

**ALASKA STATE LEGISLATURE**  
**HOUSE EDUCATION STANDING COMMITTEE**

February 19, 2010  
8:04 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. 310

"An Act extending the deadline for authorizing school construction debt reimbursed by the state."

- BILL HEARING CANCELED

HOUSE BILL NO. 311

"An Act providing the Alaska State Council on the Arts the authority to adopt regulations relating to its statutory powers and duties; and providing for an effective date."

- MOVED HB 311 OUT OF COMMITTEE

OVERVIEW: ALASKA VIRTUAL ACADEMY

- HEARD

HOUSE BILL NO. 350

"An Act relating to the local contribution to public school funding; and providing for an effective date."

- HEARD & HELD

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 311

SHORT TITLE: STATE COUNCIL ON THE ARTS; REGULATIONS

SPONSOR(S): REPRESENTATIVE(S) JOHANSEN

01/21/10	(H)	READ THE FIRST TIME - REFERRALS
01/21/10	(H)	EDC
02/17/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/17/10	(H)	Heard & Held
02/17/10	(H)	MINUTE(EDC)
02/19/10	(H)	EDC AT 8:00 AM CAPITOL 106

BILL: HB 350

SHORT TITLE: PUBLIC SCHOOL FUNDING: LOCAL CONTRIBUTION

SPONSOR(S): EDUCATION

02/17/10	(H)	READ THE FIRST TIME - REFERRALS
02/17/10	(H)	EDC, FIN
02/17/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/17/10	(H)	<Bill Hearing Rescheduled to 02/19/10>
02/19/10	(H)	EDC AT 8:00 AM CAPITOL 106

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
02/15/10	(H)	Heard & Held
02/15/10	(H)	MINUTE(EDC)
02/17/10	(H)	EDC AT 8:00 AM CAPITOL 106
02/17/10	(H)	Heard & Held
02/17/10	(H)	MINUTE(EDC)
02/19/10	(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
02/15/10	(H)	Heard & Held
02/15/10	(H)	MINUTE(EDC)
02/19/10	(H)	EDC AT 8:00 AM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE KYLE JOHANSON  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Responded to questions at the hearing on HB 311, as prime sponsor of the bill.

CODY CLAVER, Vice President  
Business Development, K12 Inc.  
Herndon, Virginia

**POSITION STATEMENT:** Co-presented the K12 Inc., Alaska Virtual Academy (AKVA) program being implemented in the Wrangell school district.

LORNA BRYANT, Senior Director  
Business Development, K12 Inc.  
Herndon, Virginia

**POSITION STATEMENT:** Co-presented the K12 Inc., Alaska Virtual Academy (AKVA) program being implemented in the Wrangell school district.

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

**POSITION STATEMENT:** Presented HB 350 on behalf of the House Education Standing Committee, sponsor by request, chaired by Representative Seaton.

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

**POSITION STATEMENT:** Testified in support of HB 350.

#### **ACTION NARRATIVE**

[8:04:42 AM](#)

**CHAIR PAUL SEATON** called the House Education Standing Committee meeting to order at 8:04 a.m. Representatives Seaton, Keller, Buch, Gardner, and Wilson, were present at the call to order. Representatives Munoz and Edgmon arrived while the meeting was in progress.

#### **HB 311-STATE COUNCIL ON THE ARTS; REGULATIONS**

[8:05:06 AM](#)

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 311, "An Act providing the Alaska State Council on the Arts the authority to adopt regulations relating to its statutory powers and duties; and providing for an effective date."

[8:07:10 AM](#)

CHAIR SEATON pointed out that the committee has received one communication, from Homer, in support of HB 311, since the first hearing, and asked the sponsor whether his office was in receipt of other comments for consideration.

REPRESENTATIVE KYLE JOHANSON, Alaska State Legislature, stated that his office has received no additional comments on this bill.

[8:08:48 AM](#)

REPRESENTATIVE P. WILSON moved to report HB 311 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, announced HB 311 was reported from the House Education Standing Committee.

**OVERVIEW: Alaska Virtual Academy**

[8:09:48 AM](#)

CHAIR SEATON announced that the next order of business would be an overview from the Alaska Virtual Academy (AKVA) based in Wrangell and the products and services provided to the school by the company known as K12 Inc. (K12).

[8:12:16 AM](#)

The committee took an at-ease from 8:12 a.m. to 8:13 a.m.

[8:13:10 AM](#)

LORNA BRYANT, Senior Director, Business Development, K12 Inc. (K12), explained that AKVA is a fully managed school program offered through the Wrangell Public School District, as a public school offering delivered in the home. It is open to students statewide to offer a comprehensive all encompassing school. AKVA is fully staffed with certified teachers working fulltime with the students, not supplemental instruction. Further, participants in the K12 program have access to a large school

community of enrollees. She said an online system, referred to as "The Big Think," allows the enrollees to interact with each other, which has proven particularly helpful to military families.

[8:14:24 AM](#)

MS. BRYANT continued the power point presentation to describe K12 as the largest provider of online curriculum for public virtual schools, with more than 70,000 students, in 26 states, and additional e-learning programs internationally. She said the creation of the program involved some of the finest minds in education, including cognitive scientists, reading specialists, biologists, mathematicians, artists, and others. It was designed and developed for online delivery from the outset, as a self-paced learning environment that will help each child reach true potential. Additionally, administrative assistance is also offered through a customer care and technology support line.

[8:15:33 AM](#)

MS. BRYANT listed what AKVA provides participating students and families: leadership, support, and guidance from teachers and AKVA staff; books, workbooks, hands-on materials, maps, art, and science supplies, as well as other supplies necessary to complete each lesson; interactive and engaging lessons with comprehensive assessments; planning and progress tools; online community features and events; and special education services

[8:16:56 AM](#)

CHAIR SEATON interjected that the full 40 slide presentation will not be presented today, but will be available to the committee online.

[8:17:48 AM](#)

MS. BRYANT elaborated on the special education services offered, which include: contracting services for speech therapy, or other specialists, and ensuring that every teacher is trained in RTI (response to instruction/intervention), a process of diagnosing where students are in the program and working to bring them up to grade level.

[8:19:06 AM](#)

REPRESENTATIVE P. WILSON asked how the program rates in regards to meeting Alaskan standards.

MS. BRYANT replied that the curriculum is aligned with national standards, and then tailored to each state.

REPRESENTATIVE P. WILSON pointed out that the cultures represented in Alaska are unique among the rest of the nation.

MS. BRYANT said the school superintendent's staff, in Wrangell, has worked with K12 to help incorporate culture aspects germane to Alaska.

[8:20:26 AM](#)

CHAIR SEATON asked how long the program has been involved with the Wrangell School District.

MS. BRYANT responded this is the first year, and the relationship has been positive.

[8:20:58 AM](#)

REPRESENTATIVE MUNOZ inquired how many students are being served.

MS. BRYANT answered that eight students are in the program. As the program grows, a fulltime head of school will be positioned in Wrangell, but for now it receives regular visits from an administrator.

REPRESENTATIVE MUNOZ asked if the program is part of the Wrangell School District, or an alternative program.

MS. BRYANT said AKVA is offered through the school district.

[8:21:47 AM](#)

REPRESENTATIVE BUCH noted the K12 business as being in Virginia, and asked whether the program is incorporated throughout the nation, and, if so, the enrollment numbers.

CODY CLAVER, Vice President, Business Development, K12 Inc. (K12), said the corporate headquarters are in Virginia, with virtual academies in 26 states, serving over 70,000 students, and stated his home base as Boise, Idaho.

8:22:46 AM

CHAIR SEATON referred to the statement that AKVA provides leadership, support, and guidance, to ask how the leadership component is addressed, via the internet.

8:23:04 AM

MS. BRYANT explained that leadership refers to the resource staff that are experts in their respective fields, and who essentially guide the components of K12. To a follow-up question he said the teachers are Alaska certified.

8:23:48 AM

REPRESENTATIVE EDGMON asked how the program is financed, the source of the funding, how it relates to the state's funding formula, and for a cost comparison to a brick and mortar school.

MS. BRYANT replied that it is funded the same as other correspondence programs, at the 80 percent level. She said it would be difficult to compare costs to other systems.

8:25:19 AM

REPRESENTATIVE EDGMON directed attention to the committee packet, and the communication received from Tim Scott, dated 2/18/10, addressed to the committee. As a principal of the Frontier Charter School, Mr. Scott believes that programs, such as K12, create competition for students between districts, and raises other concerns. He paraphrased from the final paragraph of the e-mail, which read [original punctuation provided]:

I have heard it argued that a program such as K12 will help alleviate some curricular holes that might exist in the Governor's proposed scholarship program. I have appreciated this committee's due diligence in discussing the Governor's proposed scholarship program and the advantage that a virtual consortium might bring to the table in helping carry out a fair and equitable plan. The Commissioner of Education's passion to create success opportunities for students through leveraging and connecting virtual programs and resources throughout the state is to be commended. I do not think that it is necessary for students to enroll outside of their own districts to take advantage of such a plan. In fact, I believe that

leaving the choice option up to the locally elected and empowered schools boards potentially will create strong relationships between districts that take part in creating a virtual consortium. A virtual consortium consisting of offerings created by and for Alaskans, particularly online synchronous courses, is a brilliant idea! Currently, many of the nationally marketed programs are cost prohibitive and/or not specifically designed by and for Alaskans.

[8:26:38 AM](#)

MR. CLAVER responded that K12 is a business from outside of the state, and could be likened to a text book publisher, but as far as competition for students, the program is run through the local district. The teachers involved will be Alaska certified, and the eventual head of school will reside in Wrangell, making this a local program.

REPRESENTATIVE EDGMON followed-up stating that the company is not here to offer an altruistic program, it is an Outside business, and asked on what premise does the company operate.

[8:28:17 AM](#)

CHAIR SEATON clarified that the funding available is at 80 percent of the BSA (base student allocation), to Wrangell, which in turn contracts through K12 to provide services; no additional public funds are expended.

MR. CLAVER concurred.

[8:29:11 AM](#)

CHAIR SEATON pointed out that various web based programs are currently being accessed in other districts; using BSA funding.

[8:30:10 AM](#)

REPRESENTATIVE P. WILSON stated her understanding that every school district uses correspondence programs, and the decision for which program to use is made locally.

REPRESENTATIVE KELLER offered that the school districts exercise local control, and have the authority to spend their budget on the curriculum deemed appropriate to meet state standards.

[8:32:08 AM](#)

MS. BRYANT continued with the presentation to review the curriculum. It is integrated and planned out for students to follow. Regarding other correspondence courses in Alaska, she said it is often difficult for families to plan and provide appropriately challenging course work for their student. Using K12 there is no need for lesson planning, because it is a self directed program, and the curriculum is individualized. Assessments are provided directly to the enrollee. The teacher assists throughout the lesson progression, implementing a curriculum specifically designed to meet or exceed state standards. She said K12 is accredited by AdvancEd (formerly called CITA), has a 97 percent satisfaction rating among the 70,000 nationwide users, and ships all learning materials directly to the student's home. Six subjects are offered at all grade levels, which are: language arts, math, science, history, art, and music; foreign language is also an option. In Wrangell, K12 offers a K-8 program. She stressed that it is an individualized mastery-based program, utilizing research based content. The teachers encourage families to spend more instructional time on difficult objectives. Each student is recognized for their individuality, and helped to discover the appropriate level and pace for study. To ensure mastery, every objective is assessed. Wrangell oversees this program, as an aspect of their district.

[8:35:40 AM](#)

CHAIR SEATON asked how grades are assigned.

MR. CLAVER said grades are assigned in conjunction with a district's local policy.

[8:36:27 AM](#)

CHAIR SEATON posed a hypothetical situation of a student seeking to gain a high school science credit, and receives a K12 assessment of mastery. Does a district teacher then assign a grade based on that assessment, or is the student re-assessed by the district.

MR. CLAVER underscored that the K-8 program, as exists in Wrangell, is handled differently than high school level courses, which are based on a semester system and include finals tests. The K-8 participant may be rated based on a percentage of progress gained towards an individual objective, and a grade may

be attached. The grade would be assigned by the local school district.

CHAIR SEATON surmised that the communication between the parent and the school will allow adequate understanding of a student's progress in the K12 program.

MR. CLAVER concurred.

[8:39:56 AM](#)

MS. BRYANT explained that the teachers are highly qualified. She acknowledged that there's a perception that teachers are absent in distance education. However, many of the teachers and the families feel they have a tremendous amount of personal connection with the teachers. The families, she noted, have quite a bit of say in how much interaction they have with their teacher. The program also includes Elluminate sessions, which are live online interactive class sessions in which students can have face-to-face formal instruction from their teachers. She noted that web cameras aren't built into the computers.

[8:41:26 AM](#)

MS. BRYANT specified that the reference to the learning coach represents the parent, who is a very important part of this process, particularly in the lower grades.

[8:41:50 AM](#)

REPRESENTATIVE P. WILSON surmised that parents new to home schooling or correspondence may have a learning curve. She questioned whether there's any method to increase the communication between the parent, teacher, and child when it's lacking.

MR. CLAVER said K12 has proposed policies and procedures that a school could implement to help families engage. The role of the teacher is critically important in terms of engaging the student and his/her family. Having engaged parents is a very high priority, he said. Therefore, the teachers are responsible for student learning and engaging the families as well in the learning process.

[8:43:52 AM](#)

MR. CLAVER paraphrased from the presentation slide describing the role of the ADVA Teacher, which read: certified and experienced partners in education; first point of contact; responsible for checking student progress and attendance; leads Elluminate instructional and tutoring sessions; resource for curriculum issues, coaching tips, and questions about school policies; conducts phone conferences every two weeks; and provides feedback on submitted work samples. He followed with the bulleted points on the slide "Role of the Parent," which read: fulfill attendance requirements; report attendance on a daily basis; work with student towards continuous progress with the K12 curriculum; prepare for student's school day; participate in regular teacher conference calls; submit regular work samples as required by the school; and ensure student participation in state testing program.

[8:45:55 AM](#)

MR. CLAVER moved to the "Attendance" slide bulleted points, which read: students are expected to login every school day to complete school work; parents must notify the teacher when students are absent from school (i.e., the student does not log into the OLS and complete lessons); when needed, teachers and parents work together to create flexibility in student schedules; students can generally be expected to complete an average of 4-6 hours per day of instructional time.

[8:46:20 AM](#)

MS. BRYANT interjected that the six hour day commitment is a departure from the structure of a standard school day to allow flexibility, and to enable students to work on challenging areas. It is important to note that families utilize the program in a non-traditional way many times, scheduling it into various times of the day.

[8:47:49 AM](#)

MR. CLAVER read the "Academic Accountability" points: meet and maintain adequate progress; students must participate in the state's testing program; students must participate in pre- and post- testing; 100 percent completion of all course work is encouraged.

[8:48:33 AM](#)

CHAIR SEATON, regarding the pre-testing required, posed the situation of a 4th grade student with a 6th grade math ability, but a 3rd grade English skill, and asked how K12 would measure that type of mastery and growth.

MR. CLAVER indicated that this is where the flexibility of the program enters strongly. A student is not placed more than one year behind their expected grade level, however, the skill set is matched to be in pace with the student. If remediation is required, an accelerated pace may be employed, however, it would be up to the teacher and parent to determine appropriate grade placement.

[8:51:35 AM](#)

REPRESENTATIVE P. WILSON, posing a similar scenario, of a 6th grade student with 9th grade math abilities, but 3rd grade reading skills, and surmised that, if the policy is to not place them further back than one grade, the student would be placed in the 5th grade, and given a remedial reading course.

MR. CLAVER said it is important to understand that 3rd grade materials would probably not be suitable for a 5th grade student. Thus, it becomes a matter of finding the activities that will suit the student, and assist them in achieving age appropriate skill levels.

[8:52:55 AM](#)

REPRESENTATIVE P. WILSON pointed out that currently schools have students graduating who do not have good reading skills. She asked about the reading skill success rate among the K12 program graduates.

MS. BRYANT, in response to Chair Seaton's question, said diagnostic tools are used to establish appropriate milestones for each student. The curriculum provides materials that can be tailored to specific needs. Further, she said the longer a student stays in the program, the better they tend to perform because of the ability for diagnosis and benchmark goals that are employed. She opined that the program is successful in bringing students who enter the program a year or two behind, up to grade level. Additional data will be made available to the committee to indicate success in this area.

[8:55:25 AM](#)

REPRESENTATIVE GARDNER cited the emphasis for today's students to have real world experience through group activities and team projects, and asked how K12 accomplishes similar learning possibilities via the internet.

MS. BRYANT said that virtual group work can bring students together. She pointed out that the modern work place often finds people working remotely connected via the internet. The students use the Big Think website to interact and collaborate on long term projects with students on a global scale.

[8:57:37 AM](#)

MR. CLAVER directed attention to the next slide "State Testing and Assessments," to indicate that the AKVA students participate in all state testing. The Scantron Diagnostic Assessment is used to benchmark student progress through the curriculum throughout the course of the year.

[8:58:22 AM](#)

MR. CLAVER presented actual computer screen images of the K12 Online School (OLS) Daily Plan, which allows a parent to work with the student to establish what studies will be covered each day.

MS. BRYANT interjected how time management is inherent in the program, as a student learns to make a daily plan.

[8:59:11 AM](#)

MR. CLAVER continued with the screen images to indicate the broad scope of the OLS: Plan Week View; Tracking Your Success; and the Progress Overview. He indicated that the Progress Overview screen provides the easiest means for tracking a student's efforts, with a clear breakout, by subject, of the progress attained. It can easily be seen which areas a student may need help with for further development, and which are coming easily.

[9:00:47 AM](#)

REPRESENTATIVE KELLER, highlighting the effectiveness of this type of course tracking, offered a personal anecdote about his grandson. As a 5th grader, Vincent Sloan Sanderson, was being challenged in the area of math, and family members feared he was falling behind. However, through a similar online system,

ALEKS, within 20 hours, or two weeks of study, Mr. Sanderson's math skills were improved, and family concerns alleviated.

[9:02:03 AM](#)

CHAIR SEATON asked whether the overview tracks the different levels that a student has attained.

MS. BRYANT explained that the overview indicates progress in the program, and the diagnostic tracks advancement through the levels.

[9:03:00 AM](#)

MR. CLAVER said additional screen images show the actual lessons, which he encouraged committee members to review at their convenience.

MS. BRYANT interjected that there is also a speaker series available.

[9:03:27 AM](#)

CHAIR SEATON inquired about availability of the program on a part-time basis. If a Wrangell high school student needed a foreign language credit, would they be able to contract with K12 for a course in French.

MS. BRYANT responded that students must be enrolled fulltime.

[9:04:36 AM](#)

REPRESENTATIVE KELLER stated his enthusiasm, and expressed admiration, to the Wrangell School District for making this program available, and stressed his belief that learning options are important for today's students.

[9:06:28 AM](#)

REPRESENTATIVE BUCH asked for details of the K12 Company including: how the presenters personally came to represent 70,000 students, the actual size of the company, and about competition in the industry.

MR. CLAVER responded that to produce a program of this magnitude, at the K-8 level is no small undertaking, and requires intensive resource and product development. Other

companies are working to develop educational programs, but K12, being established for ten years, has a history to demonstrate its success. He offered praise for the forward thinking of Alaska's school districts.

REPRESENTATIVE BUCH asked how many are employed by the K12 Company.

MR. CLAVER answered approximately 1,000, including administrative staff, product developers, and teachers.

CHAIR SEATON thanked the presenters for the discussion.

**HB 350-PUBLIC SCHOOL FUNDING: LOCAL CONTRIBUTION**

[9:10:11 AM](#)

CHAIR SEATON announced that the next order of business would be HOUSE BILL NO. 350, "An Act relating to the local contribution to public school funding; and providing for an effective date."

[9:11:08 AM](#)

KATY KOESTER, Staff, Representative Paul Seaton, Alaska State Legislature, presented HB 350, explaining that it will change the required local effort, which is the minimal amount that municipalities are mandated, through statute, to allocate for education, and is determined by assessing the taxable real and personal property of a district. Directing attention to the committee packet, and the charts labeled "History of How Required Local Effort Works" and "How Required Local Effort Works Under HB 350," Figures 1 and 2 respectively, she provided an illustrated, theoretical example of local effort, using Craig and the Kenai Peninsula Borough (KPB).

[9:12:30 AM](#)

CHAIR SEATON asked if the examples use actual mill rates.

MS. KOESTER explained that the idea is to illustrate how actual mill rates would be effected by HB 350. She offered the disclaimer that the examples are for illustrative purposes only and do not reflect actual shifts in property values or current mill rates.

[9:14:13 AM](#)

REPRESENTATIVE MUNOZ noted 4 mills as the minimum required local contribution, and asked about the allowed maximum contribution.

MS. KOESTER said that would constitute funding to the cap, and deferred to the Department of Education and Early Development (EED).

[9:15:24 AM](#)

MS. KOESTER addressed Figure 1, comparing the computation of local effort based on two homes, one located in Craig and one in KPB, equally valued at \$100,000. Local effort was determined in 1990, by applying the 4 mill rate to the two year previous assessment. In this case, \$100,000 for both homes held a 1988 value of \$100,000, resulting in a local contribution requirement of \$400 in both communities. For 2001, the example indicates no change in Craig, but since 1988 the KPB did experienced growth and the home value increased to \$200,000. Thus, applying the 4 mill rate, based on the prior two year assessment, the contribution level remains at \$400 in Craig, but increases to \$800 in KPB. The legislature realized the disparity that communities were experiencing, based on growth versus non-growth areas, and passed SB 174, in 2001, to freeze the assessed values at the 1999 level, for local effort computation purposes. The new formula uses the 1999 assessment as a base, plus any value increase over two years, at the 50 percent level. Execution of the new formula finds the KPB example home, valued in 1999 at \$200,000. By using a two year assessment look-back factor of 50 percent, \$50,000, and applying the 4 mill rate, the resulting local effort contribution is \$1,000; equating to a 3.3 mill rate. Without the SB 174 formula, the local effort contribution would have been \$1,200. The actual mill rate in areas experiencing growth since 1999 is steadily decreasing, and will continue on this path, as property values increase. The committee is attempting to determine if this is fair to all areas of the state.

[9:19:30 AM](#)

MS. KOESTER turned to Figure 2, and explained how HB 350 changes the computation of local effort to bring equality to the same scenario. The bill sets a uniform mill rate of 2.7, applies a temporary tax break in areas experiencing growth, and uses a shorter look-back. The new formula uses the value difference between the two year and one year look-back assessment. The home values for 2008 are \$100,000 in Craig \$300,000 in KPB. In 2009, the Craig home remains valued at \$100,000, but, due to

municipal growth, the KPB home is \$320.00. With the passage of HB 350, the 2010 local effort for the Craig property, with no growth to track, would be valued at 2.7 mills, or \$270.00. However, the KPB home shows an increase between the two and one year look-back assessment values. Calculation begins with the \$300,000 base, add the \$10,000 for the 50 percent value increase differential, and applying the 2.7 mill rate, for a local effort contribution result of \$837.00. The HB 350 formula provides an equal contribution for all municipalities with a built in temporary break for areas experiencing growth.

[9:22:02 AM](#)

REPRESENTATIVE MUNOZ asked what the loss of revenue would be, if the bill were implemented.

MS. KOESTER directed attention to the fiscal note, and said the state picks-up the difference in the mill rates. The department has supplied a chart in the fiscal note to indicate the increased state aid of \$19 million.

REPRESENTATIVE MUNOZ asked what affect lowering the required local effort would have on the ability of communities to contribute beyond the minimal amount; would the percentage decrease.

MS. KOESTER deferred to EED.

[9:23:50 AM](#)

REPRESENTATIVE GARDNER asked how the 2.7 mill rate was derived.

MS. KOESTER said 2.7 is the lowest mill rate being applied in any district, and implementing it prevents any municipality suffering the hardship of having a sudden rate increase.

[9:24:46 AM](#)

CHAIR SEATON confirmed that the Mat-Su, St. Maries, and Hoonah districts are taxed at the 2.7 rate. He stated his belief that the bill incorporates a means for the committee to bring a level of fairness to the situation. The 50 percent look-back is included, because with growth comes the need for further infrastructure, and communities need funds to compensate expansion. He opined that problems stem from the static 1999 baseline, causing some communities to always have a higher mill

rate than others, and speculated that a law suit may be forthcoming if some action is not taken by the legislature.

[9:27:39 AM](#)

REPRESENTATIVE KELLER reflected on the communities he represents, the typical demographic profile, and the lack of control that residents have over rapidly changing property values. He asked if there is precedent for a unified mill rate.

REPRESENTATIVE BUCH reported varying mill rates exist within the municipality of Anchorage, depending on the availability of services, such as fire and rescue.

CHAIR SEATON pointed out that the bill responds to the question of whether the state is requiring the local effort of some communities to be a higher percentage of the assessed evaluation than others. He opined that, there are real equity problems as assessments rise in some areas, and not others.

[9:30:44 AM](#)

REPRESENTATIVE P. WILSON noted that as people migrate to an area, infrastructure needs are increased. She said it is one thing to have taxes reflect the services provided, however the schools are required to provide the same education to everyone. According to the current formula, it is more difficult on the areas that aren't growing than it is on the areas that are experiencing growth. She opined, that the [SB 174] formula does not appear to be fair.

[9:32:53 AM](#)

CHAIR SEATON clarified that the assessment has nothing to do with the direct tax a homeowner on their house. It is a tax contribution provided by the borough as a whole, calculated on the property assessments of the area. The vehicle by which the borough derives the funds is variable, and may include taxes on sales, property, or other means.

[9:34:13 AM](#)

REPRESENTATIVE KELLER said the bill ultimately reduces the local contribution burden, and increases the load on the state general fund. A property tax in general is an unfortunate method of paying for schools, he opined, as it tends to penalize, and inhibit, owners from property improvement.

CHAIR SEATON explained that by continuing to use the base year of 1999, more of a load will be placed on the state, and the general fund contribution will become more disproportionate over time, effectively reducing the actual value of the 4 mill percentage.

REPRESENTATIVE KELLER requested a long range projection graph to better understand the presumptions, of how HB 350 will ultimately effect local effort and state contributions.

[9:38:03 AM](#)

REPRESENTATIVE EDGMON indicated his interest to receive further information regarding all "the moving pieces that fit into required local contribution, above and beyond just the mill rate itself."

[9:41:47 AM](#)

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development (EED), directed attention to the committee packet, and referred to the EED chart titled Mill Equivalent Change. He pointed out the column labeled [Projected] FY 11, which lists the district mill rates, and said 2.7 is the lowest mill equivalent on the full and true value of a community, for that year. No district would experience an increased contribution under HB 350. He referred to Representative Munoz's previous question regarding the meaning of local required effort, and said it relates to the basic need aspect of the foundation formula. Basic need is the entitlement allowed under the formula, and once calculated a determination is made for the derivation of the funds utilizing three sources of revenue. The required local contribution is combined with federal impact aid, and any remaining entitlement is made up from state funds. He said:

This particular piece of legislation impacts that piece within basic need: who pays. It doesn't impact the amount of additional local contribution above basic need. The additional local contribution is the equivalent of 23 percent of basic need in the current year. ... The required local effort is based on mill equivalents, applied to the full and true value, as set by the state assessor for all municipalities around the state.

MR. JEANS explained that full and true value is established by assessing all real and personal taxable properties in a community, including boats, cars, stores, and construction companies. Certain communities may allow exemptions, at the local level. For instance, Juneau does not tax boats, however, the value of the boats in Juneau would be included in the full value established by the state assessor, as part of the uniform application for all communities. Referring again to the Mill Equivalent Change chart, he indicated that in the first year of the implementation of SB 174 nearly every district contributed either 4 or 3.9 mills. He recalled that the intent of SB 174 was to provide municipalities, which were experiencing quick economic growth, a tax break; the compounding factor was not intended. Directing attention to the chart titled "State Cost," he pointed out that in FY 02, the basic need contribution by the state was \$3.6 million; a figure which might otherwise have come from municipalities. Since the establishment of a base year, and the inclusion of only 50 percent of the annual growth in communities from 1999 forward, the effects of SB 174 on state contributions to basic need, become apparent, and he read the chart yearly totals, in millions: FY 03 - \$9; FY 04 - \$12.5; and FY 05 - 18.8. He said:

When I realized what was happening ..., I brought this to the Legislature's attention, because I didn't think that was the intent of the legislation. But as you can see the numbers start building pretty quick, and I would say there was a sense of reluctance to remove this state support out of the foundation program.

MR. JEANS, directing attention to HB 350, said the bill retains the concept of providing municipalities a one year break. Turning to the fiscal note, page 2, he explained the effect of dropping all areas to a 2.7 mill rate, a cost to the state of \$18.7 million. The 50 percent one year look-back would also cost the state \$2.5 million. Subsequent years will realize similar numbers, but the break is rolled forward each year into the new base.

[9:49:49 AM](#)

CHAIR SEATON clarified:

You count 50 percent of that increase for one year, but then the next year you pickup that other 50 percent, so then you're back to looking at that year

as being the base year of 100 percent of the assessed evaluation, times the 2.7 [mill rate].

MR. JEANS concurred.

[9:50:26 AM](#)

REPRESENTATIVE KELLER asked what happens if there is a decline in values.

MR. JEANS said the full 2.7 mills would be required. He pointed out that, as indicated on the chart, some communities have not seen growth since 2002, but are still paying 4 mills.

[9:51:30 AM](#)

CHAIR SEATON directed attention back to the fiscal note, and said there would be an initial \$21 million dollar base hit, of which \$18 million will occur, because the 50 percent factor is being counted for the previous year only, and does not include all the years back to 1999.

MR. JEANS agreed, and added that the look-back to 1999 is being deleted, and the calibration is based on 2.7 mills.

[9:52:17 AM](#)

REPRESENTATIVE P. WILSON inquired whether the fiscal note, for HB 350, includes the previously compounded figures.

MR. JEANS answered that HB 350, and the fiscal note, eliminate the compounding factor, and 1999 base year. Communities will realize the benefit of the 50 percent reduction for one year.

[9:53:03 AM](#)

REPRESENTATIVE P. WILSON acknowledged that the state will continue to pay more, and more, under SB 174, and asked if the chart shows the savings the state will realize by enacting HB 350.

MR. JEANS said it is not shown in the fiscal note. He pointed out how the multi-year analysis assumptions from 3-4 years ago did not prove to be accurate. A new model could be built, which may not prove to predict the economy with any more assuredness. The charts provided in the packet, and the fiscal note, provide

a mechanism to calculate the amounts, and indicate the fiscal responsibilities for each portion of the state funding formula.

[9:55:11 AM](#)

REPRESENTATIVE P. WILSON cautioned that when the bill is referred to the finance committee there may need to be a means to further illustrate the point.

MR. JEANS replied that the best example is the state cost sheet, which indicates that from FY 02-11, the state will have picked up \$77 million in local contribution for municipalities because of SB 174. Comparing FY 10-11, the increase is only \$4 million, but from FY 08-09, the increase is \$16 million. He stressed that it is not possible to predict as accurately as it is to illustrate what has occurred.

[9:57:02 AM](#)

REPRESENTATIVE MUNOZ noted that many communities fund beyond the minimum contribution, to the cap, and asked about the effects of HB 350 on these areas.

MR. JEANS pointed out that the districts benefiting, from the 2.7 mill, and HB 350 enactment, are reflected in the fiscal note; listed by community. The education basic need burden is being shifted from the local effort to the state, because "somebody has to pay." However, the required local effort is outside of the basic funding formula, a number that doesn't change. Thus, municipalities will still be able to contribute additional local revenue, above the basic foundation formula.

CHAIR SEATON interjected that federal regulations impose limitations which restrict local contribution, as a means for avoiding "rich districts." Additionally, he pointed out that situations in districts are subject to change, and economic growth, or student growth, remains subjective, and he requested that the department submit further information, regarding changing school needs, to the committee.

[9:59:08 AM](#)

CHAIR SEATON announced that HB 350 would be held over.

**HB 297-POSTSECONDARY SCHOLARSHIPS**

[10:00:27 AM](#)

CHAIR SEATON announced that the next 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."

[10:00:37 AM](#)

CHAIR SEATON stated his intent to have the additional amendments to HB 297 moved before the committee and tabled, in order to facilitate having them posted on the committee website for public access. They will be handled in the same manner in which amendments were brought to the February 17, 2010, meeting; continuing in consecutive order.

[10:00:53 AM](#)

CHAIR SEATON moved Amendment 8, labeled 26-GH2771\A.16, Mischel, 2/18/10, which read [original punctuation provided]:

Page 3, line 14, following "established":

Insert "for the purpose of ensuring that a rigorous curriculum is available in all high schools in the state and"

Page 4, line 16, following "opportunities":

Insert ";

(9) providing a rigorous curriculum in all high schools in the state"

REPRESENTATIVE P. WILSON objected for discussion.

CHAIR SEATON, without further objection, announced Amendment 8 was tabled.

[10:01:24 AM](#)

REPRESENTATIVE GARDNER moved Amendment 9, labeled 26-GH2771\A.10, Chenoweth, 2/17/10, which read [original punctuation provided]:

Page 10, line 1, following "error":

Insert "less any scholarship award payments previously expended if the error in the award of the scholarship was not due to any fault of the student"

CHAIR SEATON objected for discussion.

CHAIR SEATON, without further objection, announced Amendment 9 was tabled.

[10:02:02 AM](#)

REPRESENTATIVE GARDNER moved Amendment 10, labeled 26-GH2771\A.17, Mischel, 2/18/10, which read [original punctuation provided]:

Page 3, lines 16 - 19:

Delete "The program includes a merit-based academic scholarship and a merit-based career and technical school scholarship. The merit-based academic scholarship consists of three levels of awards. The merit-based career and technical school scholarship consists of one level of award."

Page 5, line 17:h

Delete "**an academic**"

Insert "**a performance**"

Page 5, line 18:

Delete "academic"

Insert "performance"

Page 5, line 21:

Delete "academic"

Insert "performance"

Page 5, lines 29 - 30:

Delete "academic scholarship"

Insert "scholarship award"

Page 6, lines 2 - 3:

Delete "academic scholarship"

Insert "scholarship award"

Page 6, lines 3 - 4:

Delete "university or college in this state"

Insert "postsecondary institution as described in AS 14.43.835"

Page 6, line 8:  
Delete "university or college"  
Insert "postsecondary institution"

Page 6, line 11, through page 7, line 15:  
Delete all material and insert:  
**"Sec. 14.43.825. Maximum awards.** (a) Subject to (b) -  
(f) of this section, the maximum awards under the  
program are  
(1) for a student who demonstrates very high academic  
achievement, the cost of approved tuition for a full-  
time student in school year 2009 through 2010 at the  
qualified postsecondary institution at which the  
student intends to enroll;  
(2) for a student who demonstrates high academic  
achievement, 75 percent of approved tuition for a  
full-time student in school year 2009 through 2010 at  
the qualified postsecondary institution at which the  
student intends to enroll;  
(3) for a student who demonstrates moderate academic  
achievement, 50 percent of approved tuition for a  
full-time student in school year 2009 through 2010 at  
the qualified postsecondary institution at which the  
student intends to enroll."

Page 7, line 16:  
Delete "(3) a"  
Insert "(b) A"

Reletter the following subsections accordingly.

REPRESENTATIVE P. WILSON objected for discussion.

CHAIR SEATON, without further objection, announced Amendment 10  
was tabled.

[10:02:28 AM](#)

REPRESENTATIVE BUCH moved Amendment 11, labeled 26-GH2771\A.18,  
Mischel, 2/18/10, which read [original punctuation provided]:

Page 5, lines 22 - 27:  
Delete all material and insert:  
"(1) the four-year core academic curriculum that  
the student must have completed in high school; the core  
academic curriculum must include one of the following:

(A) a combination of  
(i) four years of mathematics;  
(ii) four years of language arts;  
(iii) four years of science; and  
(iv) four years of social studies, one year of which may include a foreign language, Alaska Native language, fine arts, or cultural heritage; or  
(B) a combination of  
(i) three years of mathematics;  
(ii) four years of language arts;  
(iii) three years of science;  
(iv) four years of social studies; and  
(v) two years of a foreign language, Alaska Native language, fine arts, or cultural heritage;"

Page 6, lines 17 - 22:

Delete all material and insert:

"(1) the four-year core academic curriculum that the student must have completed in high school; the core academic curriculum must include one of the following:

(A) a combination of  
(i) four years of mathematics;  
(ii) four years of language arts;  
(iii) four years of science; and  
(iv) four years of social studies, one year of which may include a foreign language, Alaska Native language, fine arts, or cultural heritage; or  
(B) a combination of  
(i) three years of mathematics;  
(ii) four years of language arts;  
(iii) three years of science;  
(iv) four years of social studies; and  
(v) two years of a foreign language, Alaska Native language, fine arts, or cultural heritage;"

REPRESENTATIVE P. WILSON objected for discussion.

CHAIR SEATON, without further objection, announced Amendment 11 was tabled.

[10:03:47 AM](#)

CHAIR SEATON stated that HB 297 would be held for further consideration.

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

10:04:54 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 offered Amendment 1, labeled 26-LS0765\P.1, Mischel, 2/16/10, which read [original punctuation provided]:

Page 3, line 18:

Delete "The"

Insert "Except as provided in AS 14.17.610(d) and (e), the"

Page 3, line 23, following "(d)":

Insert "and (e)"

Page 4, line 2:

Delete "a new subsection"

Insert "new subsections"

Page 4, line 8, following "AS 14.17.500.":

Insert "A recomputation under this subsection shall take into account the supplement received by a district under (e) of this section and include the remaining balance owed in state aid for the increase in the current year student count that was the basis for the supplement if, at the end of the 80-day count period, the increase in the current year student count is the same or higher for the entire count period."

Page 4, following line 10:

Insert a new subsection to read:

"(e) Before a recomputation is made under (d) of this section, a district may request supplemental state aid by providing satisfactory proof on a form provided by the department that the student count conducted in the first 20 days of the 80-day student count period in the current fiscal year is more than 10 percent above the count made in the 80-day student count period for the preceding fiscal year. The department shall provide an eligible district supplemental state aid before the recomputation period in an amount that is equal to 80 percent of the state aid owed for the difference in the student counts. Nothing in this subsection requires a district to seek

supplemental state aid before a recomputation is made under (d) of this section."

REPRESENTATIVE P. WILSON objected for discussion.

CHAIR SEATON, without further objection, announced Amendment 1 was tabled, and that HB 206 would be held for further consideration.

[10:05:54 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:06 a.m.