

**ALASKA STATE LEGISLATURE  
HOUSE EDUCATION STANDING COMMITTEE**

February 1, 2010

8:05 a.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Representative Bryce Edgmon  
Representative Wes Keller

**COMMITTEE CALENDAR**

HOUSE BILL NO. 317

"An Act increasing the special needs funding and base student allocation for public schools, and extending the adjustment for student transportation funding; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 235

"An Act relating to professional student exchange program availability and conditions for loan forgiveness."

- HEARD & HELD

HOUSE BILL NO. 206

"An Act establishing a career assessment requirement in public schools; and relating to postsecondary courses for secondary school students."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 317

SHORT TITLE: EDUC. FUNDING: BASIC/SPEC NEEDS/TRANSPORT

SPONSOR(s): EDUCATION

01/27/10            (H)            READ THE FIRST TIME - REFERRALS

01/27/10 (H) EDC, FIN  
02/01/10 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 235

SHORT TITLE: PROF STUDENT EXCHANGE LOAN FORGIVENESS  
SPONSOR(s): MUNOZ

04/16/09 (H) READ THE FIRST TIME - REFERRALS  
04/16/09 (H) EDC, FIN  
01/22/10 (H) EDC AT 8:00 AM CAPITOL 106  
01/22/10 (H) Heard & Held  
01/22/10 (H) MINUTE(EDC)  
02/01/10 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 206

SHORT TITLE: HIGH SCHOOL ASSESSM'T/POSTSECONDARY CLASS  
SPONSOR(s): EDUCATION

03/25/09 (H) READ THE FIRST TIME - REFERRALS  
03/25/09 (H) EDC, FIN  
03/27/09 (H) EDC AT 8:00 AM CAPITOL 106  
03/27/09 (H) Heard & Held  
03/27/09 (H) MINUTE(EDC)  
04/03/09 (H) EDC AT 8:00 AM CAPITOL 106  
04/03/09 (H) Heard & Held  
04/03/09 (H) MINUTE(EDC)  
04/15/09 (H) EDC AT 8:00 AM CAPITOL 106  
04/15/09 (H) Heard & Held  
04/15/09 (H) MINUTE(EDC)  
01/20/10 (H) EDC AT 8:00 AM CAPITOL 106  
01/20/10 (H) Heard & Held  
01/20/10 (H) MINUTE(EDC)  
02/01/10 (H) EDC AT 8:00 AM CAPITOL 106

**WITNESS REGISTER**

KATIE KOESTER, Staff  
Representative Paul Seaton  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 317, on behalf of the House Education Standing Committee, sponsor by request, chaired by Representative Seaton, and provided a sectional review.

EDDY JEANS, Director  
School Finance and Facilities Section  
Department of Education and Early Development (EED)

Juneau, Alaska

**POSITION STATEMENT:** Responded to questions on HB 317.

AMY LUJAN, Executive Director

Alaska Association of School Business Officials (ALASBO)

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 317.

MARY FRANCIS, Director

Alaska Council of School Administrators (ACSA)

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 317.

DR. ANNMARIE O'BRIEN, Ed.D.

Assistant Superintendent

Northwest Arctic Borough School District

Kotzebue, Alaska

**POSITION STATEMENT:** Testified in support of HB 317.

DAVE JONES, Assistant Superintendent

Kenai Peninsula Borough School District

Soldotna, Alaska

**POSITION STATEMENT:** Testified in support of HB 317.

JIM NYGAARD, Superintendent

Cordova School District

Cordova, Alaska

**POSITION STATEMENT:** Testified in support of HB 317.

PETER HOPPER (ph)

[No address provided]

**POSITION STATEMENT:** Testified in support of HB 317.

STEVEN BRADSHAW, Superintendent

Sitka School District

Sitka, Alaska

**POSITION STATEMENT:** Testified in support of HB 317.

KENDRA KLOSTER, Staff

Representative Cathy Munoz

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Responded to questions on HB 235.

DIANE BARRANS, Executive Director

Postsecondary Education Commission

Department of Education and Early Development (EED)

**POSITION STATEMENT:** Testified on HB 235.

ALICE RARIG, Planner IV  
Department of Health and Social Services (DHSS)  
Juneau, Alaska

**POSITION STATEMENT:** Responded to questions on HB 235.

DR. DAVID LOGAN, DDS  
Alaska Dental Society  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 235,

NANCY DAVIS, Executive Director  
Alaska Pharmacists Association  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on HB 235 and posed questions to the committee.

#### **ACTION NARRATIVE**

[8:05:06 AM](#)

**CHAIR PAUL SEATON** called the House Education Standing Committee meeting to order at 8:05 a.m. Representatives Seaton, Munoz, Wilson, Buch, and Gardner were present at the call to order.

[8:05:13 AM](#)

#### **HB 317-EDUC. FUNDING: BASIC/SPEC NEEDS/TRANSPORT**

[8:06:03 AM](#)

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 317 "An Act increasing the special needs funding and base student allocation for public schools, and extending the adjustment for student transportation funding; and providing for an effective date."

[8:06:23 AM](#)

KATIE KOESTER, Staff, to Representative Paul Seaton, Alaska State Legislature, introduced HB 317 and a sectional analysis, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

HB 317 - forward funding education, increasing block grant funding & extending inflation adjustment to pupil transportation funding.

**Sec. 1**

Extends the inflation adjustment for pupil transportation established in the Joint Legislative Education Funding Task Force legislation passed in 2008 for three more years until 2014.

Takes the adjustments from reflecting any changes in the Anchorage Consumer Price Index to any increases in the Anchorage CPI. This ensures that in a year with negative inflation year we do not reduce funding.

**Sec. 2**

a.(1)Increases the block funding for special education gifted and talented, vocational, and bilingual education by 1.5% (this takes it from 1.2% BSA to 1.215% BSA). The intent is that this increase be directed to Vocational Education.

(2) Second half of Sec. 2 jus tracks current law which is phases in the final year of the increases in special needs funding as established by the Joint Legislative Education Funding Task Force in 2008.

**Sec. 3, 4 & 5**

Increases the Base Student Allocation by \$125 for the next three fiscal years (FY11, FY12, and FY13).

**Sec. 6** the corresponding extension of pupil transportation inflation adjustment established in Sec. 1

**Sec. 7,8 & 9** the corresponding effective dates to the increases in the BSA.

\* the reason the language of the bill references numbers in brackets is because we are amending legislation that has not taken effect yet in each section, so the number in brackets refers to that previous number.

[8:09:25 AM](#)

MS. KOESTER pointed out the fiscal note and indicated that the Department of Education and Early Development (EED) is available for financial questions. In response to a committee question, she stated that the funding factor of 1.215, page 2, line 3, is the actual amount; an increase from current funding.

[8:10:21 AM](#)

CHAIR SEATON clarified that the only change to Section 1 is the insertion of the term increases, and the deletion of "changes" in the Consumer Price Index (CPI). He reviewed the fiscal note, pointing out that the Alaska Military Youth Academy (AMYA) receives seven times the base student allocation, and requested that the department explain how this funding takes place and the budgetary effect.

[8:12:45 AM](#)

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), established that the AMYA has, in statute, a unique funding formula that is tied to the base student allocation (BSA). Whenever the BSA is increased, the AMYA allocation is automatically adjusted upward. They do have a residential program, which is why they receive a seven times allocation, however, he opined, it would be safe to say that their residential costs are not going up every time the BSA is increased.

[8:13:33 AM](#)

REPRESENTATIVE GARDNER pointed out that other schools have residential programs, and asked whether they receive a similar level of funding; such as Mt. Edgecombe.

MR. JEANS responded that Mt. Edgecombe's residential program is funded by the department and comes directly from the general fund. When increases are requested for that program, it is included as part of EEC's budget process. He said that the dollar amount for the residential programs in Galena, Nenana, and Bethel are set in statute. The funding for these programs can only be adjusted through the legislative process to alter the stipend amount, and are not effected by adjustments to the BSA.

REPRESENTATIVE GARDNER queried how the total funding per student compares.

MR. JEANS recalled that when the funding mechanism was created for the AMYA, a dollar amount was established, and they backed it into the funding formula to achieve the amount. Since that time the BSA has been increased several times, providing AMYA and automatic increase, which may have been an unforeseeable consequence when the statute was originally drafted.

CHAIR SEATON requested comparison information on the other programs, and what the effect is on the budget.

MR. JEANS stated that all of the residential facilities are required to come before the legislature and justify the costs of their programs. The educational component is funded via the foundation formula, and they are seeing the increase benefits for that aspect of their program. He said that it may be difficult to split the two out, as the funding for AMYA is a blended number that covers the residential and education programs. The department will provide the committee with the total costs of each of the programs.

[8:16:26 AM](#)

REPRESENTATIVE P. WILSON recalled that the AYMA has an abbreviated residency period, that is shorter than the other resident institutions.

MR. JEANS said he would provide information to the committee.

[8:17:23 AM](#)

REPRESENTATIVE BUCH asked whether the resident program at the Alaska Vocational Technical Center (AVTEC), is considered on the same basis.

MR. JEANS answered that AVETC is funded 100 percent through the Department of Labor & Workforce Development (DLWD).

REPRESENTATIVE BUCH reported that AMYA has a two session curriculum that runs for 7 months then begins again. This is a program for the highest risk students, that have fallen through all the cracks, and yet they produce an 80 percent success rate. He stressed the importance for supporting this type of facility, and how it differs from other residential facilities. He stated that he was not aware of the high level of state funding, but suggested that it is money well spent.

[8:19:58 AM](#)

CHAIR SEATON stated that the question is not whether to cut the program, but to evaluate the appropriateness of having a seven times increase built into the formula. An alternative may be for the academy's administrators to come before the legislature to request funding.

[8:20:49 AM](#)

REPRESENTATIVE MUNOZ directed attention to the fiscal note and asked why it is greatest in fiscal year (FY) 2012.

MR. JEANS responded that the 2012 year represents the block funding increase from 20 to 21 1/2 percent, and raising the BSA by \$125.00. In year two, the BSA is increased, again by \$125.00, but not the block funding. The block funding remains at the higher rate.

[8:22:34 AM](#)

CHAIR SEATON pointed out that an amendment has been prepared that will raise the block funding another 1 1/2 increments, bringing it to 23 percent, in the second year. Additionally, he mentioned the EED chart, in the committee packet that reflects the final ISER (Institute of Social and Economic Research) increase, and illustrates the block funding increases. To avoid any confusion regarding the application of the recommended increases, he said he would draft a letter of intent to accompany the bill.

[8:28:44 AM](#)

CHAIR SEATON opened public testimony

[8:29:02 AM](#)

AMY LUJAN, Executive Director, Alaska Association of School Business Officials (ALASBO) stated support for HB 317, as a means to forward fund education. She praised the base student allocation adjustment, previously established, and reported how the new three year plan will provide continuity to districts. The block grant will allow schools to carry out the committee's intent to provide career and technical/vocational education. Finally, she said that pupil transportation contracts are an important facet that will also be served better with forward funding. In response to a question from Chair Seaton, she

agreed to provide information to the committee regarding how the pupil transportation contracts relate to the CPI.

[8:33:43 AM](#)

MARY FRANCIS, Director, Alaska Council of School Administrators (ACSA), stated support for HB 317, citing forward funding as a tremendous advantage to the school districts, and praising the increase to the BSA. Further, she indicated that ASCA supports reestablishing categorical funding for career and technical education. She offered Position Statements 09-1 and 09-15, for inclusion in the committee packet.

[8:36:33 AM](#)

CHAIR SEATON asked whether ASCA has any concern for appropriate use of the categorical funding, at the school board level.

[8:37:40 AM](#)

MS. FRANCIS recalled the categorical funding that had been provided, at one time, for vocational education. One of the reasons vocational education foundered is because other categories took priority. If money is not directly tied to the development and enhancement of career and technical education, it may not be spent in that area, she cautioned. School boards and districts make decisions based on local needs. From her experience as a superintendent, she reported that categorical funding can work well.

CHAIR SEATON solicited further input from the ASCA regarding structuring the block grant, which she agreed to provide.

[8:41:39 AM](#)

DR. ANNMARIE O'BRIEN, Ed.D., Assistant Superintendent, Northwest Arctic Borough School District, stated support for HB 317, commending the committee for recognizing the importance of, and providing for, forward funding. She underscored the importance of the increase in the block grant funding and legislative support of vocational education.

[8:44:35 AM](#)

DAVE JONES, Assistant Superintendent, Kenai Peninsula Borough School District, stated support for HB 317, stressing the importance of forward funding and the instrumental role it plays

in teacher retention, planning, and continuity of educational programs. Morale has increased because of this type of approach, as teachers have been able to focus on educational programs, rather than focusing concern on budget shortfalls.

[8:47:18 AM](#)

JIM NYGAARD, Superintendent, Cordova School District, stated support for HB 317, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

Cordova Schools supports HB317 for the following reasons:

Funding increases will help us compete with the increased costs of fuel/utilities, food, staff costs, and travel/shipping costs. We liked the 3 year package, but still appreciate the reduced 2 year proposal.

Cordova has been very respectful of the increased block grant funding discussion. With the "Intensive" level funding currently offered to the state, we have been impressed. However, in Cordova we have a considerable population of special needs children that we do not get adequate funding for [and] that do not qualify for the additional funding. Thus, the appreciation for the increased block grant monies.

Multiple year funding package has been a blessing for budgetary purposes.

MR. NYGAARD added that the increased expectations for the final year of NCLB have not been discussed, but this consistent funding support will help attain the mark set for that program.

[8:49:50 AM](#)

REPRESENTATIVE GARDNER requested further information on the itinerant students.

MR. NYGAARD replied that specialists must be brought in on contract to provide special services, such as a speech pathologist. The service must be provided but the cost presents a burden.

[8:50:55 AM](#)

PETER HOPPER (ph), stated support for HB 317, and said he had nothing further to add.

[8:51:17 AM](#)

STEVEN BRADSHAW, Superintendent, Sitka School District, stated support for HB 317, and thanked the committee for furthering local control of the block funding, as well as for the proposed increases. The vast majority of the 20 percent block, for the past 10 years, has gone towards special education, and vocational programs have been cut. Additionally, he reported how needs, and funding, for English as a Second Language program have surged.

[8:54:32 AM](#)

CHAIR SEATON said that the bill would be held, and public testimony will remain open. [HB 317 was held over.]

**HB 235-PROF STUDENT EXCHANGE LOAN FORGIVENESS**

[8:55:12 AM](#)

CHAIR SEATON announced that the next order of business would be HOUSE BILL NO. 235, "An Act relating to professional student exchange program availability and conditions for loan forgiveness."

[8:55:23 AM](#)

KENDRA KLOSTER, Staff, to Representative Cathy Munoz, Alaska State Legislature, presented the bill, addressed previous questions from the committee, and reviewed the fiscal notes. She paraphrased from a prepared statement, which read as follows [original punctuation provided]:

As discussed before, HB235 establishes a loan forgiveness program for the healthcare professions of dentistry, optometry, and pharmacy.

For a quick outline, the WICHE [Western Interstate Commission for Higher Education] loan forgiveness program starts at a 25 percent forgiveness on the principal loan amount for participants who maintain their Alaska residency, return to the State, and practice for at least five years. An additional 25 percent loan forgiveness is provided to those who practice in an underserved area or serve patients who are covered under the medical assistance program.

Specific questions were brought to our attention during the last hearing and I would like to take a moment to address those. First, in response to Rep. Gardner's question regarding **other states programs**, there is an addition to your committee packet which gives an overview of programs offered in other states. Please take into account the WICHE program in Alaska will create an incentive for graduated students to return to the state through offering the loan forgiveness. We feel adding the incentive for the student to return to the state is important to fill the need of deficiency rates amongst the healthcare profession.

**Connecticut Loan Repayment:** Up to \$30,000 for first 2 years, an additional \$15,000 for additional year if health professionals serve in community health centers.

**Arizona:** award amounts for dentists & physicians are up to \$20,000 in first two years, \$22,000 for third and \$25,000 for 4<sup>th</sup> year.

**Minnesota** has a minimum service obligation of three years, up to 4 years of loan forgiveness and payment directly to participant in annual lump sum of \$25,000.)

Secondly, there was a question regarding the **deficiency rates** in the fields of dentistry, optometry, and pharmacy. There is also more information and specific charts & data that address the deficiency rates in each field. The Alaska Pharmacists Association stated, "To get to the national average, Alaska would need an additional 137 pharmacists."

In 2001, about 25% of Alaska dentists were aged 55 and above. This population of dentists is only getting larger with the number of baby boomers coming to retirement age. This is the same story I have heard for healthcare fields across the state.

During the last hearing we heard from Dr. George Shaffer from Ketchikan who described the lack of dentists in his area and unable to sell practices due to the lack of incoming doctors. I heard a similar story this past week from a pharmacist working at the Southeast Regional Health Consortium (SEARHC) here in Juneau - She said they were unable to find a pharmacist with the qualifications so over the course of 6 months they went through a number of "fill in" pharmacists. Shelly expressed the danger to the patients with the number of pharmacists that come through the program and lack of experienced pharmacists.

Disparity rates for optometrists cover three areas in the state at this time: the Gulf Coast, Northern Alaska, and Southwest. This is in a chart distributed by the division of occupational licensing. **As stated before, we are seeing an increase in retirees, we need to look forward and address the decrease in healthcare professionals before we see a further increase in deficiency rates.**

I believe it was Rep. Buch who had a question regarding the **classification of underserved areas**

- the Commissioner of Department of Health and Social Services has this duty and works with the definitions, and studies regarding the underserved areas with the U.S. Department of Health and Social Services. Alice Rarig from the Department of Health and Social Services is in the audience to address any additional questions regarding the Departments definition and process for underserved areas.

Also available in the audience is Diane Barrans from Alaska Commission on Postsecondary Education, Dr. David Logan from the Alaska Dental Society and Jim Towel is on the line from the Alaska Dental Society.

If you would like, let's go ahead and take a look at the **fiscal note**.

The program will start with 15 students in FY11 - 5 from each of the three fields, pharmacy, optometry, and dentistry. These costs are the WICHE support fees that are paid by the state. The support fee varies depending on the field of study. Fees for 2010/2011: Dentistry: \$22,700, Optometry: \$15,600, Pharmacy: \$6,900.

An additional 15 students are added through FY14, the total amount of students allowable in the program cap at 60. The incremental costs starting in FY15 is the average fee increase of 3.4%, the average rate determined by the higher education cost adjustment.

I also want to note - beginning in the 5<sup>th</sup> year following the program implementation, there will be an income stream from the participant's repayments. In FY15 the first 15 participants will be in repayment, contributing about \$40,000 in repayment, \$116,400 in FY16 and so on. This would increase to approximately \$420,000 annually.

[9:00:45 AM](#)

CHAIR SEATON referred to page 2 line 20, and paraphrased: "In addition to other loan forgiveness benefits available to [a] participant, the Alaska Commission on Postsecondary Education [shall annually] ... forgive 10 percent of the outstanding principal ...". He questioned how this language coincides with the 5 percent stipulated in [sub section] (a).

MS. KLOSTER explained that the loan forgiveness participants, as defined on page 2, lines 16-19, will receive 5 percent per year, for 5 years, or a total forgiveness of 25 percent. In addition to meeting that criteria, subsection (b) also allows that if a participant practices in an underserved area, they will receive an additional 5 percent, to wit 10 percent, for 5 years totaling a 50 percent forgiveness on their principle loan amount.

[9:03:11 AM](#)

CHAIR SEATON indicated concern that the structure of the bill may not convey that intent.

REPRESENTATIVE MUNOZ assured the committee that the intent is to provide a maximum forgiveness of 50 percent. She said:

But in order to receive the second part of that forgiveness they have to meet the requirements of the first section, and, if you go to C, on page 3, the aggregate amount is 50 percent; it's outlined in that language.

[9:04:47 AM](#)

REPRESENTATIVE BUCH inquired about the determination of what constitutes an underserved area.

MS. KLOSTER indicated that a representative from Department of Health and Social Services (DHSS) is available to take questions.

REPRESENTATIVE BUCH pointed out that only one optometrist has provided support for this legislation.

MS. KLOSTER conceded that minimal correspondence from optometrists has been received, however, DHSS occupational licensing section has research indicating underserved areas for optometry.

[9:06:43 AM](#)

DIANE BARRANS, Executive Director, Postsecondary Education Commission, Department of Education and Early Development (EED) indicated that the professional fields included in the bill are industry proposed priorities. She stated that it poses no conflicts with the current structure of the program, but it does create some special features that would be available to practitioners in the three specified fields.

[9:08:17 AM](#)

CHAIR SEATON directed attention to the CS, page 1, and paraphrased from subsection (b), "Notwithstanding the funding priorities established under (a) by the commission." He asked whether the commission is comfortable with the language.

MS. BARRANS responded yes.

[9:08:55 AM](#)

CHAIR SEATON requested her analysis of the bill and how it will work within the system that she administers.

[9:09:06 AM](#)

MS. BARRANS said the primary change is to provide a forgiveness feature for these practitioners. Thus, the state will need to fund that out of the general fund. The other loans, for other fields of study, are funded via the Alaska Student Loan Corporation. The allocation is for five students per year, however, there may not be that many applying. Should more than five qualified applicants pursue the available funded seats, the authority to select

is retained by the appropriate institution. She opined, that other than these minor caveats, the bill does not present a significant change.

[9:10:46 AM](#)

CHAIR SEATON referred to line 6 and read, "... the Alaska Commission on Postsecondary Education shall provide adequate funding ...". Thus, the commission will provide loans for at least five applicants in each of the categories. He inquired whether this poses any conflicts with the commission.

[9:11:29 AM](#)

MS. BARRANS said if funds are not appropriated by the legislature, then the loans will not be made with these terms and conditions.

CHAIR SEATON surmised that the legislature would have to appropriate separate funds for the forgiveness loans.

[9:12:27 AM](#)

MS. BARRANS explained that the forgiveness contracts entitle the recipients to certain benefits. Because of that, the loans require up-front funding from the general fund. The commission will establish a separate appropriation stream for funding, and incoming payments will be returned to the general funds. It is the same process as occurs with WWAMI [Washington, Wyoming, Alaska, Montana, and Idaho Medical Education Program].

[9:13:47 AM](#)

REPRESENTATIVE GARDNER asked if the forgiveness facet isn't funded, will there be an effect on a qualified applicant's loan options; could student still receive a loan, that otherwise would have been available, absent this legislation.

MS. BARRANS deferred to the assistant attorney general for that answer. However, she predicted that, if this language

is put into statute and funds are not appropriated, it could prove to be problematic.

REPRESENTATIVE GARDNER underscored that it could have an adverse impact on students entering the field.

MS. BARRANS offered to consult with DOL.

[9:15:06 AM](#)

REPRESENTATIVE BUCH asked how this differs from the way the forgiveness policies have worked in the past, and whether there are other programs structured similarly, other than WWAMI.

MS. BARRANS said that the way in which Alaska currently participates in the Professional Student Exchange Program (PSEP) is a variation from the original structure. Until 1992, all of the Alaskans who participated did so with no service or loan obligation relative to the support fees. Around 1998, the legislature stipulated that the student loan corporation could fund loans to individuals who chose to borrow the support fee on their own behalf. Approximately half of the other western states, participating in the exchange, have some service obligation related to their resident's participating in the PSEP program. Typically it is a one to one obligation: one year of support for one year of obligation for up to four years. The proposed bill offers two differences: 1) a partial discharge of the financial obligation; and 2) the time period required to serve to receive the maximum benefit.

[9:17:25 AM](#)

REPRESENTATIVE BUCH asked how this legislation differs from the original forgiveness loans offered in Alaska. He recalled a program that forgave 50 percent of a loan if a student returned as a resident for five years.

MS. BARRANS concurred that the original general fund forgiveness loan allowed for a 50 percent discharge if they completed their degree and returned for five years.

REPRESENTATIVE BUCH remembered that it was dismissed because of the feeble requirements, and the high level of default.

MS. BARRANS clarified that it was eliminated when the state chose to discontinue the program in 1986. A combination of factors caused this decision including: low oil revenues versus the cost of the program, minimal underwriting standards, no credit checks, and default rates in excess of 30 percent. It proved to be a costly program, and only a relatively small number of residents benefited from the effort.

[9:21:05 AM](#)

REPRESENTATIVE BUCH asked whether the proposed forgiveness format and venue is an appropriate way to proceed.

MS. BARRANS refrained from offering a value judgment. The structure is aimed at those who are targeting highly professional areas, with the possibilities of monetary security.

[9:22:51 AM](#)

CHAIR SEATON recalled previous legislation that proposed a more general forgiveness program.

MS. BARRANS stated that HB 58 was a loan repayment program without a built-in entitlement. She said that she will provide further information to the committee regarding any cumulative impact of these two pieces of legislation.

[9:24:48 AM](#)

REPRESENTATIVE GARDNER pointed out that this program targets students who are entering highly competitive fields. She asked if the implication is that these student's will be less apt to default, and have a higher probability rate of finishing school.

MS. BARRANS these are students who will have completed an undergraduate program, and demonstrated academic success to

a level of being admitted to a professional institution and, as such, are considered a good risk.

REPRESENTATIVE GARDNER surmised that the concern is not that these candidates could be successful and pay back their loans without assistance, but rather to mold their behavior in such a way that they return to Alaska to practice.

MS. BARRANS reported that the WICHE participants, in the PSEP, from states that have a forgiveness component, or service obligation, have a return rate double that of the states which do not.

[9:27:05 AM](#)

CHAIR SEATON opined that the problem may not be the loan forgiveness aspect, but that many of the openings are held for residents of the other WWAMI states. He asked if this program will provide a benefit of gaining slots for Alaskans to enter professional schools.

[9:27:42 AM](#)

MS. BARRANS replied yes, and said that the schools which participate in the PSEP are reserving a number of slots for WICHE state residents. Thus, each institution prioritizes state admits first, then WICHE admits, and anyone else is considered a non-resident. If there is an over demand by state admits, the only means for entering an institution is by being a WICHE/PSEP participant from a sending state. She pointed out that this is an important access program for Alaskans.

[9:29:58 AM](#)

ALICE RARIG, Planner IV, Department of Health and Social Services (DHSS), availed herself for questions.

[9:30:21 AM](#)

REPRESENTATIVE BUCH referred to page 2, lines 26-28, which discusses underserved areas, and asked about the standard for this provision.

9:31:00 AM

MS. RARIG indicated that two processes exist to address this language, allowing identification of an area as either having a health professional shortage or being medically underserved. The bill suggests that the commissioner would apply discretion to determine which designation might apply. The most readily available designations are primary care, health professional shortage areas, and dental health professional shortage areas for the purposes of this bill. She indicated that there are no shortage area specifications for optometrists or pharmacists. She said:

We've suggested to the ... proposers of the bill that the primary care health professional shortage area, based on primary care physician shortages would be a good proxy for shortages of pharmacists and optometrists.

MS. RARIG said that the occupation licensing data indicates a distribution of pharmacy and optometry parallel to that of physicians, so this could be a satisfactory approach.

9:32:48 AM

REPRESENTATIVE BUCH queried whether the commissioner by policy administers to this oversight, and whether there is written statute, regulation, or policy that will accompany the bill through the finance committee.

MS. RARIG responded that there is not a regulation specific to this proposal, but agreements do exist between the state and federal governments that allow the department to undertake the activity of submitting requests for designations. Currently the designations are used primarily for processing of National Health Service Corps (NHSC) placements and loan repayment requests. She said that this is a long standing program that can be accessed on the internet via the Health Professional Shortage Areas (HPSA) website.

9:35:07 AM

CHAIR SEATON asked whether bill language could designate an underserved area for primary care physicians, and eliminate the need for the department to individually process and identify underserved areas for the three named professions.

MS. RARIG pointed out that there is no fiscal note for the department, suggesting that the existing designations of health professional shortage areas would be used.

[9:36:08 AM](#)

CHAIR SEATON expressed concern and suggested that a sponsor amendment could rectify this oversight.

[9:36:48 AM](#)

REPRESENTATIVE P. WILSON established her understanding that the medical assistance program was reviewed, and it was discovered that pharmacists and optometrists were found lacking equal to the underserved areas for physicians. She agreed that an amendment might be necessary.

MS. RARIG said that the licensing data was examined to establish the availability and distribution of optometrists and pharmacists, and how it correlates to physicians. The information gleaned did not ascertain that the listed, licensed doctor is in practice, but that they have an Alaska residence in a particular area of the state. She used this informal process to establish a rationale for pharmacist and optometrist needs.

[9:38:30 AM](#)

REPRESENTATIVE GARDNER recalled the prior statement that this is industry led legislation, which is not uncommon. However, in this case the industry will not benefit from the legislation, but the effects will be evident to all Alaskans.

[9:39:34 AM](#)

CHAIR SEATON opined that this may be why letters of support have been sparse. He directed attention to [subparagraph] (B), line 29, and expressed concern that some facilities may not be identified for benefit, such as the Anchorage Native Hospital, or the Pioneer's Home. He asked whether this language works to identify underserved areas adequately.

MS. RARIG acknowledged that the implications in the urban areas where a person may be employed by an organization with gross billings exceeding five percent for Medicaid/Medicare, could be questionable. However, the benefit is evident for areas such as Ketchikan, which do not meet the federal criteria for a

definition of shortage in the area of dental health. Under subparagraph (B) a dentist practicing in Ketchikan and participating in the Medicaid program would be eligible.

[9:43:04 AM](#)

CHAIR SEATON read from page 2, lines 29-30: "... who are covered under the medical assistance program in the state,...", and asked whether that would include the Native Health Programs, Medicare, and Medicaid. He pondered whether most dentists in the state could attribute five percent of their billings to a medical assistance program.

MS. RARIG suggested that the definition of medical assistance program should be clarified. She reported that about one third of Alaska's dentists participate in the Medicaid program, to a level of claims exceeding \$10,000 per year. The department would rely on an applicant disclosing their gross and Medicaid billings.

[9:45:32 AM](#)

CHAIR SEATON opened public testimony.

[9:45:58 AM](#)

DR. DAVID LOGAN, DDS, Alaska Dental Society, stated support for HB 235, disclosing that he is a benefactor of the Alaska Student Loan and WICHE programs. These programs are the primary reason that he was able to attend a professional school and return to practice in Alaska. He indicated how students graduating dental school are faced with an overwhelming debt. Five percent of Medicaid billings for a dental practice, represent a significant amount of billings. Medicaid is approximately a 50 percent reimbursement of fees, which translates to 10 percent of a practice; not an insignificant amount. The goal of the society is to encourage more participation to alleviate needs of patients and burdens on practitioners.

[9:48:43 AM](#)

REPRESENTATIVE MUNOZ asked if the medical assistance language is too broad and should stipulate Medicare or other specific programs.

DR. LOGAN regarding dentistry, Medicare does not cover services, only Medicaid reimburses dentistry.

[9:49:27 AM](#)

REPRESENTATIVE MUNOZ solicited comment from the chair on whether a definition should be included in subparagraph (B).

CHAIR SEATON opined that subparagraph (B) is unclear and will need revising as the bill goes forward.

[9:50:03 AM](#)

CHAIR SEATON asked whether tracking the Medicaid percentage of the gross billings, in a typical dentistry office, would pose any problem in order to qualify for this type of program.

DR. LOGAN responded that it would not.

CHAIR SEATON inquired whether it would present a problem in a shared office situation.

DR. LOGAN indicated that it would be unusual to not have separate billings, even when dentists share an office. Modern dental management systems are computerized to allow for ease of accountability.

CHAIR SEATON suggested that the pharmacists may be faced with more of a challenge given the nature of their office structures, often within large corporate facilities where several pharmacists may be employed and work in shifts. It is important for the administrators of the program to clearly delineate expectations and the verification process.

[9:53:36 AM](#)

NANCY DAVIS, Executive Director, Alaska Pharmacists Association, stated that she will provide information to the committee regarding the Medicaid questions. She posed two questions. The first one referred to the previous statement that half of the participating WICHE states provide forgiveness with a service attachment. She asked if this applies to the support fees. Also, she asked if there is a guarantee for instate tuition at the WICHE school of pharmacy.

[9:55:50 AM](#)

MS. BARRANS explained that when a student accepts admission as a certified student, they agree, if they are supported by the

state, to enter into a service obligation, which they must discharge, or they will have a financial repayment obligation relative to the support fee that was paid on their behalf. The support fee is a negotiated fee set by the WICHE program, in cooperation with the deans of participating schools. Pharmacy is a unique situation, in that the support fee has been kept low, at \$6,900 per year. For some schools it does not cover the differential of what they would otherwise charge the student, and those schools have the option of recovering directly from the student that differential. She provided an example using a resident rate of tuition, plus a support fee. If the non-resident rate of tuition left a gap, the difference could be recovered from the student. The WICHE staff indicates that the schools have refrained from collecting the additional cost from students, however, that is not likely to continue in perpetuity. What the WICHE staff would like to do is raise the support fee for pharmacy to a level that will ensure that schools do not have a financial deficit in relation to WICHE students.

[9:58:12 AM](#)

MS. DAVIS surmised that the support fee does provide instate tuition to the student.

MS. BARRANS said not in every case, as it depends on the negotiated terms with individual institutes.

[9:59:11 AM](#)

CHAIR SEATON stated that the bill will be held. [HB 235 was held over.]

[9:59:31 AM](#)

**HB 206-HIGH SCHOOL ASSESSM'T/POSTSECONDARY CLASS**

[9:59:48 AM](#)

CHAIR SEATON announced that the final order of business would be HOUSE BILL NO. 206, "An Act establishing a career assessment requirement in public schools; and relating to postsecondary courses for secondary school students."

CHAIR SEATON said that the bill will be held, pending a forthcoming amendment. [HB 206 was held over.]

10:02:27 AM

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:03 a.m.