

HOUSE FINANCE COMMITTEE  
February 20, 2025  
1:35 p.m.

1:35:26 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Andy Josephson, Co-Chair  
Representative Calvin Schrage, Co-Chair  
Representative Jamie Allard  
Representative Jeremy Bynum  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Nellie Unangiq Jimmie  
Representative DeLena Johnson  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Representative Rebecca Himschoot, Sponsor; Representative Andi Story; Representative Justin Ruffridge; Representative Julie Coulombe; Representative Dan Saddler; Representative Bryce Edgmon; Representative Bill Elam; Representative Jubilee Underwood; Representative Rebecca Schwanke.

PRESENT VIA TELECONFERENCE

Heather Heineken, Director of Finance and Support Services, Department of Education and Early Development.

SUMMARY

HB 69 EDUCATION FUNDING: INCREASE BSA

HB 69 was REPORTED out of committee with five "do pass" recommendations, four "do not pass" recommendations, one "amend" recommendation, and one "no recommendation" recommendation, and with two new fiscal impact notes from the Department of Education and Early Development and one new zero fiscal impact note from the Department of Education and Early Development.

Co-Chair Foster reviewed the meeting agenda.

#hb69

HOUSE BILL NO. 69

"An Act relating to education funding; and providing for an effective date."

[1:37:15 PM](#)

REPRESENTATIVE REBECCA HIMSCHOOT, SPONSOR, introduced the PowerPoint presentation "HB 69 Base Student Allocation" dated February 20, 2025 (copy on file).

Co-Chair Foster noted that Representative Andi Story, Representative Justin Ruffridge, and Representative Julie Coulombe were in the audience.

Representative Himschoot continued on slide 2 and explained that HB 69 addressed two objectives: to restore education funding to the level in 2011 and to inflation-proof the funding. She stated that the bill began by inflation-proofing the current base student allocation (BSA), which was the starting point for the education funding formula. She explained that the bill then added \$1,000, followed by an additional inflation-proofing in FY 27 and an increase of \$404. In FY 28, the bill continued to inflation-proof by adding another \$404, followed by continued inflation-proofing each year thereafter without further additions.

Representative Himschoot stated that the targeted amount of \$1,808 aimed to restore the purchasing power of the BSA to its 2011 level. She noted that 2011 represented the last year in which districts were able to achieve "the most" with the funding that had been invested. She explained that the presentation would cover how schools had changed, the barriers presented by the current funding level, the effects of underfunding, what inflation-proofing would

achieve, and a reminder of the constitutional obligation related to education.

Representative Himschoot added that she had worked as an educator for approximately 30 years in both formal and informal settings. She had met with at least 1,000 families and often encountered families who were not fully prepared for the demands of parenting, whether due to personal struggles, the need to work multiple jobs, or other factors. However, she emphasized that she had never met a family that did not love their children. She stated that the same principle applied to those working in the legislature, as she believed that everyone was trying to achieve the best outcomes for Alaska's children.

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Co-Chair Foster noted that Representative Dan Saddler was also in the audience.

Representative Himschoot continued to slide 3 and explained that it illustrated the mistaken assumption that schools had not changed from 1940 to 2025. She stated that the year 1940 had been selected at random, as the presentation sought to compare schools from approximately 100 years ago. She noted that although classrooms looked similar in structure, one fundamental element had not changed: the relationship between teacher and student. She emphasized that the relationship remained the most significant factor in student learning, apart from the influence of the student's family.

Representative Himschoot continued to slide 4 and stated that while that core relationship between student and teacher had not changed between 1940 and 2025, it would be naïve to assume that schools had remained the same. She explained that modern schools featured significant technological resources that prepared students for the future. She noted that the presence of fine arts programs engaged even reluctant learners and enhanced brain development through creative expression. Modern students also participated in science, technology, engineering, and math (STEM) programming that prepared them for future opportunities. Modern classrooms included students speaking world languages, including heritage languages, and students learning languages as part of their core education. She emphasized that career and technical education (CTE)

programs did not exist 100 years ago. The programs included 16 different pathways, ranging from medical licensing and culinary arts to welding and small engine repair. She noted that all of the programs cost money to operate. She cautioned against underestimating the value of what occurred in classrooms or the cost of providing educational opportunities.

Co-Chair Foster recognized that Representative Bryce Edgmon had joined the audience and thanked him for attending.

Representative Himschoot proceeded to slide 5 and stated that it illustrated the funding problem currently facing schools. She referred to the far-right column of the chart, which showed that inflation had increased by nearly 40 percent between 2011 and the present day. She explained that the adjacent column displayed the increase to the BSA over the same time period, which had been less than 7 percent. She stated that the total increase in dollars had been \$380.

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Representative Himschoot continued to slide 6 and relayed that the figures referred to funding within the BSA and that there was a difference between BSA increases and one-time funding. She explained that one-time funding did not reach the classrooms directly. School districts often did not receive finalized budget information until the end of June, sometimes within a week of the new fiscal year. She stated that the timing made it difficult for schools to determine how many teachers could be employed or which programs could be maintained. She described the delay as a failure in the state's funding policy.

Representative Himschoot stated that school districts were in a difficult position. Every district was grateful for one-time funding and would use it appropriately, but some districts might have to refill fund balances that had been drained to retain educators or to purchase new phone systems or curriculum materials. She stated that such funding could not be used to negotiate contracts. She had attended budget subcommittees and she often asked whether agencies had negotiated with their bargaining units. She shared that the typical response was that there had been negotiations, and that the agreements typically included salary increases around 2.5 percent or 3 percent. She noted

that the increases were then funded by the legislature. She explained that school districts, on the other hand, funded similar salary increases for educators through the BSA, which was the money that districts received from the legislature. She emphasized that school districts did not have the ability to raise revenue independently.

Co-Chair Foster acknowledged that Representative Jubilee Underwood had joined the audience and thanked her for attending.

Representative Bynum remarked that he had heard repeated comments over the past several weeks about one-time funding not going into the classroom. He stated that his experience had been different. When funding was not increased or when one-time funding had not yet been approved, school districts would often issue pink slips for teachers and announce plans to lay off staff. He explained that districts would also propose eliminating music programs, sports programs, and CTE programs. Once the legislature approved one-time funding, the districts would often retract the pink slips and, in some cases, restore the programs. He asserted that the programs and staff cuts had directly impacted classrooms, which he had observed in his own district. He asked whether Representative Himschoot had reviewed practices across multiple districts or if the issue she described was unique to a particular district.

Representative Himschoot responded that it was a good question and that there was a difference between what was cut and what was kept. She stated that when districts had nothing left to cut, they eventually began cutting programs in the classroom. She assumed that all districts initially sought to cut programs outside the classroom and would try to continue using outdated textbooks and make other sacrifices. She stated that some districts might attempt to lower the temperature in classrooms to save energy, although there was a statute that required classrooms to be kept at certain temperatures. After eliminating non-essential expenses, districts then began cutting essential programs and, in some cases, begun cutting core instructional services. She referenced slide 6 and noted that there were years when no one-time funding had been allocated. She explained that in 2021 and 2022, a significant amount of COVID-19-related funding had been distributed and the legislature had used the funding to stabilize its own budget without fully considering the

effect on school districts. The districts had been able to weather the situation temporarily, but the impact of the lack of support was now being felt.

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Representative Bynum stated that in his experience, districts negotiated contracts such as rates for health insurance independently of whether revenue had been secured through the state, federal grants, or other sources. He understood that hiring decisions were often made without regard to available funding. After the COVID-19 pandemic, schools in Ketchikan had faced tremendous pressure because contracts had been established without guaranteed revenue. He asked if there had been seen similar situations in other districts around the state.

Representative Himschoot responded that Representative Bynum had described the problem she was trying to address. She stated that districts had to make commitments and could not simply eliminate an entire grade level, particularly in rural areas. She remarked that a district either had a third grade or it did not, and those decisions could not be made after contract negotiations in July. By that time, it would be difficult or impossible to hire a teacher. She explained that the process had been painful during her time on the bargaining team in her district. Any increase to her own compensation meant a cut somewhere else in the budget. She thought that most school boards wanted to pay educators more but felt they could not do so under uncertain budget conditions. She stated that even with the inflation-proofing proposal she had introduced in the bill, budgets would remain limited. However, districts would at least know in advance what the funding would be, even if it was not as much as was desired.

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Representative Himschoot continued on slide 7 which detailed the impacts of flat funding and the uncertainty caused by unpredictable budgeting. She began by describing the impacts on urban districts and used the Matanuska-Susitna Valley (Mat-Su) as an example. She explained that in Mat-Su, the cost of insurance since 2011 had increased by more than 100 percent, transportation costs had increased by more than 60 percent, and energy costs had

increased by more than 50 percent. The increases varied by district.

Representative Himschoot continued to slide 8 and detailed the impacts in a rural district like Sitka. She explained that insurance costs in Sitka had risen by nearly 80 percent, transportation costs by more than 90 percent, and energy costs by more than 1,000 percent. She continued to slide 9 and relayed that in very remote districts such as Bering Strait, the cost trends differed again.

Representative Himschoot stated that the differences illustrated why the BSA was an effective way to fund schools. She explained that it provided local school boards the flexibility to meet needs specific to their communities. Although she had discussed fixed costs, local boards could also make programmatic decisions based on their priorities. For example, if 1,000 immigrants arrived in Mat-Su, the local board might allocate additional funding to support English language learners. In her own district of Sitka, community stakeholders participated in a decision-making process during a period of limited funding. The locally elected school board and stakeholders decided to increase class sizes in two grade levels in order to afford counselors in all five school buildings. She emphasized that while some expenses could be adjusted locally, fixed costs were outside of local control and the costs applied regardless of student enrollment.

Representative Allard asked if there was a slide on the Anchorage School District (ASD).

Representative Himschoot responded in the negative.

Representative Allard stated that ASD was the largest school district in the state, and she thought it was important to include it in the presentation. She asked how an increase to the BSA could be justified when ASD had lost 3,000 students, but its budget had increased to nearly \$1 billion. She noted that districts could generally anticipate future funding based on past allocations, yet Anchorage's budget had continued to increase.

Representative Himschoot responded that she had not included a slide for Anchorage because she had chosen to illustrate one urban, one rural, and one remote district. She acknowledged that she had selected her home district as

one of the examples. Although districts generally could predict a minimum level of funding, school budgeting differed from family or state budgeting. She explained that school districts sought to invest all available funding into the classroom and into the education of children. If the minimum funding amount was insufficient to meet increasing fixed costs, districts would be forced to cut program offerings unless there was an increase in the BSA or an infusion of one-time funding.

Representative Allard asked if Representative Himschoot believed that 65 or 70 percent of the income from the BSA should be directed into the classroom.

Representative Himschoot replied that Alaska previously had such a statute on the books, and she had studied the issue but did not have the information with her. She relayed that the statute was repealed for several reasons, including that districts were generally unable to meet the demand of the 70 percent to 30 percent threshold. She added that the requirement had resulted in concerns about creative budgeting to meet the standard rather than allocating funds based on actual need.

Representative Allard understood that Representative Himschoot had served on the State Board of Education when the statute was repealed, and that Representative Himschoot did not agree with the statute. She stated that school districts previously had the ability to apply for waivers. She asserted that accountability was lost when the statute was repealed and stated that Representative Himschoot had led the effort as a member of the board.

Representative Himschoot confirmed that she had served on the board at the time. She explained that the board had accepted the recommendation from the Department of Education and Early Development (DEED) and that she had been one of five voting members on a seven-member board.

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Representative Himschoot continued on slide 10 which detailed the impact of school funding failing to keep pace with inflation. She described the current situation as a crisis that was both real and immediate. She noted that many individuals in the room had family members or schools directly impacted by a loss of funding. In the face of

inflation, flat funding constituted a reduction in purchasing power.

Representative Galvin recalled that the primary concern when the 70 percent to 30 percent funding requirement was repealed was that rural districts were struggling with the escalating costs of transporting energy and diesel fuel to school buildings. She noted that many rural districts had required waivers and that the board had determined the statute was unworkable under the circumstances. She added that the issue had been less pronounced for larger districts such as Anchorage.

Representative Jimmie stated that she had recently spoken with students from her district, including students from the Qugcuun Memorial School, the Lower Kuskokwim School District, and the Kashunamiut School District. She reported that students described the loss of teachers due to housing shortages, resulting in students being taught via iPads, which was limiting. She shared that a school in Tuluksak was leaking fuel, yet students continued to attend school. Some students attended school in snow pants because of broken windows or shifting school structures that were built in the 1960s, and many schools lacked extracurricular activities other than physical sports such as basketball and cross-country. She asked if other districts were having similar issues.

Representative Himschoot responded that similar types of issues were being reported across the state. She shared that in her home district of Sitka, schools had shifted from offering electives to assigning students to study halls because two or three classrooms could be overseen by a single teacher in a study hall. Many schools had cut music programs, which was particularly startling because a substantial number of professional musicians had come from her community of 8,000 residents. Some individuals were currently performing in world-class orchestras. The lower elementary music program that had launched such a legacy had now been cut. She emphasized that the cuts were affecting programs that enriched schools across the state and that cuts in her own district had gone so deep that there was discussion about school closures. She stated that in her community, closing a school meant closing a community.

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Representative Himschoot continued on slide 11 and stated that the flat funding that districts had received amidst years of cumulative inflation had caused a "perfect storm." She explained that schools were competing nationally for certified teachers and that on the first day of the current school year, 600 classrooms lacked a certified teacher. She continued to slide 12 and relayed that one creative solution had been to hire emergency certificate teachers, who might one day become excellent educators. However, she noted that like most professions, teaching improved with experience. She would be concerned if many individuals teaching in classrooms had not completed student teaching. Often, the issuance of a teaching certificate marked the beginning of an individual's teaching experience. She emphasized that learning to become a teacher required a mentor teacher. She believed she became a decent teacher not in her first or second year of teacher, but in her third, fourth, and fifth year.

Co-Chair Foster noted that Representative Rebecca Schwanke was in the audience.

Representative Himschoot noted that scarcity bred innovation, and school districts had begun recruiting experienced and certified teachers from overseas as soon as COVID-19 pandemic restrictions allowed. She stated that slide 12 reflected those international hires.

Representative Himschoot continued to slide 13 which offered more detailed information about inflation proofing. She thought inflation proofing would provide districts with stability and predictability. She acknowledged that it might not offer the increases districts wanted, but it would offer the increases the districts needed. The approach would also allow the legislature to direct funding in a more deliberate manner rather than debating basic educational obligations. There was a constitutional mandate to establish and maintain a system of public education and inflation proofing could allow the legislature to target additional funds toward programs it prioritized. The final bullet point on the slide addressed the state's constitutional obligation. She relayed that inflation proofing was currently used in ten other states, all of which had adopted it within the past decade. The proposed bill based the calculation on the average of three of the past four fiscal years, which would be applied to the

current BSA. She reiterated that one-time funding did not always reach the classroom directly. If a district could find and hire a certified and experienced educator, the funds might support the classroom. However, it was more often the case that one-time funds were used to backfill expenses that districts had already incurred. She emphasized that district budgets were composed of 80 percent to 85 percent personnel, meaning cuts usually affected staff. Consequently, districts often had to rehire individuals who they had already notified of job losses with the one-time funding. She expressed appreciation for the committee's time and stressed the importance of following the constitutional requirement to fund public education. She added that the BSA uplifted all types of schools, including correspondence, neighborhood, and charter schools.

Co-Chair Foster recognized that Representative Bill Elam had joined the audience earlier.

Representative Stapp appreciated the time Representative Himschoot had spent on the bill. He thought she had consistently emphasized the urgency of legislative action on the issue. He noted that he had a few questions for DEED regarding the cost of the bill and the inflation-proofing mechanism.

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HEATHER HEINEKEN, DIRECTOR OF FINANCE AND SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), asked if Representative Stapp had a specific question.

Representative Stapp confirmed that he did. He referred to the previously published fiscal note 2 from DEED (copy on file) [OMB component 2804, control code VytXP] and noted that the first year appropriation for the bill would be \$325 million, with the second year adding \$173 million, followed by \$144 million, and then \$51 million for inflation proofing. He asked if the amounts were cumulative, meaning that by FY 27, the appropriation would total \$500 million more than current levels.

Ms. Heineken responded that his interpretation was correct and added that updated fiscal notes were forthcoming.

Representative Stapp asked for confirmation that the same cumulative approach applied to the fiscal note from DEED with OMB component 1060 (copy on file)[control code pKFNU] for Mt. Edgecumbe High School in Sitka.

Ms. Heineken responded in the affirmative.

Representative Stapp stated that the main issue surrounding the bill was the cost, which would be nearly \$1 billion in additional state contributions. He thought Representative Himschoot had articulated the challenges faced by teachers quite clearly. He did not see any way the legislature could meet the obligations required if the bill were to pass due to its fiscal limitations. He asked what type of revenue measures the House Majority intended to propose, or what type of cuts it planned to offer, in order to meet the financial obligations of the bill. He understood that the bill was a caucus priority for the majority.

Representative Himschoot addressed "Representative Stappasaurus." She expressed appreciation that the committee was addressing the issue.

Representative Johnson interjected. She stated that she hoped decorum would be maintained in the House Finance Committee.

Representative Himschoot apologized for the remark and continued her response. She stated that when a child entered an Alaskan school of any kind, the child deserved the opportunity to become whatever they wished to be in life. She stated that the legislature had an obligation under the constitution to make education available so that children could pursue their goals. She acknowledged that difficult decisions lay ahead and appreciated the question. Every person in the state deserved high-quality education and the legislature needed to find a solution.

Representative Stapp commented that the state did not have the money and he could not support the bill without a plan to cover the cost. He was interested in hearing what proposals the majority would bring forward to fund the bill, but reiterated that he could not support it without more information. He acknowledged the bill was a high priority for the majority and stated his intention to move the bill from committee.

Representative Stapp MOVED to REPORT HB 69 out of committee with individual recommendations and the accompanying fiscal notes.

Co-Chair Foster asked whether there was any objection.

[2:11:05 PM](#)

AT EASE

[2:11:39 PM](#)

RECONVENED

Representative Allard OBJECTED. She clarified that she did not object to moving the bill forward in general. She stated that her objection was based on not having heard a clear explanation of how the revenue to support the bill would be generated, especially as that cost continued to increase with inflation.

Representative Allard WITHDREW the OBJECTION.

Co-Chair Foster confirmed that the objection had been withdrawn and asked whether there were any further objections.

Co-Chair Josephson OBJECTED for discussion. He stated that he would soon remove the objection. He expressed hope that if the bill were calendared on the House floor with sufficient committee support, negotiations with the administration could continue in order to achieve a successful outcome.

Co-Chair Josephson WITHDREW the OBJECTION.

[2:12:56 PM](#)

AT EASE

[2:15:24 PM](#)

RECONVENED

Representative Bynum OBJECTED for discussion.

Representative Bynum stated that he had many thoughts about the bill, as well as about the broader condition of education. He emphasized that it was a "money bill," not a policy bill. He thought Representative Stapp had raised an important point regarding the financial nature of the

proposal. He stated that the discussion needed to focus on how to fund the bill. He viewed the bill was a \$2.9 billion expenditure over the next five years and noted that the state currently did not have the revenue to support that level of spending. Education was critically important to his district and the funding issues at hand were serious. He reiterated that he had numerous questions about the bill and how the legislature would reach a point where it could address all aspects of education in a holistic way. He stated that funding was an essential part of those efforts. He expressed skepticism that the bill in its current form would achieve its goal. He acknowledged that many discussions had already occurred and that the discussion would continue. He wished to participate in further conversations but did not intend to hold up the process if progress could be made toward solutions for school districts in a timely manner.

Representative Bynum WITHDREW the OBJECTION.

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Representative Johnson OBJECTED for discussion.

Representative Johnson acknowledged that there appeared to be a desire to move the bill forward quickly, which she thought was hasty rather than prudent. She did not believe she could effectively slow the process but wanted to share her perspective. There were limited options available when attempting to increase the state's unrestricted general fund (UGF) spending by \$1 billion, particularly in the context of a \$5 billion state budget. There were only so many sources from which the state could obtain funding. She asserted that the proposal effectively meant taking the Permanent Fund Dividend (PFD) from "every man, woman, and child," including those attending school and those who relied on the dividend to heat their homes, purchase clothing, or buy food.

Representative Johnson added that alternative revenue measures could include oil taxes, a personal income tax, or a sales tax. However, the legislature had already considered similar measures and the associated revenue targets were difficult to reach. She thought that examining the issues in isolation was not responsible. Although an idea might seem worthwhile on its own, the House Finance Committee did not function as a single-subject committee.

She emphasized that the committee was also responsible for funding roads, social services, the Department of Corrections (DOC), the Department of Natural Resources (DNR), and other priorities. While she would like to direct substantial funding to many of her preferred projects, doing so would not be fiscally prudent or responsible. She stated that she would not stop the process from proceeding.

Representative Johnson WITHDREW the OBJECTION.

Co-Chair Schrage OBJECTED for discussion.

Co-Chair Schrage acknowledged that paying for the bill was a legitimate concern. However, he thought that the more important questions should be how to set students up for success, meet the schools' needs, and how to ensure that Alaska maintained an adequate education system. He emphasized the importance of ensuring a bright future for Alaskan families and stressed that the legislature must work with the administration to develop both policy and funding to achieve its goals. He added that if the cost exceeded current resources, it would be necessary to find new funding rather than "shortchange" students. The bill was only one step in the legislative process and the conversation was far from over. He thought the committee understood the fiscal impact of the bill well and content and fiscal implications were well understood.

Co-Chair Schrage shared that he had some hesitation about bypassing the full committee process and not taking testimony, but noted that the House Education Committee had already undertaken extensive work on the issue, both in the current and prior legislative sessions. He remarked that thousands of families, teachers, students, and parents had weighed in during the process, and that the legislature had received invited testimony throughout. He stressed that legislators were already well informed on the issue. While he had some reservations, considering the robust prior process, the understanding of the bill, and the urgency, he felt more comfortable moving the bill quickly. He stated that continued collaboration would be essential to meet the expectations of Alaskans. The current state of education in Alaska was unacceptable and the legislature must act to improve the future for the state's youth. He acknowledged that the bill in its current form would not be the final product and that further work would be required. He recognized the urgency created by approaching school

district budget deadlines and stressed the need to provide school districts with certainty. He thanked the bill's sponsor for introducing the bill and thanked Representative Stapp for prompting action.

Co-Chair Schrage WITHDREW the OBJECTION.

[2:23:18 PM](#)

Representative Galvin OBJECTED for discussion. She thought it was important to ask what would happen if the legislature failed to fund the bill and the state did not set children up for success. She asked when the legislature would stop prioritizing the price of oil over making decisions based on what children needed. She admitted that the situation was frustrating and acknowledged that many conversations about revenue still needed to take place. She expressed that she looked forward to additional discussions.

Representative Galvin noted that it was important to understand what it meant to operate under a structural deficit and wondered if the public understood the concept. She asked how the state would work together to resolve the deficit. There were many long-term decisions that needed to be addressed as soon as possible and she did not want to continue having the same conversation. She appreciated the work of the bill's sponsor and recognized that significant additional work was ongoing. All members wanted to reach consensus and celebrate the achievement together.

Representative Galvin WITHDREW the OBJECTION.

[2:25:11 PM](#)

Co-Chair Foster asked if there were any further objections to reporting the bill out. There being NO further OBJECTION, it was so ordered.

HB 69 was REPORTED out of committee with five "do pass" recommendations, four "do not pass" recommendations, one "amend" recommendation, and one "no recommendation" recommendation, and with two new fiscal impact notes from the Department of Education and Early Development and one new zero fiscal impact note from the Department of Education and Early Development.

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

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ADJOURNMENT

2:26:17 PM

The meeting was adjourned at 2:26 p.m.