

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON EDUCATION**

April 4, 2001

9:38 a.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Representative Joe Green

**COMMITTEE CALENDAR**

HOUSE BILL NO. 204

"An Act relating to the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation; relating to student financial aid programs and the financing of those programs; establishing the Alaska Advantage Loan Program and the Alaska Supplemental Education Loan Program; increasing the bonding authorization of the Alaska Student Loan Corporation; providing for liens resulting from a default under AS 14.43 or AS 14.44; relating to the duties of the recorder regarding those liens; relating to defaults under the Western Regional Higher Education Compact; relating to the prohibition on discrimination regarding programs under AS 14.43; relating to fees for the review of certain postsecondary institutions; making conforming amendments; and providing for an effective date."

- MOVED HB 204 OUT OF COMMITTEE

HOUSE BILL NO. 203

"An Act making an appropriation to the Legislative Council for a study of school district cost factors; and providing for an effective date."

- MOVED CSHB 203(EDU) OUT OF COMMITTEE

HOUSE BILL NO. 105

"An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

HOUSE BILL NO. 71

"An Act relating to the education of children with disabilities and of gifted children; relating to the Governor's Council on Disabilities and Special Education; making conforming amendments; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS ACTION**

BILL: HB 204

SHORT TITLE:STUDENT LOANS/COMN. ON POSTSECONDARY ED.

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/22/01	0689	(H)	READ THE FIRST TIME - REFERRALS
03/22/01	0689	(H)	EDU, HES, FIN
03/22/01	0689	(H)	FN1: (EED)
03/22/01	0689	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/02/01		(H)	EDU AT 8:00 AM HOUSE FINANCE 519
04/02/01		(H)	<Bill Postponed to 4/4>
04/04/01	0840	(H)	EDU RPT 5DP
04/04/01	0841	(H)	DP: PORTER, STEVENS, JOULE, GUESS,
04/04/01	0841	(H)	BUNDE
04/04/01	0841	(H)	FN2: (EED)
04/04/01		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

BILL: HB 203

SHORT TITLE:APPROP: STUDY OF SCHOOL COST FACTORS

SPONSOR(S): REPRESENTATIVE(S)WILSON

Jrn-Date	Jrn-Page		Action
03/22/01	0688	(H)	READ THE FIRST TIME - REFERRALS
03/22/01	0688	(H)	EDU, FIN
03/28/01	0762	(H)	COSPONSOR(S): LANCASTER
03/30/01	0794	(H)	COSPONSOR(S): CISSNA, STEVENS

04/04/01

(H)

EDU AT 8:00 AM HOUSE FINANCE  
519

**WITNESS REGISTER**

DIANE BARRANS, Executive Director  
Postsecondary Education Commission  
Department of Education and Early Development  
3030 Vintage Boulevard  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified on HB 204.

**ACTION NARRATIVE**

TAPE 01-23, SIDE A  
Number 0001

CHAIR CON BUNDE called the House Special Committee on Education meeting to order at 9:38 a.m. [The minutes for the joint meeting of the House Special Committee on Education and the House Health, Education and Social Services Standing Committee on SB 133 are found in the 8:08 a.m. minutes for the same date.]

HB 204-STUDENT LOANS/COMN. ON POSTSECONDARY ED.

CHAIR BUNDE announced the next order of business as HOUSE BILL NO. 204, "An Act relating to the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation; relating to student financial aid programs and the financing of those programs; establishing the Alaska Advantage Loan Program and the Alaska Supplemental Education Loan Program; increasing the bonding authorization of the Alaska Student Loan Corporation; providing for liens resulting from a default under AS 14.43 or AS 14.44; relating to the duties of the recorder regarding those liens; relating to defaults under the Western Regional Higher Education Compact; relating to the prohibition on discrimination regarding programs under AS 14.43; relating to fees for the review of certain postsecondary institutions; making conforming amendments; and providing for an effective date."

Number 0042

DIANE BARRANS, Executive Director, Postsecondary Education Commission, Department of Education and Early Development, came forth and stated that HB 204 represents an exciting new initiative from the [Postsecondary Education] Commission. More

than a year ago the commission's financial status and that of its financial partner, the Alaska Student Loan Corporation (ASLC), had been stabilized. She stated that the commission's managers had been challenged by the corporation's board to find ways to expand the services and increase the benefits of those services to Alaskans. In response, she said, the commission focused on a strategic recommendation that had been made by [ASLC's] external audit firm to consider an expansion into federal student aid administration. Over the past ten months the [Postsecondary Education Commission] has analyzed customer needs and expectations and has had extensive communication with administrators.

MS. BARRANS stated:

House Bill 204 has been introduced by the governor to establish the Alaska Advantage Program. Simply put, successful implementation of the Alaska Advantage Program will return meaningful benefits and dividends to each of our shared stakeholder groups. Those stakeholders include the students whose future success rests on educational preparation; parents seeking an economically viable means to assist their children; higher education institutions in Alaska that [serve] as a training resource for citizens and industry in the state; financial aid administrators tasked with facilitating educational financing; [legislators] looking out for their constituents' best interest; Alaska employers seeking a resident source of human capital; and the commission and corporation seeking to provide value-added benefits to borrowers and the statewide community.

Number 0227

MS. BARRANS explained to the committee:

House Bill 204 creates the statutory framework for the corporation and the commission to develop and implement the premiere educational loan program in the United States, administered in Alaska for Alaskans. Statutory changes made by the bill will result in lower-cost educational loans in Alaska and other improvements to borrowers' loan terms. The commission's success in marketing such a program will be one means of helping Alaskans fight the high costs of postsecondary education and hopefully ensure that

every state citizen perceives that education is affordable and therefore accessible to them.

The bill's provisions allow us to facilitate these changes without putting at risk the financial strength of the corporation. The Alaska Advantage Program provides for the integration of benefits from both the federal and state aid initiatives, specifically for borrowers. The Alaska Advantage Program will guarantee the lowest possible borrowing rates; improve aid packaging and delivering by creating a one-stop aid shop ensuring simultaneous grant and loan application; improve and expand borrowers' deferment and repayment options; and provide an opportunity for debt consolidation with an Alaska lender.

For the institutions that partner with us through ASLNet (Alaska Student Loan Net), the commission's web-enabled information portal, the Alaska Advantage Program will provide a recruitment and retention tool for Alaskan institutions through offering beneficial interest terms. It will streamline and improve the financial aid delivery process, easing their administrative burden; it will eliminate unnecessary program differences that simplify the administration for staff and ease loan comparison by students and their families; it will also provide specific financial rewards for borrowers remaining in or returning to Alaska; and it will enhance default management support.

Number 0375

MS. BARRANS continued, stating:

For the corporation itself, it will reduce the financial risks through the federal guaranty that will underwrite loans made through that program. I believe it will allow us to improve our bond rating from the current double-A to a triple-A status, resulting in further bond cost reductions, and improve the corporation's cash flow as we enjoy the benefit of federal interest subsidies and a special allowance income. In addition, ... it will eliminate 98 percent of the loss-risk on those federal student loans because the federal government will offset those losses in the event of death, disability, or default.

In time, we expect the program to allow us to offer additional financial benefits in the form of upfront interest rate reductions for Alaska Advantage borrowers, timely repayment rewards, "bank pay" rewards, other interest [offsets] that can act as incentives, and rewards for borrowers who display good repayment behavior.

House Bill 204 also ensures that the supplemental state loans remain available to bridge excess costs not met through federal aid. This bill is about ensuring borrower savings and administrative efficiencies and has been drafted to ensure that no student is left behind or left out. The Alaska Student Loan will remain available as a supplemental loan for use at commission-authorized Alaska vocational schools that do not currently participate in Title IV programs.

Number 0518

MS. BARRANS concluded by stating:

The result achieved by the commission and corporation in recent years have met significant improvement in both program financing and servicing. These results could not have been achieved without the administration's initiatives to date and the broad support of the legislature for those initiatives, the partnering of our participating institutions, and the support of Alaska's students for those initiatives. At this time we collectively have a choice to make: either we maintain the status quo or we can convert these successes into positive momentum and take our service to the next level. I believe that continued and substantial improvement is only possible through this proposed integration of programmatic and financial strengths of federal and state student services.

Our timeline is an aggressive one as we seek to successfully implement the program for the 2002-2003 loan year. That means that in just nine months we must be ready to receive and process aid applications. Expedited consideration of passage of HB 204 will permit the commission to immediately direct 100

percent of management and staff resources to planning, marketing, and implementation activities. I am convinced that success is feasible if we begin work in earnest by May of this year; however, we cannot fully implement that process until we understand the statutory framework that we'll be working in. Failure to pass this bill this year will delay full implementation.

Number 0655

CHAIR BUNDE asked if it has been the Postsecondary Education Commission's policy to encourage students to take federal loans first and then seek the Alaska Student Loan as a secondary option, because it would be to their financial advantage.

MS. BARRANS responded that there hasn't been a formal policy but the commission has advised borrowers to be informed borrowers. She remarked that to the extent that there may be lower-interest-rate loans available through the federal program, [borrowers] should seek those first. She explained that this bill would offer a federal loan to Alaskans at a lower rate than the federal program would stipulate, for a year. The Alaska Student Loan, in recent years, has been strongly competitive with the federal program because of the ability to reduce rates.

CHAIR BUNDE asked if anyone is opposed to this legislation.

MS. BARRANS replied that there is no opposition.

Number 0798

REPRESENTATIVE STEVENS asked if the [Alaska Teacher Scholarship Loan] would be rolled into this as well.

MS. BARRANS answered that the [Postsecondary Education] Commission] does not intend to require that the Alaska Teacher Scholarship Loan recipients receive the federal loan first because they would not have the same forgiveness eligibility on the federal loan as they would with the state.

REPRESENTATIVE PORTER made a motion to move HB 204 from committee with individual recommendations and attached fiscal notes. There being no objection, HB 204 moved from the House Special Committee on Education.

HB 203-APPROP: STUDY OF SCHOOL COST FACTORS

CHAIR BUNDE announced that the final order of business would be HOUSE BILL NO. 203, "An Act making an appropriation to the Legislative Council for a study of school district cost factors; and providing for an effective date."

Number 0942

REPRESENTATIVE WILSON, as sponsor of HB 203, stated that this bill is an Act appropriating money for a school district cost-factor study. Those multipliers have not changed since 1986, and the Alaska constitution has an obligation to fully fund education for all students. Inherent in this mission, she said, is to account for the diverse geographical, ethnic, and economic changes in Alaska. She explained that this would study the school district cost differential to see what it costs to run a school in each district.

CHAIR BUNDY asked if this bill would task the Legislative council to lead a contract to perform this study.

REPRESENTATIVE WILSON stated that he was correct.

REPRESENTATIVE GUESS stated that in her mind the methodology of the study that was done during SB 36 was extremely poor. She asked if [HB 203] addresses ensuring that this doesn't happen again or that every two years [the state] would have to pay \$350,000 for a new formula instead of creating one that is updateable.

REPRESENTATIVE WILSON answered that she thinks [the study needs] to be done correctly in order to see what it costs for fuel in each school district; what the property insurance is; or what it costs to get a fire inspector to the school and check the fire extinguishers. For example, with a small school like that in Tok, someone might have to fly in or take all day to drive there. All of these factors, she said, need to be thought about, checked, and done carefully. She added that she has an amendment that would add "housing," after "food," on page 1, line 10.

Number 1137

REPRESENTATIVE PORTER made a motion to adopt Amendment 1, which would insert "housing," after "food," on page 1, line 10.

REPRESENTATIVE GUESS objected for the purpose of discussion. She said she has talked to some of the top educational economists, and housing is very difficult to do from an economic standpoint in small areas, which is why there aren't any small area CPIs (consumer price indexes). She added that although she thinks it is a great intent, it might not be possible to do. She withdrew her objection.

REPRESENTATIVE STEVENS asked Representative Wilson if she is talking about the housing costs for educators or for the districts in providing for housing for their employees.

REPRESENTATIVE WILSON stated that she is talking about the housing cost to the districts. In some areas, she said, [the districts] have to provide housing for teachers in order to get them to come [to those areas].

REPRESENTATIVE PORTER stated that he agrees with Representative Guess that [the legislature] should try to do something to inspire the appropriate type of examination of the cost. He remarked that last time [the money] being spent was examined, as opposed to what the costs were. He added that the direction to the Legislative Council is to get somebody to study what it costs, not what is being spent.

Number 1243

CHAIR BUNDE announced that there being no further objection, Amendment 1 was adopted.

REPRESENTATIVE STEVENS remarked that he thinks it is a good idea to do a study like this. He stated that he is concerned that this is seen as being in place of an increase to a foundation formula.

REPRESENTATIVE WILSON responded that there have been a lot of changes in the economic climate in many areas since 1986 and that this is just to make sure that everyone is "playing on an even playing board." She added that this has nothing to do with where the funding comes in the formula. She noted that there has been a lot of comment and work put into looking at funding for schools. When the Department of Education and Early Development [EED] had the last study done by the McDowell Group, it recommended that another study be done by reexamining the methodology.

CHAIR BUNDE noted that this is a tool that the foundation formula thought to use and in no way mitigates the need for increasing the foundation formula.

Number 1364

REPRESENTATIVE GUESS clarified that this legislative body, not the [EED], did the McDowell study. She stated that there are four other states that have cost factors; all are done in different ways. She remarked that every researcher she talks to says there is nothing in educational research right now that says it should be done a certain way; every system has a bias. From her research, she said, she believes this is the worst way to do it. She added that she would like every report that is created to discuss the bias because there is not going to be an unbiased study. Finally, she said she would like for any study or system that comes back to be updateable.

Number 1460

REPRESENTATIVE PORTER made a motion to move HB 203, as amended, from committee with individual recommendations and attached fiscal notes. There being no objection, CSHB 203(HES) moved from the House Special Committee on Education.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at 10:00 a.m. [The minutes for the joint meeting of the House Special Committee on Education and the House Health, Education and Social Services Standing Committee on SB 133 are found in the 8:08 a.m. minutes for the same date.]