

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE

April 2, 2001
2:00 p.m.

MEMBERS PRESENT

Senator Lyda Green, Chair
Senator Loren Leman, Vice Chair
Senator Gary Wilken
Senator Jerry Ward

MEMBERS ABSENT

Senator Bettye Davis

COMMITTEE CALENDAR

SENATE BILL NO. 155

"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."

HEARD AND HELD

SENATE BILL NO. 91

"An Act relating to information and services available to pregnant women and other persons; and ensuring informed consent before an abortion may be performed, except in cases of medical emergency."

MOVED CSSB 91(HES) OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 149

"An Act relating to employment incentives for teachers and health care providers, to reemployment of retired teachers, to loans to and loan forgiveness for teachers and health care providers, to awards to teachers, to eligibility for major medical insurance coverage for beneficiaries of the teachers' retirement system, and to teacher certificates; and providing for an effective date."

PREVIOUS COMMITTEE ACTION

SB 155 - No previous Senate action.

SB 91 - See HESS minutes dated 3/14/01 and 3/16/01.

SB 149 - No previous Senate action.

WITNESS REGISTER

Diane Barrans
Postsecondary Education Commission
Department of Education & Early Development
3030 Vintage Dr.
Juneau, AK 99801

POSITION STATEMENT: Explained the provisions of SB 155.

Rick Weems
University of Alaska Anchorage
3211 Providence Dr.
Anchorage, AK 99508

POSITION STATEMENT: Supports SB 155.

Sandy Altland
Staff to Senator Ward
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Explained the changes made to CSSB 91(HES).

Dr. Tina DeLapp
University of Alaska Anchorage
13101 Elmore Rd.
Anchorage, AK 99516

POSITION STATEMENT: Supports SB 149.

Debbie Ossiander
Anchorage School Board
PO Box 196650
Anchorage, AK 99519

POSITION STATEMENT: Supports SB 149.

Steve Cathers
Valdez, AK

POSITION STATEMENT: Supports SB 149.

Melissa Hill, Director
Alaska Teacher Placement
University of Alaska Fairbanks
Fairbanks, AK

POSITION STATEMENT: Supports SB 149.

Larraine Derr
Alaska State Hospital & Nursing Home Association
426 Main St.
Juneau, AK 99801

POSITION STATEMENT: Supports SB 149.

Bruce Johnson
Deputy Commissioner
Department of Education &
Early Development
801 W 10th St.
Juneau, AK 99801-1894

POSITION STATEMENT: Supports SB 149 but informed the committee of similar actions taken by the state board of education.

Karen Pearson
Department of Health &
Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Supports SB 149.

Sharon Barton, Director
Division of Personnel
Department of Administration
PO Box 110200
Juneau, AK 99811-0200

POSITION STATEMENT: Supports SB 149 but informed the committee of other professions that are facing a severe shortage.

ACTION NARRATIVE

TAPE 01-29, SIDE A

Number 001

CHAIRWOMAN LYDA GREEN called the Senate Health, Education & Social Services Committee meeting to order at 2:00 p.m. Present were Senators Wilken, Ward and Green. The first order of business to come before the committee was SB 155.

#SB 155

SB 155-STUDENT LOANS/COMN. ON POSTSECONDARY ED.

MS. DIANE BARRANS, Director of the Alaska Commission on Postsecondary Education (ACPE), gave the following explanation of SB 155. Recognizing that the financial status of ACPE and its

financing partner, the student loan corporation, had been stabilized 18 months ago, ACPE management was challenged by the board to identify ways to expand its services and increase the public benefit of those services for Alaskans. Working with the Commission's team of managers, the ACPE focused on a strategic recommendation made by the agency's external audit firm of KPMG Peat Marwick and developed the Alaska Advantage Program. Over the last 10 months, it has analyzed customers' needs and expectations. That has included extensive communication with administrators at the four institutions who collectively administer financial aid for approximately 40 percent of ACPE's borrowing customers. With its outreach effort, ACPE has better identified the needs of its customers and the ACPE is better informed to serve these customers now than ever before.

To that end, SB 155 has been introduced by the Governor to establish the Alaska Advantage Program. The program will return meaningful benefits and dividends to its stakeholder groups: students; parents; higher education institutions in Alaska; legislators; employers; and bond holders. SB 155 sets out a statutory framework for the ACPE and the corporation to develop and implement the premiere educational loan program in the United States by and for Alaskans. The statutory changes made by the bill will result in lower cost educational loans in Alaska and other improvements to borrowers' loan terms. The ACPE's success in marketing such a program will be one means of helping Alaskans fight the high cost of postsecondary education and hopefully change their perception that education is unaffordable. SB 155 will allow the ACPE to facilitate these changes without putting at risk the financial strength of the corporation. This initiative will improve and expand services to Alaskans and assist the institutions in Alaska in attracting and retaining new students.

For borrowers, the Alaska Advantage Program will guarantee the lowest possible borrowing rates. It will improve aid packaging and delivery by creating a one-stop shopping format. It ensures simultaneous grant and loan application. It approves and expands the borrowers deferment and repayment options and it provides an opportunity for debt consolidation in Alaska with an Alaska lender.

For institutional partners, through ASL-net, the Commission's internet portal, Alaska Advantage provides a recruitment and retention tool through beneficial interest terms. It streamlines and improves financial aid delivery, easing the administrative burden. It eliminates unnecessary program differences to simplify administration of these programs for staff and it will enhance loan product comparisons by students and their families. It also provides specific financial awards for borrowers remaining in or

returning to Alaska and it enhances default management support. For the corporation, the Alaska Advantage Program will reduce the risk through the federal guarantee, hopefully resulting in an improved bond rating to AAA and further bond cost reductions. The federal interest subsidies will improve cash flow and it will eliminate 98 percent of the loss on the federally underwritten loans due to borrowers' default, death, disability or bankruptcy.

In time, ACPE expects these changes to allow for additional Alaska Advantage benefits such as upfront interest reductions, a rate reduction for borrowers who remain in or return to Alaska, repayment rewards, bank payment rewards, and other incentives for good borrower behavior. The results achieved by the ACPE and the corporation in recent years have meant a significant improvement in both the program finances and servicing. These results could not have been achieved without broad support of the Administration, the Legislature, participating institutions and Alaska students.

SB 155 will enable the ACPE to convert these successes into positive momentum and raise its services to the next level. Continued and substantial improvement is only possible through proposed integration of the programmatic and financial strengths of federal and state student services. The timeline reflects an extremely aggressive schedule as ACPE will seek to implement this servicing model for the 2002-2003 year.

MS. BARRANS asked for expedited consideration and passage of SB 155, which will permit the ACPE to immediately direct 100 percent of its resources to the planning, marketing and other implementation activities. Success is feasible if we begin in May of this year, but the process cannot begin until the statutory structure is in place.

SENATOR WILKEN asked Ms. Barrans if she could review for the committee the projected income that ACPE expects to make with the passage of SB 155. He also asked Ms. Barrans to inform the committee of the amount of delinquent loans that have been paid through permanent fund dividend collections.

Number 689

MS. BARRANS directed the committee's attention to the fiscal note, which shows a positive change in revenues. By 2003, ACPE expects to have a \$4.7 million increase in net income, with that amount continuing as the program evolves. The fiscal note was estimated with all things remaining as they are. However, ACPE intends to take the net gain and roll it back into the loan products themselves. ACPE would like to offer below-market rate loans.

CHAIRWOMAN GREEN asked if the savings from the projected increase would apply to borrowers in the future or whether they would have any retroactive impact.

MS. BARRANS said the savings shown on the fiscal note are specific to the federally underwritten law. She noted regarding the permanent fund dividend collections for bad debt, ACPE recovered \$13 million this year and \$12 million last year.

Number 846

SENATOR LEMAN pointed out that the fiscal note contains funding for four new employees. He asked her to address, to the Senate Finance Committee, whether four new employees are necessary and or whether contracting out some of that work would be a better approach.

CHAIRWOMAN GREEN announced that she will hold the bill until Wednesday to provide committee members the opportunity to get any other questions answered.

MS. BARRANS informed the committee that the fiscal note will be revised because the numbers used are consistent with the current default rate; that default rate is expected to decrease with the new program model.

CHAIRWOMAN GREEN took a brief at-ease and then continued taking public testimony on SB 155.

MR. RICK WEEMS, University of Alaska Anchorage (UAA) finance officer, stated support for SB 155 and said that UAA's partnership with ACPE is providing great services for students.

There being no further testimony or questions on SB 155, the committee took up SB 91.

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#SB 91

SB 91-ABORTION: INFORMED CONSENT; INFORMATION

SENATOR WARD moved to adopt a proposed committee substitute (Version C) to SB 91 as the working document of the committee. There being no objection, the motion carried.

MS. SANDY ALTLAND, legislative aide to Senator Ward, sponsor of SB 91, explained the changes to the committee substitute. On page 3, line 9, a new section (c) was inserted to specify where the informational pamphlet should be distributed, that it should be

free, and that the Department of Health and Social Services should advertise the availability of the pamphlet.

SENATOR WARD stated that under current law, information about planned parenthood must be distributed in certain locations. The new section in CSSB 91(HES) will place this pamphlet next to those.

SENATOR LEMAN informed the committee that he plans to propose an amendment to this bill in the Senate Finance Committee.

There being no testimony or questions, SENATOR WARD moved CSSB 91(HES) from committee with individual recommendations. There being no objection, the motion carried.
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#SB 149

SB 149 - TEACHER/HEALTH CARE PROVIDER INCENTIVES

CHAIRWOMAN GREEN asked Senator Leman, the sponsor of SB 149, to present the bill.

SENATOR LEMAN said he introduced SB 149 because of the shortage of teachers and health care providers, most noticeably of nurses, in Alaska. To address this problem, he believes the state needs to provide incentives to reverse this trend. The University of Alaska (UA) is doing a capable job of filling some of the shortages, but it is unable to fill them all so Alaska must attract professionals from outside of the state.

SB 149 attracts newly trained people, it promotes retention of the existing workforce, and it will therefore attract retirees back into the workforce. It provides financial incentives to motivate entry-level teachers and health care providers to the state. It has a partial loan assumption element that provides up to \$10,000 in state-paid loan payment support. In addition, it contains a loan forgiveness provision for teachers in rural areas. He believes that provision should be expanded to include certain teachers in urban areas.

SENATOR LEMAN explained that the bill also targets employed professionals by increasing medical benefits for those teachers who work 25 years instead of 20. For the additional five years of work, their coverage would increase to 100 percent upon retirement. Another provision of the bill recognizes out-of-state teaching certificates and provides for a teaching excellence award program. That program provides a \$1500 award to up to 20 percent of the teachers in Alaska school districts. The districts would determine the methods to decide who the awards will go to. He expects that program to motivate teachers to improve our education system. The bill contains a fiscal note, which he expects the committee to work

on to fit within the budget gap.

SENATOR LEMAN pointed out that under SB 149, retired teachers would be able to come back into the system and work. They could continue to receive benefits but, if they chose not to, they could work at a higher salary. He offered to go into more detail on that section if necessary.

Number 1501

SENATOR GREEN asked if the Department of Law has issued an attorney general's opinion on the question of whether it is discriminator to grant forgiveness on student loans for a certain segment of the population.

SENATOR LEMAN stated that SB 149 has discrimination built into it. He believes the question is whether the discrimination is appropriate and, in his opinion, it is. He said he would welcome testimony from the Department of Education and Early Development and the assistant attorney general who represents that department on that question.

SENATOR WARD commented that special housing loans were given to police officers in the Mountainview area of Anchorage. He asked Senator Leman whether he considered offering a further subsidized housing loan program through the Alaska Housing Finance Corporation to provide incentive to teachers to move to certain areas.

SENATOR LEMAN thought that is a good idea and said he sees the bill as a work in progress. He recognizes that the bill has a large fiscal note and that it will have to be constrained.

SENATOR WARD asked the committee to consider a housing subsidy and thought the police program was subsidized with federal money.

SENATOR WILKEN asked when the ACPE will provide a fiscal note.

CHAIRWOMAN GREEN said she would request one.

SENATOR WILKEN asked whether the Department of Community and Economic Development is the appropriate agency to administer the loan program [page 9, line 14].

SENATOR LEMAN said that provision refers to the grants that are given directly to whoever made the loan.

CHAIRWOMAN GREEN asked participants to keep their testimony brief to allow everyone time to testify.

Number 1713

DR. TINA DELAPP, UAA School of Nursing, said she is pleased to see the addition of health care providers to the bill as the greatest shortage of workers in Alaska is in the category of registered nurses. Alaska has a severe shortage of registered nurses, and a substantial number of the existing nurses in the workforce is expected to retire within 15 years. The same shortage exists in the other 49 states. In the past, Alaska has been able to rely on recruitment from other jurisdictions; it can no longer do that so it is crucial to retain the nurses who have been educated in Alaska. Given the heavy indebtedness that most nursing students have accumulated at the time of graduation, forgiving a portion of that indebtedness will give many a powerful incentive to remain in the state. Nursing is a physically, emotionally and intellectually demanding profession and those demands increase in times of shortage. The burnout rate is high. It is not uncommon for a recent graduate to be overcome by the demands and elect to seek employment in a less demanding field. Extending the rate of loan repayment over a five year period may be useful in keeping nurses actively employed in the field until they have had sufficient time to gain experience and comfort. The shortage in Alaska is most severe in rural areas therefore she applauds the provision that adds an incentive for individuals who elect to practice in rural areas, however she does not believe that was intended to be based on a cumulative GPA. Improving the quality of preventive, acute and long term health care services will ultimately reduce costs and provide economic advantages to communities that seek to attract and retain workers to fill jobs both in and outside of the health care arena. She believes SB 149 will attract and increase the retention of nurses in Alaska, and especially in rural areas of the state. She suggested providing more continuing education opportunities in rural Alaska.

Number 1879

MS. DEBBIE OSSIANDER, a member of the Anchorage School Board, expressed enthusiastic support for SB 149. This bill will go a long way toward some of the challenges that public schools are facing. Sections 3 and 4 are particularly important. The five year timeframe on reciprocity of teacher certification is particularly helpful. Additionally, the employment of retired teachers is a provision that the Anchorage School District, and others, has pushed for several years. The Anchorage School District would like to see that provision apply to hiring teachers in areas of shortage. The Anchorage School District is also appreciative of being able to determine areas of shortage; that bit of local flexibility will go along way towards benefiting it.

MS. OSSIANDER said she is confused about Sections 8 and 10, regarding the loan forgiveness provisions. Section 10 would be particularly helpful for urban Alaskan school districts. She also appreciates the teacher award program. Overall, the Anchorage School Board supports SB 149.

Number 2005

MR. STEVE CATHERS from Valdez testified on his own behalf. He finds SB 149 to be a bold and creative bill that provides a number of strategies to attract teachers to the state. This bill addresses all teachers: new teachers through loan forgiveness provisions; retired teachers by not interrupting their retirement benefits; and it provides for teacher certification reciprocity. He expressed concern about whether a teacher who, through reciprocity, has received a five year certificate can reapply for a provisional certificate when the five years is up. Regarding the teacher award program, the State of Arizona has proven that objective criteria for awarding incentives can be implemented. The superintendents have discussed and strongly support the possibility of eliminating the Tier II designation from the teachers retirement system. SB 149 will certainly be of use to school districts but timing is critical as the job fair will occur soon.

MS. MELISSA HILL, Alaska Teacher Placement director, expressed support for SB 149, especially for the certification reciprocity provision. The certification process in Alaska is very expensive. She asked that the Institutional Recommendation Form be reviewed by the teacher certification office. She also expressed support for reemployment of retired members and for the loan forgiveness provision. Other states have offered signing bonuses that do not necessarily lead to higher retention rates. She recommended allowing school districts in urban areas to use these incentives to hire staff in high demand positions.

Number 2308

MS. LARRAINE DERR, representing the Alaska State Hospital and Nursing Home Association, said she is speaking specifically to the shortage of nurses although there is a shortage in many of the health care provider areas. Of 33 categories of health care providers that the Department of Labor keeps track of, 5400 vacancies are projected to occur within the next 10 years, according to a 1998 study. Since 1998, 580 vacancies per year have been occurring. By 2008, Alaska will need more than 1300 registered nurses (RNs) and 150 more licensed practical nurses (LPNs). Currently the UA enrolls 60 students per year in its RN program and 30 in the LPN program. About 15 percent of LPNs plan

to leave that field in the next five years. That extrapolates to an additional 550 vacancies or more than 100 per year. The UA is adding new programs but additional students must be attracted into these areas. The legislature can help by supporting UA's budget and by supporting SB 149. This is not an Alaska issue alone; the American Hospital Association has named workforce development as its number one priority in 2001. The problem is nationwide. This legislation will help to attract students to Alaska.

TAPE 01-29, Side B

MS. DIANE BARRANS, Executive Director of the Alaska Commission on Postsecondary Education, said she looked at the forgiveness provision on state student loans and the provision that establishes a program within the Department of Community and Economic Development. The bill contains windows of opportunity for people who have borrowed student loans from July 1, 2001 through June 30, 2004. However, this bill does not provide tools that can be used to recruit this year. The loan forgiveness provision does not apply to any existing loans; it will begin to apply to loans borrowed this next year. The sunset provision will provide for a periodic review to see whether the loan forgiveness provision would remain.

SENATOR LEMAN asked if that window of opportunity could be changed by making the date earlier.

MS. BARRANS said it could. She also pointed out the ACPE has not provided a fiscal note yet because there is some uncertainty about the health care provider definition and who the benefits would be extended to. The definition is very broad; 14 health care professions are licensed by the state and could fit the definition of the bill. She stated without further guidance from the sponsor, the ACPE will craft a fiscal note for the broadest interpretation of that definition.

CHAIRWOMAN GREEN asked Senator Leman to discuss that definition with Ms. Barrans.

Number 2244

DR. BRUCE JOHNSON, Deputy Commissioner of the Department of Education, commended Senators Leman and Davis for their efforts in trying to address the teacher shortage issue. He noted the state board of education passed, this last Friday, a provisional two-year certificate, which is similar to what is outlined in the bill. He asked the committee to review the provisional certification to determine whether that will be sufficient.

SENATOR LEMAN asked if the state board has the statutory authority to make that change.

DR. JOHNSON said the board does believe it has that authority.

MS. KAREN PEARSON, Director of Public Health, DHSS, commended Senator Lemman for including health care providers in SB 149, especially mental health care providers. She assured the committee that certain areas in Alaska are experiencing shortages in every type of health care provider. She pointed out the Denali Commission has provided funding to improve health facilities in rural Alaska. SB 149 will help provide the staff needed to make sure those facilities are utilized and that services can be delivered.

CHAIRWOMAN GREEN asked Ms. Pearson to describe the Denali Commission's program.

MS. PEARSON said that funding will be coming through the Denali Commission to address the need for primary care health facilities, especially in rural Alaska. The funding will be for both larger clinics that will serve populations of over 750, and for small clinics. There is separate funding for the two types so they will not be competing against each other. There has been extensive work done on looking at where the needs are, where the sustainability exists, and to come up with technical assistance for communities with high needs but little capacity to do their own development. She reiterated Ms. Barran's concern that the prospective dates in SB 149 will delay, for about two years, any ability to recruit based on loan forgiveness.

Number 2082

SENATOR LEMAN said he agrees the dates should be changed so that the bill has a more immediate impact. He expressed concern that the fiscal impact of SB 149 has to be constrained so he asked Ms. Pearson to work with him to determine where the incentives need to be provided among the health care professions.

MS. PEARSON agreed to do so.

MS. SHARON BARTON, Director of the Division of Personnel, Department of Administration, informed the committee that the division is concerned about recruitment and retention programs on a statewide level. The division appreciates the bill's focus on two critical areas but the shortage problem is occurring across state government and many mission-critical jobs in all agencies need

similar incentives. She provided the committee with a chart that shows that all state departments are sharing in this problem. The average age of a new hire in state government is 38 years old and the average age of state employees is 44. The state has invested in 12 years of education for its youth. Anything that can be done to encourage those college students to return to these jobs will be in the state's best interest. State government will be losing most of its most qualified people in the next five to seven years so it needs incentives to keep them in the workforce longer.

Regarding the "double dipping" issue, MS. BARTON said the provision in this bill does not add cost to the retirement program. The division has no compunction, on the other hand, of hiring "double dippers." Furthermore, other employers do not mind hiring state government retirees so the state government is cutting itself off from keeping some of its best qualified people in its workforce without providing an incentive to remain. The problem is not always rural in these other job classes. The division has been surveying applicants for state government jobs since last September. Out of 1800 responders to the survey, only 130 were in the 22 to 24 year old age group. She urged the committee to consider the rest of the workforce as it considers the provisions in SB 149.

CHAIRWOMAN GREEN asked what other specific professions are experiencing a shortage.

MS. BARTON said engineers, accountants and other higher level administrative positions, biologists and other natural resource and scientific job classes, among others.

SENATOR LEMAN pointed out that he wanted the provisions of SB 149 to also apply to engineers but he did not want the bill to be too self serving. He asked if Ms. Barton has a similar age distribution chart from five or ten years ago so that the committee can get a better picture of the state government workforce.

MS. BARTON said the division will be working on that data and it will take more of a manual effort to get those figures but she will provide the committee with a copy.

SENATOR LEMAN thought a measurable change will be evident over the last ten years.

CHAIRWOMAN GREEN suspected the problem is nationwide.

SENATOR WARD asked Senator Leman to contact the AHFC to explore the possibility of offering low-interest housing loans as an incentive.

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There being no further business to come before the committee, CHAIRWOMAN GREEN announced the committee will hear an overview on Medicaid on Wednesday and that she has requested DHSS to provide the committee with information on the costs of the recommendations made by the Long Term Care Task Force. She then adjourned the meeting at 3:15 p.m.