

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

April 17, 2002

8:00 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

COMMITTEE CALENDAR

HOUSE BILL NO. 478

"An Act relating to the Alaska teacher recruitment loan assumption program; and providing for an effective date."

- MOVED CSHB 478(EDU) OUT OF COMMITTEE

HOUSE BILL NO. 488

"An Act relating to an insurance tax credit for a gift to a school for math, science, and technology; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 293

"An Act relating to the teachers' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 464

"An Act relating to statewide school district correspondence study programs."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 478

SHORT TITLE:TEACHER LOAN ASSUMPTION PROGRAM

SPONSOR(S): REPRESENTATIVE(S)GUESS

Jrn-Date	Jrn-Page		Action
02/19/02	2316	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2316	(H)	EDU, HES, FIN
04/17/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

BILL: HB 488

SHORT TITLE:INS. CREDIT MATH, SCIENCE & TECH. STUDIES

SPONSOR(S): REPRESENTATIVE(S)CHENAULT

Jrn-Date	Jrn-Page		Action
02/19/02	2319	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2319	(H)	EDU, HES, FIN
02/19/02	2319	(H)	REFERRED TO EDUCATION
04/17/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

BILL: HB 293

SHORT TITLE:AHFC LOANS TO TEACHERS

SPONSOR(S): REPRESENTATIVE(S)ROKEBERG

Jrn-Date	Jrn-Page		Action
01/14/02	1951	(H)	PREFILE RELEASED 1/4/02
01/14/02	1951	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1951	(H)	EDU, FIN
04/10/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519
04/10/02		(H)	<Bill Postponed>
04/17/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

BILL: HB 464

SHORT TITLE:CORRESPONDENCE STUDY PROGRAMS

SPONSOR(S): REPRESENTATIVE(S)JAMES

Jrn-Date	Jrn-Page		Action
02/19/02	2313	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2313	(H)	EDU, HES

02/22/02	2370	(H)	COSPONSOR(S): DYSON
02/27/02	2416	(H)	REFERRALS CHANGED TO HES, EDU
03/07/02		(H)	HES AT 3:00 PM CAPITOL 106
03/07/02		(H)	Heard & Held
03/07/02		(H)	MINUTE(HES)
03/13/02	2530	(H)	COSPONSOR(S): COGHILL, KOHRING, GREEN,
03/13/02	2530	(H)	FOSTER
03/14/02		(H)	HES AT 3:00 PM CAPITOL 106
03/14/02		(H)	Heard & Held
03/14/02		(H)	MINUTE(HES)
03/19/02		(H)	HES AT 3:00 PM CAPITOL 106
03/19/02		(H)	-- Meeting Canceled --
03/21/02		(H)	HES AT 3:00 PM CAPITOL 106
03/21/02		(H)	-- Meeting Canceled --
03/22/02	2655	(H)	COSPONSOR(S): FATE
03/26/02		(H)	HES AT 3:00 PM CAPITOL 106
03/26/02		(H)	Heard & Held
03/26/02		(H)	MINUTE(HES)
04/02/02		(H)	HES AT 3:00 PM CAPITOL 106
04/02/02		(H)	<Bill Canceled>
04/11/02		(H)	HES AT 3:00 PM CAPITOL 106
04/11/02		(H)	Moved CSHB 464(HES) Out of Committee
04/11/02		(H)	MINUTE(HES)
04/15/02	2924	(H)	HES RPT CS(HES) NT 5DP
04/15/02	2924	(H)	DP: COGHILL, KOHRING, WILSON, STEVENS, DYSON
04/15/02	2924	(H)	FN1: ZERO(H.HES/EED)
04/17/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519

WITNESS REGISTER

ED McLAIN, Ed.D., Deputy Commissioner of Education
Office of the Commissioner
Department of Education and Early Development
801 W 10th Street, Suite 320
Juneau, Alaska 99801-1894
POSITION STATEMENT: Testified in support of HB 478.

DIANE BARRANS, Executive Director
Postsecondary Education Commission
Department of Education and Early Development
3030 Vintage Boulevard
Juneau, Alaska 998901-7109
POSITION STATEMENT: Answered questions related to HB 478.

DEBBIE OSSIANDER, Legislative Chair
Anchorage School Board
Anchorage School District
PO Box 196614
Anchorage, Alaska 99519

POSITION STATEMENT: Testified that the Anchorage School Board is generally supportive of HB 478. Testified in support of HB 293.

LOUISE PARRISH
(No address provided)
Valdez, Alaska

POSITION STATEMENT: Testified that a loan forgiveness program such as encompassed in HB 478 could certainly help her daughter decide to finish her education and teach in Alaska.

CARL ROSE, Executive Director
Association of Alaska School Boards
316 West 11th Street
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 478, although he viewed it as insufficient.

SHARALYN "SUE" WRIGHT, Staff
to Representative Mike Chenault
Alaska State Legislature
Capitol Building, Room 432
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 488 on behalf of the sponsor, Representative Chenault.

JOHN WILLIAMS, President
Challenger Learning Center of Alaska
9711 Kenai Spur Highway
Kenai, Alaska

POSITION STATEMENT: Explained HB 488.

STEVE HORN, Executive Director
Challenger Learning Center of Alaska
9711 Kenai Spur Highway
Kenai, Alaska

POSITION STATEMENT: Requested the committee's support for HB 488.

JANET SEITZ, Staff
to Representative Norman Rokeberg

Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 293 on behalf of the sponsor,
Representative Rokeberg.

JOHN BITNEY, Legislative Liaison
Alaska Housing Finance Corporation
Department of Revenue
PO Box 101020
Anchorage, Alaska 99510

POSITION STATEMENT: Testified in support of HB 293.

GRETCHEN MANGROBANG, certified teacher
Alaska Military Youth Academy
(No address provided)
Anchorage, Alaska

POSITION STATEMENT: During discussion of HB 293, expressed the
need to do whatever necessary to recruit and retain teachers in
Alaska.

NEIL SLOTNICK, Deputy Commissioner
Treasury Division
Alaska State Pension and Investment Board (ASPIB)
Department of Revenue
PO Box 110405
Juneau, Alaska 99811-0405

POSITION STATEMENT: Testified on HB 293.

JOHN JENKS, Chief Investment Officer
Treasury Division
Alaska State Pension and Investment Board
Department of Revenue
PO Box 110405
Juneau, Alaska 99811-0405

POSITION STATEMENT: Testified on HB 293.

REPRESENTATIVE JEANNETTE JAMES
Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

POSITION STATEMENT: Spoke as the sponsor of HB 464.

ACTION NARRATIVE

TAPE 02-16, SIDE A
Number 0001

CHAIR CON BUNDE called the House Special Committee on Education meeting to order at 8:00 a.m. Representatives Bunde, Porter, Wilson, Stevens, and Guess were present at the call to order. Representatives Green and Joule arrived as the meeting was in progress.

HB 478-TEACHER LOAN ASSUMPTION PROGRAM

CHAIR BUNDE announced that the first order of business would be HOUSE BILL NO. 478, "An Act relating to the Alaska teacher recruitment loan assumption program; and providing for an effective date."

REPRESENTATIVE GUESS, Alaska State Legislature, speaking as the sponsor of HB 478, explained that HB 478 is a loan assumption program that was requested by the Department of Education and Early Development (EED). This loan assumption program would provide the freedom of a teaching incentive program regardless of the postsecondary school where the education was received and regardless of the entities from which the student loan was borrowed. She pointed out that the Alaska Commission on Postsecondary Education (ACPE) now attempts to obtain the best loan possible for people and thus the loans aren't always ACPE loans.

CHAIR BUNDE asked if this legislation applied only to Alaska residents.

REPRESENTATIVE GUESS deferred to the department.

Number 0224

ED McLAIN, Ed.D., Deputy Commissioner of Education, Office of the Commissioner, Department of Education and Early Development, announced the department's support of HB 478 because it views HB 478 as another tool to attract teachers to Alaska. The legislation is of a relatively modest cost with a relatively high return. In response to Chair Bunde's earlier question, Dr. McLain said that the department didn't conceive of the legislation only applying to Alaska residents. The desire is to be attractive to teachers from all over, he said. Currently, Alaska doesn't turn out the number of teachers necessary to fill the vacancies.

REPRESENTATIVE STEVENS requested an explanation of the financial elements of HB 478.

Number 0505

DIANE BARRANS, Executive Director, Postsecondary Education Commission, Department of Education and Early Development, explained that while this legislation would provide a benefit that could attract nonresidents to the state, the benefit wouldn't be received until completion of a year of teaching in Alaska. Therefore, she presumed such individuals would've established residency in the state. With regard to the costs, the fiscal note she submitted has a zero fiscal impact for operating expenses. She explained that the commission would basically be a dispersing agent, which the commission believes can be done in a fairly automated manner and thus there are no plans to add staff. With respect to the actual benefit expense, the fiscal note is indeterminate because it would depend upon the amount of money available through appropriation to fund the benefits. The legislation, through its structure, suggests that the student loan corporation's return of capital payment might be a source of future funding. Although in the last three years those funds returned to the state have been expended in a variety of ways, the funds have typically been expended on educational programs. Ms. Barrans said she expects the return to be relatively flat and in the amount of \$4-\$5 million each year.

Number 0700

CHAIR BUNDE informed the committee that the student loan program was, at one time, funded out of the general fund, which he characterized as burdensome. Therefore, the state gave the commission the loan portfolio. He inquired as to the amount the corporation would've capitalized.

MS. BARRANS answered that the student loan corporation was capitalized to approximately \$306 million in the form of outstanding loans.

CHAIR BUNDE highlighted that then ACPE became self-sustaining, and made a profit.

MS. BARRANS said the commission likes to think of it as reducing income. She informed the committee that this will be the third year in which the commission has had a return to the state. Including fiscal year 2003, the total return amounts to about \$12 million.

CHAIR BUNDE surmised that if HB 478 were passed there would be a suggestion that the [returns from ACPE] would be used to fund this legislation, although there would be no requirements to that effect due to the inability to have dedicated funds.

REPRESENTATIVE STEVENS commented that anything that can be done to help address the teacher shortage in Alaska should be done. Representative Stevens inquired as to the debt an average new teacher coming into Alaska would owe. He also inquired as to whether districts may have room to provide assistance with loan forgiveness as well.

MS. BARRANS informed the committee that the average debt someone leaving school with a four-year degree has is approximately \$16,000. Of course, that amount is increasing. Ms. Barrans related her understanding that HB 478 offers a way in which Alaska can keep pace in terms of the tools available to recruit students.

Number 1152

CHAIR BUNDE inquired as to the average loan obligation for those who have attended school in Alaska and used the student loan to the maximum.

MS. BARRANS said that such specific analysis hasn't been done. However, she suspected that the average loan obligation for those who have attended school in Alaska and used the student loan would be between \$18-\$22,000. She related that anecdotally she understands that often education majors don't, upon entering college, know that education is their major and thus they may attend college for an additional year or more. Therefore, there may be five or more years of educational debt. Although a four-year degree is achievable, typically students are taking longer to obtain a degree.

REPRESENTATIVE STEVENS asked if this legislation works with the existing teacher forgiveness student loan program.

MS. BARRANS clarified that the program is the teacher education loan, which has been in place for about 15 years. The objective of the teacher education loan was to attract students from Alaska to teaching careers in rural schools. The teacher education loan provides up to 100 percent forgiveness of the loan plus interest if the student teaches in a rural school. She informed the committee that the aforementioned program has about a 20 percent success rate. The program is funded by about

\$1.2 million a year from corporation receipts. Although both programs work toward different objectives, both assist in meeting the demand for teachers.

CHAIR BUNDE inquired as to the actual number of people who successfully use the program.

MS. BARRANS offered to provide that information to the committee. She informed the committee that perhaps 120 students are funded per year. She noted that the program has a fairly high attrition rate.

CHAIR BUNDE pointed out that were HB 478 to pass it would be dependent upon future legislative appropriations and thus could not be funded at any time.

MS. BARRANS interjected that she views one of the commission's responsibilities under HB 478 to be a fiscal agent to monitor the number of program beneficiaries and the amount of funding available. Therefore, she recommended that the primary commitment be to those who have already entered the program and who are working with some commitment. She further recommended that sufficient funds be reserved in order to make good on the benefit to those in the program and alert incoming participants that funding is based on appropriation.

Number 1802

CHAIR BUNDE inquired as to why not continue the old student loan forgiveness program under which all or half of the loan was forgiven simply by staying in Alaska.

MS. BARRANS explained that through 1987 the state provided general funds to finance the program. The program included the feature in which someone who graduated from the state and taught in the state could have up to half the loan forgiven. However, when the state was unable to continue to finance at that level, the corporation was created and capitalized with the outstanding loans. The commission was expected to issue and repay those bonds plus interest. Therefore, the corporation was placed in a position such that in 1993 it faced an equity deficit of almost \$50 million. That particular construction of loan forgiveness and the commitment on the loan contract wasn't financed and brought the student loan program within a year or two of having to close because additional debt couldn't be incurred unless cash flow and asset support to pay the debt materialized. In 1993, the legislature authorized changes to the program that

allowed the loans to pay for themselves. Today, the forgiveness benefit continues to be paid out, although it has dwindled to a few million a year which can be absorbed as a reduction of net income.

REPRESENTATIVE STEVENS agreed that HB 478 is better than nothing, although \$2,000 a year doesn't seem to place Alaska in a competitive position in the future. Therefore, he inquired as to how Alaska could be in a position of competing with other states for this limited supply of teachers.

MS. BARRANS related that other states are developing multiple strategies, which she recalled was the approach taken by last year's task force.

Number 2210

REPRESENTATIVE GREEN turned to the indeterminate fiscal note and inquired as to the number of people Ms. Barrans envisioned taking advantage of this.

MS. BARRANS answered that the fiscal note is truly indeterminate. She suggested that the department could provide the committee with the number of expected vacancies that it can project going forward. One would assume that half of those would be new teachers with existing educational debt. If experienced teachers can be recruited then their debt may have been paid off already. Therefore, it would be a blend of new teachers with debt and experienced teachers with little to no debt. Ms. Barrans said she suspected that several million dollars could be spent on this program alone.

CHAIR BUNDE asked if he was correct in that the bill says that \$2 million of ACPE's dividend would be allotted to this program.

REPRESENTATIVE GUESS, in response, directed attention to page 2, lines 21-23.

CHAIR BUNDE surmised that if the \$2 million is achieved, then the dividend deemed appropriate would be given. He recalled from earlier testimony that over the past few years there has been a \$4 million dividend on average.

Number 2450

DEBBIE OSSIANDER, Legislative Chair, Anchorage School Board, Anchorage School District, testified via teleconference. Ms.

Ossiander informed the committee that the Anchorage School Board is generally supportive of HB 478. Ms. Ossiander, in response to Chair Bunde, said that she would work on obtaining the number of new teachers who might take advantage of this program this year if it were available.

CHAIR BUNDE said that he could foresee equal protection concerns with existing teachers who already have loans.

REPRESENTATIVE GUESS clarified that this legislation only pertains to newly hired teachers.

REPRESENTATIVE GREEN asked if this legislation would apply to a student in his/her second year [of teaching].

REPRESENTATIVE GUESS answered that this legislation would only apply to newly hired teachers.

CHAIR BUNDE posed a situation in which a teacher in Anchorage goes to a new school, such as a rural school. He asked if a teacher in such a situation would be a newly recruited teacher.

REPRESENTATIVE GUESS replied that she didn't believe so.

MS. BARRANS related her understanding that this legislation specifies that [it applies] to employment beginning on or after a certain date. However, the Board of Education is given the authority to create the details by regulation. Ms. Barrans also related that she understood the legislation to be a recruitment incentive, not simply a reward for existing employment.

REPRESENTATIVE GUESS, before leaving for caucus, pointed out that the committee packet includes an amendment should would like offered. She explained that the amendment merely clarifies which board, the ACPE Board or the Board of Education and Early Development, is referenced in the legislation.

CHAIR BUNDE returned to the question of whether leaving one district and going to another is beginning employment and related his suspicion that individuals in such a situation would qualify for this loan assumption program.

REPRESENTATIVE STEVENS pointed out that the legislation refers to a "newly hired teacher".

CHAIR BUNDE explained that a teacher with 20 years in one district can be hired in another district and be considered a newly hired teacher.

Number 2939

LOUISE PARRISH, testifying via teleconference, related that her daughter, who is currently a junior, is taking education classes because she is interested in becoming an elementary math teacher. She noted that her daughter is currently attending school out of state, but due to her debt load she is reviewing other schools. Ms. Parrish said that a loan forgiveness program could certainly help her daughter decide to finish her education in Alaska and teach in Alaska.

CHAIR BUNDE informed Ms. Parrish that he understood the legislation to apply to individuals who attend school outside Alaska so long as they return to the state to teach.

MS. PARRISH said that would widen her daughter's options. In response to Representative Stevens, Ms. Parrish told the committee that she would estimate that her daughter would be about \$30,000 in debt by her junior year.

Number 3204

CARL ROSE, Executive Director, Association of Alaska School Boards (AASB), testified in support of loan assumption programs and HB 478. However, he related AASB's belief that HB 478 will be insufficient for what is necessary [to recruit teachers to Alaska]. For instance, Montana is a state that educates individuals in education; however, those individuals are going elsewhere to work because of the incentives. Mr. Rose mentioned that he served on the task force which reviewed how a loan assumption program would be used. The task force reviewed a 50 percent assumption with 10 percent per year for five years, which it believed to be reasonable. However, that figure was changed. Mr. Rose reiterated that AASB supports HB 478, although it believes the legislation is insufficient in comparison to what other states offer, particularly California.

CHAIR BUNDE questioned, then, whether it's worth doing. He asked if the money would be better spent in the foundation formula.

MR. ROSE said he really couldn't make that judgment, although he did say that if this legislation was sufficiently funded it

would be helpful. Mr. Rose said, "I think the reason we're here is because of the way we've addressed the foundation formula over the last dozen years."

CHAIR BUNDE, upon determining that no one else wished to testify, closed public testimony.

Number 3420

CHAIR BUNDE moved that the committee adopt Amendment 1, which read:

Page 5, line 12, following "program":

Delete "."

Insert ";"

Page 5, following line 12:

Insert a new [paragraph] to read:

"(5) "board" means the Board of Education and Early Development."

REPRESENTATIVE GREEN inquired as to how the Board of Education and Early Development would [define] a newly hired teacher who would be eligible for this loan assumption program.

DR. McLAIN answered that it would be his recommendation that the reference to a an applicant first hired as a classroom teacher wouldn't refer to someone in the second or third year of an ongoing contract. With regard to moving from one district to another, Dr. McLain said he wouldn't consider someone moving to another district as a new hire. Dr. McLain argued that someone with experience in the Lower 48 who comes to Alaska for the first time to teach would fall under this legislation. In response to Representative Green, Dr. McLain said he understood the legislation to focus on the date first hired as a classroom teacher and the postsecondary expenses. Therefore, it wouldn't matter whether the individual changed majors during the second or third year of school.

REPRESENTATIVE GREEN asked if this legislation is significant enough.

DR. McLAIN agreed with earlier comments that this legislation is one more tool, and in that context AASB supports the legislation. However, he said that he would like to see additional dollars.

Number 3900

CHAIR BUNDE directed attention to the language "newly hired teachers" and inquired as to Dr. McLain's thoughts on adding the language referring to newly hired teachers when first hired in Alaska.

DR. McLAIN said he understood the legislation to apply to newly hired teachers when first hired in Alaska and thus he appreciated Chair Bunde's clarification.

CHAIR BUNDE highlighted that this is a policy decision in which the committee must determine whether the legislation should apply to first time hires only or those teachers who move to a new district, particularly an underserved district.

REPRESENTATIVE PORTER said that he didn't believe it is appropriate for state law to establish an advantage in the state of one district over another.

CHAIR BUNDE agreed. However, he pointed out that the language "first hired in Alaska" would be equal whereas "newly hired" would allow a teacher moving from one district to another to qualify for the program.

REPRESENTATIVE PORTER opined that allowing teachers who moved [to a new district] to qualify for this program wouldn't be a good state policy.

CHAIR BUNDE asked if the committee wanted the legislation to apply only to first-time hired teachers in Alaska or newly hired teachers, which would include teachers who move from one district to another.

Number 4222

REPRESENTATIVE STEVENS asked if districts have the latitude to do this on their own, that is provide additional funds to new teachers.

DR. McLAIN explained that through the teachers' negotiated agreement, teachers have a variety of ways to enhance their particular district. Therefore, a teacher could increase his/her salary due to the district's flexibility with the salary scale.

REPRESENTATIVE STEVENS said he would be comfortable with the reference to first hired in Alaska with the realization that the districts have other options.

REPRESENTATIVE PORTER inquired as to the sponsor's intent with regard to who this legislation would apply.

DR. McLAIN answered that he understood the legislation to encourage qualified teachers to come into the state versus into the district. Barring other direction, Dr. McLain said that's how he would interpret this legislation.

CHAIR BUNDE requested that Dr. McLain develop language to the above intent to insert on page 1, line 10. He then rolled HB 478 to the bottom of the calendar.

HB 488-INS. CREDIT MATH, SCIENCE & TECH. STUDIES

CHAIR BUNDE announced that the next order of business would be HOUSE BILL NO. 488, "An Act relating to an insurance tax credit for a gift to a school for math, science, and technology; and providing for an effective date."

CHAIR BUNDE announced that he didn't intend to move HB 488 from committee today.

TAPE 02-16, SIDE B

Number 4554

SHARALYN "SUE" WRIGHT, Staff to Representative Mike Chenault, Alaska State Legislature, paraphrased the sponsor statement which reads as follows:

House Bill 488 establishes a tax credit for gifts to an institution for the study of math, science, and technology. It provides for calculation of the tax credit and establishes limits on an allowable credit.

MS. WRIGHT noted that HB 488 was introduced at the request of the Challenger Learning Center of [Alaska]. The plan is to form a plan giving committee and create something similar to the endowment that the university has.

Number 4435

JOHN WILLIAMS, President, Challenger Learning Center of Alaska, explained that the Challenger Learning Center of Alaska is a statewide institution of learning in the areas of space, science, and technology. The center was funded through private, corporate, and federal monies. Presently, over \$6 million has been invested in the facility plus an additional \$3 million in order to double the size of the facility due to the extreme demand. Over the first two years of operation, the facility has served nearly 10,000 students statewide and the expectation is that it will continue to grow. At this point the center isn't requesting direct appropriations but is requesting that a foundation be established so that the center can operate for years to come. The foundation would be patterned after the university foundation which allows a tax credit to be given for donations. Thus far, corporations have willingly provided funds to establish and operate the center and have indicated a continued funding commitment if there is some help, which this legislation provides. Mr. Williams noted that the center serves students and teachers.

REPRESENTATIVE STEVENS asked if the endowment proposed in HB 488 would compete with the university endowment.

MR. WILLIAMS noted that the university is aware of this proposal and there may be a very slight competition between the two endowments. However, the endowment proposed in HB 488 includes a cap on the amount of money that the center would seek in a year whereas the university endowment has no cap. Furthermore, the university has a major endowment that has been in operation for many years and thus Mr. Williams said he didn't believe the proposed endowment would compete with the university at all.

MR. WILLIAMS, in further response to Representative Stevens, explained that the endowment is such that if a corporation were to make a donation to the center, half of the first \$100,000 would be eligible for a tax credit and the other half would come from the donor. Therefore, \$50,000 would be considered a personal donation and \$50,000 would be credit against taxes. A second \$100,000 donation would be credit against taxes. He highlighted that \$200,000 is the maximum that could be given in any one year. Mr. Williams related his belief that many small corporations would take advantage of the tax credit. Mr. Williams specified that this would be a credit against the federal corporate income tax as well as the state corporate income tax.

CHAIR BUNDE highlighted that there is no knowledge with regard to the number of corporations that will donate, and therefore there is no knowledge with regard to the cost to the state in lost taxes.

MR. WILLIAMS posed a situation in which the maximum amount allowed under this legislation is reached and said the state could lose as much as \$600,000 a year.

Number 3836

STEVE HORN, Executive Director, Challenger Learning Center of Alaska, requested the committee's support for HB 488. He informed the committee that the Challenger Learning Center of Alaska's mission is to change the way teachers teach and students learn through hands-on learning with simulated space missions. The desire is to establish the Challenger Learning Center of Alaska as a curriculum that's used throughout the state. The aforementioned is achieved by the following: having students and teachers come to the facility, sending the center's teachers to rural Alaska schools, holding camps and workshops at the facility, and offering a distance learning program. Therefore, the board of directors has established the Challenger Learning Center of Alaska Foundation and HB 488 would be key to enticing contributions to the foundation so that the organization would be sustained and continue to deliver the programs it currently delivers.

REPRESENTATIVE WILSON directed attention to the title of HB 488 and asked if someone could give a donation to a public, private, or parochial school and earmark the donation for math, science, or technology in order to receive the tax credit.

CHAIR BUNDE related his assumption that if the donation met the other specified qualifications, then the donation could go to other schools.

[HB 488 was held over.]

HB 293-AHFC LOANS TO TEACHERS

CHAIR BUNDE announced that the next order of business would be HOUSE BILL NO. 293, "An Act relating to the teachers' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date."

CHAIR BUNDE announced that he didn't intend to move HB 293 from committee today.

Number 3335

REPRESENTATIVE PORTER moved to adopt Version 22-LS1165\J, Cook, 3/28/02, as the working document. There being no objection, Version J was before the committee.

CHAIR BUNDE moved that the committee adopt Amendment 1, which reads as follows:

Page 2, line 9, following "section":

Insert "and permit each vacant unit to be occupied by at least one individual who is not a certificated teacher but is employed in a public elementary or secondary school in the state. If the multi-family housing project still has an unacceptable vacancy level, the corporation may expand the waiver to permit other individuals to occupy vacant units"

Page 2, line 10, following the first occurrence of "waiver":

Insert "and any expansion of the waiver"

Page 2, line 10, following "the waiver":

Insert "or expansion"

Page 2, line 11, following the first occurrence of "waiver":

Insert "or expansion"

Page 2, line 11, following "the waiver":

Insert "or expansion"

Number 3260

JANET SEITZ, Staff to Representative Norman Rokeberg, Alaska State Legislature, spoke on behalf of the sponsor of HB 293. She explained that Amendment 1 ensures that there is a tiered system. The intent is that multi-family housing loans would be for units occupied by certificated teachers. This amendment allows vacant units to be filled by teachers in situations in which there aren't enough teachers to fill the units. Therefore, certificated teachers would fill the units first, then school employees, and then the occupants could be [anyone]. However, a waiver from the Alaska Housing Finance Corporation

(AHFC) must be obtained before offering the units to anyone besides a certificated teacher or school employee.

CHAIR BUNDE, upon determining there were no objections, announced that Amendment 1 had been adopted.

Number 3210

CHAIR BUNDE moved that the committee adopt Amendment 2, which reads as follows:

Page 2, line 5, following "housing":

Insert "(A) located in a city or community with a population of 6,000 or less; and
(B)"

Page 2, line 9:

Delete "(a)(2)"
Insert "(a)(2)(B)"

MS. SEITZ pointed out that Amendment 2 refers to the multi-family housing units. The intent of the sponsor is that the multi-family housing projects be for rural areas, and therefore Amendment 2 specifies a community with a population of 6,000 or less. Communities of that size include some of the communities that aren't Rural Education Attendance Areas (REAAAs) while keeping the program unavailable to larger communities.

CHAIR BUNDE, upon determining there were no objections, announced that Amendment 2 had been adopted.

MS. SEITZ explained that this legislation establishes a loan program for teachers to purchase housing with no down payment as well as a multi-family housing program for the rural areas. The corporation, AHFC, will develop the program. Section 1 of the Version J specifies a suggested funding source.

Number 2950

REPRESENTATIVE STEVENS asked if this legislation would cover a teacher who builds a house in an area where there is no housing.

MS. SEITZ replied that she believes so, but deferred to AHFC representatives for a more definitive answer.

Number 2852

JOHN BITNEY, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue, began by noting AHFC's support of the legislation, although it recognizes concerns of the Alaska State Pension Investment Board (ASPIB). The question has been regarding the source of funds being used to make these loans, which has driven the search for setting up a cost of capital to lend out that is lower than what's available on the market today. In his experience, a kicker is necessary to lower the cost of capital in order to create an incentive to meet the problem. However, there are also other issues besides finances. For example, in villages there are title restrictions on property. There are also turnover issues in rural communities where teachers aren't necessarily living in the community year round. Mr. Bitney pointed out that AHFC is trying to find ways in which to use existing programs. For example, AHFC currently has the "rural loan program," which is a revolving loan fund that makes loans in small communities at a 1 percent discounted rate from the taxable or conventional loan rate. This existing program includes a multi-family piece for up to eight plexes if the owner doesn't occupy the building. However, something is missing in the existing program. He noted that the rural districts don't want to be in the housing business. Furthermore, in many cases the teachers in the small communities form a large economic sector of the community and thus the question becomes how one can establish a program such that the economic benefit of that group is captured.

MR. BITNEY pointed out that if a low cost to capital program is created there is no desire to use up the program with existing teachers using the program to refinance homes they already have. The intent seems to be to create new housing opportunities. With regard to Representative Stevens' question, Mr. Bitney related that the industry standard is that AHFC and the loan program would offer a commitment at an interest rate for construction for a specified amount of time. Once the commitment is in place, the borrower takes the commitment and borrows from a bank based on that commitment. At the time of completion, when all requirements are satisfied, the loan is taken out with that commitment.

Number 2236

REPRESENTATIVE STEVENS related that the villages with which he is familiar the districts own the housing and provide the housing to the teachers. However, in many cases the housing is substandard and thus it's difficult to obtain teachers who are

willing to move to the community. He asked if this program would include loans to districts to provide housing to teachers.

MR. BITNEY said that he wasn't familiar with the types of authorizations that would be required for a district to enter into such an agreement. From AHFC's perspective, if the loan is a good loan AHFC would like to make the loan. However, he questioned what statutory restrictions are in place for districts when entering into certain types of debt agreements.

REPRESENTATIVE GREEN asked if there is any possibility of using an "arm".

MR. BITNEY said he wasn't familiar with an "arm". He mentioned that generally the bond covenants for the source of capital on a lending program have restrictions regarding the types of loans being made. He said he would be happy to look into this.

Number 1914

DEBBIE OSSIANDER, Legislative Chair, Anchorage School Board, Anchorage School District, reminded the committee that this topic arose several times in the hearings many months ago. The [board] seems to think that this legislation has some merit. And in discussions with school board members in California and Nevada, it has come to light that any kind of housing incentive has been remarkably effective in recruiting and retaining people. Ms. Ossiander noted support of HB 293 as another tool for districts across the state.

Number 1822

GRETCHEN MANGROBANG, certified teacher, Alaska Military Youth Academy, informed the committee that she is a fairly new teacher who graduated in 2000. She explained that it took her five years to finish her Bachelor's degree and another year to complete graduate school. She informed the committee that her total debt amounts to about \$40,000, which is considerably more than she makes in a year. Ms. Mangrobang noted that the steps necessary to apply for a teaching position total about \$500. Therefore, the loan forgiveness incentives and housing incentives other states offer are very inviting. She noted that in a recent article she read, Alaska's teaching salaries ranked fifteenth. She expressed the need to take the steps necessary to entice and retain teachers in this state. Furthermore, Ms. Mangrobang said that this legislation would seem to allow

teachers in rural communities to purchase housing even if the area is one in which the land cannot be purchased.

Number 1536

NEIL SLOTNICK, Deputy Commissioner, Treasury Division, Alaska State Pension and Investment Board (ASPIB), Department of Revenue, noted that although he is speaking in his capacity as staff to ASPIB. In regard to Section 1 of Version J, Mr. Slotnick expressed the need to ensure that there is no false expectation created with regard to ASPIB being able to provide a kicker for this program. He directed attention to a memorandum in the committee packet from Mr. Jenks that explains why ASPIB cannot be viewed as a funding source for the type of loans proposed.

Number 1428

JOHN JENKS, Chief Investment Officer, Treasury Division, Alaska State Pension and Investment Board (ASPIB), Department of Revenue, reviewed the memorandum included in the committee packet. He reiterated that Section 1 of Version J permits something that ASPIB could already do; that is if there was a good investment in the marketplace, such as the program [proposed in Version J], ASPIB may invest in it. However, it would be inconsistent with the fiduciary standards the legislature has set out for ASPIB if the risk return was such that the kicker was coming from this investment. If this legislation somehow established an expectation that ASPIB would fund the entire program or make below-market investments to support the program, that would be a significant misunderstanding, he emphasized. While the members of ASPIB think the overall goals of the program are good, the board has unanimous opposition for use of the retirement systems for any type of subsidy.

[HB 293 was held over.]

HB 478-TEACHER LOAN ASSUMPTION PROGRAM

CHAIR BUNDE returned to HOUSE BILL NO. 478, "An Act relating to the Alaska teacher recruitment loan assumption program; and providing for an effective date."

ED McLAIN, Ed.D., Deputy Commissioner of Education, Office of the Commissioner, Department of Education and Early Development,

suggested, in order to clarify the intent of the legislation, the following change:

Page 1, line 10, following "teachers":
Insert "upon their first hire in the state"

Page 1, line 12:
Delete "in those schools"
Insert "in the state"

CHAIR BUNDE moved that the committee adopt [Amendment 2] as specified by Dr. McLain. There being no objection, it was so ordered.

Number 0950

REPRESENTATIVE WILSON moved that the committee adopt Amendment 3, which reads as follows:

Page 1, line 1, following "program":
Insert ", the nurse recruitment loan assumption program"

Page 1, line 9, following "program":
Insert "and the nurse recruitment loan assumption program"

REPRESENTATIVE WILSON explained that Amendment 3 addresses the nurse shortage in the state, which is worse than the teacher shortage. She noted that [Amendment 3] includes language changes as appropriate throughout the legislation.

CHAIR BUNDE objected because he believes that if the legislation was expanded to include nurses more additions could occur. For instance, there is a shortage of aircraft mechanics. He indicated that additions to legislation can often be its demise.

A roll call vote was taken. Representatives Wilson and Stevens voted in favor of Amendment 3. Representatives Porter, Green, and Bunde voted against it. Therefore, Amendment 3 failed by a vote of 2-3.

Number 0710

REPRESENTATIVE PORTER moved to report HB 478 as amended out of committee with individual recommendations and the accompanying

fiscal notes. There being no objection, CSHB 478(EDU) was reported from the House Special Committee on Education.

HB 464-CORRESPONDENCE STUDY PROGRAMS

CHAIR BUNDE announced that the last order of business would be HOUSE BILL NO. 464, "An Act relating to statewide school district correspondence study programs." [Before the committee is CSHB 464(HES), Version 22-LS1494\S.]

CHAIR BUNDE moved that the committee adopt Amendment 1, which reads as follows:

Page 1, lines 9-12:

Delete all material and insert:

"(1) shall specify that once the department has approved an initial statewide correspondence program application, the district will not be required to submit a new application

(A) more frequently than every five years if the program is designated as distinguished or successful under AS 14.03.123(a); or

(B) more frequently than every ten years if the program is designated as distinguished or successful under AS 14.03.123(a), and the program is accredited by the Northwest Association of schools and Colleges."

Page 1, line 13, following "monitored":

Delete "at periodic intervals as established by the school district"

Insert "by a certified teacher; the monitoring must include at least monthly student-teacher of teacher-parent contact, and quarterly review of the student's work or progress in the Individual Learning Plan;"

Page 2, line 4, following "the":

Delete "purchase"

Insert "review, selection."

Page 2, line 5, following "materials":

Delete "purchased by the school district or Alyeska Central School"

Insert "before they are introduced into the correspondence curriculum"

Page 2, line 8, following "work":
Insert "by certified teachers"

Page 2, line 9,
Delete all material.

Page 1, line 5, following "study":
Delete "(a)"

Page 2, line 9:
Insert a new bill section to read:
***Sec. 2.** AS 14.07.050 is amended to read:
Sec. 14.07.050. Selection of textbooks. Textbooks for use in the public schools of the state, including a district offered statewide correspondence study program, shall be selected by district boards for district schools."

Page 2, line 7:
Insert a new bill section to read:
***Sec. 3.** AS 14.08.111(9) is amended to read:
(9) establish procedures for the review and selection of all textbooks and instructional materials including textbooks and curriculum materials for statewide correspondence programs before they are introduced into the school curriculum; the review includes a review for violations of AS 14.18.060;"

Page 2, line 7:
Insert a new bill section to read:
***Sec. 4.** AS 14.14.090(7) is amended to read:
(9) establish procedures for the review and selection of all textbooks and instructional materials including textbooks and curriculum materials for statewide correspondence programs before they are introduced into the school curriculum; the review includes a review for violations of AS 14.18.060;"

CHAIR BUNDE explained that Amendment 1 ensures that students attending correspondence schools are held to the same standards as those who attend public schools. The original legislation suggested that there had to be monthly teacher-parent contact; however, often the parent is the teacher and thus there is daily contact. Chair Bunde explained that Amendment 1 would provide for a quarterly review of the student's work or progress by a certified teacher, which he likened to the parent-teacher conferences in the public school system.

REPRESENTATIVE STEVENS requested that Chair Bunde go through Amendment 1.

Number 0327

ED McLAIN, Ed.D., Deputy Commissioner of Education, Office of the Commissioner, Department of Education and Early Development, explained that the first section of Amendment 1 deletes language relating to program approval once every ten years, unless the correspondence program is deemed deficient or in crisis, and replaces it with language that allows approval every five years for programs that are deemed distinguished or successful and once every ten years if the program is also accredited. This language is present to encourage accreditation.

CHAIR BUNDE interjected that this would provide correspondence schools with an advantage because correspondence schools wouldn't be subject to review every ten years, if the school chose to [become accredited]. Public schools are reviewed every year.

DR. McLAIN related his understanding that under the Elementary and Secondary Education Act (ESEA) these programs would still be subjected to the criteria determining whether the program/school is distinguished, satisfactory, deficient, or in crisis. If programs are found to be in the first two categories listed, the program would continue to the next year whereas if the program was found to be deficient or in crisis, then the program would need to come back to the department to discuss its plans.

REPRESENTATIVE WILSON related her understanding that currently every school has to be categorized and if a school is found to be inadequate, the school would be reviewed.

DR. McLAIN pointed out that the designator bill and ESEA would require all schools in the state to be identified in one of the four categories. The prior state statute and ESEA dictate that there be some actions that the schools and the department would need to undertake depending upon ... [tape change].

TAPE 02-17, SIDE A

CHAIR BUNDE clarified that ESEA is a federal regulation and the school designator will be part of the No Child Left Behind plan.

REPRESENTATIVE WILSON surmised then that all schools have [to be categorized].

DR. McLAIN replied yes. In further response to Representative Wilson, Dr. McLain explained that currently regulation requires statewide correspondence programs to submit an annual application, which is time consuming. The current proposed regulations have changed the annual application to every five years so long as the school maintains its successful or distinguished category. Therefore, this amendment would parallel the increase in freedom in the proposed regulations.

CHAIR BUNDE informed the committee that not all public schools are accredited, and therefore the department would like to encourage more schools to become accredited.

DR. McLAIN agreed, and added that currently the state's larger high schools are accredited while many of the elementary schools aren't. From the current information, two of the correspondence schools have candidacy status and the others aren't accredited. Accreditation is extremely valuable in terms of having credits and transcripts available and accepted by other schools to which the student wishes to transfer.

Number 0217

REPRESENTATIVE STEVENS surmised then that there are no correspondence schools that are accredited at this time. He asked if the bar is so high that it would be unlikely that the correspondence schools would be accredited.

DR. McLAIN explained that two schools, Galena's Interior Distance Education of Alaska (IDEA) and Personal Alternative Choices in Education (PACE), have candidacy status, which is the first step in accreditation. The other correspondence schools haven't applied or have let their accreditation lapse. Sometimes the lapse in accreditation is due to the cost, he mentioned.

Number 0338

REPRESENTATIVE GREEN inquired as to what is so great about accreditation, especially when the students of accredited secondary schools have fallen below expectations for passing the exit exam.

DR. McLAIN informed the committee that when the department reviewed the percentage of students who demonstrated proficiency with the High School Qualifying Exam, it was found that statewide, accredited or not, the 44 percent of students demonstrating proficiency in math was substantially higher than the overall [percentage of proficiency] in all three of the larger correspondence programs.

REPRESENTATIVE GREEN asked again what accreditation brings to the school.

DR. McLAIN specified that accreditation allows a student's transcript to be accepted by other accredited schools. Dr. McLain acknowledged that there is paperwork [showing that the school has met the standards] to obtain and maintain accreditation. He argued that accreditation is especially important for innovative programs.

Number 0725

CHAIR BUNDE returned attention to Amendment 1 and informed the committee that the section dealing with page 1, line 13, is a change he made to the department's amendment. This portion of Amendment 1 changes the monthly student-teacher contact to quarterly review.

DR. McLAIN explained that the department's original regulations spoke to monthly review of work. However, public comments on that matter were that it would be onerous. Dr. McLain said that he wanted to demonstrate that the correspondence program is a program because there seems to be a perception otherwise. The regular contact would seem to help the aforementioned perception and gain credibility. Dr. McLain acknowledged that Amendment 1 drops that [monthly review of the student's work or progress] and as deputy commissioner he requested that the committee reconsider that because it wasn't included lightly. Without the monthly review, the quarterly review wouldn't be enough and leave children to fall behind without time to make mid-term instructional corrections.

Number 1009

REPRESENTATIVE STEVENS asked if this language would lead to additional need for certificated teachers to monitor monthly and quarterly reports.

DR. McLAIN specified that this language speaks to what occurs inside the local district; there's no language included here about the department monitoring.

REPRESENTATIVE STEVENS clarified that he was interested in whether this legislation would require more teachers for oversight.

DR. McLAIN explained that the department doesn't specify the minimum pupil-teacher ratio. However, in general a typical brick-and-mortar school has pupil-teacher ratios of 15-1 to 30-1. The pupil-teacher ratios in these [correspondence] programs are generally higher; it depends upon the design of the program. The department is simply suggesting that there be a monthly minimum.

CHAIR BUNDE announced that the committee wouldn't take action today because it will soon lose its quorum and thus will meet on this next week. Returning to the legislation, Chair Bunde related his understanding that the two largest correspondence schools, Galena and Nenana, haven't found the proposed regulations to be onerous.

Number 1333

DR. McLAIN returned to Amendment 1 and the sections dealing with page 2, line 4, and page 2, line 5. These amendments provide that the local school board has the duty and the authority to establish procedures through review, selection, and use of correspondence materials purchased by the school district. Existing statutes, AS 14.07.050 and AS 14.08.111, relate to the selection of text books and the district's review of curriculum respectively. This amendment makes HB 464 consistent with the aforementioned statutes.

CHAIR BUNDE explained that correspondence school parents have an account from which the price of the materials chosen are deducted. The only difference is that in Galena students are shipped a computer whereas in Nenana the parent purchases the computer and sends in the receipt to be reimbursed.

Number 1632

REPRESENTATIVE JEANNETTE JAMES, Alaska State Legislature, spoke as the sponsor of HB 464. Representative James remarked that this legislation has been a struggle in the legislature and in the public arena. She surmised that this struggle is due to the

new phenomena of computers, which has created a different system of education. Furthermore, there is the federal mandate to leave no child behind. If the state is to follow that mandate, then students should have the opportunity to do whatever works and the state has a responsibility to be sure that every child is learning. Therefore, the question becomes where the line is drawn with regard to pupil-teacher ratios; that is when is it appropriate for a certificated teacher to be involved. She agreed that oversight and passage of the benchmark exams and the High School Qualifying Exam are necessary. Regarding the amendment, Representative James turned to the area of accreditation and said that were she convinced of what accreditation does for a school, she would want every school in the state to be accredited. She pointed out that with this amendment this would be the only place in statute where accreditation is mentioned. She said she would be willing for accreditation to be included if it was available for other schools as well.

CHAIR BUNDE said that if the accreditation portion was eliminated, it would eliminate a tool from correspondence schools.

REPRESENTATIVE JAMES pointed out that Amendment 1 inserts the language specifying that the once a correspondence program application is approved by the department the program won't be required to submit a new application more frequently than every ten years if the program is designated as distinguished or successful under AS 14.03.123(a), and the program is accredited by the Northwest Association of Schools and Colleges. She questioned how much more successful do "we" want them to be.

CHAIR BUNDE surmised that Representative James would rather eliminate subparagraph (A) from the new material being inserted on page 1, lines 9-12.

REPRESENTATIVE JAMES said that she wasn't that hung up on the five year requirement, but believes that deleting all of subparagraph (B) would be appropriate.

CHAIR BUNDE inquired as to the wish of the committee.

Number 2310

REPRESENTATIVE GREEN pointed out that accreditation is voluntary and thus he didn't see a problem with including it.

CHAIR BUNDE noted that part of the challenge has been that there has been a significant level of discomfort between the department and the correspondence people. Chair Bunde said that he didn't want to add to the level of distrust.

REPRESENTATIVE JAMES said that she didn't want to make the rules for review any stricter than those for charter schools.

DR. McLAIN answered that correspondence schools and charter schools aren't an exact apples to apples comparison. For instance, charter schools are required to have a specific academic council review and set policy and direction, which isn't currently required of the correspondence programs. Furthermore, charter schools, not correspondence programs, are required to obtain local school board approval as well as the approval from the state board. The application renewal for charter schools was recently changed to every ten years, he mentioned.

CHAIR BUNDE announced that next week discussion of the amendment would continue.

[HB 464 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at 10:04 a.m.