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CS FOR HOUSE BILL NO. 104()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act renaming the Alaska performance scholarship and relating to the scholarship
2 and tax credits applicable to contributions to the scholarship; relating to
3 AlaskAdvantage education grant funding and to Alaska performance scholarship
4 funding; establishing an account and fund for those purposes; relating to an unmet need
5 scholarship supplement for Alaska performance scholarship recipients; repealing the
6 Alaska capital income fund; making conforming amendments; and providing for an
7 effective date."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 * **Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

10 **Sec. 14.03.113. District determination of scholarship eligibility.** A school
11 district shall determine whether a student who graduates from a high school in the
12 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP
13 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the

1 district shall state in the student's permanent record the highest level of funding for
2 which the student is eligible. A district shall provide a student with an opportunity to
3 request that the district correct an error in the eligibility determination.

4 * **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

5 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**
6 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program
7 is established to provide scholarships for high school graduates who are Alaska
8 residents to attend a qualified postsecondary institution in the state.

9 (b) The department shall, in consultation with the commission, adopt
10 regulations necessary to implement the scholarship program. The commission shall
11 administer the daily operations of the scholarship program and financing of the
12 scholarship program, including the procedures for applying for the scholarships,
13 establishing standards for and ensuring continuing compliance with programmatic
14 standards, and requiring students to apply for other nonloan financial aid, consistent
15 with federal law.

16 * **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

17 (a) Subject to appropriation, the commission shall award an Alaska
18 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

19 (1) is a resident of the state as defined in AS 01.10.055;

20 (2) graduated or will graduate within six months from a high school in
21 the state;

22 (3) has completed a core academic curriculum in high school that
23 includes

24 (A) four years of mathematics, four years of language arts, four
25 years of science, and four years of social studies, one year of which may
26 include a foreign language, an Alaska Native language, fine arts, or cultural
27 heritage; or

28 (B) three years of mathematics, four years of language arts,
29 three years of science, four years of social studies, and two years of a foreign
30 language or an Alaska Native language;

31 (4) has a minimum grade-point average in high school of 2.5 or higher;

the department shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;

(5) has achieved a minimum score on a

(A) college entrance examination; or

(B) standardized examination designed to measure a student's level of preparedness to make the transition to work, as selected by the department; and

(6) is enrolled in good standing in a course of study at a qualified postsecondary institution in this state that is intended to result in the award of a certificate or degree.

* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

(a) The maximum annual awards for the Alaska performance [MERIT SCHOLARSHIP PROGRAM] scholarships are as follows:

(1) the first award level is \$4,755 and requires a 3.5 grade-point average or above and a very high minimum score on a college entrance examination;

(2) the second award level is \$3,566 and requires a 3.0 grade-point average or above and a high minimum score on a college entrance examination;

(3) the third award level is \$2,378 and requires a 2.5 grade-point average or above and a moderately high minimum score on a college entrance examination.

* **Sec. 5.** AS 14.43.825(f) is repealed and reenacted to read:

(f) Payment of a scholarship is subject to appropriation and the availability of funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay all eligible scholarships, the commission may not award a scholarship to a new applicant, and the commission shall pay existing awards on a pro rata basis for that fiscal year.

* **Sec. 6.** AS 14.43 is amended by adding a new section to read:

Sec. 14.43.828. Eligibility for a scholarship supplement based on unmet need; minimum and maximum awards. (a) Subject to appropriation, the commission shall award a scholarship supplement based on unmet need to a student who meets the eligibility criteria for the award under this section.

(b) A student is eligible to receive a scholarship supplement based on unmet need if the student

(1) is eligible for an Alaska performance scholarship; and

(2) can demonstrate, in a year in which the student receives a scholarship, that the student has unmet financial need greater than \$2,000.

(c) The annual maximum of a scholarship supplement based on unmet need is the lesser of

(1) 50 percent of the unmet financial need that exceeds \$2,000; and

(2) \$4,000.

(d) The commission shall determine unmet financial need by

(1) requiring the postsecondary institution attended by the student to verify all nonloan sources of financial support, including an expected family contribution and all federal, state, and private scholarships received by the student; and

(2) subtracting all nonloan sources of financial support from the student's allowable standard costs of attendance at the institution, as determined by the commission.

(e) Notwithstanding any other provision of this section, the minimum annual scholarship supplement for a student eligible under (b) of this section is \$500.

(f) In this section,

(1) "allowable standard costs of attendance" means the lesser of the

(A) standard costs of attendance at the University of Alaska, as determined by the commission; or

(B) actual costs of attendance at the qualified postsecondary institution that the student attends or plans to attend, as determined by the commission;

(2) "expected family contribution" means the amount a student or the student's family is expected to pay toward the student's cost of attendance, as determined by completion of the most recent federal Free Application for Federal Student Aid.

* **Sec. 7.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

1 **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following
2 institutions are qualified postsecondary institutions for purposes of awarding an
3 Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

4 (1) a university or college physically located in the state that [IS]

5 (A) **is** authorized to operate in the state under AS 14.48.020 or
6 is exempt from authorization under AS 14.48.030(b)(1); [AND]

7 (B) **is** accredited by a regional accreditation association;

8 (C) **has an advisory program established for incoming**
9 **students that provides counseling related to course selection, career**
10 **choice, and personal challenges; and**

11 (D) **provides courses and credits that can result in the**
12 **issuance of a degree or certificate available at the institution within a time**
13 **frame expected for that degree or certificate;**

14 (2) a career and technical school program physically located in the
15 state that **meets the standards established in (a)(1)(C) and (D) of this section and**
16 **that** has been included on a list of certified career and technical school programs
17 received from the Department of Labor and Workforce Development; the commission
18 shall publish the list on or before June 30 of the year preceding enrollment.

19 (b) The Department of Labor and Workforce Development shall, in
20 consultation with the Department of Education and Early Development, adopt
21 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under
22 which the Department of Labor and Workforce Development shall certify career and
23 technical school programs in the state as eligible to participate in the Alaska
24 **performance** [MERIT] scholarship program.

25 * **Sec. 8.** AS 14.43.849, as enacted by sec. 2, ch. 14, SLA 2010, is amended to read:

26 **Sec. 14.43.849. Definitions.** In AS 14.43.810 - 14.43.849, unless the context
27 requires otherwise,

28 (1) "department" means the Department of Education and Early
29 Development;

30 (2) "grade-point average" means the average of all grades on a four-
31 point scale, or five-point scale for advanced placement classes, obtained by the student

1 in high school;

2 (3) "high school" means a public or accredited secondary school in the
3 state and a home school program that is approved by the department;

4 (4) "program" means the Alaska performance [MERIT] scholarship
5 program established under AS 14.43.810 - 14.43.849;

6 (5) "school district" means a borough school district, a city school
7 district, a regional educational attendance area, and a state boarding school.

8 * **Sec. 9.** AS 14.43 is amended by adding a new section to read:

9 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**
10 **scholarship award income account.** The AlaskAdvantage education grant and
11 Alaska performance scholarship award income account is created as an account in the
12 general fund. Money may be appropriated to the account from the AlaskAdvantage
13 education grant and Alaska performance scholarship fund under AS 37.14.750 and
14 from other sources. The commission may use the money in the account to pay grants
15 awarded under AS 14.43.400 - 14.43.420 and scholarships awarded to students under
16 AS 14.43.810 - 14.43.849. The amount determined under AS 37.14.750(d) each year
17 and deposited into the account is the maximum amount that may be used to pay
18 scholarships for the immediately succeeding fiscal year.

19 * **Sec. 10.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is amended to read:

20 (a) A religious or other private school that elects to comply with AS 14.45.100
21 - 14.45.130 shall maintain permanent student records reflecting immunizations,
22 physical examinations, standardized testing, academic achievement, courses taken at
23 the school, and level of eligibility for an Alaska performance [MERIT
24 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

25 * **Sec. 11.** AS 37.07.020(b) is amended to read:

26 (b) In addition to the budget and bills submitted under (a) of this section, the
27 governor shall submit a capital improvements program covering the succeeding six
28 fiscal years. The governor shall also submit a fiscal plan with estimates of significant
29 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

30 (1) must include sufficient details to identify

31 (A) significant sources of funds;

(B) significant uses of funds, including lump sum projections

of

(i) operating expenditures;

(ii) capital expenditures;

(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services.

* Sec. 12. AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund or for transfers to the principal under (c) of this section, and shall be annually deposited into the AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL INCOME FUND (AS 37.05.565)].

* **Sec. 13.** AS 37.14 is amended by adding a new section to read:

Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship Fund.

Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance scholarship fund established. (a) The AlaskAdvantage education grant and Alaska performance scholarship fund is established in the general fund for the purpose of making grant payments under AS 14.43.400 - 14.43.420 and scholarship payments to qualified postsecondary institutions for students under AS 14.43.810 - 14.43.849 by appropriation to the income account established under AS 14.43.915. Money in the fund does not lapse. The fund consists of

- (1) money appropriated to the fund;
- (2) income earned on investment of fund assets;
- (3) donations to the fund; and
- (4) money deposited to the fund under AS 37.13.145(d).

(b) Each fiscal year, the legislature may appropriate to the AlaskAdvantage education grant and Alaska performance scholarship fund an amount equal to 15 percent of the money received by the state during the previous calendar year under AS 43.55.011(g).

(c) The amount annually appropriated and deposited to the fund may not exceed the greater of

- (1) \$40,000,000; or
- (2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals \$160,000,000.

(d) The balance in the AlaskAdvantage education grant and Alaska performance scholarship fund shall be determined on June 30 of each year. The department shall distribute one-third of that amount or \$40,000,000, whichever is less, for deposit into the account established in AS 14.43.915.

(e) Notwithstanding the limitation in (d) of this section, the legislature may appropriate any amount to the AlaskAdvantage education grant and Alaska performance scholarship fund. Nothing in this section creates a dedicated fund.

(f) In this section, unless the context requires otherwise, "fund" means the

1 AlaskAdvantage education grant and Alaska performance scholarship fund established
2 in (a) of this section.

3 * **Sec. 14.** AS 43.20.014(a) is amended to read:

4 (a) A taxpayer is allowed a credit against the tax due under this chapter for
5 cash contributions accepted **for**

6 (1) [FOR] direct instruction, research, and educational support
7 purposes, including library and museum acquisitions, and contributions to endowment,
8 by an Alaska university foundation or by a nonprofit, public or private, Alaska two-
9 year or four-year college accredited by a regional accreditation association;

10 (2) [FOR] secondary school level vocational education courses,
11 programs, and facilities by a school district in the state;

12 (3) [FOR] vocational education courses, programs, and facilities by a
13 state-operated vocational technical education and training school; [AND]

14 (4) [FOR] a facility by a nonprofit, public or private, Alaska two-year
15 or four-year college accredited by a regional accreditation association; **and**

16 **(5) the AlaskAdvantage grant and Alaska performance**
17 **scholarship fund under AS 37.14.750(a).**

18 * **Sec. 15.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

19 (a) A taxpayer is allowed a credit against the tax due under this chapter for
20 cash contributions accepted

21 (1) for direct instruction, research, and educational support purposes,
22 including library and museum acquisitions, and contributions to endowment, by an
23 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
24 four-year college accredited by a regional accreditation association;

25 (2) for secondary school level vocational education courses and
26 programs by a school district in the state; [AND]

27 (3) by a state-operated vocational technical education and training
28 school; **and**

29 **(4) for the AlaskAdvantage grant and Alaska performance**
30 **scholarship fund under AS 37.14.750(a).**

31 * **Sec. 16.** Section 8, ch. 14, SLA 2010, is amended to read:

1 TRANSITION: PERFORMANCE SCHOLARSHIP PROGRAM

2 STANDARDS AND IMPLEMENTATION FOR INITIAL SCHOOL YEARS.

3 Notwithstanding any contrary provision of this Act, the Department of Education and
4 Early Development and the Department of Labor and Workforce Development, after
5 consultation with the Alaska Commission on Postsecondary Education, may adopt
6 regulations under AS 44.62 (Administrative Procedure Act) to implement their
7 respective duties under the Alaska performance [MERIT] scholarship program
8 established in AS 14.43.810, enacted by sec. 5 of this Act, so that a student

9 (1) may be eligible for the Alaska performance scholarship
10 [PROGRAM] even though the student did not fully meet the required core academic
11 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

12 (2) who graduated from high school in this state after January 1, 2011,
13 and before July 1, 2011, and meets eligibility requirements for the Alaska
14 performance scholarship program may apply for a scholarship on or after January 1,
15 2011, for enrollment in a program of study beginning on or after July 1, 2011.

16 * Sec. 17. AS 37.05.565 is repealed.

17 * Sec. 18. The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA
20 PERFORMANCE SCHOLARSHIP FUND BALANCE. (a) Notwithstanding the \$40,000,000
21 limit in AS 37.14.750(d), the following amounts may be substituted for that amount as
22 follows for

23 (1) fiscal year 2012, \$20,000,000;

24 (2) fiscal year 2013, \$30,000,000.

25 (b) The money deposited in the Alaska capital income fund established under
26 AS 37.05.565 shall be transferred to the AlaskAdvantage education grant and Alaska
27 performance scholarship fund established under AS 37.14.750 on the effective date of this
28 section.

29 * Sec. 19. The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 TRANSITION: REGULATIONS. The Department of Education and Early

1 Development, the Department of Labor and Workforce Development, the Department of
2 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations
3 necessary to implement changes made to their respective authorities by this Act. The
4 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,
5 2011.

6 * **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

9 (1) heading of article 12 of AS 14.43 from "Alaska Merit Scholarship
10 Program" to "Alaska Performance Scholarship Program";

11 (2) catch line for AS 14.43.820 from "Alaska merit scholarship program;
12 eligibility" to "Alaska performance scholarship program; eligibility."

13 * **Sec. 21.** Section 19 of this Act takes effect immediately under AS 01.10.070(c).

14 * **Sec. 22.** Section 6 of this Act, AS 14.43.830(a)(1)(C) and (D), added by sec. 7 of this Act,
15 and the amendment to AS 14.43.830(a)(2) made by sec. 7 of this Act take effect July 1, 2012.

16 * **Sec. 23.** Section 15 of this Act takes effect January 1, 2014.

17 * **Sec. 24.** Except as provided in secs. 21 - 23 of this Act, this Act takes effect July 1, 2011.