

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

March 9, 2004

11:01 a.m.

MEMBERS PRESENT

Representative Carl Gatto, Chair
Representative Paul Seaton, Vice Chair
Representative Dan Ogg
Representative Peggy Wilson
Representative Kelly Wolf
Representative Les Gara
Representative Mary Kapsner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 289

"An Act extending the termination date of the special education service agency; and providing for an effective date."

- MOVED SB 289 OUT OF COMMITTEE

HOUSE BILL NO. 425

"An Act relating to funding for school districts operating secondary school boarding programs, to funding for school districts from which boarding students come, and to inoperative school districts; and providing for an effective date."

- MOVED CSHB 425(EDU) OUT OF COMMITTEE

HOUSE BILL NO. 405

"An Act relating to reports on school and school district performance; and relating to accountability of public schools and school districts; and providing for an effective date."

- MOVED HB 405(EDU) OUT OF COMMITTEE

HOUSE BILL NO. 333

"An Act relating to an endowment for public education; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 289

SHORT TITLE: EXTENDING THE SPECIAL ED SERVICE AGENCY

SPONSOR(S): SENATOR(S) GREEN

02/02/04 (S) READ THE FIRST TIME - REFERRALS
02/02/04 (S) HES, FIN
02/09/04 (S) HES AT 1:30 PM BUTROVICH 205
02/09/04 (S) Moved SB 289 Out of Committee
02/09/04 (S) MINUTE(HES)
02/11/04 (S) HES RPT 3DP
02/11/04 (S) DP: DYSON, GREEN, WILKEN
02/19/04 (S) FIN AT 9:00 AM SENATE FINANCE 532
02/19/04 (S) <Bill Hearing Postponed>
02/27/04 (S) FIN RPT 3DP 3NR
02/27/04 (S) DP: GREEN, HOFFMAN, STEVENS B;
02/27/04 (S) NR: WILKEN, OLSON, BUNDE
02/27/04 (S) FIN AT 9:00 AM SENATE FINANCE 532
02/27/04 (S) Moved SB 289 Out of Committee
02/27/04 (S) MINUTE(FIN)
03/02/04 (S) TRANSMITTED TO (H)
03/02/04 (S) VERSION: SB 289
03/03/04 (H) READ THE FIRST TIME - REFERRALS
03/03/04 (H) EDU, FIN
03/09/04 (H) EDU AT 11:00 AM CAPITOL 124

BILL: HB 425

SHORT TITLE: BOARDING SCHOOL FUNDING

SPONSOR(S): REPRESENTATIVE(S) COGHILL

02/04/04 (H) READ THE FIRST TIME - REFERRALS
02/04/04 (H) EDU, HES, FIN
03/02/04 (H) EDU AT 11:00 AM CAPITOL 124
03/02/04 (H) Heard & Held
03/02/04 (H) MINUTE(EDU)
03/09/04 (H) EDU AT 11:00 AM CAPITOL 124

BILL: HB 405

SHORT TITLE: SCHOOL PERFORMANCE DESIGNATION/REPORT

SPONSOR(S): REPRESENTATIVE(S) GATTO

01/28/04 (H) READ THE FIRST TIME - REFERRALS
01/28/04 (H) EDU, HES
02/17/04 (H) EDU AT 11:00 AM CAPITOL 124
02/17/04 (H) <Bill Hearing Postponed>

03/02/04 (H) EDU AT 11:00 AM CAPITOL 124
03/02/04 (H) Heard & Held
03/02/04 (H) MINUTE(EDU)
03/09/04 (H) EDU AT 11:00 AM CAPITOL 124

BILL: HB 333

SHORT TITLE: PUBLIC SCHOOL ENDOWMENT

SPONSOR(S): REPRESENTATIVE(S) OGG, COGHILL, HOLM

01/12/04 (H) PREFILE RELEASED 1/2/04
01/12/04 (H) READ THE FIRST TIME - REFERRALS
01/12/04 (H) EDU, HES, FIN
01/27/04 (H) EDU AT 11:00 AM CAPITOL 124
01/27/04 (H) <Bill Hearing Postponed>
03/02/04 (H) EDU AT 11:00 AM CAPITOL 124
03/02/04 (H) Heard & Held
03/02/04 (H) MINUTE(EDU)
03/09/04 (H) EDU AT 11:00 AM CAPITOL 124

WITNESS REGISTER

JACQUELINE TUPOU, Staff
to Senator Lyda Green
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on SB 289 on behalf of Senator Green, sponsor of SB 289.

CHRIS ROBINSON, Executive Director
Special Education Service Agency
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 289 and answered questions from the members.

EDDIE JEANS, Finance Manager
School Finance and Facilities Section
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Testified on HB 425 and answered questions from the members.

RICH BAUYMFALK
Nenana, Alaska

POSITION STATEMENT: Testified in support of HB 425.

JIM SMITH, Superintendent
Galena School District

Galena, Alaska

POSITION STATEMENT: Testified in support of HB 425.

ROBERT RYCHNOVSKI

Iliamna, Alaska

POSITION STATEMENT: Testified in support of HB 425 and answered questions from the members.

RYNNIEVA MOSS, Staff

to Representative John Coghill

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified on behalf of Representative Coghill, sponsor of HB 425.

LES MORSE, Director

Assessment and Accountability

Department of Education and Early Development

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 405 and answered questions from the members.

BARBARA THOMPSON, Director

Teaching and Learning Support

Department of Education and Early Development

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 405 and answered questions from the members.

UNIDENTIFIED SPEAKER, NEA Alaska

Juneau, Alaska

POSITION STATEMENT: Stated NEA does not have a position on ninth grade testing.

ACTION NARRATIVE

TAPE 04-14, SIDE A

Number 0001

CHAIR CARL GATTO called the House Special Committee on Education meeting to order at 11:01 a.m. Representatives Gatto, Ogg, Wolf, Seaton, and Gara were present at the call to order. Representatives Wilson and Kapsner arrived as the meeting was in progress.

SB 289-EXTENDING THE SPECIAL ED SERVICE AGENCY

Number 0050

CHAIR GATTO announced that the first order of business would be SENATE BILL NO. 289, "An Act extending the termination date of the special education service agency; and providing for an effective date."

Number 0128

JACQUELINE TUPOU, Staff to Senator Lyda Green, Alaska State Legislature, testified on SB 289 on behalf of Senator Green, sponsor of SB 289. She told the members that SB 289 is a sunset bill which deals with the Special Education Service Agency (SESA). This agency was created by the legislature in 1985 to help remote school districts provide necessary services that are required of them from the federal government. For instance, if a school district has one blind child or one deaf child, instead of having to hire those specialists and duplicate services the SESA agency will come in and help to provide services to those children. She explained that this would help the school districts avoid costly residential programs that would be required. Ms. Tupou pointed out that there are letters of support in the members' packets from every school district in the state. This bill would extend the sunset of this agency another nine years, she added.

Number 0221

CHAIR GATTO asked Mr. Robinson to comment on the extension of the sunset date and the reason for the long extension of the SESA.

Number 0420

CHRIS ROBINSON, Executive Director, Special Education Service Agency, testified in support of SB 289 and answered questions from the members. He explained that the last authorization of the agency was for a nine-year period. In the 1994 performance review of the agency, the fourth since it was created 1986, it was recommended that either a ten-year period or the removal from the sunset provision be implemented, he said. The legislature decided to go with a nine-year authorization that comes to an end in June of this year. Mr. Robinson pointed out that the current performance review has recommended a four-year period of authorization, which is the statutory maximum under the sunset law as it is written.

MR. ROBINSON said the agency's perspective of the four-year authorization has three downsides. One is immediate and profound and that is the agency's ability to recruit very scarce specialists into the organization. All but two hires since the agency was formed have been out of state hires, he explained. He told the members that it is not realistic for SESA to persuade a highly trained and experienced specialist in a low-instance disability to come to Alaska with an indefinite and short-term future. Mr. Robinson said that the agency can only be effective to the degree that the positions are filled.

MR. ROBINSON told the members that second recommendation of the performance review is long-term in nature. The recommendation is to expand upon the funding, activities, and the influence of the agency. He stated that a four-year authorization would degrade the agency's ability to pursue those recommendations.

MR. ROBINSON spoke to the third recommendation by saying that the statute establishing SESA requires specialized reporting requirements from the agency to the Department of Education and Early Development. One of those reports is the state's single audit report which is an annual independent audit that meets the requirements of the state's Single Audit Act. He summarized his comments by saying that the agency has asked for the same period of reauthorization as provided by the legislature.

Number 0507

REPRESENTATIVE GARA commented that he is supportive of the agency. He asked why not delete the sunset date. He questioned why there is a zero fiscal note because he is sure this agency costs money.

Number 0617

MS. TUPOU responded that initially there was a lot of discussion about removing the sunset provision. She explained that there would be many logistical details that would need to be addressed, such as how the agency would incorporate itself into other departments and the authority structure that would exist. It was decided to put forth a nine-year authorization and work on legislation which would remove the sunset in the future, she said.

CHAIR GATTO suggested that there is nothing preventing legislation coming forward at any time which would eliminate the sunset provision.

MS. TUPOU replied that is correct.

REPRESENTATIVE GARA asked what agency SESA is in now.

MR. ROBINSON responded that the statute created SESA as a public organization. He characterized the agency as semi-autonomous. He explained that SESA is a public corporation similar to the Alaska Railroad. Mr. Robinson told the members that there is an administrative connection with the Department of Education and Early Development, but a separate board of directors that under statute is the Governor's Council on Disabilities and Special Education. On one hand there is the funding stream in the statute that comes through the Department of Education and Early Development budget unit, but on the other hand the governance is through the Governor's Council on Disabilities and Special Education is technically through the Department of Health and Social Services. Mr. Robinson summarized that it is small, but complex. He told the members that SESA agrees with the sponsor that there are issues related to removing the sunset that the agency would like to be proactive in addressing. He said that there needs to be a plan with respect to accountability and reporting relationships prior to the sunset provision being removed.

MS. TUPOU reiterated that the removal of the sunset provision will be addressed at a later time.

Number 0834

REPRESENTATIVE GARA commented that by agreeing to a nine-year sunset, the agency will be autonomous as it is now. He pointed out that the governor can restructure the agency through an executive order. He told the members that he does not see a substantive downside on removing the sunset provision.

Number 0911

REPRESENTATIVE SEATON moved to report HB 289, Version A, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE GARA objected for purposes of amending the bill.

REPRESENTATIVE SEATON withdrew his motion to move HB 289 out of committee.

REPRESENTATIVE GARA moved conceptual Amendment 1 which would continue the SESA and remove the sunset date.

Number 0940

CHAIR GATTO objected. He stated that he believes it is SESA's intention to specifically deal with that issue later. He told the members he would like to defer to the agency's preference.

Number 0992

REPRESENTATIVE WILSON commented that she supports SESA and would support removing the sunset provision. However, she would like to know how this action would affect the agency.

REPRESENTATIVE SEATON pointed out that Mr. Robinson told the members that the agency would like to come to the legislature with a plan before proceeding with the removal of the sunset provision. He commented that is why he would oppose the amendment.

Number 1024

REPRESENTATIVE GARA responded that he has still not heard a substantive reason why the sunset should not be removed. The idea of a plan was put forth, but not knowing what it is, or why it is important, is not a valid argument, he said.

CHAIR WILSON asked Mr. Robinson how this amendment would effect SESA.

Number 1076

MR. ROBINSON replied that there are a number of alternatives in terms of the removal from sunset. The simplest one would be where the date would simply be stricken and it would not then address any of the structural features, funding, or administrative relationships of the agency. That would all remain the status quo, he said. Mr. Robinson explained that there have been discussions that include some administrative relationships with the administration that do not exist currently. He told the members that the primary reason the sponsor and SESA agreed with this approach had to do with timing. The procedures relative to the sunset performance review did not wind down until the middle of February with the release of the report. He reiterated that the decision to go with the status quo was one of timing.

CHAIR GATTO commented that he sees Representative Gara's interest in this, but he told the members that he is reluctant to over rule the sponsor's desire to maintain a restriction when it is unlikely anyone would object to a sunset and moving forward.

A roll call vote was taken. Representatives Gara and Kapsner voted in favor of Amendment 1. Representatives Gatto, Seaton, Ogg, Wilson, and Wolf voted against it. Therefore, Amendment 1 failed to be adopted by the House Special Committee on Education by a vote of 2-5.

Number 1258

REPRESENTATIVE SEATON moved to report SB 289 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SB 289 was reported out of the House Special Committee on Education.

HB 425-BOARDING SCHOOL FUNDING

Number 1295

CHAIR GATTO announced that the next order of business would be HOUSE BILL NO. 425, "An Act relating to funding for school districts operating secondary school boarding programs, to funding for school districts from which boarding students come, and to inoperative school districts; and providing for an effective date."

Number 1314

REPRESENTATIVE JOHN COGHILL, Alaska State Legislature, testified as sponsor of HB 425. He told the members that several issues have come to his attention which he will address. He said Section 1 does not need to be in this bill, so he will be requesting that it be amended out either in this committee or the next committee of referral. Representative Coghill explained that Eddie Jeans [Finance Manager, School Finance and Facilities Section, Department of Education and Early Development] confirmed that Section 1 refers to the ten-student count provision which is not addressed in this legislation.

Number 1414

REPRESENTATIVE COGHILL clarified that HB 425 does not apply to the Nome-Beltz High School where students are brought in from villages for two-week classes. He commented that it was not his intention to provide airfare for students to fly in and out of Nome for these classes. Representative Coghill told the members that he intends to suggest that language be inserted in the bill to limit this pilot program to 170-day schools.

REPRESENTATIVE COGHILL commented that another problem has come to his attention that some boarding schools are getting federal grant money and it is not his intention for the funding in HB 425 to be added to federal funding. He explained that he only recently discovered this problem when he was reviewing a list of federal grants to Alaska and noticed that Galena received some funds for its boarding school. He noted that Nenana did not. Representative Coghill told the members that he is hopeful that Mr. Jeans will help him address this issue.

REPRESENTATIVE COGHILL referred to a list of the schools that show savings to the state of Alaska. Nenana saves close to \$319,000, he said. If this bill passes that savings would be used for the stipends for students. He told the members he believes the cost to the state would be an even draw for a very worthwhile educational opportunity. He added that he believes the Galena, Nenana, and Bethel schools are doing an excellent job and are so different in their operations that he is looking for the broadest language possible to ensure inclusion in the pilot program.

Number 1610

REPRESENTATIVE COGHILL emphasized that these boarding schools are open to any student who cannot obtain an education in his/her home community; however, this bill would also provide the opportunity for students who wish to apply for other reasons. He reminded the member that each of these boarding schools has a waiting list for entry. He asked the committee to move the bill to the next committee of referral.

Number 1637

CHAIR GATTO commented that Representative Coghill wants to delete Section 1 and do a rewrite of some of the language in the bill.

REPRESENTATIVE COGHILL replied that he has a question that just came to him that he is exploring. He told the members that he

would commit to correcting these points in the next committee of referral which is the House Health, Education and Social Services Standing Committee.

Number 1666

REPRESENTATIVE WILSON commented that she does not understand how money is saved. She said that as chair of the House Health, Education and Social Services Standing Committee she would be willing to work with the sponsor of the bill to develop a committee substitute.

REPRESENTATIVE COGHILL replied that he would prefer to have someone in the Department of Education and Early Development explain the savings component that was mentioned.

Number 1723

EDDIE JEANS, Finance Manager, School Finance and Facilities Section, Department of Education and Early Development, testified on HB 425 and answered questions from the members. He pointed to a handout in the members' packet from the Nenana City School [District] which provides an analysis of the per student dollar amount generated through the foundation program for the students based upon the community that each student lives in. That figure is then compared with the dollars generated by attending public school in Nenana. Mr. Jeans said in looking down the list it shows that many of these schools have very small student populations and therefore the dollar amount on a per student basis is high. When students come to Nenana the per student amount decreases because of economies of scale. He summarized that is the process used in determining the savings. Mr. Jeans told the members that the state has been realizing this savings for a number years due to these students attending school in Nenana.

Number 1795

REPRESENTATIVE WOLF asked Mr. Jeans how much the Galena home school program supports the boarding school program.

MR. JEANS responded that based upon the audited financial statements the department got for the Galena City School District last year, the amount of money recorded as its expense for the correspondence program was close to \$2 million less than what was actually generated from the foundation program. He clarified that there are caveats to this statement. The

correspondence expenditure recorded is for the instructional program for correspondence only. The program also provides services for special education which would be allocated to a different part of the audit. There are also administrative expenses that are associated with the correspondence program that would be the school administration component of the budget. He summarized that he could not say that Galena correspondence program made \$2 million. It is not that simple. Based on that difference, he said, it is safe to say Galena made some money on the program and it is being used to subsidize other programs, but to what degree he could not say.

Number 1928

REPRESENTATIVE GARA asked if the bill provides that each of the students who attends these schools would get \$6,000 outside of the foundation formula.

MR. JEANS replied no.

Number 1967

REPRESENTATIVE GARA asked if he understands correctly that if it is found that adequate educational opportunities are not available in a student's home district, then the student could attend one of these boarding schools.

MR. JEANS explained that the current program which is outlined in regulation says if a student does not have daily access to a secondary program, then the student would qualify for a boarding home stipend. It is not necessary to attend a boarding home school; the student could opt to go to a community where the student would be housed with a family and a stipend would be paid to that family through the school district, he said. Regulations also provide for one round trip airfare to and from the student's residence. In response to Representative Gara's question, he clarified that all this bill does is remove the criteria that there has to be a lack of daily access to a secondary program in order for a student to qualify for this program [stipend]. This pilot program would be offered until 2009, Mr. Jeans added.

REPRESENTATIVE GARA commented that the compensation mechanism would be exactly the same. This pilot program just provides the opportunities for children who have the adequate opportunity locally, but who chooses to attend a boarding school.

MR. JEANS replied that is correct.

REPRESENTATIVE GARA asked how the funding works.

MR. JEANS responded that the stipend is paid to the school district to cover the residential cost.

REPRESENTATIVE GARA asked how the base student allocation is paid for.

MR. JEANS replied that the students are counted in the school they attended for which there is foundation funding. For example, in the case of the Galena school where there are 83 students being served, the state pays foundation aid for those students. He commented that only school age students [grades 9 through 12] qualify for the base student allocation, so if there are 13-year or 14-year students there would not be any funds provided for them.

Number 2125

REPRESENTATIVE GARA concluded that the only fiscal impact is that students leave an area where there is a higher base student allocation and go to an area of a lower base student allocation.

MR. JEANS replied that is correct.

REPRESENTATIVE GARA pointed out that one or two students in small school districts may opt for this choice. The cost in that smaller district is still the same; however, the base student allocation for those two students has gone elsewhere. Representative Gara said that while the cost to the state may not have changed, there is a loss in funds to the school district the student has left.

MR. JEANS responded that Representative Gara analysis that fewer students equates to fewer dollars is correct.

CHAIR GATTO commented that conversely if a couple of additional students enroll the district receives more funds.

MR. JEANS pointed out that there is a hold harmless clause for those school that may fall below the threshold of ten students. For example, if a school originally had 12 students, but three elected to go to a boarding school, that school would be held harmless and still be funded for the ten-student minimum, he said. He reminded the members that the way the foundation

program provides funding is by group. The first grouping is 10 to 20 students. The funding is the same within those parameters. Mr. Jeans said that for example if a school had 15 student and four left then the school would not loose any funding. The school's funding is still the same, he emphasized.

MR. JEANS said in response to Chair Gatto's question about a minimum number of students to consider, he suggested that there probably is a minimum. He commented that the legislature would probably not want to maintain a school in a community if there are only three or five students. Mr. Jeans told the members that the current foundation program says that there has to be at least ten students to maintain a school for funding purposes. The hold harmless provision in this bill says that if a school falls below ten students, the school will not be closed and would still be funded for ten students. He reiterated that in a school of 10 to 20 students, there could be students that come or go and the school still gets the same funding.

Number 2297

REPRESENTATIVE GARA said he understands that in the school districts where there are ten or less students, it is held harmless. However, in a small school district where there are 60 students in grades Kindergarten through 12th (K-12), that is five students per grade, if one or two students leave, the same number of teachers are still required. So those school districts are left with the same costs, but with \$12,000 to \$20,000 less compensation from the state. That is where his concern lies, he said. Representative Gara commented that is a significant loss that cannot be absorbed.

MR. JEANS responded that schools that have 60 students do not generate \$10,000 to [\$20,000] per student. The cost per child goes down substantially. He explained that the size of school Representative Gara discussed will normally have a student enrollment variation of two to three kids each year.

CHAIR GATTO commented that just because there are 60 students and 12 grades, that does not mean the school has 12 teachers. Perhaps there would be three or four teachers, he offered.

Number 2374

REPRESENTATIVE COGHILL said that for those presently enrolled in these schools there would probably not be more than 220 students

out of 133,000 students in Alaska. The impact would be small, he commented.

CHAIR GATTO asked if Representative Coghill believes this may become a trend where there would be regional boarding schools.

REPRESENTATIVE COGHILL replied that the bill is a pilot program with a set time period and limited only to those schools that are currently operating. He commented that the program needs to demonstrate that it works before there should be any proliferation of boarding schools.

Number 2462

REPRESENTATIVE WILSON explained that in the community of Pelican there are five high school students. The community is considering not retaining the one high school teacher next year. She explained that three of the students graduate this year, which leaves only two students next year. She asked Mr. Jeans if a school could send students to another school.

Number 2517

MR. JEANS replied that according to current regulations neither a school district or the Department of Education and Early Development can send a child outside of their community of residence. The school district will still have the responsibility of providing educational services although it may not be the method preferred. It may be through a correspondence program and the district may contract with another district to provide that correspondence program.

Number 2540

REPRESENTATIVE SEATON asked Mr. Jeans what number of students [are required in] secondary schools where teachers are provided.

MR. JEANS replied that he is not sure that he understands his question. The state funds K-12 schools as small as ten students. If a school has a secondary school student attending, the school must provide secondary services.

REPRESENTATIVE SEATON asked if he understands that if there are two to five students in the secondary level the school must provide services. He asked if the important point is that there be at least ten students in the entire school.

MR. JEANS agreed that the school must have ten students. He reminded the members of the case of St. George that runs a Kindergarten through 8th grade school. St. George is still required to provide educational services to the kids in the 9th through 12th grades if the students elect to remain in the community, he said. He added that it is his understanding that the students from St. George are electing to go to Galena.

Number 2620

REPRESENTATIVE KAPSNER asked for further clarification on the deletion of Section 1.

MR. JEANS explained that Section 1 relates to inoperative school districts. It has no bearing on this piece of legislation whatsoever, he said. He told the members that initially Representative Coghill believed that Section 1 was tied into the minimum of ten students for funding purposes. It is not, so it is unnecessary.

Number 2654

REPRESENTATIVE WILSON asked if Nenana offers education beyond K-12.

MR. JEANS responded that Galena offers education beyond grade 12.

REPRESENTATIVE WILSON asked who pays for a student who has completed 12th grade and wishes to continue through the 13th or 14th year for vocational training such as beauty school.

MR. JEANS replied that it would not be paid by K-12 education.

REPRESENTATIVE SEATON asked if the full school year is 170 days.

MR. JEANS told the members that it is 180 days, ten of which can be in-service days.

REPRESENTATIVE GARA posed a hypothetical situation where the Municipality of Anchorage lost one student and the municipality lost one percent of its funding. It gets about \$300 million of foundation formula money. If a student leaves [and there was a one percent loss in funding], the municipality would lose \$3 million. He commented that is not going to happen in Anchorage, but in a school district that has 100 students, when one student leaves then the district has lost one percent of its funding.

He suggested a hold harmless provision for the base student allocation for schools with 100 or less students when there is a loss of students to boarding schools. He asked if Mr. Jeans believes this would have a significant fiscal impact.

Number 2777

MR. JEANS replied that he really does not know. He reminded the members that the discussion is really about Galena, Nenana, and Lower Kuskokwim to Bethel boarding home programs. These programs are currently operating at capacity or close to capacity and these kids are already coming from communities around the state. If school districts were really concerned about the loss in enrollment, he said he is sure those districts would be testifying today about the need for a hold harmless provision. He added that he has not heard that this is a problem from school districts.

Number 2808

REPRESENTATIVE GARA said that the way he reads Section 1 is if it is deleted a school district with ten students loses a student, then the school district closes down. Why isn't there hold harmless language that says a school district will not be closed if the last marginal student goes to a boarding school.

MR. JEANS told the members that the only school district that could fall into that category is the Pelican City School District. He commented that he really cannot see why the legislature would want to keep a school district operating if it had fewer than ten students.

CHAIR GATTO commented that there may be a desire to raise the number of students to a level higher than ten students.

MR. JEANS said in response to Representative Gara's question that the hold harmless provision for the foundation count would apply in the example he put forth. If the school district's count fell below ten students because a student(s) went to the boarding school then the district would be held harmless.

REPRESENTATIVE GARA asked how the hold harmless provision reads.

MR. JEANS replied that it is Section 3 of the bill which reads as follows:

Sec.3. AS.14.17.905 is amended by adding a new subsection to read:

(c) Notwithstanding (a)(1) of this section, a community with an ADM of less than 10 shall be counted as a school if the ADM would be at least 10 if each student from the community who is enrolled in a district secondary school boarding program outside of the student's community and operated under AS 14.16.200 were counted as a student in the community.

MR. JEANS told the members that what this section says is if a school district or community falls below ten students and it can be demonstrated to the department that enrollment dropped because students went to a boarding school, then the district would be held harmless for foundation funding purposes at the minimum of ten students.

Number 2910

CHAIR GATTO pointed out that this has already been discussed in an earlier meeting. He said for example that a whole family of kids could leave bringing the student count down to five. Even though a school of five is not what is wanted, with this hold harmless provision that is exactly what would happen if the students went to a boarding school, he said. He told the members that it is not a provision that he is entirely comfortable with.

Number 2933

REPRESENTATIVE GARA pointed out that there could be two students who decide to spend their last year in a boarding school, then the school would close. The next year two more students enroll and the school district would have open the school again. He commented that this is the kind of instability that could cost a fair amount of money.

MR. JEANS responded to Representative Gara request for clarification between the differences in language in Section 1 and Section 3 with respect to the number of students which would trigger the closure of a school district. He told the members that of the districts that serve 10 to 15 students, the majority of those students are elementary school age. There are not a great number of secondary school age students.

TAPE 04-14, SIDE B

Number 2966

MR. JEANS said it would be highly unlikely that there would be five secondary students who would leave a district. He explained that the first section of statute is statute that has been on the books a long time and it says that if a district falls below eight students the school board may declare itself inoperative. The foundation formula was rewritten under SB 36 which said to qualify for funding as a separate community, not district, there must be at least ten students. He clarified that one section is dealing with the operation of a school district as a whole and the other is dealing with the number of students for funding purposes within a community.

Number 2848

REPRESENTATIVE KAPSNER expressed her concern about removing Section 1. She told the members that she attended boarding school for one year and for extenuating circumstances it did not work out. She said she had two sister who went to Mt. Edgecumbe. It worked out for one sister, but not for the other, so she moved back to the village.

REPRESENTATIVE KAPSNER told the members that at the Bethel Alternative Boarding School (BABS) students have to take a sobriety pledge. She said that is wonderful, but because of zero tolerance some of the students are asked to leave if the pledge is broken. She said she believes it would be terrible if a student who went to that school messed up once, was sent home, and then dropped out because there were no options at home.

Number 2842

MR. JEANS replied that the example Representative Kapsner posed to the committee is happening at BABS today. He explained that all this bill does is provide some financial assistance with the residential component for a five year period and then it will be decided if it is effective or not.

REPRESENTATIVE KAPSNER commented that she was speaking to her concern of the removal of Section 1.

MR. JEANS said that Section 1 can stay in the bill. He told the members that Section 1 has no impact one way or the other. The hold harmless provision in Section 3 will cover the provision in Section 1, he reiterated.

REPRESENTATIVE GARA asked Mr. Jeans to again explain the fiscal impact in terms of saving general fund money.

Number 2800

MR. JEANS told the members that the department had estimated that the fiscal impact would be approximately \$1.4 million. He said he believes that fiscal note could be reduced downward by \$227,000 now that Representative Coghill clarified that it is not his intention to provide round trip airfare and boarding expenses for the two-week classes such as those in Nome.

MR. JEANS commented that the savings that was discussed early was based on the analysis that Nenana provided on students that are currently attending Nenana. He explained that what is being said is that if these students went to school in the student's home communities of residence, the state would be paying an additional \$318,000 in state foundation aid to those other school districts.

Number 2728

RICH BAUYNFALK testified in support of HB 425. He told the members that the students elect to go to the boarding schools for many reasons including sports and are getting a better education. Mr. Bauymfalk said the students and parents are not looking at the dollar amount, it is the education that is of concern. He urged support of HB 425.

Number 2641

JIM SMITH, Superintendent, Galena School District, testified in support of HB 425. He told the members that Galena has 85 students that come from 35 different communities in Alaska. Galena has three different programs including the local school district, the residential school, and the correspondence school. The effect is that it provides a larger population base just as a larger community has that advantage, he said. Mr. Smith said if the amount of money received for average daily membership (ADM) for Galena was divided by the total number of students served in the three programs, the amount received would be about \$3,800 per student. By using that model it means that Galena is serving those 85 students attending the boarding school for roughly \$300,000, he explained. If these 85 students were sent home to their home districts the cost to the state to educate these student would be \$680,000. Mr. Smith pointed out that even with the proposed pilot program which provides funds for

residential services, it would still be cheaper to educate the students at Galena than to send them all home.

MR. SMITH said that Galena has been aggressive in securing federal grants to operate a resiliency program. These funds are shared by Nenana and Mt. Edgecumbe. There is also the Alaska Natives grant which will come to the school next year. It will support five dorm positions in Galena, three in Mt. Edgecumbe, and one in Nenana. This grant has been shared with the other schools for the last four years, he commented.

Number 2436

MR. SMITH told the members that the Alaska congressional delegation supports the process of saving lives and providing education for those students who do not have a secondary program. He said that Galena is trying to improve the lifestyle and the residential life of the students. The school district has the kids six hours per day, five days per week, but the residential halls have the kids the rest of the week, he added. He cautioned that the federal funds are not funds that can be planned on and hopes the state will support the program which will give them additional funds that can be planned for. Mr. Smith explained that he currently issues teachers contracts with some risk because he often has to get the funding for those positions as the year progresses. He told the members that HB 425 would be a godsend to Galena and urged the committee's support.

Number 2302

ROBERT RYCHNOVSKI testified in support of HB 425 and answered questions from the members. He urged the support of the Nenana boarding school program. He told the members that the school provides a very good alternative for students who need to attend the boarding school for a variety of reasons. He said he has visited the school several times and was very impressed. Parents worry that their kids are safe when they are away from home, and the school's living center is very well run and it has outstanding employees. It is clear the staff cares about the students. The place is well setup, well maintained and very clean. He said he believes his daughter is getting a good education there.

MR. RYCHNOVSKI told the members that he was surprised when he heard of the funding situation and is concerned that this school remain open.

Number 2216

CHAIR GATTO asked how many children he has enrolled at Nenana.

MR. RYCHNOVSKI replied he has one daughter attending there.

CHAIR GATTO asked what kind of an education was available in Iliamna. Specifically, how large was it and how many teachers were there, he asked.

MR. RYCHNOVSKI replied that there were about 80 students in Iliamna and it has about seven teachers. He offered that the reason his daughter went to Nenana was due to the limited class offerings in rural districts. Nenana offered classes that he wanted her to have.

Number 2171

REPRESENTATIVE SEATON moved Amendment 1 as follows:

On Page 1, delete lines 5 through 10
Re-number the sections accordingly

Number 2152

REPRESENTATIVE GARA said that he does not have an objection, but wondered if he could ask Mr. Jeans another question. He commented that he know Representative Kapsner has a concern about removing Section 1 from the bill and asked if the committee could wait until her return to committee before proceeding with Amendment 1.

RYNNIEVA MOSS, Staff to Representative Coghill, Alaska State Legislature, testified on behalf of Representative Coghill, sponsor of HB 425. Since a lot of the members that sit on this committee also sit on the next committee of referral, she suggested that Representatives Coghill and Kapsner get together to discuss her concerns. If a change is necessary the change could be made in the next committee of referral, she commented.

Number 2081

There being no objection, Amendment 1 was adopted by the House Special Committee on Education.

Number 2029

REPRESENTATIVE SEATON moved Amendment 2 as follows:

On Page 1, Line 14
Between the words "a" and "secondary"
Insert "full school year"

CHAIR GATTO asked Representative Seaton to read the sentence as it would be with the amendment.

REPRESENTATIVE SEATON replied that with this amendment the sentence would read as follows:

boarding programs. (a) A district that began operating a full school year secondary boarding ...

Number 2014

REPRESENTATIVE GARA objected for purposes of discussion. He asked if the term "full school year" is defined somewhere.

REPRESENTATIVE SEATON replied that the Department of Education and Early Development told the committee that a full school year is 180 days of which 10 days could be used for school in-service training.

REPRESENTATIVE GARA withdrew his objection. There being no objection, Amendment 2 was adopted by the House Special Committee on Education.

REPRESENTATIVE GARA commented that the analysis from Galena and Nenana reflects that HB 425 would save the state money. He asked if the department has a position as to whether this bill would save the state money.

MR. JEANS replied that the analysis that was done by Nenana seems reasonable; however, he has not verified the numbers. He pointed out that when Nenana told the members it would be saving the state of Alaska, what is really being said is that this is the money that is currently being saved. He reiterated that this bill will cost the state about \$1.2 million each year for the five year pilot program. Mr. Jeans pointed out that the fiscal note needs to be corrected.

Number 1901

REPRESENTATIVE GARA acknowledged that it would cost the state \$1.2 million each year, but asked if the analysis is correct will it actually save the state money.

CHAIR GATTO replied that it would only cost more money if the students were placed in a regular classroom. He commented that it is almost an impossible question for Mr. Jeans to answer.

REPRESENTATIVE GARA said that currently the analysis is that by allowing these children to go to boarding school less is being spent by the state than would be spent if the children attended schools in their local school districts. By expanding the program a larger number of children will be allowed to go to boarding school so even though the state will be paying more stipends and round trip airfares, the cost to the state will be less in the long term. He asked if he understands this correctly.

Number 1809

MR. JEANS commented that this program is not an expansion of the program offering. He said these students are already attending Nenana and Galena. This proposal looks at funding the residential component of approximately the same number of students who currently attend. Mr. Jeans told the members that what the analysis says is if these schools closed their door tomorrow and all the students went back to their home communities, it would cost the state an additional \$300,000 in both cases. It would cost the state an additional \$600,000 through the foundation program to put these children back in their home communities, he reiterated. That is what the analysis says.

REPRESENTATIVE WILSON asked what if the students went back to their home communities and did a correspondence program. The districts would not get full funding then, she commented.

MR. JEANS replied that Representative Wilson is correct. If the students opted for a correspondence program its funding would be at a different level.

CHAIR GATTO suggested that in all likelihood these students are going nowhere. The students are in the school and plan to stay there.

MR. JEANS replied that is the reason the bill is before the committee. There is no assurance that Nenana would continue to

operate based on the current funding levels. They need some additional support, he said. It also provides the legislature with an opportunity to do a case study to see how this program works.

Number 1708

REPRESENTATIVE SEATON asked what funding mechanism will be used to fund this program.

MR. JEANS replied that it would currently go into the boarding home component which is already in the budget, he said.

REPRESENTATIVE GARA commented that he believes he has heard two conflicting answers to the same question. He asked if the state is currently paying one round-trip ticket per year and a monthly stipend for each student. He asked if the amount paid per student is changing.

Number 1624

MR. JEANS replied that the amount per student is not changing, neither is the round trip airfare or the stipend. For example, in Galena there are currently 83 students, of those 83 students six qualify for the residential stipend and the one roundtrip airfare under the current program. This bill expands the program by allowing the other 77 students to be funded for the residential component.

REPRESENTATIVE WILSON asked why only six are allowed the residential component now and with this bill the other 77 will be included.

Number 1564

MR. JEANS under the existing program those six children do not have daily access to a secondary program where they live. These children qualify for a stipend. The other 77 children do have daily access to a secondary program where they live, so for those children it is a choice, he explained.

CHAIR GATTO added that daily access merely means that the school offers classes in grades 9 through 12.

MR. JEANS replied that is the correct definition.

Number 1500

REPRESENTATIVE GARA withdrew his objection.

Number 1492

REPRESENTATIVE SEATON moved to report HB 425, Version D, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 425(EDU) was reported from the House Health, Education and Social Services Standing Committee.

MS. MOSS said in response to Chair Gatto's request for a revised fiscal note that a new fiscal note will be provided before the bill is heard in House Health, Education and Social Services Standing Committee.

HB 405-SCHOOL PERFORMANCE DESIGNATION/REPORT

Number 1453

CHAIR GATTO announced that the next order of business would be HOUSE BILL NO. 405, "An Act relating to reports on school and school district performance; and relating to accountability of public schools and school districts; and providing for an effective date."

REPRESENTATIVE WILSON moved to adopt CSHB 405, 23-LS1533\H, Mischel, 3/8/04, as the working document. There being no objection, Version H was before the House Special Committee on Education.

Number 1337

LES MORSE, Director, Assessment and Accountability, Department of Education and Early Development, testified in support of HB 405 and answered questions from the members. He told the members that this legislation is designed to bring the performance designations in-line with the No Child Left Behind Act. Under the current law the designations are: distinguished, successful, deficient, and in crisis. With this legislation those designators would be removed and would be replaced with language that directs the department, working with the state board of education, to implement regulations to put in place a designation system that is consistent with the No Child Left Behind Act (NCLB) [on page 3, lines 12 through 31 and page 4, lines 1 through 16]. The designations that would be used are those that are required by adequately yearly progress, he added.

MR. MORSE noted that the NCLB requires a single accountability system within each state, and the department believes having a single system with the same designations would not only be coherent, but would make communication with the schools and the public much easier. He told the members that the law also requires that there be other information added in terms of the designation system which would be based on school performance, such as student performance on assessments. Mr. Morse explained that this would be addressed in state regulations.

Number 1196

MR. MORSE pointed to page 3, line 25, where there is language which adds district improvement plans. Previous to this legislation there were school improvement plans, but not district improvement plans, he said. Mr. Morse told the members that this change is also required by the NCLB Act.

MR. MORSE told members that on page 4, line 4, there is a technical correction. The words "as amended" were added because the NCLB Act is actually an amendment to the Elementary and Secondary Education Act of 1965.

MR. MORSE explained that on page 4, lines 15 and 16, the following subsection was added:

(3) "statewide student assessment" means the assessment system established under (c) of this section.

MR. MORSE told the members that the reason for this addition is due to the necessity to define and clarify what assessments in state regulations will be used for making the designations.

BARBARA THOMPSON, Director, Teaching and Learning Support, Department of Education and Early Development, testified in support of HB 405 and answered questions from the members. She pointed to page 4, line 17, which is commonly called the "thick report." Ms. Thompson explained that this is a report that contains nine different components of information that is due to the legislature on February 15th of each year. The department's reason for supporting the repeal of this section is that much of the data in this report is already found on line, is accessible to anyone, and is often updated before the February 15th deadline. There are other parts of the report that contain self-reported data, as well as, data that is verified by a third

party. An example of [third party verified] data might be student assessment data that gets scored, verified, and returned to the state. Ms. Thompson told the members that she believes the most important data that comes from this report is the school report cards and district report cards. That data is getting more detailed. Any data that is in the thick report, will be available upon request and will be posted on line, she concluded.

Number 0996

REPRESENTATIVE WILSON referred to page 4, line 20 and 21, where it says:

TRANSITION REGULATIONS. The Board of Education and Early Development may proceed to adopt regulations to implement the changes made by this Act.

REPRESENTATIVE WILSON asked why the word "may" is used instead of the word "shall".

MR. MORSE responded that the regulations are already in place to implement the system, so the terminology is not significant.

Number 0936

REPRESENTATIVE GARA commented that currently there are some grades that must be tested statewide. He noted that the NCLB Act requires that testing be done on other grades. Representative Gara asked if the state is doing testing in grades other than those required under NCLB Act.

MR. MORSE replied that at this point the state is testing only those years required by NCLB and those required by state statute related to the high school qualifying exam. He added that there is also a form of an assessment in state statute called the "Kindergarten Profile" that is required, however, it is not required by NCLB.

REPRESENTATIVE GARA asked what grades are required to be tested under NCLB.

MR. MORSE clarified his previous statement by saying that under NCLB the state is required to test grades three through eight, and one grade level between ten and twelve. In order to have a consistent and coherent system, the department has developed an accountability plan, which was approved by the state Department

of Education and Early Development. The decision was made to assess all students in grades three through ten, he said. Mr. Morse explained that while it is not required to test grade nine, it was decided to do that to have a consistent system all the way through the tenth grade.

Number 0790

CHAIR GATTO commented that in Matanuska-Susitna Borough School District the benchmark exams are grades three, six, and eight; the Terra Nova exams which are grades four, five, and seven; but not grade nine. Then in tenth grade the exist exam is administered. He asked if this is just the policy of the Matanuska-Susitna Borough School District or is that a statewide policy.

MR. MORSE responded that the testing policy is statewide. There will be some adjustments starting in the spring of 2005; however, testing will still be grades three through ten. He commented that the tests will be different.

CHAIR GATTO asked how parents could compare how his/her child and school is doing relative to the rest of the students and schools in the state.

MR. MORSE replied that there is a state report card on line in which each school is listed.

CHAIR GATTO asked how many thick reports are produced.

MS. THOMPSON responded that there are about ten copies made each year.

CHAIR GATTO told Ms. Thompson that he was approached by several people who asked that Section 4 of the bill be deleted from HB 405 because the thick report is valuable to them. He explained the he is planning on proposing an amendment later to delete that portion of the bill. Chair Gatto asked Ms. Thompson how many man-hours are required to produce the ten copies that are required.

MS. THOMPSON responded that it takes about ten staff members two weeks of time. In some cases, the thick report refers to the web site where the data is most accurate, she added.

CHAIR GATTO commented that is ten staff, at 40 hours per week for two weeks, that's 80 hours [per staff member].

MS. THOMPSON clarified that it would not necessarily be full time work, since staff may be working on other things at the same time.

Number 0540

CHAIR GATTO surmised that it takes about 400 man-hours.

REPRESENTATIVE WILSON asked if gathering the information for the report impacts the school districts.

MS. THOMPSON responded that it does not impact the districts. The districts are asked to provide some information which is self-reported data and what is asked for is not burdensome.

REPRESENTATIVE WILSON asked why not get rid of the thick report if all the data is accessible elsewhere.

MS. THOMPSON clarified that much of the data is available on line. Not every single one of the nine elements is on line, but it could be put on line. She added that some of the data is self-reported and needs to be taken with a "grain of salt."

CHAIR GATTO commented that there is real value in a book. He stated that he wants to accommodate those who want the thick report, and asked how many people request it.

MS. THOMPSON replied that two people ask for it, Senators Bunde and Wilken.

CHAIR GATTO commented that he wants it too. He suggested that it would not be possible for an individual to collect all that data without spending a great deal of time. Chair Gatto said he believes it is better to keep the thick report. He asked if it would save time to produce the thick report on a CD.

MS. THOMPSON responded that producing the report on CD would not require more time. It can be produced in any format, she added.

Number 0142

REPRESENTATIVE SEATON asked if the school districts use the report or are the two copies mentioned the only ones that are distributed.

MS. THOMPSON replied that this report does not get sent out to school districts. A lot of the data in the report comes from school districts, for instance, the report card data and other personnel self-reporting data. She said that she believes the districts are not even aware of this report. The districts have their own data and if a school or district wanted to compare data with other districts or schools that information is on line. Ms. Thompson told the members that this report is delivered to the legislature, two of which are specific requests.

REPRESENTATIVE GARA asked what years the state tested students under state law before NCLB Act was passed.

TAPE 04-15, SIDE A

Number 0041

MR. MORSE responded that state standardized tests were administered in grades three, six, and eight, and the high school qualifying exam [in tenth grade]. There were also assessment tests given in two grade levels, but now these assessments are given in four grade levels. Mr. Morse told the members that the state board of education, through state regulation, determined the grades the assessment tests are to be given.

REPRESENTATIVE GARA asked for clarification that prior to NCLB the state did not test every year starting in grade three. Even though NCLB did not require annual testing and the state did not require annual testing, the state's policy now requires testing every year between grades three through ten for consistency purposes. He asked Mr. Morse why it is required every year.

MR. MORSE replied that previous to NCLB the state assessed one grade level at the high school outside of the high school graduate qualifying exam. It was a norm reference test and the number of years was designated by the state board of education, he said. He added that at one point that assessment was done at the eleventh grade and was later moved to the ninth grade as a part of creating the system of NCLB. Ninth grade is one year that the state is not required to test, but it was decided to do it to provide some coherence between the eighth grade and when the students have to take the high school qualifying exam.

REPRESENTATIVE GARA commented that testing costs money and takes teachers and students time. He said he would like to know that there is a reason to test in ninth grade other than the fact

that it has been done in every other year. Representative Gara commented that it is a policy call; however, he believes if NCLB does not require testing in ninth grade, then it should not be done.

Number 0298

MR. MORSE pointed out that one thing to consider is the importance of assessing how students are doing prior to taking the high school qualifying exam. He explained that the state is doing some redesign to those assessments which have been norm reference test years in the past. The [new] assessment is being done based on the state standards which is what the high school qualifying exam assesses. The ninth grade assessment, which takes parts of three days of school time, gives the school an understanding of how the students are performing against the state standards and hopefully gives them good information to help them prepare students for the high school qualifying exam. Mr. Morse said he believes those are important reasons for testing at the ninth grade.

CHAIR GATTO commented it is quality control issue. It is a real value which encourages additional preparation and is revealing to the individual.

REPRESENTATIVE GARA told the members that there are studies from other states that say as much as seven percent of the school budgets are being absorbed by testing requirements. When schools are finding it difficult to fund teachers, then it is a good question to ask if districts can afford the cost of testing. Representative Gara asked if the high school qualifying exam starts in tenth grade.

MR. MORSE responded that is correct. Students take the exam in the spring of the sophomore year, he said.

REPRESENTATIVE GARA commented that he would be interested in hearing what the National Education Association (NEA) and school boards positions are on ninth grade testing.

UNIDENTIFIED SPEAKER, NEA, said it does not have a position on ninth grade testing.

CHAIR GATTO commented that the committee will not get an official statement from the NEA on that question.

Number 0574

REPRESENTATIVE SEATON referred to page 4, line 7, which says:

(A) multiple measures of student performance;

REPRESENTATIVE SEATON asked for clarification of that subsection.

MR. MORSE explained that the intent behind that language is to ensure that there is not just a multiple choice test, but that the test would have a way to demonstrate in an open-ended way the students' knowledge. The tests are constructed in such a way that there is a mix of multiple choice questions and then a constructed response, so when testing writing the student must write a paragraph or essay, depending on the grade level.

Number 0690

CHAIR GATTO moved to adopt Amendment 1, as follows:

Page 4, Line 17
Delete "AS 14.03.078"

Number 0710

REPRESENTATIVE SEATON objected for purposes of discussion. He commented that if this report costs 400 man-hours at \$25 per hour, the cost is about \$10,000 to provide this report. Representative Seaton pointed out that legislators could make a data request from the department and get the specific data that is desired. He pointed out that the legislature is looking for ways to economize, make data more useful, and generally not degrade the legislature's ability to get information from the departments.

Number 0808

REPRESENTATIVE GARA commented that Ms. Thompson said that the thick report is only requested by two people. He asked if she meant only two people request the thick report statewide.

Number 0829

MS. THOMPSON replied that there are only two people that she is aware of that specifically request the report. Those two people are both in the legislature.

REPRESENTATIVE GARA asked if anyone outside of the legislature either asks for or receives the thick report.

MS. THOMPSON said no.

REPRESENTATIVE GARA asked if the data that is compiled for the thick report is gathered for other purposes or is it specifically compiled for the report.

MS. THOMPSON replied that there are a few items that are compiled specifically for the thick report; however, most are on-going reports that are on line.

REPRESENTATIVE GARA asked if he understands correctly that if the thick report requirement were deleted, the department would continue to gather the data for other purposes, but not data that is only required for the thick report.

MS. THOMPSON replied that is correct. If the department received a request for the data [specifically used in the thick report] it would be put together, she said.

REPRESENTATIVE GARA commented, "get rid of it."

CHAIR GATTO told the members that he did not expect that it would require 400 man-hours to produce the report.

MS. THOMPSON stated that the 400 man-hours is an off-the-cuff estimate.

Number 0968

REPRESENTATIVE SEATON withdrew his objection to Amendment 1.

Number 0976

CHAIR GATTO withdrew his motion to adopt Amendment 1.

Number 1016

REPRESENTATIVE SEATON moved to report CSHB 405, Version H, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 405(EDU) was report out of the House Special Committee on Education.

The committee took an at-ease from 12:53 p.m. to 12:56 p.m.

HB 333-PUBLIC SCHOOL ENDOWMENT

Number 1117

CHAIR GATTO announced that the final order of business would be HOUSE BILL NO. 333, "An Act relating to an endowment for public education; and providing for an effective date."

REPRESENTATIVE OGG moved to adopt CS for HB 333, Version 23-LS01991\X, Bullock, 3/8/04, as the working document.

CHAIR GATTO objected. He asked if there is a fiscal note on the bill.

CHAIR GATTO removed his objection.

REPRESENTATIVE OGG moved Conceptual Amendment 1, which read:

Page 7, line 30:

Insert new applicability section to read:

"* Sec. 7. Receipts as declared in AS 14.40.505 should be considered new receipts that begin with or after the effective date of this act."

Renumber accordingly.

REPRESENTATIVE OGG explained that this amendment is consistent with the sponsor statement in that this [legislation] should only affect new receipts and not the existing streams of revenue that presently go to the general fund. He told the members that the Department of Revenue asked that explicit clarifying language be inserted in the bill.

Number 1494

REPRESENTATIVE SEATON asked for clarification of AS 14.40.505.

REPRESENTATIVE OGG explained that AS 14.40.505 [page 5, lines 24 through 31] is a provision that provides for the revenues to be transferred to the principal of the education trust fund and to the University of Alaska endowment fund. Conceptual Amendment 1 provides that these revenues will only be based upon new receipts after the effective date of this act. He emphasized that this amendment ensures that this legislation would not impact any existing streams of revenues. He reiterated that currently state lands bring in revenues and the amendment

clarifies that there is no intent to affect that existing revenue stream.

REPRESENTATIVE SEATON asked if he understands correctly that the amendment means only revenues from new receipts will be included.

REPRESENTATIVE OGG commented that this is a conceptual amendment.

REPRESENTATIVE SEATON clarified that current revenue receipts do not fall under this category.

REPRESENTATIVE OGG replied that is correct.

Number 1615

REPRESENTATIVE GARA asked about the wording of the amendment.

REPRESENTATIVE OGG emphasized that the amendment is conceptual. He explained that the receipts defined in AS 14.40.505 are new receipts, and [the legislation] does not affect existing leases.

REPRESENTATIVE GARA asked if "new receipts" has a meaning in law.

REPRESENTATIVE OGG replied that is why he made this amendment conceptual. He told the members that when the drafters put the next CS together that is something that can be clarified.

REPRESENTATIVE GARA commented that he understands that this will only affect new sources of revenue after the effective date of this bill.

Number 1681

CHAIR GATTO announced that the HB 333 will be held in committee.

REPRESENTATIVE GARA asked if Representative Ogg could compare the two versions of HB 333 and asked if he would point out the differences during the next hearing.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at 1:05 p.m.