCED) and outside technical agencies that received federal funding to provide support in the ongoing effort to build capacity. She indicated that communities may choose not to participate in the opportunity to use the tool. The best practices tool would be used as a component of project scoring but the bulk of the score was based on the health impact of the project. Unserved and underserved communities received additional points in acknowledgement that their need was crucial. She hoped that the perception of the tool would change overtime and become viewed as a resource. The division would continue to assess the metrics for their effectiveness. She wanted to move the tool away from a measure of eligibility to a resource available to help communities.

Co-Chair Foster surmised that there was a gray area; the tool was not being eliminated but would not be a barrier to funding or less so.

Representative Hannan wanted to know who wrote the letter since there was no signature. Ms. Bohan answered that she crafted the letter that was sent to stakeholders via email. She followed with a mailed letter to all the communities eligible for Village Safe Water (VSW) funding and informed them of the changes in the way the program would be administered.

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Co-Chair Foster felt that VSW was moving in the right direction. The outcome would become more measurable moving forward. He appreciated VSW's work on the issue.

Co-Chair Edgmon thanked DEC for moving forward with an alternative method. He related that the tool was effective

when there was not significant funding for the program. However, with the current influx of funding over the current and prior fiscal year totaling roughly half a billion dollars for water and sewer facilities, a solution that was not prohibitive for small communities that lacked the operational capabilities to maintain its utilities was warranted. He personally thanked Ms. Bohan for taking the lead on the issue. He stated that "the devil was in the details" and he wanted the results monitored. He emphasized it was imperative that small communities in need must receive the funding. He hoped the effort was a step in the right direction. He wanted to avoid a situation that happened in Bethel in the prior year where a \$19 million project was halted because the community was unable to meet a certain criterion in a very prescriptive scoring mechanism. He offered that he would be monitoring the results closely.

Representative Cronk voiced that he had many communities served by VSW and thanked the department for addressing the issue.

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Co-Chair Foster noted the bill would be set aside indefinitely.

HB 178 was HEARD and HELD for further consideration.

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#hb193

HOUSE BILL NO. 193

"An Act relating to funding for Internet services for school districts; and providing for an effective date."

Co-Chair Foster moved to the next bill on the agenda.

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Co-Chair Edgmon provided a brief overview of the bill. He reminded the committee that the bill was last heard on May 11, 2023. He summarized that the bill would allow school districts to utilize state programs that were implemented in 2014 and apply for higher levels of internet capability

via increased megabytes per second (MBps). He detailed that the program began at 10MBps, progressed to 25MBps in 2020, and the bill proposed 100MBPS. He explained that through the Broadband Assistance Grant (BAG) program primary and secondary schools and libraries applied to qualify to access federal money through the Federal Universal Services program. Every state dollar was matched by \$8.00 or \$9.00 of federal funds. The program needed a change in statute.

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Co-Chair Foster OPENED Public Testimony.

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MADLINE AGUILLARD, SUPERINTENDENT, KUSPUK SCHOOL DISTRICT, testified in support of the bill. She reported that under the current 25MBps the district had to stagger state testing among the different schools in the district. The district had to arrange schedules and monitor internet use with the bandwidth at maximum capacity every day. In addition, the district had approximately 50 classes online with 310 students participating. It represented a large percentage of core classwork because the district lacked enough teachers. She emphasized how crucial internet was to the district for students to have access to an education and that the district was very reliant on broadband.

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KIM HANISCH, SUPERINTENDENT, UNALASKA SCHOOL DISTRICT, testified in support of the bill. She informed the committee that the district had access to fiber optics in the prior year and had the potential to reach 100MBps. The district opted to increase it to 50MBps in order to retain its e-rate funding but had lost a lot of the funding. Currently, it cost the district more to provide 50MBps and she characterized the situation as counter intuitive. However, at 50MBps the district was able to provide more services and resources the students could access. She encouraged the committee to support the bill.

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Representative Galvin thanked Ms. Hanisch for all her hard work.

Representative Ortiz asked Ms. Hanisch how long she had been the superintendent in Unalaska. Ms. Hanisch replied that it was her first year. Representative Ortiz asked if broadband had improved. Ms. Hanisch answered in the affirmative. She added that it was the first year of the increase to 50MBps and it made a huge positive impact. Representative Ortiz thanked her for her testimony.

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Representative Stapp relayed that John Conwell was an amazing prior superintendent. He thought it was a highly successful school.

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LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, testified in favor of HB 193. She offered that the council represented all superintendents, school officials, principals, and school districts. She remarked on how significantly important the bill was for remote rural schools. She indicated that the bill would raise the cap for BAG to the FCC minimum standard for bandwidth in schools. She believed that the students deserved the increase. The COVID pandemic highlighted the "digital inequity" between rural and urban schools and their ability for urban schools to switch to digital learning while rural schools could not. She thought that the situation was an "equity issue" and with the new infrastructure money coming in it was time to support rural districts. She voiced that even 100MBps was low given levels in Anchorage. She concluded that access to bandwidth was necessary and vital for learning and innovation. In addition, increased bandwidth created efficiencies and supported communities for online health services. She did not think geography should determine learning opportunities. She urged for passage of the bill.

Co-Chair Foster asked when the application deadline was. Ms. Parady responded that the date was February 27, 2024, due to a month prior notification requirement, it was a "drop dead" deadline.

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Co-Chair Edgmon thanked Ms. Parady for her leadership on the issue. He noted that in the near future 100MBps would

likely be the floor instead of the ceiling. Ms. Parady recalled working on the 10MBps BAG bill with Co-Chair Edgmon, Senator Olson, and Senator Hoffman and thanked Co-Chair Edgmon for his leadership on the bill.

[3:08:46 PM](#)

AMY EAKIN, DIRECTOR OF TECHNOLOGY, NORTHWEST ARTIC BOROUGH SCHOOL DISTRICT (via teleconference), testified in support of the bill. She related that access to broadband was a fundamental necessity for education, especially in remote regions and played a critical role. The current 25MBps was insufficient with the increased online curriculum, testing, and business operation needs, which had escalated dramatically. Currently, the internet was "frustratingly" slow and inhibited use for all district users. She cited a Five Year Internet Action Plan published in September 2023, that reported Broadband Now's annual ranking; Alaska ranked fifty-first for Alaska internet coverage, speed, and availability. She asked the committee to imagine living with 25MBps at home and the difficulty it would impose. She relayed the size of the district's schools all sharing 25MBps. The district had to establish extensive measures to operate at the limited capacity like website blocking, per device access throttling, restricting personal devices, and scheduling software updates after 3:30pm all to ensure uninterrupted access to essential resources during school hours. She indicated that testing was limited to 20 students at a time with staggered start times. She continued to describe the negative impacts during testing and school hours with 25MBps. She shared that the district hub, Kotzebue, lost its fiberoptic cable temporarily. She turned to Starlink as a temporary measure. The district had 13 schools which spans a geographic area similar to the state of Indiana. She mentioned the harsh climate that impacted structures and travel. The technology department consisted of 5 individuals and heavily relied on the district internet service provider, who was under contract, to keep things operational; Starlink did not provide support services and dish placement on roofs was unsafe due to roof access during the winter. She described another district school's issues and inefficiencies due to insufficient broadband access who supplemented its broadband and lost its BAG money. She continued that if district schools supplemented with Starlink it jeopardized future grant funding but without it learning and operations were a "constant struggle" on a daily basis. She mentioned

more issues with mounting the disc and voiced that Starlink was not a long-term viable option for the district. She reiterated the negative impacts of 25Mbps on operations and student learning and stressed that the children deserved an equitable education. She urged for support to meet the bill's deadlines.

[3:16:52 PM](#)

Representative Stapp thanked Ms. Eakin for her testimony especially related to using Starlink. He asked who the internet service provider for the district was. Ms. Eakin responded that it was GCI.

[3:17:53 PM](#)

JENNIFER ELLER, DIRECTOR OF EDUCATIONAL TECHNOLOGY AND INFRASTRUCTURE, BERING STRAIT SCHOOL DISTRICT, UNALKLEET (via teleconference), supported the legislation. She shared her credentials and that she worked for the district for 4.5 years. She related that the BAG program made it possible for districts to increase internet speeds while reducing the financial burden on districts. Increasing internet capacity would not be financially possible without the BAG program. The cost of internet access was not always accounted for in the BSA leaving small rural school districts relying on the BAG program to cover the substantial portion of internet costs. She related that Internet access was a necessity, and it was imperative in order to provide a modern equitable educational experience. The cost of internet should not be the driver of the inequity. She communicated that according to the state's digital equity plan, 80 percent of Alaskans could not obtain internet access at an affordable price and 20 percent lacked access to a high-speed plan. Schools were community anchors, and for many students it was their only access to high-speed internet. She emphasized that if rural schools wanted to stay in the roll of community anchor by playing a key role in decreasing digital equality by providing increased bandwidth it would be through passage of HB 193. She also spoke of staggering testing time and the disruptions it brings to schools. She urged for passage of the bill.

[3:21:50 PM](#)

Representative Stapp asked who the internet service provider was for the district. Ms. Eller responded that it was GCI.

Co-Chair Foster CLOSED public testimony.

Co-Chair Foster requested a fiscal note review.

[3:23:43 PM](#)

KAREN MORRISON, DIRECTOR OF FINANCE AND SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, spoke to the published fiscal impact fiscal note (FN1 (EED) from the Department of Education and Early Development (DEED) allocated to Broadband assistance Grants dated January 24, 2024. She explained that the bill amended AS 14.03.127 funding for internet services that provided authority to the department to provide state funded grants to Alaska school districts with funding for the purpose of increasing download speed for internet services for eligible schools to reach up to 100 megabytes per second (Mbps). She delineated that in FY 2023 the legislature appropriated \$6.6 million for Alaska BAG. The program provided grant funding to 151 eligible Alaska schools to reach up to 25 Mbps. In FY 2024, the legislature appropriated \$6.7 million for BAG to 136 eligible Alaska schools to reach up to 25 Mbps download speeds. She furthered that the department posted a request for information (RFI) on the state's online public notices website titled "School Internet Service Increased Costs Estimate." The department sought input from Alaska's internet service industry to estimate the total projected funding needs for schools to increase their internet speeds from the maximum allowable from 25Mbps to 100Mbps. Although the department received responses that provided general descriptive pricing changes, the information was limited due to confidential proprietary processes. It was unknown how many newly eligible schools would apply if the funding cap was increased to 100Mbps. The fiscal note reflected its understanding of the potential impact to DEED for the program if more newly eligible schools applied for the program. In FY 2025, DEED estimated that \$39.4 million in grant funding would be needed for all eligible BAG schools to reach up to 100Mbps download speeds. A 1.5 percent indirect rate adjustment for administration of the program was included.

[3:27:22 PM](#)

Representative Stapp asked how many vendors responded to the RFI.

[3:27:47 PM](#)

LAUREL SHOOP, SPECIAL ASSISTANT AND LEGISLATIVE LIAISON, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, answered that subsequent to the public listing, DEED received five responses from vendors, which many were narrative responses that lacked concrete projections.

[3:28:25 PM](#)

Representative Galvin asked more about the RFI process. She wondered whether the department considered that some vendors had served areas of Alaska and not others. She asked if DEED considered bifurcation. She wanted to understand how the costs were anticipated and if the assumption was the department would work with multiple vendors. Ms. Shoop responded that there was a publically available list of vendors with e-rate data. She delineated that the department arrived at the fiscal note number by using a linear projection.

Representative Stapp deduced that internet service providers (ISPs) did not disclose private projections. He asked what happened if the price was double the projections. He wondered if there would be a request in the supplemental budget. Ms. Shoop responded that the awards would be prorated if the funding was not sufficient, which was a DEED regulation. Representative Stapp asked if the funding was pro-rated to the districts, what were the results. He inquired whether the districts would receive lower MBps. Ms. Shoop relayed that the funding distribution would be proportionate to all of the awards and would be based on a proration that was evenly distributed to all districts. Representative Stapp wondered if DEED would know the rates ahead of time, based on the contracts with the ISP provider. Ms. Shoop responded that it was known how much funding was appropriated by the legislature but DEED would not necessarily know the funding cost of the applications. She furthered that the majority of districts were on contracts and were aware of their costs. However, the department did not know what schools would apply.

[3:33:05 PM](#)

Representative Stapp understood that ultimately, the money would be distributed to internet providers. He asked what the price transparency for the ISPs was or if that prevented them from charging any exorbitant amount. Ms. Shoop replied that the e-rate program had an open data source where all of the pricing was posted and was publicly available.

Co-Chair Edgmon understood that the application process was extensive and the criteria through the federal Universal Services program was rigid. He shared that the number of applicants decreased in the prior year to roughly 130 from 151 the year before. He viewed the program as a vital bridge towards the future as other high speed capabilities were established. He guessed that there could be less applicants in the following years due to some schools finding other means of high speed internet.

[3:35:56 PM](#)

CHRISTINE O'CONNOR, EXECUTIVE DIRECTOR, ALASKA TELECOM ASSOCIATION, WASILLA (via teleconference), remarked that more fiber networks were deploying across the state due to infrastructure funding. The rates were decreasing due to the deployment and much more capacity was available at the same rates. The cost would not be simple and linear. She indicated that more rate compression would happen with the new networks. Another factor was the e-rate competitive bidding process, which was rigorous and transparent through district RFPs. She noted that more ISPs were responding, which increased competition and decreased prices. There were strict regulations for the competitive process, so the rates were unknown until the RFP process played out. The e-rates had decreased in every year of the program.

Representative Stapp asked how many people bid on the prior RFP. Ms. O'Connor replied that she did not know the answer. She added that every school district issued its own RFP and there were dozens of RFPs. The Universal Service program required that every telecom provider participating in the program had to respond. She reminded Representative Stapp that the data was available and easily accessible on the public website.

[3:39:24 PM](#)

Co-Chair Foster wondered whether he should set an amendment deadline or if the will of the committee was to move the bill.

[3:39:43 PM](#)

Representative Ortiz thought the bill's deadline was approaching and he sensed that there was broad-based support in the committee. He favored moving the bill.

[3:40:42 PM](#)

Representative Coulombe stated that she was considering an amendment.

Co-Chair Foster set the deadline for Tuesday, February 13, 2024, at noon.

[3:41:10 PM](#)

HB 198 was HEARD and HELD for further consideration.

Co-Chair Foster reviewed the agenda for the following committee meeting.

#

ADJOURNMENT

[3:41:31 PM](#)

The meeting was adjourned at 3:41 p.m.