

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 15, 2010
8:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 297

"An Act establishing the governor's performance scholarship program and relating to the program; establishing the governor's performance scholarship fund and relating to the fund; relating to student records; making conforming amendments; and providing for an effective date."

- 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."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 297

SHORT TITLE: POSTSECONDARY SCHOLARSHIPS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	EDC, FIN
02/03/10	(H)	EDC AT 8:00 AM BARNES 124
02/03/10	(H)	Heard & Held

02/03/10	(H)	MINUTE(EDC)
02/12/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/12/10	(H)	Heard & Held
02/12/10	(H)	MINUTE(EDC)
02/15/10	(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
02/01/10	(H)	Scheduled But Not Heard
02/05/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/05/10	(H)	Heard & Held
02/05/10	(H)	MINUTE(EDC)
02/10/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/10/10	(H)	Heard & Held
02/10/10	(H)	MINUTE(EDC)
02/12/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/12/10	(H)	Scheduled But Not Heard
02/15/10	(H)	EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

DIANE BARRANS, Executive Director
 Postsecondary Education Commission
 Department of Education and Early Development (EED)
 Juneau, Alaska

POSITION STATEMENT: Testified and responded to committee questions on HB 297.

EDDY JEANS, Director
 School Finance and Facilities Section

Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Provided a sectional review of HB 297 and answered questions on HB 297.

JERRY BURNETT, Deputy Commissioner
Office of the Commissioner
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 297.

RYAN BUCHHOLDT, Speaker of the Assembly
Union of Students
University of Alaska Anchorage (UAA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 297.

NICK MOE, Political Science Student;
Government Relations Director
University of Alaska Anchorage (UAA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 297.

AMY VOSS, Representative
Student Government
University of Alaska Anchorage (UAA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 297.

SAICHI OBA, Associate Vice President for Students
University of Alaska Anchorage (UAA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 297.

LES MORSE, Deputy Commissioner
Office of the Commissioner
Department of Education and Early Development (EED)
Anchorage, Alaska

POSITION STATEMENT: Testified and responded to questions on HB 206.

ACTION NARRATIVE

[8:02:30 AM](#)

CHAIR PAUL SEATON called the House Education Standing Committee meeting to order at 8:02 a.m. Representatives Munoz, P. Wilson, Edgmon, Keller, Buch, Gardner, and Seaton were present at the call to order.

HB 297-POSTSECONDARY SCHOLARSHIPS

8:02:39 AM

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 297 "An Act establishing the governor's performance scholarship program and relating to the program; establishing the governor's performance scholarship fund and relating to the fund; relating to student records; making conforming amendments; and providing for an effective date."

8:03:36 AM

CHAIR SEATON offered condolences to ConocoPhillips, acknowledging the loss of their president, Jim Bowles, who died as a result of a snowmobile accident.

CHAIR SEATON pointed out that several amendments have been circulated to members as well as information previously requested from the Department of Education and Early Development (EED).

8:04:59 AM

REPRESENTATIVE KELLER reported he has received comments indicating that HB 297 may put the rural communities at a disadvantage, which he thought may be the result of a misunderstanding, and is causing some frustration among constituents at large. He expressed his support for HB 297, and stated his understanding that this bill will provide a wide benefit to K-12 students throughout the state.

8:06:42 AM

CHAIR SEATON stressed that the commissioner views this as a reform bill to bring about a statewide change in our schools. Many of the comments, regarding disparity for rural Alaska surrounds consideration of small schools versus large schools, and whether the diversity of courses will allow them to implement the waiver program. He stressed that the goal is for core courses to be available to all students in Alaska.

[8:09:10 AM](#)

DIANE BARRANS, Executive Director, Postsecondary Education Commission, Department of Education and Early Development (EED), stated that passage of this bill will represent "a huge step forward" for the state, in terms of the types of financial aid available for Alaskans to pursue postsecondary education and training. In recent years, the commission has developed an outreach, and early awareness unit. Having the GPS program to bring to students and families will be tremendous. The program can be woven into information presented to students as early as elementary school. Pupils must have fundamental preparation in elementary and middle school to benefit from a program like the Governor's Performance Scholarship (GPS).

MS. BARRANS stated that the department is very supportive of HB 297 and appreciates being involved in the development of the proposal. Rather than create a separate or new application process, the application process could "piggyback" on the existing free application for federal student aid. Cost estimates to bring up the program and to administer it are modest, she reported. She described the process currently in place as an electronic process for the Alaska Advantage Education Grant, which is a small needs-based grant program, which the division administers. The commission exchanges information electronically, with the U.S. Department of Education, and the educational institutions in Alaska where grant recipients attend. She reported that the current process is efficient. Under this bill, an Alaskan student would only need to submit the Free Application for Federal Student Aid (FASFA), the school would provide transcript information to the postsecondary institution, and "we become co-gatekeepers, ... in terms of ensuring the aid is distributed in an efficient and effective manner." The other reason to propose using the FASFA as a single application is to ensure that every student could access the grant aid. Although improvements have been made in the number of students that complete the FASFA, some students assumed they will not qualify so they do not apply. Over the past few years significant improvements have been made. The federal government is revising the FASFA and continues to improve and streamline the process. She thought this would be an efficient and effective way to administer the program.

[8:13:57 AM](#)

CHAIR SEATON recalled questions about administering and coordinating the program, and the requirement that the award

payment be directed to the institution. He asked whether this is the normal process and whether any glitches happen when the award is directed to the institution and not the student.

MS. BARRANS responded the standard for financial aid administration to have the funds be directed to the school to ensure that the student has met the eligibility criteria and qualifications. She clarified that this bill makes available financial aid, to existing programs certified by the Department of Labor & Workforce Development (DLWD), for new training programs. She opined that the burden would be on the institution to develop the appropriate process to satisfy the administrative requirements. Under this bill, the commission is granted regulatory authority relative to schools participating in the program. She envisioned how a school would need to demonstrate its administrative capacity to be responsible and to ensure funds are appropriately disbursed.

[8:16:12 AM](#)

CHAIR SEATON asked whether that process would be accomplished under the regulatory purview and not in statute.

MS. BARRANS answered yes.

[8:16:37 AM](#)

REPRESENTATIVE EDGMON questioned the mechanics of the program start-up and when the scholarships would be ready.

MS. BARRANS offered that the first class of high school graduates to qualify would be the class of 2011. Those students would enter their training program in the fall of 2011. It is a relatively aggressive schedule to get the program up and running, but the commission will begin discussions on program implementation, although funds will not yet be expended. She deferred to the Department of Revenue (DOR) to respond to questions regarding finances.

[8:18:32 AM](#)

REPRESENTATIVE EDGMON asked what happens when the \$20 million spin off is not spent; are the funds rolled into the principle or held separate.

CHAIR SEATON stated that a DOR representative will respond to a line of financial questions.

8:19:11 AM

REPRESENTATIVE P. WILSON asked whether this is expected to be an easy process to administer.

MS. BARRANS related that most career and training programs currently administer some form of aid. She did not think it would be a stretch for most programs to have some means of meeting the administrative needs involved in carrying out this program.

8:20:16 AM

REPRESENTATIVE KELLER asked whether the committee is satisfied that it can identify the different tiers in WorkKeys, and with the process necessary to implement the program components.

CHAIR SEATON said the department representative will speak to that topic today.

8:21:18 AM

CHAIR SEATON referred to page 9, lines 2-16. He related that a question arose about how students seeking apprenticeships would qualify for the certificated training.

MS. BARRANS said she anticipated that the Department of Labor & Workforce Development (DLWD) will determine its own criteria to determine which programs will qualify under the career and technical trade component. She referred to page 8, lines 23-24, which read: "Sec. 14.43.835. Qualified postsecondary institutions. (a) The following institutions are qualified postsecondary institutions." She then referred to paragraph (2) which read: "a career and technical school program physically located in the state that has been included on a list of certified career and technical school programs" She anticipated that DLWD will promulgate regulations and designate certain programs as qualifying or not-qualifying; factors that could be considered will include whether or not tuition is charged, and other educational costs, which could be covered by the GPS award. She related that some apprenticeships pay a stipend, while others do not.

8:23:36 AM

CHAIR SEATON remarked that the onus would be on the DLWD to designate the programs which meet the criteria. Other stipends or self-pay programs would be identified in the FAFSA. He asked whether this could be handled through regulations.

MS. BARRANS stated that it is unusual for a student not participating in a federal aid program to file the FAFSA, but nothing prevents them from doing so. The department would need to communicate the process for application. She related that the commission also receives copies of the FAFSA's filed. The FAFSA document will handle this hurdle, or the department could create an alternative application process via regulation.

[8:25:05 AM](#)

REPRESENTATIVE MUNOZ asked whether the merit-based career and technical scholarship requirements are the same for academic and technical career paths.

MS. BARRANS said they are not the same requirements.

REPRESENTATIVE MUNOZ requested a review of the differences between them.

MS. BARRANS suggested Mr. Jeans would cover this during his testimony today.

CHAIR SEATON elaborated that the committee would like to know how scholarships awarded will vary or coincide between career paths. He asked how the program will apply to someone who qualifies for the academic scholarship, but chooses to take a career technical path. The committee's understanding is that a student choosing a career technical program will be limited to \$3,000, even if they qualify for the highest academic award.

MS. BARRANS agreed that is correct.

CHAIR SEATON suggested that the committee may make a request for the commission to work with the department on aligning this aspect of the bill.

[8:27:39 AM](#)

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), directed attention to the bill, page 9, and said he would continue to present the sectional analysis of the bill.

CHAIR SEATON related an issue regarding non appropriation of funds, by the legislature, to cover the program. He referred to page 9, line 30, which indicates distribution on a pro-rated basis. He asked how this would be administered and how the qualification determination would be handled.

MR. JEANS envisioned that anyone who qualifies for an award would receive some award on a pro-rated basis.

8:29:01 AM

REPRESENTATIVE EDGMON asked what occurs with accrued interest that is not expended.

MR. JEANS responded the first step is the appropriation to the Governor's Scholarship Fund (GSF); \$400 million. The income from the GSF requires an appropriation by the legislature on an annual basis into an income fund. The income fund is what the Postsecondary Education Commission will draw from for awards. The unexpended funds remain in the income fund, and are available in subsequent years without the need of further appropriation by the legislature. He related from his conversations with the DOR, that any money generated from the income fund is subject to appropriation. The principal is available in subsequent years without further authorization. The process would be similar to the way the public education fund currently operates in regards to the foundation formula, he stated.

8:30:21 AM

REPRESENTATIVE EDGMON envisioned that, as the demand for the program grows, more schools and students will be motivated to participate in the program. The program participation may initially be low, but would likely increase over time. He stated he would like to see the projected figures.

MR. JEANS directed attention to the schedule in the committee packet, which indicates the annual drawdown. He estimated it would take four years before the fund would be up to the full \$20 million. He offered his belief that it would be earning close to the \$20 million in the first couple years assuming a five percent interest on the full \$400 million. The legislature would have the option to appropriate the full amount of the income, or leave it in with the principal and appropriate it at a future date.

REPRESENTATIVE EDGMON identified this as an important process to discuss, as the committee may need to address provisions such as the needs-based aspect of the bill.

[8:32:38 AM](#)

CHAIR SEATON asked whether the statutory percent of market value (POMV) is established, based on an average return on investments allowing for a three percent inflation-proofing on the \$400 million, or if another structure would be put in place.

MR. JEANS deferred to DOR. He explained that EED used the five percent, as available for appropriation based money, on a multi-year average of the Permanent Fund.

CHAIR SEATON related that this was not apparent in the committee packet or in the bill. He surmised there is an assumption that the five percent will be available for appropriation.

MR. JEANS concurred with the assumption.

[8:34:06 AM](#)

REPRESENTATIVE KELLER pointed out that this legislature cannot commit future legislatures, as each legislature may appropriate funds they find prudent.

[8:34:45 AM](#)

CHAIR SEATON stipulated that questions about the interest generated will be directed to the representative from DOR.

MR. JEANS referred to proposed AS 14.43.850, regarding the report to the legislature. The program administrators, EED, DOR, DLWD, and UA, will report within 10 days of the start of each legislative session, information on the GPS. The information is to include the number of applicants and awards for each type of scholarship, in current and past years, and offer projections for the coming year. Additionally, the report will include trends in data reflecting the goals stipulated in proposed AS 14.43.810.

[8:36:02 AM](#)

CHAIR SEATON asked whether the report would be a consolidated report.

MR. JEANS replied yes.

MR. JEANS turned to page 10, line 23, proposed AS 14.43.890, which specifies the definitions of commission, commissioner, department, grade-point average (GPA), military service, program, and school district.

[8:36:38 AM](#)

CHAIR SEATON asked whether a definition will need to be inserted to include letter grades as well as letter grades one for the GPA.

MR. JEANS answered no. He referred to page 5, line 28 of HB 297, which read, "the minimum grade-point average that the student must have achieved in high school to be eligible for each of the three tiers of academic"

CHAIR SEATON related that the GPA can be handled in an amendment.

[8:37:42 AM](#)

REPRESENTATIVE GARDNER returned to page 8, proposed AS 14.43.835, and asked the rationale for reducing the award for vocational education. Some of the career-based programs are just as expensive as academic paths. She asked the reason the award would be limited to only \$3,000 for a career path.

MR. JEANS said it is up to the legislature. The department chose a "middle of the road" amount to insert.

[8:39:09 AM](#)

CHAIR SEATON directed attention to the handout, titled "GPS Scholarship HB 297/SB 224 handout, dated 2/12/2010."

MR. JEANS explained that there are two parallel scholarship programs. One is the academic scholarship, which allows the three-tiered academic scholarship. He referred to the middle section of the handout, to AS 14.43.820, and explained under this track the intent is that the student would attend a university or college that leads to a certificate or degree. The University of Alaska System offers certificate as well as degree programs. He stated that reading across the chart, under the career and technical path, a student would attend a career

or technical school that has been approved by DLWD, which is a different track.

REPRESENTATIVE GARDNER offered her belief that a top-level academic scholarship qualifying student could choose to take a vocational career path. She questioned why students who choose the vocational path would receive a lesser award, especially given that the programs may cost as much or more than the university career path programs.

MR. JEANS responded that the department did not set a range of awards. He related that if the program level was set at \$10,000 and the program cost was \$3,000, the student would only receive \$3,000. He stated that it is up to the legislature to make the decision on the amount of the award level for the career and technical award.

[8:41:56 AM](#)

REPRESENTATIVE GARDNER asked whether an argument could be made to make the award less and if it was a cost-savings measure.

MR. JEANS assured the committee that this is not a cost-savings measure. The department just reviewed the academic award and decided \$3,000 represented the mid-range level.

[8:42:31 AM](#)

CHAIR SEATON asked whether this program is patterned after the Hathaway Plan, which identifies different cost structures for university and community colleges.

MR. JEANS concurred that the Hathaway Plan was the model used, but he did not recall the award levels in the model.

[8:43:14 AM](#)

REPRESENTATIVE P. WILSON lamented that a student on an academic path could have 100 percent of his/her tuition paid, and asked why a student in the career and technical program would not also receive that level of assistance if he/she has earned the appropriate grade point average.

CHAIR SEATON asked whether this is a policy call for the committee to determine.

MR. JEANS said that it is a policy decision and stressed it would be difficult to identify the appropriate rate.

REPRESENTATIVE P. WILSON expressed her interest in having a policy set that will serve both paths in the same way.

[8:46:14 AM](#)

CHAIR SEATON clarified that HB 297 contains qualifications which are different for career and technical programs than for the academic core principles. The question is whether a student who qualifies for a high-level academic award can apply that award to whatever Alaska institution or program the student desires. He cautioned that the programs are not the same.

REPRESENTATIVE KELLER agreed. He noted the criteria for qualification differs [between the career and technical program and the academic program]. There may be a value in having a cap in terms of controlling the cost.

[8:48:27 AM](#)

CHAIR SEATON clarified that the aforementioned is why the program is not set up to pay the full tuition, but this program is a monetary award to an individual. An amendment will be considered to this section, he noted.

[8:49:59 AM](#)

MR. JEANS turned to page 11, line 9-14, to Section 5, which refers to the administration of the program by the ACPE. He then referred to page 11, line 31, to Section 6, which provides DLWD the authority to carry out its tasks for the career and technical aspects of the program.

REPRESENTATIVE BUCH, in response to Chair Seaton, related Section 6 begins on line 15.

CHAIR SEATON agreed, noting the new language begins on page 11, line 31.

[8:51:04 AM](#)

MR. JEANS directed attention to Article 8A. Governor's Performance Scholarship Fund, which begins on page 12, line 4 of HB 297. This is the establishment of the GPS fund. He recalled that \$400 million appears in the language section of the

governor's operating budget. He related that Section 17 would provide the DOR the authority to manage and invest the funds.

[8:52:12 AM](#)

CHAIR SEATON related it appears that this represents a month-end market value of the preceding three fiscal years, making this a statutory percent of market value (PMOV) method. He commented that the DOR will address this later.

[8:53:00 AM](#)

MR. JEANS referred to page 13 of the bill which establishes the transition provisions.

REPRESENTATIVE P. WILSON asked for the difference in the definitions presented on page 13, line 2, and those listed on page 10.

MR. JEANS answered that the definitions on page 13 would apply to the DOR.

[8:53:54 AM](#)

REPRESENTATIVE EDGMON recalled that not-for-profit organizations are only allowed to spend up to 5 percent of the earnings each year. He asked whether this would apply to the GPS.

CHAIR SEATON answered that question would be posed to the DOR.

[8:54:31 AM](#)

CHAIR SEATON said that the question of donations to the fund will be forwarded to DOR. He then reminded the committee that another bill before the legislature would change the cap regarding [corporate] donations to the university and the tax credit received for those donations. The question, he related, will be whether that would apply to this [scholarship]. Current corporate tax laws allow a donation up to \$100,000 in corporate taxes and receive a 50 percent tax credit and donations of \$100,000-\$200,000 in corporate taxes receive a 100 percent tax credit.

MR. JEANS agreed the question would apply to the DOR. He explained that the transition section provides the departments involved the authority to implement regulations to govern the program. He referred to page 13, line 16, which provides the

transition for the first three years of the program. This provision would allow the department to develop a transition model for those students. He provided the example in which a student may graduate in 2011, but may not have taken four years of math. A regulation will be adopted to address these types of situations, he said.

[8:56:54 AM](#)

CHAIR SEATON clarified that current high school seniors who could otherwise qualify would need to meet core curriculum requirements.

MR. JEANS said it is not the intent of the department to reduce the curriculum requirements, but there may be current seniors who did not meet the curriculum requirements since they may not have been aware of the GPS requirements.

REPRESENTATIVE KELLER asked whether on-line curriculum courses have been considered as a means to meet the requirements. He provided an anecdote to illustrate this possibility. The current technology should be implemented where applicable, he stressed.

[8:58:47 AM](#)

MR. JEANS expressed his understanding that the grade point averages as well as the assessment scores will not be lowered. However, some students in their junior year of high school may have only taken two years of math. Those students would need to take an additional year of math in their senior year, without requiring the student to go outside his/her normal school day to accomplish two years of math in one year.

[8:59:22 AM](#)

REPRESENTATIVE GARDNER asked whether the transition regulations are realistic for implementation within this aggressive timeline.

MR. JEANS answered yes. He mentioned that the department has started work on draft regulations. He offered to share them with the legislature at some point. He related a similar process was used to implement regulations on another bill. While the regulation process has begun the regulation process is a public process, so this effort will represent the department's first cut at the regulations.

9:01:01 AM

CHAIR SEATON related that if the timeline does not allow for regulatory process, since this is the transition period the committee could also work to ensure that the bill is appropriately adjusted.

MR. JEANS related that the department has several avenues available to address the critical sections, such as adopting emergency regulations.

9:01:50 AM

REPRESENTATIVE GARDNER theorized about a student who does not meet the rigorous qualifications and has missed a required course. She asked how this instance will be addressed once the student has already graduated. She asked if graduation represents the "drop-dead date" or whether students have alternatives to make-up the course, such as through correspondence courses.

MR. JEANS agreed that an alternative pathway would exist for students. He related that the commissioner has allowed for these pathways, such as taking correspondence over the summer, classes at their first year at the university, or other means. The State Board of Education and Early Development (BOEED) will be developing the process by which these students will be considered.

REPRESENTATIVE GARDNER asked whether that process works for someone who did not take courses as a high school sophomore but awakens as a senior to the reality of their situation. She asked if he/she would be treated as someone on track for an alternative pathway or if it would be too late once the student has graduated.

MR. JEANS offered to scrutinize that section, and said at some point it is considered a "drop-dead" situation.

9:03:32 AM

REPRESENTATIVE KELLER related that the validity of the curriculum is determined by the local school district, not the EED. He asked whether the local district would have the option of providing a virtual school as an alternative pathway for a

student who perhaps began focusing on the GPS late in high school.

MR. JEANS answered yes.

[9:04:13 AM](#)

MR. JEANS referred to page 13, line 19, and explained that the first class to be eligible will be the class graduating from the school year June 30, 2010, through July 1, 2011. Scholarships will be available to them after July 1, 2011. The students graduating early in 2011 will be eligible for the program, but the funding will not be available until after July 1, 2011.

CHAIR SEATON surmised then that students who graduate this year won't be included in this program; the program will start after June 30, 2010.

MR. JEANS agreed. He stated the sectional review is complete.

CHAIR SEATON noted the immediate effective date for the regulation component and for the transitional provision.

[9:05:53 AM](#)

REPRESENTATIVE P. WILSON inquired about this year's high school graduates who will not qualify for the program. She asked whether any way exists for them to qualify.

MR. JEANS answered no. He related that the law specifies the dates and it does not include the students who are currently high school seniors. In further response, he confirmed that the date covers the transition period as well as the scholarship program implementation.

[9:07:50 AM](#)

CHAIR SEATON directed attention to the spreadsheet titled, "Governor's Scholarship Program, updated 1/7/10." He recalled discussing home school students, which are reflected in the spreadsheet. He asked for the number of students who would qualify if they attained a GED through the University of Alaska.

MR. JEANS answered that the UA does not issue GEDs.

CHAIR SEATON maintained his understanding that the UA has provided GEDs and suggested further response may be received from the university system.

[9:09:47 AM](#)

REPRESENTATIVE EDGMON asked whether a definition is needed on page 6, line 8, to indicate "equivalent to the high school diploma."

MR. JEANS indicated that provision was intended to address the private and home school programs. He did not think a definition is necessary, but it will be determined via the regulatory process, he said.

[9:11:17 AM](#)

CHAIR SEATON indicated it may be assumed that students who choose to take a GED could be considered home school graduates.

MR. JEANS stressed that it is not the intent of the department to allow applicants to enter the program under this type of premise. The commissioner envisions that home school parents will demonstrate how their student has met the curriculum requirements and will provide documentation to that effect. It is not the intent of the department for students to drop out of high school, obtain a GED, and have the parents declare that the student has been in a home school program.

[9:12:32 AM](#)

REPRESENTATIVE KELLER pointed out that this emphasizes the need for a qualifying test to measure abilities. Grades are subjective, he opined, and achievement testing is crucial to the program.

CHAIR SEATON offered his belief that under consideration are the students who achieve, but do not complete the other criteria, such as obtain high scores. Waivers are available for certain aspects of the criteria but not all, he stated.

REPRESENTATIVE GARDNER said that there does not appear to be waivers for students who take alternative pathways.

CHAIR SEATON agreed that waivers are not allowed, but alternative pathways are established for the program.

[9:14:04 AM](#)

REPRESENTATIVE KELLER reiterated that every district will have different standards for how they approve curriculum and grades. He did not think that the committee should address curriculum or grades since this will be left up to the individual districts to decide. He stressed that the measurement of achievement is very important to consider.

[9:14:49 AM](#)

REPRESENTATIVE MUNOZ asked whether this program would apply to an older student, who returns to school or meets comparable requirements, such as a GED or a university program. She asked whether those students would have an opportunity to qualify for the program.

MR. JEANS explained that individuals who have achieved the age of 16 are no longer compulsory school-age students. He further explained that holding a GED does not translate to being a high school graduate. Students must meet the course requirements and must pass the high school qualifying exam. Thus, a student with a GED could re-enroll in public school, so long as they meet the school age of up to 19 years, and complete the curriculum requirements to qualify for this program. There are many avenues for students to take advantage of this program, he stated.

[9:16:40 AM](#)

JERRY BURNETT, Deputy Commissioner, Office of the Commissioner Department of Revenue (DOR), introduced himself.

CHAIR SEATON asked Mr. Burnett to begin by reviewing the mechanism for establishing the fund.

[9:17:22 AM](#)

MR. BURNETT related that the fund would be established with an appropriation of \$400 million as well from potential donations. The earnings on the fund will remain in the fund. The closest analogue to this is the Children's Trust Fund, which was established by donation, although the earnings are different. The first year the money will be invested and will be based on the need for a 5 percent real rate of return, which would work to establish an asset allocation of fixed income and equities. He related the target would be to obtain between 7.5 to 8.5

percent rate of return, depending on inflation, similar to how a pension fund is managed. This would be a long-term endowment approach for investments. The value would be calculated on a monthly basis, and the 5 POMV would be reported as available for appropriation. The legislature would then have the opportunity to appropriate the money to the "spendable account," which would be the funds used. This proposed fund is not a dedicated fund so the legislature could appropriate more or less than the 5 POMV on an annual basis. The assumption would be that the governor's budget document would contain the 5 percent figure. However, the market varies and fluctuations do occur. He related an anecdotal scenario to illustrate his point. He offered that over a long period of time the 5 percent will be achieved. Currently, tax credits are available for donations for qualified postsecondary education institutions such as the UA or Alaska Pacific University. The bill as written would not allow for a corporate tax credit on donations into this fund, he opined.

[9:21:30 AM](#)

REPRESENTATIVE KELLER asked whether the language could be amended to allow corporate donations.

MR. BURNETT stated that he was not aware of any constitutional prohibition to make this type of tax credit available.

[9:21:53 AM](#)

CHAIR SEATON agreed that the tax credit is not contained in HB 297, which allows for donations.

MR. BURNETT related that this would refer to a tax credit or contribution to education or to an institution.

REPRESENTATIVE KELLER offered that the bill could be amended.

REPRESENTATIVE GARDNER remarked this bill indicates that the fund is not a dedicated fund so the legislature would have access to the funds to use for other purposes. Thus, a corporation may choose not to make a donation to the proposed GPS fund.

MR. BURNETT agreed one of the criticisms of the Children's Trust Fund, which allows for donations, is that the fund is not a dedicated fund. Thus, the legislature can use the funds for another purpose. He responded to an earlier question by

Representative Edgmon about tax deductions on federal taxes. He related that he could not specifically answer this, but they likely are deductible so long as the criterion is met. He did not know if this would qualify and people would need to seek advice.

[9:24:35 AM](#)

REPRESENTATIVE P. WILSON requested a final answer on whether this could be altered.

REPRESENTATIVE MUNOZ asked how the UA currently accepts donations of this type.

MR. BURNETT related he could not specifically answer that question, but recalled the UA solicits donations and funds are directed to a foundation or the UA directly.

REPRESENTATIVE MUNOZ inquired as to the flexibility UA has to manage the funds.

MR. BURNETT answered that the UA owns its own assets so a donation to the UA is not something the legislature has the authority to appropriate.

[9:26:19 AM](#)

REPRESENTATIVE BUCH referred to page 12, line 24, and to the average month-end market value of the fund for the immediate preceding three fiscal years.

MR. BURNETT answered that it is based on monthly asset values averaged over the past three years.

[9:27:11 AM](#)

REPRESENTATIVE BUCH asked him to describe how the fund is overseen and how it would be managed in relation to how the Alaska Permanent Fund is managed.

MR. BURNETT responded this proposed GPS fund would be managed by the DOR through a combination of fixed income and equity investments. He related that the DOR manages about \$16 billion internally for the pension funds, the general fund (GF), the constitutional budget reserve fund, and other funds. He related that a manager or managers would be hired to manage the equity

securities and to oversee the daily reports that are received. Market securities would be followed to determine monthly values.

9:29:30 AM

REPRESENTATIVE BUCH recalled the past market volatility. He related that the Permanent Fund Corporation lost money in its investments. He questioned if this is managed in the same way, whether this fund will be subject to the same frailties of the market.

MR. BURNETT responded that every fund is subject to the frailties of the market. The assets are formally reviewed quarterly. The DOR made positive decisions to leave asset allocations as they were during the market. Thus, the market losses were not due to an accident, but given the situation the DOR made a determination on how to proceed. In further response to Representative Buch, he offered the DOR made a conscious decision at each juncture that a better choice of managing the investments was not available.

9:31:40 AM

REPRESENTATIVE P. WILSON recalled that the Alaska Permanent Fund is managed over a five-year period while this proposed fund will be managed over a three-year period. She inquired as to what the difference will be.

MR. BURNETT related that the longer period tends to smooth payments more and shows less change from year to year. Potentially, the growth is also more rapid. The biggest difference is that the calculation used to determine the amount of the Permanent Fund Dividend is based on realized earnings. Realized earnings are capital gains from the sale of equities and other investments, dividends, and interest received. That can be considerably different than changes in market value. He related a scenario in which a set of stocks is owned that does not pay dividends, so when the stocks double in value the investor has no realized income. If the state were to have the same set of investments but uses a POMV calculation, the state would have income to appropriate. The Alaska Permanent Fund would have no income for calculating the amount available for appropriation. This is a significant difference and is particularly important to note because the calculation under generally accepted accounting principles of income is based on market value and not on realized earnings.

[9:34:22 AM](#)

CHAIR SEATON presumed that the smoothing over the three-year period is used since the DOR is doing a monthly value instead of a year-end value.

MR. BURNETT agreed that it would tend to have less volatility using monthly averages and smoothing over the three-year period.

[9:34:59 AM](#)

REPRESENTATIVE P. WILSON related that money would be deposited to the proposed GPS fund and any unexpended funds would remain in the proposed GPS fund. She asked if this method offers a better protection of the funds than returning [any unexpended funds] to the principal.

MR. BURNETT explained that the way the proposed GPS fund is set up that if the legislature appropriated 5 percent of the average market value from the fund to the "spendable account" it would stay in the "spendable account" and would be available for expenditures. The funds would be invested in a less volatile investment, would be part of the GF investment as fixed income. Thus, the funds are less likely to lose value in the short term. So, in some sense it is better protected, but funds also remain available.

[9:36:37 AM](#)

CHAIR SEATON related that some students would qualify for scholarships midway through the year. He opined that it is important to avoid a pro-rated situation or a situation in which the scholarships would not be available unless the legislature meets to appropriate more funds. [The aforementioned account] would allow funds to be available for those scholarships that were already appropriated. He asked if that is what is being considered.

MR. BURNETT replied yes, and recalled that a similar fund was established to pay tax credits on production taxes. The intent was to deposit money based on a formula and the monies would be available when the tax credits needed to be paid rather than having a situation in which people are waiting to be paid and the department has to request an appropriation.

[9:38:32 AM](#)

RYAN BUCHHOLDT, Speaker of the Assembly, Union of Students, University of Alaska (UAA), stated that the Governor's Performance Scholarship Program falls short since it does not contain a needs-based component. He researched the "Taylor plan" states and of the 22 states cited most plans contain a needs-based component, and some have strong needs-based components such as family income ceilings as part of the eligibility requirements. He related his pleasure of the earlier mention that there is a draft amendment for a needs-based component. He said he thought it is important to consider adding the needs-based component since it is difficult for low-income students to bridge academic barriers and achieve success. He closed with a quote from the Western Interstate Commission for Higher Education (WICHE) representative at the Joint House and Senate Education Committee meeting in November when the governor's plan was first discussed. He read the quote as follows: "Hybrid plans are really the best plan if your goal is access to success." Thus, the thought is that what is good for the state is not only getting the best "bang for the buck" for its money, but also better access for the success of the State of Alaska through its future leaders. These future leaders are our current students, he stated.

[9:41:26 AM](#)

NICK MOE, Political Science Student; Government Relations Director, University of Alaska Anchorage, explained that as the Government Relations Director at UAA, his job is to harness all the excitement for this scholarship plan. Students have gathered over 1,500 signatures in support of a needs-based option for the GPS. Additionally, five individual letters from students were published in the Anchorage Daily News in support of a needs-based option. He pointed out that although the students advocating for the proposal will not benefit, the students see it as a means to provide access to postsecondary education. College costs are rising and it is more difficult to obtain lending from private and state sources. He offered a personal anecdotal situation in which he was denied a student loan because he missed the credit score by 20 points, even though he had previously received the student loan. Some student leaders will soon travel to Juneau to present their support and research to the legislature. He urged members to amend the bill to include a needs-based option.

[9:43:41 AM](#)

AMY VOSS, Representative, Student Government, University of Alaska Anchorage, stated that she is recent college graduate, with a double major in German and International Studies. She is currently taking courses in German and Spanish and substitute teaches German in the Anchorage School District. She had opportunities to attend other colleges and while her friends went to the Lower 48 to attend school, she chose to remain in Alaska, primarily since she received a scholarship. She said she did not regret her decision and her plan is to remain in the state and work. She commended the governor for introducing GPS, but she also emphasized the importance of adding a needs-based component to the program, which she thought will also encourage students to remain in Alaska to attend college and become leaders in Alaska.

[9:46:12 AM](#)

SAICHI OBA, Associate Vice President for Students, University of Alaska Anchorage, stated that students support the GPS as well as a needs-based component, which the president [of the university] supports also. With regard to the earlier question about GEDs being awarded by the University of Alaska, Mr. Oba explained that although currently the main campuses do not award GEDs, community campuses facilitate the preparation and the testing of GEDs throughout Alaska. He offered to provide the information regarding GEDs to the committee via Diane Barrans and Commissioner LeDoux. In response to Chair Seaton, he offered to provide the information to the committee, as well.

[9:47:27 AM](#)

CHAIR SEATON, after first determining no one else wished to testify, closed public testimony on HB 297.

CHAIR SEATON then called attention to the amendments submitted by members. He stated his desire to have these amendments posted on the web site or moved by the committee.

[9:48:37 AM](#)

REPRESENTATIVE P. WILSON made a motion to have the amendments before the committee for consideration, and asked for unanimous consent.

REPRESENTATIVE KELLER objected.

REPRESENTATIVE GARDNER also objected.

9:48:59 AM

REPRESENTATIVE EDGMON asked whether the amendments to be considered are limited in number.

CHAIR SEATON answered no. He said he would like to at least have the amendments presented even if they are tabled and posted as pending amendments on the web site for the public to also review.

[The committee treated Representative P. Wilson's earlier motion as withdrawn.]

9:49:50 AM

REPRESENTATIVE P. WILSON made a motion to adopt Amendment 1, labeled Version 26G-2, (2/12/2010), (12:42 pm), which read as follows [original punctuation provided]:

Page 1, line 9, following "award of a":
Insert "merit-based"

Page 3, line 17, following "academic scholarship":
Delete "and"
Insert ", "

Page 3, line 17, following "school scholarship":
Insert "and a needs-based scholarship"

Page 7, line 5, following "awards for the":
Delete "program"
Insert "merit-based programs"

Page 8, following line 3:
Insert:

"Sec. 14.43.828. Eligibility for a needs-based scholarship and maximum awards. (a) Subject to appropriation, the commission shall award a needs-based scholarship to a student who meets the eligibility criteria for the award.
(b) A student is eligible to receive a needs-based scholarship if the student
(1) is eligible for a merit-based academic scholarship or a merit-based career and technical school scholarship; and

(2) can demonstrate in a year in which the student receives a scholarship that the student has unmet financial need greater than \$2,000.

(c) The maximum amount for the needs-based award is 50 percent of unmet financial need greater than \$2,000.

(d) The qualified postsecondary institution attended by the student shall determine unmet financial need by subtracting from the student's allowable standard costs of attendance at the institution all non-loan sources of financial support, including an expected family contribution and all federal, state, and private scholarships or grants received by the student.

(e) In this section,

(1) "allowable standard costs of attendance" means

(A) for a student who receives a merit-based academic scholarship, the lesser of the

(i) standard costs of attendance at the University of Alaska, as determined by the commission; or

(ii) actual costs of attendance at the qualified postsecondary institution that the student attends or plans to attend, as determined by the commission;

(B) for a student who receives a merit-based career and technical school scholarship, the costs of attendance at the qualified postsecondary institution that the student attends or plans to attend, as determined by the commission based on room and board costs that do not exceed the standard room and board costs at the University of Alaska as determined by the commission;

(2) "expected family contribution" means the amount a student or the student's family is expected to pay towards the student's costs of attendance, as determined by use of the most recent federal Free Application for Federal Student Aid."

CHAIR SEATON objected for the purpose of discussion.

REPRESENTATIVE GARDNER made a motion to table proposed Amendment 1. There being no objection, proposed Amendment 1 was tabled.

[9:51:03 AM](#)

REPRESENTATIVE P. WILSON made a motion to adopt Amendment 2, labeled which read as follows [original punctuation provided]:

Page 5, line 28:

Delete "grade-point"

Insert "grade"

Page 5, line 30, following "scholarship;":

Insert "the top tier is the A average tier, the second tier is the B average tier, and the third tier is the C plus average tier; the grade-point average for the A average tier is 3.5 or higher, for the B average tier is less than 3.5 but no less than 3.0, and for the C plus average tier is less than 3.0 but no less than 2.5; the board shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;"

Page 6, following line 2:

Insert "(4) a process by which a student who meets the grade standards in (2) of this subsection for a particular tier, but does not meet the minimum scores established under (3) of this subsection for that tier, may apply for a lower tier scholarship;"

Page 6, line 3:

Delete "(4)"

Insert "(5)"

Page 6, line 5:

Delete "(5)"

Insert "(6)"

Page 6, line 7:

Delete "(6)"

Insert "(7)"

Page 6, line 23:

Delete "grade-point"

Insert "grade"

Page 6, line 24, following "school;":

Insert "the minimum is C plus average; the C plus average requirement is a grade-point average of 2.5 or higher; the board shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;"

CHAIR SEATON objected for the purpose of discussion.

[9:51:30 AM](#)

REPRESENTATIVE GARDNER made a motion to table proposed Amendment 2. There being no objection, proposed Amendment 2 was tabled.

[9:52:02 AM](#)

REPRESENTATIVE GARDNER asked to pose a question. She referred to proposed Amendment 2, which was just tabled, and pointed out that an adjusted grade point average (GPA) for advanced placement classes are scored differently and are counted as five points. Thus, the advanced placement courses are a means to affect a student's GPA.

CHAIR SEATON related that the department will provide additional information. He asked whether the GPA is based on the core curriculum classes or for all classes.

[HB 297 was taken up again later in this meeting.]

HB 206-HIGH SCHOOL ASSESSM'T/POSTSECONDARY CLASS

[9:53:36 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."

[9:53:50 AM](#)

CHAIR SEATON reminded the committee that the questions for Department of Education and Early Development were regarding aligning WorkKeys with state standards and a national evaluation that might align with college entrance scores.

[9:54:33 AM](#)

LES MORSE, Deputy Commissioner, Office of the Commissioner, Department of Education and Early Development (EED), stated that he previously served for five years as the Director of Assessment and Accountability in the department. He offered to discuss previous questions the committee had on WorkKeys and state standards. He began by addressing the question on WorkKeys relative to the alignment to the state standards. The department previously reviewed the competencies that are tested on WorkKeys and have compared them to the competencies tested in

the state's testing program. He stated that most of the competencies assessed on WorkKeys match and offered to provide a chart to lend clarity. Most of the standards match and many are slightly lower on the WorkKeys than the requirement on the High School Graduation Qualifying Exam (HSGQE), but about 4 of 24 language arts standards are slightly higher than those required on the testing program at the HSGQE level. In terms of the math standards, the 17 math standards tested in WorkKeys do not appear to be more difficult than those in the HSGQE, he stated.

[9:56:46 AM](#)

CHAIR SEATON offered his belief that WorkKeys has various levels, and asked whether the highest level of attainment on WorkKeys is equivalent or slightly below the minimum competency on the graduation requirements.

MR. MORRIS clarified that excludes the Platinum level, which is a newer level not available for comparison at the time the study was done. There are four levels on the WorkKeys: Bronze, Silver, Gold, and Platinum. Since the Platinum level is so new information was not available for comparison, but he anticipated that Platinum level would be above the others. The concepts will be similar concepts but may be more challenging in the higher level. However, none of the concepts would be different than curriculum taught, although the rigor might be different.

[9:58:06 AM](#)

REPRESENTATIVE P. WILSON asked whether a student who is working towards the Platinum level would know the standards of the Platinum level.

MR. MORSE remarked he could only speculate, but he imagined the Platinum level would be the higher level of mathematics required in the higher level work and career areas.

[9:59:04 AM](#)

MR. MORSE related that the same analysis is not available regarding the Scholastic Assessment Test (SAT) or the American College Test (ACT). The SAT does indicate first year college success primarily via the written essay activity, followed by the high school GPA, the SAT math, critical reading, and advanced placement (AP) exam performance. The SAT study consisted of 150,000 students, which provided research data to support their findings. The study also looked at gender bias or

ethnicity and determined the test to be fair for predictive uses. In response to Representative P. Wilson, Mr. Morse noted the fourth indicator was AP exam performance, which is a product of the same company.

10:01:04 AM

MR. MORSE pointed out that the ACT publications speak to the importance of rigor of courses beyond the core as being highly predictive of first year college performance. Finally, neither of the test publishers suggests using a score of a test alone as a predictor. Thus, the department is looking at a combination of factors, including a test score, grades, and rigor of the courses. The score alone would be a misuse of the score, per the publishers, since courses taken and GPA would also be relevant. On the topic of cut scores, Mr. Morse said that not enough work has been done at this time on cut scores on the exams to share, but the department would certainly review data from Alaskan students. Students currently take the SAT/ACT throughout the state and enough have taken the WorkKeys exam so performance levels can be considered. The state does not receive individual student assessment results in terms of the SAT/ACT but can work with the publisher to establish the appropriate level for a cut score and make necessary decisions. He cautioned that the decisions would not be isolated decisions, but would be made in combination with course work taken and the GPA.

10:02:52 AM

CHAIR SEATON asked whether comparisons by other states are available that can indicate WorkKeys versus the SAT/ACT scores.

MR. MORSE responded he will work with the publisher as he is certain the information will be available. He offered to provide it to the committee.

CHAIR SEATON pointed out that this information will be helpful for the integration of WorkKeys into the high school curriculum since every 11th grader will be taking this test.

10:04:20 AM

REPRESENTATIVE GARDNER said that in general terms it would be assumed that students who are performing at an A level would do well on the SAT/ACT. She asked whether the department can

provide data indicating a correlation between classroom grades and GPAs on standardized test scores.

MR. MORSE said he didn't know that information, but offered to provide it to the committee if it is available.

CHAIR SEATON pointed out that a request has been made to analyze the UA Scholar Program, which represents the top 10 percent of students, and determine how these factors correlate to the success of first year students and graduation from postsecondary school.

[HB 206 was held over.]

HB 297-POSTSECONDARY SCHOLARSHIPS

[10:06:14 AM](#)

[The committee returned its attention to HB 297.]

REPRESENTATIVE MUNOZ asked to verify that the committee will work on an amendment to allow the vocational education to be funded similar to the academic levels.

CHAIR SEATON agreed that such an amendment would be prepared.

[10:06:52 AM](#)

REPRESENTATIVE EDGMON asked whether an invitation has been extended to the postsecondary institutions throughout the state to allow them to weigh in on this legislation.

CHAIR SEATON answered yes, noting that today testimony was received from the university. He then offered an invitation to university administrations to participate in this discussion.

[HB 297 was held over.]

[10:07:36 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:07 a.m.