

**ALASKA STATE LEGISLATURE  
HOUSE EDUCATION STANDING COMMITTEE**

March 23, 2009

8:03 a.m.

**MEMBERS PRESENT**

Representative Paul Seaton, Chair  
Representative Cathy Engstrom Munoz, Vice Chair  
Representative Wes Keller  
Representative Peggy Wilson  
Representative Robert L. "Bob" Buch  
Representative Berta Gardner

**MEMBERS ABSENT**

Representative Bryce Edgmon

**COMMITTEE CALENDAR**

HOUSE BILL NO. 137

"An Act relating to an interstate compact on educational opportunity for military children; amending Rules 4 and 24, Alaska Rules of Civil Procedure; and providing for an effective date."

- MOVED HB 137 OUT OF COMMITTEE

HOUSE BILL NO. 184

"An Act relating to the debt authorization of the University of Alaska."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 137

SHORT TITLE: COMPACT: EDUCATION OF MILITARY CHILDREN

SPONSOR(S): REPRESENTATIVE(S) COGHILL

02/16/09	(H)	READ THE FIRST TIME - REFERRALS
02/16/09	(H)	EDC, JUD, FIN
03/20/09	(H)	EDC AT 8:00 AM CAPITOL 106
03/20/09	(H)	Heard & Held
03/20/09	(H)	MINUTE(EDC)
03/23/09	(H)	EDC AT 8:00 AM CAPITOL 106

BILL: HB 184

SHORT TITLE: DEBT AUTHORIZATION FOR UNIVERSITY  
SPONSOR(s): REPRESENTATIVE(s) KELLY

03/12/09 (H) READ THE FIRST TIME - REFERRALS  
03/12/09 (H) EDC, FIN  
03/23/09 (H) EDC AT 8:00 AM CAPITOL 106

**WITNESS REGISTER**

LARRY LEDOUX, Commissioner  
Department of Education and Early Development (EED)  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of HB 137.

EDDY JEANS, Director  
School Finance  
Department of Education and Early Development (EED)  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of HB 137.

DEREK MILLER, Staff  
Representative Mike Kelly  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Introduced HB 184 on behalf of Representative Kelly, prime sponsor.

REPRESENTATIVE MIKE KELLY  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Spoke as the prime sponsor of HB 184.

MYRON DOSCH, CPA, Controller  
University of Alaska  
Fairbanks, Alaska  
**POSITION STATEMENT:** During hearing of HB 184, answered questions.

**ACTION NARRATIVE**

8:03:50 AM

**CHAIR PAUL SEATON** called the House Education Standing Committee meeting to order at 8:03 a.m. Representatives Seaton, Keller, Munoz, Wilson, Gardner, and Buch were present at the call to order.

HB 137-COMPACT: EDUCATION OF MILITARY CHILDREN

8:04:26 AM

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 137, "An Act relating to an interstate compact on educational opportunity for military children; amending Rules 4 and 24, Alaska Rules of Civil Procedure; and providing for an effective date."

8:04:52 AM

CHAIR SEATON asked if there was further public testimony on HB 137. There being none, public testimony remained closed.

8:05:02 AM

LARRY LEDOUX, Commissioner, Department of Education and Early Development (EED), related that his support for HB 137 is driven by 30 years worth of experiences working in a school district with a substantial military population.

8:05:40 AM

EDDY JEANS, Director, School Finance, Department of Education and Early Development (EED), related his understanding that the Anchorage School District supports HB 137. Mr. Jeans highlighted that the fiscal note for HB 137 is for \$22,300. He explained that the interstate compact requires an annual membership fee. The fee is \$1 per military child in the state. Alaska has approximately 16,200 students who are military dependents. The remaining \$6,100 would be for travel expenses for the mini cabinet in Alaska that oversees the implementation of the compact. The department, he related, would advise that the cabinet consist of the commissioner of EED and the superintendents of the Anchorage and Fairbanks School Districts. The department would also recommend that a state legislator be appointed to the council as well as the military advisor who is currently appointed to EED. Mr. Jeans reminded the committee that the interstate compact is a compact between state agencies and governments. He explained that Section 1 outlines the enactment of the compact at the state level. Article II, page 2, specifies the definitions the compact will use. Article III, the applicability provision, outlines who is covered by the compact, which is basically all of the military families. Article IV, Educational Records and Enrollment, specifies the timelines for record receipt.

8:09:03 AM

MR. JEANS informed the committee that although Alaska is already performing 95 percent of what is included in the compact, there are a few areas in the compact that are different than existing state law. For example, existing state immunization records are required to be provided prior to a child attending a public school. However, HB 137 allows families up to 30 days to produce immunization records. The state currently has an agreement with the Department of Health and Social Services (DHSS) that provides homeless children 30 days to produce immunization records as well. Another difference is that existing state law has a waiting period, 90 days, for students wishing to participate in school athletic activities. The [compact] includes a waiver provision for which districts can apply. Through the waiver, military students would be allowed to participate in school athletic activities immediately. In response to Chair Seaton, Mr. Jeans relayed that the [athletic] associations don't have any objections to that.

8:10:42 AM

REPRESENTATIVE GARDNER, referring to subsection (c) of Article III, surmised that there is no prohibition against applying the compact to those who aren't otherwise defined.

MR. JEANS stated his agreement. In further response to Representative Gardner, related his belief that military families likely have more readily available access to immunization records.

8:12:02 AM

REPRESENTATIVE GARDNER related her understanding that the existing prohibition against students being allowed mobility in terms of athletics is an effort to discourage students from moving simply because of athletics. Representative Gardner said that she would have many of these provisions apply to all students, save the athletic provision.

COMMISSIONER LEDOUX noted his agreement that generally transfer rules are in place to prevent recruiting of students for high school athletic teams. He commented that serving four years on the State Athletic Board has illustrated to him that there can't be enough rules to stop the aforementioned.

[8:13:53 AM](#)

MR. JEANS, continuing his review of differences between current state practices and the proposed compact, explained that the compact specifies that military students don't have to wait to be placed in advanced classes. In fact, military students who are said to have taken advanced placement courses at their prior school will be placed immediately in the receiving school. The other difference is that the compact specifies that those students who have passed a High School Graduation Qualifying Exam (HSGQE) in another state would be exempt from the receiving state's test. Furthermore, those military students who are high school seniors would be exempt from the receiving state's HSGQE. He noted that the aforementioned is already in [EED's] regulation. In response to Chair Seaton, Mr. Jeans related his understanding that the compact wouldn't require athletic tryouts to be redone when a military student arrives. The premise is that the student would be accepted to the athletic team or the advanced placement course, if space is available. If a position became available at a later date, students would be able to apply for the open position.

[8:18:22 AM](#)

COMMISSIONER LEDOUX noted that most schools have protocols established to address transferring students and acceptance onto athletic teams. The [compact] doesn't guarantee a spot above other students.

[8:19:04 AM](#)

REPRESENTATIVE MUNOZ asked if military students entering schools in Alaska have been hindered by current regulations. She noted her support for HB 137.

COMMISSIONER LEDOUX provided an example of a student who arrived five days prior to graduation at the student's prior school. The sending district wouldn't grant credit to the student, and therefore the student faced not graduating. Commissioner LeDoux said that he chose to offer credit for all of that student's classes. "That shouldn't have occurred," he opined. Commissioner LeDoux characterized HB 137 as a law of common sense. In fact, most Alaska schools follow the protocols in the proposed compact. Therefore, he said he viewed HB 137 as a statement of what Alaska wants other states to do in regard to military youth.

[8:21:30 AM](#)

REPRESENTATIVE WILSON suggested that perhaps there was a lack of communication between the family of the student who moved five days prior to graduation and the school. She questioned why the parents wouldn't have requested that the student be allowed to take the final exams prior to moving.

COMMISSIONER LEDOUX said that the school knew exactly what it was doing when it refused the student credit. He then related that the stress on military families when they move is real. Furthermore, sometimes the bureaucracy of a school becomes more important than the student. This proposed legislation places a higher value on the student.

[8:22:56 AM](#)

REPRESENTATIVE WILSON moved to report HB 137 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

HB 184-DEBT AUTHORIZATION FOR UNIVERSITY

[8:23:48 AM](#)

CHAIR SEATON announced that the final order of business would be HOUSE BILL NO. 184, "An Act relating to the debt authorization of the University of Alaska."

[8:24:26 AM](#)

DEREK MILLER, Staff, Representative Mike Kelly, Alaska State Legislature, presented HB 184, paraphrasing from the sponsor statement, which read as follows [original punctuation provided]:

HB 184 adjusts the current bond debt cap for the University of Alaska to reflect today's construction prices. Current Alaska Statute allows the University of Alaska to borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services without having to provide notice to the legislature as long as the annual debt service payment doesn't exceed \$1.0 million. HB 184 bumps up the threshold to \$2.5 million.

The current bond debt cap limit of \$1.0 million was originally issued in 1990. At that time, \$1.0 million in annual debt service was the cost of financing a \$15.0 million capital project. Taking into account construction inflation in Alaska, a \$15.0 million capital project build in 1990 would cost about \$40.0 million today. Annual debt service on \$40.0 million is \$2.5 million assuming a 4.5% interest rate and a 25-year straight line amortization.

The University has operated a viable debt program over the last 18 years. It has issued 14 general revenue bonds plus other financing arrangements that have been critical in securing funding for capital projects. The University has never suffered a rating downgrade. In fact, in December 2007, Moody's Investor Service upgraded the University credit rating to Aa3. The University continues to monitor its debt capacity and compliance with tax exempt bond covenants. Currently, the amount of debt service outstanding is \$11.2 million. This is less than half the Board of Regents' policy limit of 5% of unrestricted revenues which is \$26.2 million for FY08. This equates to \$127 million in outstanding debt with the ability to issue a total of \$317 million in debt.

By increasing the bond debt cap approval level, the administrative burden of compliance with the statute for smaller bond issues would be reduced for both the legislature and the University. At the same time, legislative oversight would be retained for larger financings.

I would appreciate your support for HB 184.

[8:26:48 AM](#)

REPRESENTATIVE BUCH asked if this cap would allow the university's participation at the maximum level the university is seeking.

MR. MILLER explained that HB 184 merely reflects the changing construction environment. If the legislature were to authorize receipt authority for a couple of the current projects that the university is proposing, this legislation would impact that.

[8:27:56 AM](#)

REPRESENTATIVE WILSON said that she would view HB 184 as problematic if it creates a tuition increase. She asked if the sponsor would object to an amendment specifying the aforementioned wouldn't happen.

REPRESENTATIVE MIKE KELLY, Alaska State Legislature, clarified that the university oversight remains because no funds can be expended without receipt authority, which the legislature approves. "This [proposed legislation] merely makes the level of bonding to accomplish the same chores current," he said. He then pointed out that state funds to the university have reduced from 60 percent to 40 percent. In answer to Representative Wilson, Representative Kelly acknowledged that a project that HB 184 would support could result in an increase in tuition. For example, at the Fairbanks campus students agreed to a tuition increase in order to fund a recreation center. Representative Kelly related his opposition to an amendment that would hinder the Board of Regents' management of tuition rates as related to the proposed debt cap. The legislation wouldn't cause/trigger a tuition increase because HB 184 strictly permits the university to bond for smaller amounts.

[8:31:42 AM](#)

REPRESENTATIVE WILSON inquired as to how many tuition increases the university system has experienced.

MR. MILLER answered that since 2003 there has been a 10 percent increase in tuition for four years in a row. He recalled that after those four years, tuition increased by the higher tuition price index plus a bit more, but not quite 10 percent.

REPRESENTATIVE WILSON expressed concern with such tuition increases. She then stressed that the university must review ways in which it can avoid tuition increases.

[8:33:11 AM](#)

CHAIR SEATON asked if the Fairbanks recreation facility impacted the tuition across the university system or was it merely a surcharge at the Fairbanks campus.

REPRESENTATIVE KELLY responded that it was a specific surcharge for Fairbanks students.

[8:33:41 AM](#)



REPRESENTATIVE GARDNER commented that she was struck by the thinness of the committee packet for HB 184. She expressed interest in receiving backup.

MR. MILLER said that although he doesn't have a letter from the university specifically, the Controller from the University of Alaska is available online.

[8:34:12 AM](#)

REPRESENTATIVE MUNOZ related her understanding that the university's opportunity to issue debt is about \$317 million, which won't change even with changing the cap. Therefore, she opined that changing the cap wouldn't affect tuition rates.

MR. MILLER explained that the total outstanding debt the university is authorized to issue is set by the Board of Regents. Currently, that limit is set at 5 percent of unrestricted revenue. The aforementioned is separate from the university's annual debt service. He pointed out that if the university needs to bond above the specified threshold, the university will seek that funding from the legislature. In further response to Representative Munoz, Mr. Miller confirmed that changing the cap doesn't affect the university's ability to bond that \$317 million.

[8:35:57 AM](#)

REPRESENTATIVE BUCH inquired as to whether students have any involvement in determining tuition costs.

MR. MILLER highlighted that the Board of Regents includes a voting student representative on the board, which provides input at that level. However, the decision is ultimately that of the Board of Regents. With regard to the Fairbanks Student Recreation Center, the Fairbanks students actually voted to build that facility and impose a surcharge. In further response to Representative Buch, Mr. Miller confirmed that students who may not have been part of the decision to impose the surcharge were faced with paying it.

[8:38:06 AM](#)

REPRESENTATIVE WILSON inquired as to the percentage of students who pay their own tuition versus the percentage of students whose parents pay their tuition.

MR. MILLER said it would be difficult to establish that number, but offered to provide it if he could.

[8:39:10 AM](#)

CHAIR SEATON remarked that such information may not be available, and in fact may be confidential.

[8:40:40 AM](#)

CHAIR SEATON, referring to page 1, lines 9-12 of HB 184, asked if the language means that the university doesn't have to come before the legislature unless the amount being sought is above the \$2.5 million financing debt cap.

[8:41:55 AM](#)

The committee took an at-ease from 8:41 a.m. to 8:43 a.m.

[8:43:02 AM](#)

REPRESENTATIVE KELLY related his understanding that the bonding is separate from the approval. Therefore, the receipt authority is generated by the legislative action. The bill merely states that if the receipt authority is from bonds, the approval is not required for the act of bonding itself. The language doesn't affect the power of the legislature over projects; rather it says that once the legislature approves a project, the university has the ability to bond at a higher level than before without coming before the legislature.

CHAIR SEATON pointed out that the discussion seems to be as if the legislature has to approve the projects if the university totally bonds for it and pays for it itself. However, existing language on page 1, lines 9-13, says that the legislature only has to approve the university's receipt authority if the amount is more than the service debt of \$2.5 million. Therefore, he requested the sponsor have Legislative Legal and Research Services check the meaning of this language.

REPRESENTATIVE KELLY agreed to do so.

[8:46:31 AM](#)

MYRON DOSCH, CPA, Controller, University of Alaska, offered to answer any questions.

[8:47:02 AM](#)

CHAIR SEATON asked if the university has to obtain legislative approval for bonded projects that are below the existing limit of \$1 million or the proposed \$2.5 million limit.

MR. DOSCH answered that the university can issue debt if it's below the specified limit. The legislature approves those projects through the receipt authority.

[8:48:10 AM](#)

CHAIR SEATON posed an example in which the university decides to issue debt for a project rather than go through a capital project request. He asked if the university can do so if the anticipated debt service would be less than \$2.5 million.

MR. DOSCH replied yes.

[8:49:01 AM](#)

REPRESENTATIVE WILSON asked if the university could decide to bond a project the legislature denied.

MR. DOSCH replied no, and explained that the university would still need the receipt authority to issue debt if it's a capital project.

[8:49:43 AM](#)

MR. DOSCH, in response to Chair Seaton, confirmed the university's support for HB 184.

[8:50:31 AM](#)

REPRESENTATIVE KELLY offered to obtain a position statement from the university.

[8:51:00 AM](#)

REPRESENTATIVE MUNOZ suggested that including clarifying language referring to "projects greater than \$2.5 million" on page 1, lines 9-11, would be helpful.

REPRESENTATIVE KELLY related his agreement that HB 184 may create an inconsistency with existing law. He pledged to have

the legislation scrutinized on the points the committee has addressed. The intent, he said, is not to place unforeseeable restrictions on the university.

CHAIR SEATON pointed out that the portion of HB 184 referring to the \$2.5 million limit is addressing an annual payment not the cost of the project.

[8:54:27 AM](#)

CHAIR SEATON, upon determining no one else wished to testify, closed the public hearing on HB 184. He announced that HB 184 would be held over.

[8:56:43 AM](#)

CHAIR SEATON discussed the agenda of the upcoming meeting and materials the committee members should review in preparation.

[9:00:46 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:00 a.m.