

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON EDUCATION

January 31, 2001
8:04 a.m.

MEMBERS PRESENT

Representative Con Bunde, Chair
Representative Brian Porter
Representative Joe Green
Representative Peggy Wilson
Representative Gary Stevens
Representative Reggie Joule
Representative Gretchen Guess

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Bettye Davis

COMMITTEE CALENDAR

HOUSE BILL NO. 54

"An Act relating to reimbursement of student loans; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 37

"An Act relating to reimbursement of certain student loans; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 54

SHORT TITLE: STUDENT LOAN FORGIVENESS

SPONSOR(S): DAVIES

Jrn-Date	Jrn-Page		Action
01/10/01	0055	(H)	READ THE FIRST TIME - REFERRALS
01/10/01	0055	(H)	EDU, HES, FIN

01/10/01	0055	(H)	REFERRED TO EDU
01/12/01	0074	(H)	COSPONSOR(S): KERTTULA
01/17/01		(H)	EDU AT 9:00 AM HOUSE FINANCE 519
01/17/01		(H)	Heard & Held
01/17/01		(H)	MINUTE(EDU)
01/31/01		(H)	EDU AT 8:00 AM CAPITOL 106

BILL: HB 37

SHORT TITLE:STUDENT LOAN FORGIVENESS
SPONSOR(S): STEVENS

Jrn-Date	Jrn-Page		Action
01/08/01	0033	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0034	(H)	EDU, HES, FIN
01/08/01	0034	(H)	REFERRED TO EDU
01/17/01		(H)	EDU AT 9:00 AM HOUSE FINANCE 519
01/17/01		(H)	Heard & Held
01/17/01		(H)	MINUTE(EDU)
01/31/01		(H)	EDU AT 8:00 AM CAPITOL 106

WITNESS REGISTER

REPRESENTATIVE JOHN DAVIES
Alaska State Legislature
Capitol Building, Room 415
Juneau, Alaska 99801
POSITION STATEMENT: Testified as sponsor of HB 54.

CHRISTOPHER L. ROBINSON
2613 McKenzie Drive
Anchorage, Alaska 99517
POSITION STATEMENT: Testified on HB 37.

DALE NELSON
409 West Twelfth Avenue
Anchorage, Alaska 99501
POSITION STATEMENT: Testified on HB 37.

BETH NORDLUND, Special Assistant
Office of the Commissioner
Department of Education and Early Development (EED)
801 West Tenth Street, Suite 200
Juneau, Alaska 99801-1894
POSITION STATEMENT: Testified on HB 37.

DIANE BARRANS, Executive Director
Alaska Commission on Postsecondary Education (ACPE)
Department of Education and Early Development (EED)
3030 Vintage Boulevard
Juneau, Alaska 99801-7109

POSITION STATEMENT: Answered questions and commented on HB 37.

MELISSA HILL
Alaska Teacher Placement
PO Box 756880
Fairbanks, Alaska 99775

POSITION STATEMENT: Her written testimony on HB 37 was read into the record by Taran Keeler via teleconference from Fairbanks.

ACTION NARRATIVE

TAPE 01-4, SIDE A
Number 0001

CHAIR BUNDE called the House Special Committee on Education meeting to order at 8:04 a.m. Members present at the call to order were Representatives Bunde, Porter, Stevens, Joule, and Guess. Representatives Green and Wilson joined the meeting as it was in progress.

HB 54 - STUDENT LOAN FORGIVENESS

CHAIR BUNDE announced the first order of business as HOUSE BILL NO. 54, "An Act relating to reimbursement of student loans; and providing for an effective date."

Number 0160

REPRESENTATIVE JOHN DAVIES, Alaska State Legislature, came forward to present a committee substitute (CS) for HB 54. He has gotten a lot of support for HB 54, but there was a certain amount of "sticker shock" associated with the fiscal note attached to the first version. In order to accomplish the same thing with a lower fiscal impact, he had this CS prepared. Instead of offering loan forgiveness, it offers an interest rate reduction. He understood that this could be accomplished without a direct general fund subsidy. It would probably impact any dividend that the student loan program would pay to the general fund, so there is a fiscal impact, but it is much less than the original version.

REPRESENTATIVE DAVIES said that one of the impacts of this bill seems to be if there is a message that Alaska cares and remind people that there are some small advantages to staying in the state, it will remind people that there are opportunities here. He talked to one student who hadn't thought about staying in Alaska after finishing school, but after reading about the student loan forgiveness in the paper, she made some calls and found some job offers in Anchorage. Just the fact that this program is advertised will have a positive effect. The way the proposed CS is structured, it will continue to have an effect; the interest rate reduction would apply as long as the loan was out and the student was in Alaska.

Number 0390

REPRESENTATIVE GREEN made a motion to adopt the proposed CS for HB 54, version 22-LS0174\C, Ford, 1/30/01, as a work draft. There being no objection, proposed CSHB 54 was before the committee.

REPRESENTATIVE BUNDE announced that the committee would hold proposed CSHB 54 along with the two other bills related to student loan forgiveness and hear all three of them next week.

REPRESENTATIVE JOULE asked about the fiscal note for the proposed CS.

REPRESENTATIVE DAVIES said he hoped to have it by next week. [HB 54 was heard and held.]

HB 37 - STUDENT LOAN FORGIVENESS

CHAIR BUNDE announced the next order of business as HOUSE BILL NO. 37, "An Act relating to reimbursement of certain student loans; and providing for an effective date."

Number 0491

REPRESENTATIVE STEVENS explained Amendment 1, 22-LS0287\A.3, Ford, 1/22/01, which read:

Page 1, line 7, following "undergraduate":
Insert "or graduate"

Number 0593

REPRESENTATIVE PORTER made a motion to adopt Amendment 1. There being no objection, Amendment 1 was adopted.

REPRESENTATIVE STEVENS explained Amendment 2, 22-LS0287\A.5, Ford, 1/25/01, which read:

Page 1, line 1:

Delete "**reimbursement**"
Insert "**forgiveness**"

Page 1, line 5:

Delete "**Reimbursement of**"
Insert "**Loan forgiveness of loans made to**"

Page 1, line 6:

Delete "reimburse"
Insert "forgive a loan made to"

Page 1, line 9:

Delete "reimbursed"
Insert "forgiven"

Page 1, line 10, following "payments":

Insert "to be"

Page 2, line 4:

Delete "reimbursed to the borrower"
Insert "forgiven the borrower under this section"

Page 2, line 6:

Delete "reimbursed"
Insert "forgiven"

Page 2, lines 8 - 11:

Delete all material.

REPRESENTATIVE STEVENS explained that this amendment would forgive a portion of the student loan and would never be a reimbursement.

Number 0669

REPRESENTATIVE GREEN made a motion to adopt Amendment 2, 22-LS0287\A.5, Ford, 1/25/01. There being no objection, Amendment 2 was adopted.

REPRESENTATIVE STEVENS reiterated that this is a program that would encourage Alaskans to stay and teach in Alaska. At a time when students are required to take exit exams, the state needs to have quality teachers available. There is a statewide shortage of teachers, and there is no incentive to return to Alaska. Other states are doing a lot to attract teachers. This bill is not complete forgiveness of the student loan; it is 10 percent a year up to five years, and the students have to stay for that entire period of time before they receive that forgiveness.

Number 0777

REPRESENTATIVE GUESS asked Representative Stevens if a teacher only stayed three years, would he/she receive any forgiveness.

REPRESENTATIVE STEVENS explained that the teacher has to teach one full year and apply for forgiveness at the end of that year. It is a year-for-year basis.

REPRESENTATIVE GUESS asked him if a student taught two years in Alaska and then left the state, would he/she get the forgiveness for only two years.

REPRESENTATIVE STEVENS agreed that was true.

Number 0920

CHRISTOPHER L. ROBINSON testified via teleconference. He is an Alaskan educator and has been recruiting teachers to Alaska for the past 19 years. He reminded the committee that teacher recruiting in the Lower 48 has become intense in the last few years. Alaska has been competing in this market with posters that read: "Alaska, take us or leave us, but if you come, bring your checkbook." In the last decade, teacher retirement benefits have been reduced and become distinctly average in adjusted compensation and require most new hires to come up with perhaps \$2,000 in fees and expenses their first two years in the state. Interested prospects put out \$100 just to get information from the state recruiting service. If they do, they

are told if they really want a job they should spend another \$1,000 or so to come to the job fair. The informational booklets are only \$113, but "we do pay the postage." If they were a used-car lot, the state would shut them down.

MR. ROBINSON said that though he does support HB 37 as amended, he suggested two changes. First, he feels it takes too long. Borrowers who complete training in spring 2002 will begin teaching in Alaska in a year and a half would have only one year of forgiveness incentive. A new teacher graduating this spring and deciding where to work gets no incentive from the current bill. He suggested that the bill be effective immediately, provide full incentive beginning with this spring's graduates and for former Alaskan borrowers who now teach out-of-state by forgiving loans for those entering their first year of Alaska teaching. Second, the shortage of special education teachers and related service personnel is even more severe than the teacher shortage. Related service providers are non-teaching specialists who work in school district special education programs providing mandated services such as speech and language pathology, physical and occupational therapy, and interpreting for the deaf. Special education related service personnel should be included in this bill.

MR. ROBINSON referred to the fiscal note and said it could only be a best guess at actual utilization. It appears to be a policy decision more than an economic decision; the economics are simply too uncertain. He wondered where the fiscal note is in dollar costs, political costs, social costs for the status quo. If the committee feels there needs to be a cost limit to move this bill out of committee and through the two houses, he urged the committee to consider 50 percent of loan forgiveness up to an individual dollar cap. He reminded the committee that the incentive needs to be persuasive in this market. He said that 50 percent loan forgiveness for Alaskans barely scratches the surface of what is needed. However, HB 37 as designed, if it doesn't work, costs the state nothing; if it does work it will cost the state only to the extent that it also benefits the state.

Number 1144

DALE NELSON testified via teleconference. He is a registered professional civil engineer in Anchorage, is in business for himself, and has been an Alaskan resident since 1967. He is not opposed to HB 37, but he wanted to suggest that the bill is limited because teachers are not the only ones faced with

shortages. Scientists and engineers are also faced with shortages. There is a continual shortage of graduate engineers and high school students are leaving the state. He referred to the Alaska Science and Technology Foundation's (ASTF) November 2000 report. This can be found on its web site. There needs to be a similar consideration for engineers and scientists, and he requested that that be considered in the bill. He noted a few things contained in the ASTF report.

Number 1265

BETH NORDLUND, Special Assistant, Office of the Commissioner, Department of Education and Early Development (EED), came forward to testify. She reviewed some of the highlights from a resolution in the committee's packets from the State Board of Education & Early Development on Teacher Loan Forgiveness. The Board sees the teacher shortage as a very serious issue. She read:

Quality teachers and administrators are a crucial component for raising student achievement;

Alaska is experiencing a statewide shortage of teachers and administrators;

Teacher and administrator turnover is at best disruptive and at worst disabling to education reform, and an especially acute problem in rural Alaska;

States all across America are going to great lengths to attract and retain teachers and administrators, offering a wide variety of incentives; and

Alaska educational institutions currently only supply Alaska's public K-12 schools with about 30 percent of the teachers they need.

MS. NORDLUND referred to the document "Public School Funding Formula Educational Adequacy" that was in the packets. She highlighted the following portion under "Teachers":

Many states and outside school districts are offering incentives such as: signing bonuses, down payments on homes, mortgage subsidies, and student loan repayment programs. Due to limited resources, Alaska school districts continue to struggle to be competitive with

other states and outside school districts when recruiting teachers.

MS. NORDLUND noted there is a listing in the packet of Examples of Teacher Incentives Offered in Other States. Some of it is loan forgiveness, but there is a wide variety of options. She mentioned that the committee has already heard of the rumors that are actually true. Certain states have come to Alaska's job fairs looking to recruit Alaskan teachers with signing bonuses. Alaska is in a severely competitive situation right now.

MS. NORDLUND referred to page 9 of the "Public School Funding Formula, Educational Adequacy" and read:

Demand for teachers in Alaska has already exceeded supply, leaving unfilled positions across the state in math, special education, and speech pathology. For the 1999-2000 school year, 1,335 new teachers were hired in Alaska. On the first day of school 84 teaching positions were still unfilled, and some remained unfilled for up to two months. Districts have actually been forced to hire teachers on emergency certificates and teachers with minimal paper qualifications.

Number 1419

CHAIR BUNDE asked Ms. Nordlund if the majority of teachers being hired are non-residents.

MS. NORDLUND replied that Alaska's educational institutions are only able to create about 30 percent of the teachers needed for the work force, so the state has to rely on teacher preparation programs from other states to supply Alaska with an adequate amount of teachers.

CHAIR BUNDE asked if that meant if every Alaskan who graduated was hired, would that still only be 30 percent of the need.

MS. NORDLUND answered exactly. If the educational institutions are able to increase that capacity in the near future, at the maximum, they will be able to increase it to provide one-third of the teachers needed.

Number 1550

REPRESENTATIVE GREEN asked, "How many did we get of the graduating class from Alaska?"

MS. NORDLUND said she didn't have those exact numbers but thought the committee had heard testimony on that last week.

CHAIR BUNDE noted he was really trying to ask how many of Alaska's teaching graduates are leaving the state.

REPRESENTATIVE STEVENS said another important figure would be to know how many Alaskan students went to institutions outside of Alaska and returned to teach.

REPRESENTATIVE WILSON pointed out that it is important to realize that the salaries in Alaska are approximately equal to those in the Lower 48. Eight years ago at the Fairbanks job fair, there were 700 applicants; this year at that same job fair there were only 70. Teachers aren't coming up from the Lower 48 like they used to.

CHAIR BUNDE commented that the majority of new teachers hired in the smaller and rural schools are often non-residents.

Number 1638

REPRESENTATIVE JOULE said another piece of useful information would be to find out what percent of the [rural] districts' teaching staff are from the local area.

REPRESENTATIVE DAVIES remarked that there is also a shortage of principals around the state. He wondered if they were included in HB 37.

Number 1703

REPRESENTATIVE STEVENS explained that HB 37 does say: "is employed at a public elementary or secondary school within the state as a teacher," and he would interpret that as anyone who is a certificated teacher, so that would include principals. It would be full-time, certificated teachers, not substitute teachers, whether they were serving as a classroom teacher or in a special education situation or as a principal. He didn't think it would apply to a lot of principals; normally students who come back and get the student loan forgiveness would be younger students entering the profession. Maybe it would apply to a principal going back to graduate school, but he can't see it applying to a large number.

CHAIR BUNDE suggested that if Representative Stevens wanted administrators included, he should do some more research to decide if that needed to be delineated more.

Number 1784

DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education (ACPE), Department of Education and Early Development (EED), came forward to answer questions on HB 37. On behalf of the commission she applauded the efforts of the members spending time on this issue. The ACPE is very cognizant of this worker shortage in Alaska. She commented on behalf of the Alaska Student Loan Corporation that is concerned about any bill that would imply any obligation of the finances of the corporation. As she understands the bill, the program is subject to appropriation, and the corporation would be happy to administer any funding that is available for a loan forgiveness program.

MS. BARRANS provided some information on the past forgiveness program for the general Alaska Student Loan (ASL) Program and the current Teacher Scholarship Loan (TSL) Program. The ACPE is currently preparing a brief report on the status of the TSL that should be available within a week or so, and she will deliver that to the committee members. However, there are two notable statistics in looking at the Teacher Scholarship Loan Program: 1) over the 15 years that the program has existed and for those participants who have left school, only 22.4 percent of them have actually claimed one or more of the forgiveness benefits. The Teacher Scholarship Loan Program that currently exists does target rural schools. In order to qualify, program participants have to earn their credential and then return to the rural schools to teach. The 22.4 percent that have returned for at least one year would represent the "success rate" for that program.

Number 1898

REPRESENTATIVE GREEN asked Ms. Barrans if that means it is 22 percent of those who are in that program or 22 percent of the total program.

Number 1907

MS BARRANS answered that the 22.4 percent is that percentage of participants who are no longer in school, so the participants

who are still in school are not counted. Basically a little more than one-fifth of those who have left school have actually taught in a qualifying position. It is total program.

MS. BARRANS explained that the schools that qualify for [TSL] forgiveness benefits are those defined in statute as rural; it is a certain size community that is not on road or rail to Anchorage or Fairbanks. Juneau, Ketchikan, Haines, Sitka, Fairbanks, and Anchorage do not qualify. All other districts in the state qualify if they hire these teachers.

Number 1952

REPRESENTATIVE GREEN asked: If this applies to the people who are no longer in the program, is there a period of time they have to teach in a rural school to qualify.

MS. BARRANS explained that to receive 100 percent forgiveness of the loans, they have to teach for five years, but it is pro rata.

MS. BARRANS said that another statistic that is of concern is that cumulatively, 30 percent of the participants in this program have defaulted on their loans. Why people don't pay isn't often known; the participants have entered into their contracts with a perception that they're not going to have to pay back the loan. They may not do the analysis that they need to or that can be expected from an 18-year-old to perform whether or not they're really ready to succeed in college, whether or not teaching is the only career that interests them, and whether or not they're willing to return to a rural area and teach. When passed through those three steps, the end result is that 22 percent are prepared, do complete, and do return. Anecdotally there are stories that it was very successful or it wasn't successful, but those are the numbers.

CHAIR BUNDE referred to the time when there was universal forgiveness for student loans if the person remained in the state and said there was also an extremely high default problem. The loan program had some other problems then, but from what Ms. Barrans said, there appears to be a relationship between forgiveness and the default problem.

MS. BARRANS said she thinks there is, and it is the expectation of the borrower at the time of incurring the debt. A number of problems contributed to that high default rate. She also reported that the annualized rate calculated this month for the

Teacher Scholarship Loan has dropped to less than 8 percent defaulting. The measures that the commission has taken to address the default rate globally with student loans from the state have also had an impact on these. A lot of that has to do with the ability to collect through involuntary means including the permanent fund dividend. She added that the general default rate is just under 10 percent for the entire Alaska Student Loan Program.

CHAIR BUNDE asked if the Teacher Scholarship Loan Program is doing better than the general student loan program.

MS. BARRANS replied that that was correct.

Number 2092

REPRESENTATIVE JOULE asked: If very many people who have had previous work experience apply for the scholarship program, is there the same default rate with those people.

MS. BARRANS answered that the ACPE doesn't have a "bio-demographic" statistic on these students. There hasn't been a lot of time and effort put in on developing a data base that "parses" them out in various degrees, so she can't respond to that. The criteria for being in this program are graduating from an Alaska high school and being nominated by a rural district. In the early 90s when the commission saw the high dropout rate from this program, it did make some connections between the education departments at the University of Alaska and the districts that nominate students. That may be one of the contributing factors to the improving default rate with the Teacher Scholarship Loan, but she can't precisely point to that as one of the defining changes.

Number 2161

REPRESENTATIVE STEVENS clarified that his bill is not talking about the Teacher Scholarship Loan Program. He noted it was important to him to know that often in the Teacher Scholarship Loan Program it is 17-year-olds who make that decision in their junior year of high school to commit to four years of college and a fifth year of graduate school to become teachers, so there is a high default rate. He is not sure that the default rate of the Teacher Scholarship Loan Program necessarily transfers to the teachers under the regular student loan program in HB 37. He said he didn't think there was any connection between the

22.4 percent rate of the Teacher Scholarship Loan Program and what he is proposing.

CHAIR BUNDE noted that there is a broader issue that forgiveness may encourage a mindset, and the committee just has to be mindful of that.

MS. BARRANS told the committee that the question about the efficacy of forgiveness is motivating behavior. When there was 50 percent forgiveness in the general program, only about 20 percent of the borrowers ended up benefiting from that. There was an \$84 million price tag for that 20 percent. Her point would be if the objective is recruitment and retention, a blanket loan forgiveness may not be the most effective approach.

Number 2262

TARAN KEELER read via teleconference from Fairbanks the written testimony of Melissa Hill, Alaska Teacher Placement:

Thank you for allowing me the opportunity to testify. Any effort the state can take that will increase in the teacher recruitment effort is a positive one.

With NCATE [National Council for Accreditation of Teacher Education] accreditation standards still in progress and implementation of new degree programs not yet in place, the "potential increase" of educators will not adequately impact Alaska for at least another 3 to 4 years.

With the limited number of UA [University of Alaska] teachers contributing to Alaska's hiring pool, I would recommend that the committee consider implementing a two- to three-year loan forgiveness program for teachers coming from the Lower 48. Preference should be given to those willing to teach in rural Alaska.

Many people remember when the Santa Clara California School District attended the Anchorage job fair. They were offering signing bonuses of \$3,000 to any applicants willing to sign a letter of intent.

Many Alaskan residents and UA graduates with special education endorsement ended up leaving the state specifically for that bonus to apply towards their current loans.

As the statewide clearinghouse, Alaska Teacher Placement serves as the first point of contact for teachers seeking information on jobs in Alaska. Very often the first questions we get are: What are the incentives like? Does Alaska have a loan forgiveness program? Many first year teachers are more than willing to relocate to rural Alaska but are shopping around for the best deal.

By district requests and the state's need to fill vacancies, our services have been expanded to include recruiting teachers in the Lower 48. ATP would greatly benefit from the ability to market a program that included teachers from the Lower 48. As a nearly self-supported organization that relies on district and registrant funding to maintain our budget, it is essential that we have some marketing incentives such as HB 37 to recruit educators for Alaska. Ten years ago the incentives were: great salaries, excellent retirement packages, and the adventure. Now we rely on marketing the [permanent fund] dividend, adventure, rich culture, and the beauty.

The facts are UA grads are producing only a fraction of the need, and of that number only a fraction are contributing to the hiring pool. In addition endorsements in high demand areas, such as speech pathology, are not offered through the university system. We know the University is working hard to expand programs and increase funding, but unless they add additional programs such as speech pathology, the state will have to continue to rely on students and applicants from the Lower 48.

The need for teachers is now, and that is [why] I strongly encourage you to consider extending the loan forgiveness program, even if for a limited time, to the students from the Lower 48.

REPRESENTATIVE PORTER commented that he thought Ms. Barrans was politely trying to say: After diligence and perseverance and finally getting the [student loan] fund into the black, if you're going to do this again, for heaven's sakes, fund it.

TAPE 01-4, SIDE B
Number 2378

MS. BARRANS said she certainly wouldn't disagree with that.

CHAIR BUNDE asked Ms. Barrans to expand on the comment "previous forgiveness programs seem to more reward those people who already have chosen to stay in Alaska than it did recruit people who had chosen to leave or had already left and brought them back to Alaska."

MS. BARRANS said having thought about the rather low forgiveness rate of 20 percent, people could have half of their loans forgiven. There are people with huge debts who didn't return to Alaska. It strikes her that the things that motivate a person's behavior, especially in a strong economy, are salary, living conditions, and family connections. Her concern was that if even modest amounts of funds are being put into programs that would motivate behavior, it should be done in a way that would affect that behavioral change. That was one piece of the conversation with Chair Bunde. The other was that the people who do default are the ones who can't afford to repay. They are the ones who didn't complete their education, they are the ones who, for whatever reason, did not achieve the credential, don't have the economic power that those with degrees do.

MS. BARRANS indicated that the corporation and commission have been working to reinvest resources to lower the cost of borrowing for all individuals. That has been their focus because they do understand that as the cost of the program went up for those people less able to pay, they became increasingly less able to pay. In five years the lending rate has come down over a full percent from 9 to 7.8 percent, and ways are being looked at to reduce costs for some of the existing loans.

Number 2249

REPRESENTATIVE PORTER asked Ms. Barrans if there is any correlation in the failure rate between the students who attended school outside and the ones who attended inside.

MS. BARRANS replied that the ACPE doesn't have a research section but does periodic reviews so there isn't great data. However, those that attended out-of-state default at lower rates. She said she thinks there may be significant reasons for that. If there was "bio-demographic" information, she thinks they would find that those who are more mobile and are able to go out-of-state are probably students from middle to upper income; it's more expensive to go out-of-state. Many of the

schools they go to are extremely selective, so the academic credentials of those students may statistically be higher, therefore leading to success.

MS. BARRANS noted that those students also tend to be "lock-step" students who have gone right from high school to college, which means that probably one or both parents graduated from college, and they are able to commit four or five years of their lives to getting through. The average age of students who attend the University of Alaska is somewhere in the late 20s to early 30s, so these are people with other lives. Their ability to go through a continuous education process is much more limited. She emphasized that she doesn't want that statistic of higher default rate to reflect poorly on the students that attend in Alaska.

REPRESENTATIVE STEVENS said he wasn't sure he is hearing enough information. He referred to what the chairman had said: that previous plans have rewarded those who decide to stay and not rewarded those who come in from the outside.

Number 2127

CHAIR BUNDE rephrased this thought. His impression is that previous forgiveness programs were a reward for those who had already decided to stay in Alaska and weren't a major factor in influencing the decision to stay in Alaska.

REPRESENTATIVE STEVENS said he didn't know how that could be proved. He would like some quantification of why Chair Bunde would agree with that. He wondered if there were any statistics that would agree with that statement.

MS. BARRANS noted that she agrees with Chair Bunde's statement. "You can talk to a half dozen Alaskans who received these benefits and perhaps get a half dozen different responses as to how much that played a part in their decision to stay or return to Alaska." She indicated that it was not a motivating factor for her personally. The statistic she would point to is that only one in five of the borrowers who had an option to receive forgiveness benefits actually did during the years that it was offered.

Number 2068

REPRESENTATIVE STEVENS said he just doesn't see the connection, and maybe he is missing a fundamental point. He knows just as

many Alaskans who were educated outside and decided to come back to teach in Alaska because of the forgiveness program. He doesn't see how that can be quantified. He is not sure that Chair Bunde's statement is true, and his experience would tell him that it is not true.

CHAIR BUNDE said if only 20 percent are returning to Alaska and there is a financial reward, he guesses it has limited impact on people's choices where they live. It would be interesting to know what percentage of loan recipients choose to locate in Alaska after the forgiveness program went away, and maybe that would show some level of effectiveness.

MS. BARRANS mentioned that the number of Alaskans who have returned or remained in Alaska since the end of forgiveness has actually increased. There are just other issues that persuade where people locate. She is gathering that information in response to questions from the House Finance Committee, and she will share that information with this committee.

CHAIR BUNDE added he is certainly not anti-teacher. His point is there are limited educational funds, and he'll make sure they are spent where they have the greatest impact. The research that he has looked at and his legislative experience show him that the one factor that has the greatest impact on educational success for young people is a caring and talented teacher, way beyond class size and computers. He wants to encourage good teachers, and his questions are just focused on what is the best way to invest the limited resources.

Number 1935

REPRESENTATIVE GREEN wondered if there is a way to find the number of people who are staying and also plot that against the comparative salary for Alaska teachers and outside teachers. Is it the incentive of loan forgiveness, or is it the relative degree of compensation? At one time Alaska had among the highest paid teacher salaries and now does not. Is it going to change because of this incentive, or is it strictly compensation?

MS. BARRANS answered that this is getting out of her arena and she deferred to the people at EED. She commented that since these issues have come up nationwide, she has been paying attention to the types of strategies that states are developing. There is not a single element; there are strategies that look at what teachers want. Do they want assured housing? Do they want

assistance buying a home? Do they want a salary at a certain level? Certainly loan assumption or forgiveness is a piece of that, but it is one piece of a package that's aimed at being effective. She doesn't want her comments to be perceived as negative. They are just questioning whether or not a single piece can have the effect. If a single piece is going to be invested in and there isn't some assurance that it will be effective, how valuable is that investment?

Number 1814

MS. NORDLUND came forward to address Representative Green's question. She referred to the "Public School Funding Formula Educational Adequacy" handout and said there is an interesting analysis of teacher's salaries in that report. She read a paragraph on page 10:

As recently as 1989 Alaska was reported to have the highest average teacher salaries in the nation. According to the NEA [National Education Association], Alaska's average teacher salary in 1989 was \$42,818. In 1999, Alaska is reported to have slipped to number eight in the nation with an average teacher salary of \$48,085. The average teacher salary in Alaska has increased about 12.3 percent for the past ten years, but when stated in constant dollars to reflect inflation it has decreased by approximately 11.7 percent.

MS. NORDLUND explained that there is a table in this report that talks about the increases in teacher salaries, she believes, in constant dollars in the Lower 48. There has been a dramatic change in teacher salaries. What other states are doing to recruit teachers and the competitiveness of Alaska has certainly decreased in that area.

REPRESENTATIVE GREEN commented that he would assume that this same decrease through cost in current dollars has affected teachers in the rest of the nation.

MS. NORDLUND referred to the chart in the report and pointed out that teacher salaries have increased substantially in other states due to the teacher shortage.

Number 1728

REPRESENTATIVE GREEN wondered if that is comparing across the board about total salaries then those would probably have had to been reduced by inflation just like the Alaska salaries.

MS. NORDLUND answered that she thinks it is comparing "apples to apples." Even in constant dollars there has been an increase. She suggested that the committee go back and look at the chart to see what is happening in other states, but to her knowledge there has actually been a significant increase. She has some anecdotal information. It is reported that in the school reform efforts this year, California is going to spend \$30 million just to attract algebra teachers to the profession. A lot of innovative things are happening especially as schools embark on standards.

REPRESENTATIVE PORTER mentioned that this same phenomenon has happened in the Anchorage Police Department and Alaska State Troopers, which used to be the two highest paid law enforcement agencies in the United States; they are not anymore. "When we had that amount of money, we paid it; when we don't, we can't."

Number 1629

REPRESENTATIVE STEVENS expressed concern that it is so easy to make a statement that could hang in the air forever and poison any further consideration of this. The one statement, "this program will reward those who already decided to come back to Alaska," he doesn't think is true, and he thinks if the department does, he would like to see something in writing, some specifics, not just a generalization. "We all have anecdotal information; we can all say people we know have or have not made the decision, but yet you have made that statement, and I would like to see something in writing to show that it is true." He asked if that was possible.

MS. BARRANS replied that she will have to look at the numbers that are available. She repeated that her office doesn't have research staff, so it means taking staff off programmatic projects to put them on that sort of data collection project. She can characterize that [statement] as being her experience. If she needs to put some borders around that to limit its impact, she can do that. She is not certain her office has statistics. There is very little unit tracking of these individuals. One way to look at it is to say the reason the borrowers didn't claim forgiveness is it isn't known whether they got their degree or not. There are two criteria: they had to complete their program and return to Alaska.

MS. BARRANS said her point would be that if somebody had to do just these two things to get the cash benefit, and only one in five did, it was only motivating 20 percent of the people who had that motivation available to them. She can provide that statistic in writing and would be happy to do that, but as far as having detailed surveys of these people to find out why they did what they did, that's probably not readily available without investment of time and money.

REPRESENTATIVE STEVENS said he understood what she was saying and he is not asking her to go to a lot of work for this. It is probably something that is not provable. It seems to him it's a new world out there, entirely different than it was 20 or 30 years ago. There has been testimony that young teachers are shopping around for the best deal, which is absolutely true. They have large bills to pay, so they need to look at things like loan forgiveness and the cost of living and other things. This is just a piece of the package; it's not the whole answer.

Number 1466

REPRESENTATIVE JOULE referred to the "Examples of Teacher Incentives Offered in Other States" and wondered if this information was compiled by districts. He wondered what it would take for Alaska to be competitive in this market.

MS. NORDLUND answered that in looking at the incentives offered in other states, it looks generalized, but it isn't known whether any of these are purely district initiatives. She imagined that other state legislatures are really going to these types of measures and making statewide policies. It is not reflected in this list, and she cannot actually speak to the details. She believes that they are state policies, and that is why they are listed this way.

CHAIR BUNDE indicated that the committee may want to consider how much difference will it take to make a difference. He asked: What kind of reasonable return can we expect on the investment.

MS. NORDLUND added that the State Board of Education doesn't see loan forgiveness as the one answer to the teacher shortage. It has embarked upon other initiatives to try to attract teachers, but this one is especially in their minds as part of a package. The board has decreased teacher certification fees by half in the past few months. The board has also sought out those

teachers around the nation who have national board certification to try to get them to come to Alaska; those are very high quality teachers and the board would like to offer free certificates to those people. The board is also working on a number of other initiatives, but this one is obviously a nice financial one.

CHAIR BUNDE commented that many people came to Alaska in the past to see the other side of the world, and now the children want to see other parts of the world and leave. He said he doesn't see the fact that the children choose to leave as an indictment of Alaska's educational system; it's more just curiosity.

REPRESENTATIVE PORTER related that his family is a good example of the local versus non-local phenomenon. He has three children, two of whom went to college outside and now live outside; the third attended the University of Alaska Anchorage and now lives in Anchorage. He believes that is the most significant statistic.

Number 1230

REPRESENTATIVE JOULE referred to the document from EED and read:

A tax exemption or signing bonuses may not be the right answer here. But when states from New York to California are wading into a teacher bidding war, we [Oregon] had better offer something more than scenery.

He commented that statement was from Oregon, but it does highlight the whole situation as it relates to trying to draw in teachers.

MS. BARRANS asked: If a loan forgiveness program was established, would the commission have authority to set prioritization for the funds in times when funding may be inadequate to forgive all the loans that may have people seeking forgiveness, or would that be something that the EED could be charged with since that is its area of expertise?

CHAIR BUNDE agreed that was an excellent question. He guessed that the legislature would want to "get their hands all over it." Another response to "there isn't enough money" is to ask for a supplemental. "If the interest is that intense and then we in our wisdom can say no, you don't get anymore and then you

have to prioritize on first come, first served. I guess you'd get 60 different answers from 40 different legislators."

Number 1073

REPRESENTATIVE STEVENS clarified that it wasn't the intention of his bill to gut the Teacher Scholarship Loan Program or to make it no longer available. He sees this as a change to the regular student loan program, but the teacher loan program will continue. This would have no impact on that, so still the rural students could apply for the teacher loan program. He asked Ms. Barrans if she saw this in any way a deterioration to the Teacher Scholarship Loan Program.

MS. BARRANS replied no, not at all. Her concern was in a shortage of funding in this particular program, if there are teachers who are not TSL participants but who borrowed the ASL and they are willing with some incentive to go into some of these areas, but there isn't sufficient funds, how is it decided which teachers receive the forgiveness benefit when there is \$50,000 available and the demand is \$200,000.

CHAIR BUNDE asked: Should we simply reward those people who choose to go there or shall we try to pay them enough to want to go there?

Number 0996

REPRESENTATIVE STEVENS said that has not been addressed in his bill, and he doesn't attend to address it. He thinks the TSL is a good program that will encourage students to teach in the rural areas. This is a way to level the playing field and encourage not only people to teach in the Bush but also to teach in urban areas as well.

CHAIR BUNDE announced the committee would take up the three bills on student loan forgiveness next Wednesday and look to find the appropriate thing to do. [HB 37 was heard and held.]

ADJOURNMENT

Number 0897

There being no further business before the committee, the House Special Committee on Education Committee meeting was adjourned at 9:25 a.m.