

**ALASKA STATE LEGISLATURE  
JOINT MEETING  
HOUSE EDUCATION STANDING COMMITTEE  
SENATE EDUCATION STANDING COMMITTEE**

November 24, 2009

1:04 p.m.

**MEMBERS PRESENT**

SENATE EDUCATION STANDING COMMITTEE

Senator Kevin Meyer, Co-Chair  
Senator Joe Thomas, Co-Chair  
Senator Charlie Huggins  
Senator Donald Olson

HOUSE EDUCATION STANDING COMMITTEE

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

**MEMBERS ABSENT**

SENATE EDUCATION STANDING COMMITTEE

Senator Bettye Davis, Vice Chair  
Senator Gary Stevens

HOUSE EDUCATION STANDING COMMITTEE

Representative Bryce Edgmon

**OTHER LEGISLATORS PRESENT**

Senator Fred Dyson

**COMMITTEE CALENDAR**

Report by Larry LeDoux, Commissioner of the Department of Education and Early Development on Governor's Performance Scholarship proposal

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

LARRY LeDOUX, Commissioner  
Alaska Department of Education and Early Development  
**POSITION STATEMENT:** Explained the Governor's Performance  
Scholarship (GPS) proposal.

EDDY JEANS, Director  
School Finance  
Alaska Department of Education and Early Development  
**POSITION STATEMENT:** Commented on the Governor's Performance  
Scholarship proposal.

DIANE BARRANS, Executive Director  
Alaska Commission on Post Secondary Education  
Alaska Department of Education and Early Development  
**POSITION STATEMENT:** Commented on college financial aid issues.

SAICHI OBA, Assistant Vice President  
Student Services and Enrollment Management  
University of Alaska (UAA)  
**POSITION STATEMENT:** Commented on college financial aid issues.

JOHN BOUCHER, Senior Economist  
Office of the Governor  
**POSITION STATEMENT:** Commented on the Governor's Performance  
Scholarship.

DAVE LONGANECKER, President  
Western Interstate Commission on Higher Education (WICHE)  
**POSITION STATEMENT:** Commented on college financial aid issues.

**ACTION NARRATIVE**

1:04:58 PM

**CO-CHAIR JOE THOMAS** called the joint meeting of the Senate and House Education Standing Committees to order at 1:04 p.m. Senators Olson, Meyer, and Thomas, and Representatives Munoz, Keller, Buch, Gardner, and Seaton were present at the call to order. Representative Wilson was present via teleconference and Senator Huggins arrived as the meeting was in progress.

Report by Larry LeDoux, Commissioner of the Department of Education and Early Development on Governor's Performance Scholarship proposal

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CO-CHAIR THOMAS announced the first order of business would be a report from the commissioner of the Department of Education and Early Development regarding the Governor's Performance Scholarship proposal. He remarked that the issue of providing access to post-secondary education is a pressing one in Alaska that ranks "dead last" nationally in the percentage of low income families who can afford a higher education, be it a vocational school a community college or the University of Alaska. The state would have to double the enrollment rate of low-income Alaskans before it could catch the number 50 spot on the list.

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LARRY LeDOUX, Commissioner, Alaska Department of Education and Early Development, said the Governor's Performance Scholarship (GPS) proposal is an important move forward to improve education by inviting our students to pursue excellence. Graduation requirements can be increased, but they know now that if that is done unilaterally it actually decreases graduation rates. The real battle with young people is attitude; they must be engaged in a vision and be invited to move forward. Sometimes they need help in developing a personal vision for success, and that is one thing the scholarship program does. The path begins when a child in the middle schools sits down with his parents and school officials and lays out an education plan. The student can then pursue excellence with his parents' support.

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COMMISSIONER LeDOUX stated that the Governor's Performance Scholarship (GPS) program would provide financial incentives for high school students to earn admission to and be prepared to excel at public and private institutions of vocational or academic higher education in Alaska. GPS recipients would be required to complete a rigorous course of study in high school, have good grades and score well on an assessment. Students who meet the eligibility requirements would be entitled to a scholarship; Alaska Post-Secondary institutions would remain free to determine their own admission policies.

The program would begin with the high school class of 2011, which would enter college or technical schools in the fall of

2011. The high school course requirements would be phased in over time with the full curriculum requirements being four years of English, math and science and three years of social studies.

Rigorous course requirements are central to the program's value he said. The state currently requires high school graduates to take four years of English and three years of social studies, but only two years of math and science. ACT, a nationwide nonprofit with extensive experience in college entrance assessments, reports that students are much more likely to do well in college if they have taken at least four years of English, three years of math, social studies and science in high school. The GPS has even higher requirements than that. In fact, ACT has found that students who take a curriculum similar to the GPS requirement are significantly more likely to do well in college than other students. The GPS program would require school districts to talk to students in the spring of their eighth-grade year or to students who are enrolling in an Alaska public high school for the first time about their high school curriculum options in the GPS program. Parents and guardians would be invited to attend.

The goals of the GPS program are to improve student performance in high school, to increase high school graduation rates, to improve students' preparation for college level work, to improve students' scores on college entrance exams, which are the basis for some national scholarships, to bolster the rigor of high school curriculum, to boost students' opportunity for job training, to increase parents' involvement in the education of their children, to reduce students' remediation in college, to increase students' academic achievement in institutions of higher education, and provide for timely completion of higher education degrees. The proposal envisions these categories of scholarships:

- A career and technical scholarship has to have an acceptable GPA and assessment score on a work ready assessment for awards capped at \$3,000/year for two years.
- A silver scholarship has a C+ or higher GPA, an acceptable score on a college entrance assessment for an award equal to 50 percent of UA's tuition for the 2010/11 academic school year for up to eight semesters.
- A gold scholarship requires a B or higher GPA and an acceptable score on a college entrance assessment for an award equal to 75 percent of UA's tuition in the 2010/11 academic year for up to eight semesters.
- A platinum scholarship requires an A average GPA, an acceptable score on a college entrance assessment, and

would pay 100 percent of UA tuition for the 2010/11 academic school year for up to eight semesters.

The GPS may be use for tuition and other academic costs. Students would be allowed to use the GPS only after all scholarship funds including the Alaska Scholars funds have been expended. The GPS funds would be sent directly to the education institutions. The eligibility criteria are pretty straight forward; eligible students must be Alaska residents, home school and private school students are eligible if they can establish they have the equivalent of a high school diploma and the required GPA, assessment scores and curriculum. Recipients must apply for the scholarship within six months of graduating from high school and would have six years from high school graduation to use their scholarship unless they receive an extension for military service. They must maintain an acceptable GPA of 2.5 in a post secondary school to maintain eligibility.

Part-time students would receive an award appropriate to their part-time status. Recipients would be eligible to continue to receive scholarships during graduate school if they completed their four year degree, are within six years of initial eligibility and have received fewer than eight semesters of support for the program.

Non-eligible students include students who are in default of government education loans, have not complied with selective service requirements or are convicted felons. The last mentioned can appeal their eligibility to the Alaska Department of Education and Early Development (DEED).

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COMMISSIONER LeDOUX said the responsibilities for implementing the program have been divided between several agencies to minimize the cost of operating the program. High schools which hold students' transcripts would certify student eligibility. The DEED would adopt regulations regarding eligibility such as requirements for courses, GPAs and assessment scores in the high school, and the process by which home schooled and privately schooled students demonstrate eligibility and requirements for satisfactory progress in post secondary institutions.

The Alaska Commission on Post Secondary Education would provide financial accountability and disburse the funds to institutions. The DEED in consultation with the Department of Labor and Workforce Development would adopt regulations to set criteria by which career and technical programs are eligible to participate

in the program. The Governor envisions this program would be paid for by using interest gained from fencing off some of Alaska's earnings.

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CO-CHAIR THOMAS noted that John Boucher from the Office of Management and Budget (OMB) was online to answer questions. He asked how different the curriculum would be from what actually takes place now.

COMMISSIONER LeDOUX answered that Alaska does not require students to take more than two years of math or science and this program would require four. These are skills that universities and employers say students are weak in. Many schools already require four years of English, but not all. Also, they can't just think of traditional course work in sciences like chemistry, physics and biology. Many different kinds of sciences will meet the requirement. Before No Teacher Left Behind (NTLB) came on line, school districts did a lot of work with integrating math and some of the necessary vocational programming. So he thought they we would see creativity and innovation in designing real rigorous science, math, social studies, and language arts courses.

CO-CHAIR THOMAS asked if he felt that people are basically doing minimum requirements, so this would have a dramatic impact on the amount of math and science that students will take.

COMMISSIONER LeDoux replied that students who are on the college track would take these courses anyway, but he believes this program will invite students who would not consider college a possibility to engage in a more rigorous program and go on to college or technical school. If they have hope, that is motivation to engage on that path.

CO-CHAIR THOMAS asked how that would affect staffing.

COMMISSIONER LeDOUX replied they would certainly be looking at that. Some courses go away and others move in, but you still have the same number of students taking courses.

CO-CHAIR THOMAS asked if the school districts would standardize which classes would qualify as math, science, et cetera.

COMMISSIONER LeDOUX replied that each district would set its curriculum, but the DEED would work very closely to develop

alternative methodologies and curriculum to assist districts to develop that course work.

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CO-CHAIR MEYER asked if the language arts requirement includes foreign languages or is it just English.

COMMISSIONER LeDOUX answered that it does not include foreign language, although some national scholarship programs include two years of a foreign language.

CO-CHAIR MEYER said that seems like something to consider in committee discussion. It seems like foreign language is important any more to everything.

COMMISSIONER LeDOUX agreed with that point; but they felt that needs to go through the deliberative process. Some rural schools and distance education programs would find difficulty with that.

CO-CHAIR MEYER said he has found a lot of need-based scholarships, but not much for middle class students who may not be "A" students. Did he have any idea of how many students would take advantage of the GPS?

COMMISSIONER LeDOUX said he expected that interest in the scholarship would grow; it will be talked about from eighth grade on. The nearest estimate they have is from the State of Wyoming that instituted a similar program called the Hathaway Scholarship. About 25 percent of their students use it. He emphasized that the criteria for this scholarship is very rigorous. "We want them to be proud. This is not going to be a cakewalk."

CO-CHAIR MEYER said the PFD is already set up to go so that students can have a free ride at the University, which is good, but he wanted to know if the scholarship has flexibility for folks who might want to go to technical school who wouldn't need the four years of math, for instance.

COMMISSIONER LeDOUX replied that other scholarships have differing levels of curriculum demands. However, industry says that their young people need to be proficient in the areas of math, technical writing and problem solving; and so they are holding to a rigorous standard. This does not mean that all students would take calculus and new curricula may have to be developed, which has been done in the past. For instance, math concepts have been combined with welding or technical reading.

CO-CHAIR MEYER asked if a student has to complete all four years of college and graduate before getting the scholarship.

COMMISSIONER LeDOUX replied that students receive the funds as they become eligible and eight semesters of eligibility is envisioned that a student would have to use within six years. Students would have to register for the program within six months of graduating from high school. So, if a student goes for two years under this program, for instance, and then chooses to not go any more the institution would be paid for the first two years they had attended.

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REPRESENTATIVE SEATON said the first grant is proposed to start in 2011 with the idea of building expectations from eighth grade on to engage students in something they are not already doing. Now it seems like they are saying the current A and B students will be getting scholarships and it's not going to be dependent on changing of attitude or requirements. "Am I missing something?"

COMMISSIONER LeDOUX said he had accurately portrayed it, but the reason to implement the scholarship in 2011 is because they believe they have students who are working hard in school right now. They will clear the pathway for other students who are being motivated. Implementation could take two years, because all students take two years of those core areas.

REPRESENTATIVE SEATON said he wanted to keep the goals of the program in sight. He also wanted to know if these scholarships are going to be other than GPA-based.

COMMISSIONER LeDOUX replied that they envision three criteria for eligibility. The first is to complete a rigorous course of study, the grade point requirement must be met, and the third criterion is the assessment score that would be set depending on the scholarship. The highest assessment score would be required for the platinum scholarship; the lowest would be silver. All three would have to be met, and each has a place in determining the goals of the program. Without the assessment they could end up with rampant grade inflation, something that has happened in other states. That doesn't do any good; the criterion has to be rigorous enough to actually prepare the students for the college. A correlation between student performance in college and some national exams, the ACT and SAT, has been well established statistically. The State Board of Education would

actually set the cut scores. He advised that legislation should not provide too many specifics, because it would get in the way during implementation of the program. Having the Board set the scores would provide for public input and be based on regulations promulgated by the department.

REPRESENTATIVE SEATON said he was trying to figure out how all three were going to be done. Does an ACT score override a good GPA, for instance?

COMMISSIONER LeDOUX answered that they believe a student's ACT score will be commensurate with his GPA - they go together.

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REPRESENTATIVE BUCH questioned if the funding would require a constitutional amendment, because they are talking about dedicating funds.

CO-CHAIR THOMAS said he hadn't heard the issue raised, and he didn't know the answer.

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COMMISSIONER LeDOUX responded that the Governor's initial proposal talked about "fencing off" some of the savings to pay for the scholarship. Other states have set aside a certain amount of money and pay for the scholarship through accumulated interest; some states do direct appropriations; some set up a lottery system. He thought it was up to the legislature to come up with the funding process.

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EDDY JEANS, Director, School Finance, Department of Education and Early Development, said that the Governor talked about setting aside \$400 million out of current savings and using the interest from that through appropriation. He thought John Boucher from the Office of Management and Budget (OMB) could respond to the constitutional question, but basically that is why they are not calling it an endowment fund.

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REPRESENTATIVE BUCH said it seems to him to still be dedicating funds.

CO-CHAIR THOMAS said he realizes if it's an annual appropriation, "that might be where the break line is."

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SENATOR OLSON remarked that some of his district's schools are not on A,B,C,D,F system and asked how are those students would be ranked.

COMMISSIONER LeDOUX replied that all school districts that are involved in a standards-based system have developed an algorithm to report grades, and they will have to do the same to evaluate grade point averages. The great equalizer is the curriculum taken and the assessment score.

SENATOR OLSON asked how older students who are still having trouble because of family or getting a late start - with a GED - can become eligible for the GPS.

COMMISSIONER LeDOUX replied that some states have put together a different pathway for students who score a certain score on a GED to receive merit support. This program currently does not include that pathway, but it does exist. He knows that some people do take some time to settle down and get some common sense in their head, and the DEED is working very closely with the Alaska Department of Labor and Workforce Development (DLWFD) to respond to those young people. He just visited a facility in Kodiak that is jointly sponsored by the district and the DLWFD that works with young people from the ages of 16-24 - providing services like credit recovery, high school graduation, preparation for the GED, and job and career counseling. Agencies are starting to cooperate to provide opportunities for success. Providing a pathway for these young people could be an important component of this program.

SENATOR OLSON asked on the other end of spectrum, how provisions can be made for the required four years of math, for instance, with a student who is highly motivated and gets through high school in three years.

COMMISSIONER LeDOUX answered that usually those students who graduate in three years meet all of the graduation criteria already. There are many opportunities for high achievers to engage in co-credit opportunities and doubling up for college credits before they graduate from high school - sometimes amounting to their whole first and second years.

SENATOR OLSON asked what affect he saw this having on rural students who are struggling.

COMMISSIONER LeDOUX answered that their challenges in getting rural students ready to enter this program are great - the same

that they face now. Steps are being taken through implementation of their education plan; they are developing the initial stages of a comprehensive virtual school to insure that every child has access to a highly qualified teacher wherever he lives. Improving the quality of education available to rural students will be very important to the implementation of this project, but he emphasized they are not there yet.

CO-CHAIR THOMAS asked him to explain more fully the levels of scholarships and what the tie-breaker would be for them.

COMMISSIONER LeDOUX said he had not considered such a process at this point, but he would have to come up with a fair process to spread the money out. A student who takes a rigorous curriculum, works hard and gets a C+, who is working at the very highest ends of their ability, to him, merits the same as someone who gets an A and maybe works at half of their ability.

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REPRESENTATIVE MUNOZ said she thought the program is positive. Following up Senator Olson's question in the same vein, she asked how they ensure that kids in the seventh and eighth grades are adequately taking advantage of this opportunity when they know that scholarships tend to favor those already on the fast track.

COMMISSIONER LeDOUX answered that as an elementary principal, he always asked his sixth grade students where they will go to college or where they will go to tech school, and they all have an answer. Some say they don't know, but it's only because they have not thought about it yet and are surprised at the question. But at that age they all have a dream and see themselves doing that. They also know at the other end only 60 percent of students are graduating in four years; and so many of them are not. One of the key components of this program is to build a vision in each child and that vision starts in the sixth, seventh and eighth grades. Students who perform well at the middle school level carry that performance on to the high school and likewise, students who start failure in the early grades carry it on to high school. A sixth grader who is behind just one grade level in math or language arts, who has poor attendance and who may get a negative in discipline, has a one-in-ten chance of graduating from high school. Dreams must start early so parents can see the pathway with their children. It's so important that the Governor has initiated a very comprehensive effort to develop interventions at the middle school level. If he had his way, he would have every student

come in with their parents every year and update and review their education plan.

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REPRESENTATIVE KELLER said normally when one thinks about access to post secondary education one thinks about money, and he wanted to know what was meant by Alaska being 51<sup>st</sup> in access.

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DIANE BARRANS, Executive Director, Alaska Commission on Post Secondary Education, explained that is a reference to the rate at which college age kids go on from high school to [indisc.]. Typically they look at the number of 19-year olds that are currently enrolled in post secondary institutions as a percentage of the number of ninth graders.

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CHAIR SEATON asked since the GPS scholarships will be given after application of other scholarships including the Alaska Scholars and since they are both merit-based tuition grants, how they relate financially.

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COMMISSIONER LeDOUX explained that they decided to make the GPS the scholarship of "last pay" and before student loans. Many students get several scholarships and when those are added up, the GPS would be the last to pay. It wouldn't pay any more than was necessary to pay for tuition and those costs associated with the college.

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MS. BARRANS added that the way student financial aid is administered the funds typically flow through the financial aid office. The financial aid directors are their partners in administering those aids and are familiar with the rules that apply, whether it's a Pell, state or university grant. The rules that guide the funds for this program could be set in the legislation. She understood that the GPS funds were to supplement, not supplant other non-loan aids.

CHAIR SEATON asked if under the current proposal a student qualified for a full Alaska scholarship, would he get anything out of the GPS if he went to the University of Alaska.

MS. BARRANS replied that they have talked about having the dollar amount of the award be associated to tuition, but that the use of the award would not be restricted to tuition only. So

if tuition is satisfied from another earned financial aid source, non-loan, or other source the certified costs of attendance could be defrayed from the scholarship award amount.

CHAIR SEATON said they need more information on that. He asked if the criteria for career or technical requirements were similar to the Hathaway plan that has qualifications with WorkKeys or are they still talking about ACT tests.

COMMISSIONER LeDOUX replied that the intent is to use WorkKeys with vocational and career technical scholarships as the assessment of choice, but that will be decided by the State Board of Education - but he wouldn't suggest using the ACT.

CO-CHAIR THOMAS asked for information on existing need-based scholarships.

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MS. BARRANS replied that currently the state has one program, the Alaska Advantage Education Grant; it is not portable and the maximum a student can receive through it is \$2,000. It has been funded through the current fiscal year from a combination of sources. The first is \$500,000/year from the Alaska Student Loan Corporation, about \$100,000 from the federal LEAP program, and about a year ago the legislature made a \$800,000/year capital appropriation over a three-year period. The total numbers of awards they make under that program are relatively limited.

She explained that their current financial situation would not allow the Alaska Student Loan Corporation to do that into the foreseeable future and the current year is the last one to put funds into that program. One more year of funding remains in the capital appropriation; so for 2010/11 they expect the funding to be limited to just the capital appropriation and the federal dollars. After that they need to take a new look at funding sources for that program.

CO-CHAIR THOMAS asked for a summary of that for the committee.

MS. BARRANS agreed to get that and added that the more materially important thing for need based financial aid is the federal Pell grant, which is in excess of \$5,000/year at the maximum level.

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REPRESENTATIVE GARDNER expressed her understanding that tuition covers a small portion of the actual cost of having a student at

the University and asked Melissa Hall [representing the University of Alaska] if a student has a scholarship covering tuition and the GPS program brings in a lot more students to the University, would that impact its funding for a host of other things unless the legislature also increased the funding to the University. [Waiting for Ms. Hall to come back on line.]

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CHAIR SEATON asked for more information on the use of ACT scores by other states that use the Taylor Plan.

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CO-CHAIR MEYER asked if Alaska could go back to a program like the student loan forgiveness program that the state used to have.

MS. BARRANS responded that from about 1968-1987 Alaska had an education loan program that was funded directly by the general fund and during that period of time essentially a borrower agreed that if they completed their certificate or degree for which they borrowed the funds and then returned to Alaska for a period of time (initially it required that they be employed and later simply to reside) that they could have up to 50 percent of the loan forgiven. Switching back to that program would require the state to again begin to fund that program at whatever the value of the expected forgiveness benefit would be with some expectation for losses. She noted that one of the unfortunate side effects of that program was that students borrowed with the expectation that they would complete their degree and return to Alaska, so they borrowed more than they needed at the time. The end result was very high default rates of 28-29 percent. So, there were costs to the program beyond the cost of forgiveness.

Probably less than one quarter of the students actually completed their degree and met the residency criteria. Even so, the cost associated with forgiveness over time was about \$70 million. The flip side is that the state was funding the loans to the tune of \$60-80 million annually in general fund appropriations. So there are some complexities to consider with that model.

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CO-CHAIR MEYER remembered when he was co-chair of Finance that the Student Loan Corporation would pay the state a dividend and he asked if it is still paying a dividend and if that money could be used to fund the GPS program.

MS. BARRANS replied that the statutory authority by which the Corporation Board has paid returns to the state in the past still exists, but they have not paid a dividend to the state in the current fiscal year and the Board will be recommending against paying one in the upcoming fiscal year simply because of the financial circumstances in which the corporation finds itself. This year it was unable to issue bonds in the market to continue to finance their programs and the legislature passed a bill that allowed them to essentially have an investment in the Student Loan Corporation in the form of a loan from the Department of Revenue. So, until the corporation normalizes its financial status, they have recommended to the Board, and it has agreed, to retain earnings for use in making the new loans and to continue paying the costs of operating the agency.

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SAICHI OBA, Assistant Vice President, Student Services and Enrollment Management, University of Alaska, said he would respond to the question from Representative Gardner who asked if these programs attract more students, would the legislature have to provide more operating money to the University. The answer is that tuition does not cover the total cost of educating students, so there is the chance that the GPS program could increase enrollment dramatically and that the University would have to ask for more funds.

In reference to a comment by Commissioner LeDoux about the estimated number of students that might be attracted to the University or post secondary education following something like GPS, he said that the University for two years in a row has attracted 17 percent more first-time freshmen than in the previous year. So, if enrollment were to increase by 25 percent, that would be about 8 percent more than current increases. So, Representative Gardner's question about the University needing more money is appropriate.

REPRESENTATIVE GARDNER commented that they would probably need a fiscal note from the University, too, before moving any bill forward.

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CHAIR SEATON asked the department to provide the relative increments of increases that took place under the Hathaway plan to use as a base line for what to expect in university enrollment.

COMMISSIONER LeDOUX said he would try to make that information available. He just spent some time with the deputy commissioner in Wyoming that has the Hathaway scholarship program, and she emailed 200 pages of that data to him. He reminded everyone of something that is different than all the other states in that the GPS scholarship is not just limited to the University of Alaska, it's limited to credited institutions in the State of Alaska and technical schools that have been certified by the Alaska Department of Labor and Workforce Development. So the increase will not just be to universities, but throughout the state. He thought they would see enrollment increase at community colleges because students can live at home while attending school, and they will see the development of quality technical programs to support building the pipeline. This may balance some of the costs associated with the University of Alaska.

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REPRESENTATIVE MUNOZ asked Ms. Barrans if the Corporation had analyzed the impacts that fewer loans will have on it with the implementation of the GPS program.

MS. BARRANS replied that the corporation continues to be a sound financial entity, but the marketplace to issue bonds backed with student loans has disappeared during this period of disruption. That could normalize with respect to their ability to issue fixed rate debt.

She explained that the student loan situation has multiple moving parts right now. President Obama has proposed, and the House has adopted, a plan to eliminate the federal family education loan program. This means that going forward the federal government would make education loans available through the Department of Education directly. The commission has already been engaged in that area since 2002 when it became a lender in the federal Education Loan Program, which represents about 60 percent of the annual lending volume that she makes currently. Once some certainty regarding timing of the change to a direct loan-only program has been established, their entire business model will have to be looked at.

Additionally, Ms. Barrans said, at their request a bill was passed to raise the credit criteria on alternative state loans (the state funded loans, not those that have the federal guarantee). As a result of this raise, they saw a steep drop in the number of loans made through that program. So, absent

federal lending activity, they expect to see their lending activity drop by about 80 percent.

Everyone agrees that the impacts of the GPS would be gradual over time. The expectation is that those students going on over the three-to-four-year phase-in would be much better prepared to benefit from the post secondary education training. They do see students being able to substitute non-loan aid for loan debt as being a positive thing, not necessarily for the corporation, but for the students.

CO-CHAIR THOMAS said he wanted John Boucher to respond to Representative Buch's question about dedicated funds versus annual appropriations.

JOHN BOUCHER, Senior Economist, Office of the Governor, said they initially envisioned that the fund would be capitalized with \$400 million; however, the source of that funding is still under discussion. The idea is that approximately \$20 million of the earnings from this "400 Fund" would be spun off on an annual basis, and that would be subject to an annual appropriation process by the legislature. The first appropriation to the fund would be a one-time appropriation. The actual scholarships would be granted and used for operations out of the smaller of the two funds.

REPRESENTATIVE BUCH said he thought having a one-time appropriation would make the Governor's long term budgeting much easier and he wanted the public to understand the plan so they support it.

MR. BOUCHER assured them that they are not interested in creating a dedicated fund.

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REPRESENTATIVE GARDNER asked if "holding out a carrot here" for students and parents to follow the plan might create a problem when a future legislature chooses not to appropriate funds. "What happens then?"

MR. BOUCHER responded that is an excellent point that will have to be deliberated in the process of creating the fund.

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CO-CHAIR MEYER remarked that this is no different than what is done with school bonds that are subject to appropriation each year.

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CHAIR SEATON said the Amerada Hess Fund in the Permanent Fund is similar; it automatically spins out the interest which gets appropriated or not for any purpose, and the Legislature has a pretty good history of following up with appropriations.

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CHAIR SEATON remarked that other states have been looking for ways to increase the competency of their work forces, and one of the things that has been most productive has been looking at the non-traditional student - like some which Senator Olson was talking about. It seems this program would look only at students who go through a certain curriculum and finish the program within a certain amount of time - and that goes against ideas that are being generated in other parts of the United States.

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COMMISSIONER LeDOUX restated his belief that this program will invite students to graduate from high school after going through a rigorous curriculum. It does not mean that students who do not qualify for the scholarship will not go to college or pursue some other avenue of financing their college education. This will create a culture of learning and achievement in schools and it will draw all students forward. It raises the bar and demands excellence and if those are achieved, there will be a pathway to go to college.

Also, he said, the design of the legislation is such that the DEED and the DOLWFD can provide the flexibility to respond to individual students within the program. That is why they are trying to be non-specific about students' qualifications.

CHAIR SEATON said he thought he heard "high school graduates within six months of graduation," which does not seem to be flexible enough for non-traditional students. He hoped the department could come forward with other avenues for qualifying.

COMMISSIONER LeDOUX responded that requiring students to register for the program within six months of graduation doesn't mean they have to go to college right then; it means the department needs to know in terms of financial accountability how many students are eligible to draw on the funds - so a student who qualifies for a scholarship and chooses to go spend three years going to school outside the state would not give up the right to access their scholarship when they return to Alaska. It's more of a registration of participation. For

instance, a student can go outside to school and get a Bachelor's degree, come back to Alaska, and because he registered for the scholarship he would still have two years of eligibility (for a total of six years).

He related that the Hathaway scholarship has 80 pages of regulations. Further he said that University of Alaska graduates don't have to leave the state because of the declining economy; they are getting hired by Alaskan institutions. This program encourages them to stay and fill the state's workforce needs.

CO-CHAIR THOMAS asked if they had looked at all of the states that use the Hathaway plan. Were some more relative to Alaska's economy?

COMMISSIONER LeDOUX replied that they looked at all states, but the Hathaway Plan in Wyoming is the most similar to ours. It set aside \$400 million, for instance.

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SENATOR OLSON asked if WAMI is the only program this caters to as far as students going to medical school, and if they aren't accepted into the WAMI program, could they still be provided for if they have the incentive to get accepted into another medical school outside the State of Alaska?

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MS. BARRANS responded that the use of funds outside the state hadn't been extensively discussed. The initial proposal is for non-portable funds.

SENATOR OLSON asked if the intent of the bill is to get higher than 51<sup>st</sup> place or to get more students to stay in Alaska, and why don't they focus on some of the state's needs especially in the medical field.

COMMISSIONER LeDOUX replied that the intent of the scholarship program is to insure that Alaskan students have the knowledge and capability to engage in any profession when they graduate from high school. He believes that one of the limitations to students entering the medical and science fields right now is their lack of preparation in math, science, and language arts; this program will invite students to achieve a higher standard of excellence so that universities do not have to remediate them. The department feels that because of the quality of Alaska's post secondary institutions its students will elect to stay if they have that opportunity. Other institutions besides

the university will grow and continue to invite these students. "So, our intent is, as the Governor has indicated, that in 20 years we want to be able to fill our own jobs with our own people, with a highly trained workforce in the State of Alaska. We feel this is one of the steps to make that happen."

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SENATOR OLSON said his concern as a policy maker is that it looks like they are putting more emphasis on people who can go to graduate school and get a Ph.D. in physics - which is not necessarily what is needed in Alaska. More people are needed in the health care field he repeated.

COMMISSIONER LeDOUX responded that GPS has a strong emphasis on opportunity for those students who are interested in career and technical education. It doesn't differentiate between a four-year and a two-year degree and it is open to other non-state institutions in Alaska that are career and technical type programs. And, he said, it's to make sure that every graduate wherever they go to school has the skills, knowledge and confidence, and vision to be successful.

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CO-CHAIR THOMAS called the meeting back to order at 2:55.

DAVE LONGANECKER, President, Western Interstate Commission on Higher Education (WICHE), said his purpose isn't to critique the GPS program, but to talk about the experience around the country with respect to financial aid programs and how they have worked, and what the strengths and weakness of different approaches have been. He would talk about both need based and merit based financial aid programs.

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MR. LONGANECKER said whenever you are talking about financial aid you have to think about it in the context of the overall financing structure of post secondary education in Alaska. You can't think about financial aid without thinking about the way and extent to which you are supporting your institutions and appropriations, tuition policy and financial aid policy. All of those programs affect student success and institutional quality and should be in sync, but he would focus on financial aid.

As a starting point five key factors make good financial aid policy. The first is a strong clear rationale and philosophy behind what is going to be done and what it is that will get you from here to there; and what is it about today's policies that aren't getting you there. The second is knowing what will get you to those goals and how you will know that you have reached them. Third, you want a program that supports the goals and the rationale. Then you design the program. Fourth, you want a winning coalition for program; it makes very little sense to develop the perfect program that nobody can support. Fifth, you want a program that you can afford into the future.

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MR. LONGANECKER said there are generally two perceived rationales behind financial aid programs; one is using it to make college accessible financially, and the other is to reward meritorious behavior. Both have passionate supporters. Louisiana is very passionate about its Taylor Program which he wouldn't support.

He remarked that there is more to the story than the little battle between need based and merit based financial aid. Some say that the Taylor Plan and the Hope scholarship in Georgia were the great discoveries of the 1990s, but that is not so. Need based aid started in about 1960, and some would say with the G.I. bill after 1945. Until then financial aid was only done for meritorious students. The Higher Education Act of 1964/65 really started providing need based grant aid and encouraged the states to do the same with a state student incentive grant program. The LEEP program (Laclede Early Education Program) brought a lot of states into the position of providing substantial grant aid - but not Alaska.

Usually in the modern context these are focused on covering tuition or a portion thereof, he explained. That is very different than need based aid which generally looks at the total budget the student faces, trying to make sure that they can afford to go to college - not just that their tuition is somehow taken care of.

These programs are designed to go after a myriad of goals and what those goals are needs to be determined. There are four major goals. One is to reward those who achieve the highest levels of accomplishment. The classic example of this was the National Merit Scholarship Program, which used to provide a lot of aid to students who were in the top 1 or 2 percent of their

graduating class in the country. That program no longer provides that kind of funding.

The second goal is to encourage students to prepare better for college. A lot of provisions in the Governor's proposal are along those lines. A third goal is to increase college participation rates overall and the fourth is to attract the best and brightest to stay in the state. Those are the goals behind most of the merit based programs in the country.

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MR. LONGANECKER addressed the question first of how well merit programs rewarding those who achieve the highest levels work. The answer is "Well, it depends." Intuitively it seems like the programs would do great at this - students are rewarded for doing extremely well. And if the program is highly focused as the National Merit Scholarship Program was, it probably does provide something in that regard. If it is spread too broadly, it doesn't work because those exceptional students are thinking they are exceptional, but then they see everybody else getting one. Therefore they don't really feel rewarded.

Another problem is that the way aid is packaged by financial aid administrators often diminishes the impact on the very bright students. Many of the states with which he works have foundations that provide scholarships to the best and the brightest; so those students are already getting about the same amount of money - just from different sources. At that point they feel pretty good about the array of aid they got, but don't see any particular source of aid as the lead on that, particularly the last dollar in, which is the way the GPS is designed.

The second question is how well these work to encourage students to better prepare for college. Again the answer is "It depends." But clearly, encouraging them to take a rigorous curriculum is the most important thing to do. It is much more important than encouraging them to get good grades. A publication from the U.S. Department of Education by Cliff Adelman provided statistics from the high school and beyond studies that shows what makes the difference in whether students succeed in college is not so much what grades they got, but whether they took a curriculum that prepared them for college. ACT data shows that in effect the skills required to get a living wage job today without a college education are essentially the same as those required for success in post secondary education. So in fact it's to the best

interests of those students to take a rigorous curriculum whether they are headed to college or not.

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The Georgia experience is helpful here, because when Georgia HOPE was started it was all based on grades, and the requirement for remediation actually went up, not down. The reason is that students quit taking the rigorous courses because they needed the high grades to get the HOPE scholarship. Mr. Adelman's work shows that decent grades are important - you have to do decently - but you don't have to get high grades. Decent grades and a rigorous curriculum are highly related in terms of student success once they go to post secondary education. The idea of requiring a rigorous curriculum is very important, particularly for students from low income families. An interesting detail, he said, is that very smart poor kids are less likely to go to college and succeed than very modestly intellectually endowed rich kids.

MR. LONGANECKER said the third goal for merit programs is to increase participation rates overall and again the success depends. Nationally research indicates there is very little "price elasticity for demand" in higher education except for low income students. That means that middle income and high income students go to college or they don't irrespective of the price of going to college - that's nationally. That may not be the case in Alaska, because being "far on the curve to the right" it might not fit the norm of the nation. Georgia has some contrary evidence which sort of looks like Alaska. They are both states where folks don't go to college, even middle income folks. But when Georgia instituted Georgia HOPE they increased their college participation rate of recent high school graduates from 30 percent to 37 percent, a pretty substantial increase. More able, low income students and some middle income students went to college. That was made up of three different populations of students; one is their more able low income students went to college. Some middle income students who hadn't gone to college before went to college, but it didn't change what Zell Miller had hoped for, which was a change in the ethic of post secondary education in the state. Thirty-seven percent has not gone up appreciably. The HOPE program had a very substantial impact, but not the one he had hoped for.

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There was a similar impact in Nevada where participation rate went up from 40 percent to 47 percent. That held for a little

while, but then it started to fall back, in a sort of "halo effect."

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REPRESENTATIVE GARDNER said one of the goals of the Hathaway Program is to build a more rigorous high school kind of climate where people are demanding higher quality courses, where parents are trying to get their students to engage in those courses. Georgia or Nevada have any success in that area?

MR. LONGANECKER answered that Georgia successfully reversed its problem of "lowering remediation" after it put in the core curriculum requirement. Nevada's Millennium Scholarship Program did not have a strong connection between the high school curriculum and going on to college; it didn't work there. Louisiana's Taylor Plan has the lowest continuation rates in college of any state in the South. But Louisiana just adopted a core curriculum; so he is expecting that to change substantially.

REPRESENTATIVE KELLER asked if remediation is the criteria he used to measure.

MR. LONGANECKER responded that it is one indicator, but he was using it as an example of what can happen as an unintended consequence. The better indicators are whether students complete their college education. Most of the evidence is if you give a harder curriculum, students achieve at higher levels. He said:

We have a sort of crisis of low expectations in our country - worrying that if we actually expect something from our high school students, they will fail - when, in fact, all of the - most all of the evidence the only contrary evidence is in Texas, but virtually every other state has shown that students, when you imposed higher expectations on them, a much larger share, particularly of students from economically disadvantaged families, do better.

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[CO-CHAIR THOMAS handed the gavel over to CHAIR SEATON.]

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REPRESENTATIVE KELLER asked how the engagement of the students is measured.

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MR. LONGANECKER replied that would be answered within his comments as he moves along.

He said the fourth objective in some of the states is to attract some of the best and brightest to stay in the state. Without doubt that was part of the goal in Georgia and Nevada. If the goal is to keep them in state in college, it appears to be fairly successful - at least at first. Oklahoma said it would give every National Merit Scholarship semi-finalist a full ride to the University of Oklahoma. Well, they got a lot of Oklahomans and others to come to Oklahoma and they now rank something like third or fourth behind Harvard and a couple of others in the share of their National Merit Scholarships semi-finalists who stayed in state. But that was a huge inducement! They were given tuition and housing. These students were as highly prized as football players.

It worked well in Georgia. Before Georgia HOPE, 23 percent of high SAT students stayed in state; afterwards, 75 percent stayed. They were losing a lot of their students to South Carolina and Florida. As the reputation of the University of Georgia improved with these programs, they clearly have attracted a much larger share to stay in state and South Carolina and Florida suffered.

Nevada's evidence wasn't nearly as favorable. Before Millennium, 59 percent of the students who would have been eligible if there had been a program stayed in the state; afterwards it went up to 63 percent. And since implementation it has actually dropped below the previous figure - below 59 percent according to the Chancellor's office.

So in terms of attracting students to go to college in a state, it probably works and would probably work pretty well for some of the students being lost presently. But you need to ask if the real goal is to get them to stay in college in the state or to stay in the state after completing college. That story is a little more mixed.

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The National Bureau of Economic Research has a working paper that shows that there is only a modest relationship between where a student at the baccalaureate-and-above level gets his education and where he ends up working. In fact, it's much stronger at the associate degree level and below.

He said they could maybe look at another strategy, which is try to attract students back afterward post secondary education rather than worrying so much about whether they go out to another state to get it. He is intrigued by a program in South Dakota called "Dakota Roots" where they actually contact the students who left after a while and tell them how good life is in South Dakota. They even have an advertisement on TV during the holidays when kids come home for Christmas that shows the house and car you can buy for what you can get a hovel for in Los Angeles, Denver or Seattle, which is where all their students have gone. They will actually arrange five interviews for jobs if they agree to come back.

MR. LONGANECKER next discussed if this makes sense in terms of the investment. It is clear that "you pay a lot for a modest impact." But it may be worth it in a variety of ways. Most of the people who will receive this award were going to college anyway and most were going to go to college in Alaska. However, it does increase the affordability for the most needy who qualify for merit as well. In Georgia, for example, currently a lot of people who love need based financial aid complain that this program does not help needy students. Today the program is around \$300 million and around \$50 million of that goes to students with assessed financial need. But Georgia didn't have a need based program before; so now \$50 million is available for needy students. That's comparatively few compared to the distribution of students of the Taylor Plan, the TOPS program in Louisiana, where 40 percent of the funding goes to students from families with incomes over \$100,000 - and Louisiana is a poor state. About 10 percent of the Hathaway Plan goes to students in the need based component. So, the funds are disproportionate to those from incomes that go up the income strata rather than down. It does reduce the burden for all of the others, and there is nothing wrong with reducing the burden of going to college, but it doesn't really increase their financial access.

REPRESENTATIVE GARDNER asked how it reduces the burden for others.

MR. LONGANECKER answered that it simply reduces the cost of going to college, unless they were going to get it from one source of aid or another. In most cases, particularly in the context she referred to, if they get a couple of thousand or something approaching tuition, that reduces their financial burden.

He cautioned, "You want to beware of unintended consequences." To the credit of the folks in Alaska, they had thought of some of them, but not all. One is the effect on price or on tuition. This has gone different ways in different states. In Georgia where the universities set the tuition rates, once this went into effect, tuition skyrocketed at the major universities. Because at both the University of Georgia and the Georgia Tech, almost all students were HOPE scholarship recipients; so they could pass virtually all the costs on to the state - a very rational way for the institutions to respond. So that constrained the amount that the other institutions, many of which serve broader access goals, were able to do in the way of tuition, because they could pass it on to all of their students.

In Louisiana the legislature sets the tuition, and it has kept tuition rates extremely low. They have done this at a time when they've also not had a lot of resources; so they have to keep their state appropriation very low. So, Louisiana State University is starving for funds. It is a research university operating on far less funding than necessary to manage a research university. If they increase tuition there, it would substantially increase the cost of the TOPS program.

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West Virginia and New Mexico fund their merit based program through the state lottery. They figured that students were being taken care of by the merit program, so they cut back on their need based program. In both programs the need based program suffered at the expense of the merit based program even though it wasn't their original intent.

MR. LONGENACKER said that was not the case in most states with merit programs, because most of those didn't have need based programs of any consequence anyway.

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MR. LONGANECKER reminded them that these programs exclude essential students from the future of the state's economic development. To complete the President's goal of returning the U.S. to being a leader in the world, we can't get there with high school graduates, alone he said. Adults also have to be brought back into the higher education arena. He stated that a single program should not try to serve all needs, but this GPS program doesn't provide much of an avenue for adults coming back, for military and veterans unless they signed up for eligibility within six months of graduating from high school, or for late achievers. They also need to be careful that whatever

they structure, that they don't leave "a whole bunch of federal funding on the table." Most students are eligible for federal tax credits for their tuition, but if they don't pay tuition they don't get the federal tax credit. Ms. Barrans mentioned the way to get around this is to use language saying it can be used for any education expenses. This kind of language will avoid the federal problem.

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REPRESENTATIVE GARDNER asked who has offered a merit based program that doesn't leave federal tax credits on the table.

MR. LONGANECKER answered that Nevada made changes that brought them into full compliance, Hawaii changed its tuition voucher program, and Washington was in compliance but they eliminated their merit program. New Mexico redesigned theirs so they are in compliance.

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MR. LONGANECKER turned to the issue of need-based programs. He said the original purpose of these programs, particularly the ones that grew out of the Great Society programs of the 1960s was to expand access to higher education. The U.S. was moving from a meritocratic system to an egalitarian system, one in which every student who could benefit from some post secondary education and could qualify for it should benefit and be able to choose the institution that best served their needs.

The more recent thrust started in about the 1990s and expanded the concept from access to success. First it was thought access was a goal - if people could go to college they would get a college education. But it was discovered that many who went to college dropped out. Huge increases in the percentage of students going to college were seen, but not huge increases in the share of students graduating from college. So, something different was needed. The programs that have evolved in the last decade have been focused on student success as much as access.

How do need based programs measure up on the goal of expanding access? Actually, Mr. Longanecker said they were quite successful. The price elasticity of demand studies show that a change in price for low income students will increase their participation in college from 5-10 percent per \$1,000 change in price. So if you give a needy student a \$3,000-scholarship, you're going to substantially change the probability that that student will go to college. That research goes back into the late 1960s and through the 70s and 80s.

However, he said, "We have been much less successful in achieving student success." Students have been brought in, but the dropout rates have increased. They have increased the success of low income students and students of color, but not as fast as the success of middle and high income students has increased. So, the gap has actually increased. He said that even though they got better in every category slightly, the equity gaps remain huge in American higher education between the haves and the have nots.

The other dilemma with these programs is that they are not as politically popular. Poor people don't tend to vote as much as middle and higher income folks. When Zell Miller came out with the HOPE Scholarship in Georgia, all the other southern states came out with HOPE-like programs within two years. "These are politically popular programs."

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MR. LONGANECKER said the need based programs had some real problems even though they achieved part of the goal; they had the unintended consequence of not getting the students through the college. So over the last 20 years blended programs have evolved and these come in three variations: one is those that are merit programs that add on a need component, another is those that are basically need based programs that add on a merit component, and those that are truly a blended of the two.

MR. LONGANECKER said the first is the need based being add on to the merit based. Wyoming's Hathaway scholars program is a good example of this. To qualify you have to take a rigorous curriculum, you need to achieve a certain composite of the GPA and ACT. They have three different levels up to \$3,200 per year and you need to maintain a specific GPS while you are in college to maintain eligibility for the award. All qualified students receive an initial scholarship regardless of whether they have any need or not. Needy students get a supplement as well, but they have to qualify for the scholarship first. So, it's a merit program with a need based component tacked on.

Many of these strong components are embedded in the GPS proposal. The strength of that program is that it rewards strong preparation and assists with affordability for the neediest students. Even though for many years cost was thought to be the barrier to higher education, but research has shown that preparation is as key to success in college as finances are, and maybe more so.

The other thing he liked about the Hathaway Plan is that it is a fixed amount not dependent on the actual tuition amounts, and since it is based on the cost of tuition, he presumed the students who attend the community colleges which have lower tuition actually come out a little bit ahead. So there is a cost of choice and it seems to make sense that students should be making a decision on where they go in part on the basis of the cost.

MR. LONGANECKER also said he liked the fact that the Hathaway Program is funded by a trust fund approach and does not rely on annual appropriations that many things do. The other thing he likes is that it fits Wyoming well; it fits the culture. The limitations of it are two-fold - that it's available (as the proposed GPS) only for those students who are graduating from high school and who fit this criteria. So it is limited to Wyoming high school graduates of the present era.

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MR. LONGANECKER said the second kind of merit is merit added on to need. The best examples of this come out of the federal legislation - the academic competitiveness grants and the SMART grants (part of the Pell grant program today). The academic competitiveness grants provide Pell grant recipients who took a rigorous curriculum in high school get an additional \$750 tacked on in their first year and \$1,300 in the second year. The reason - at the federal level - for the increase in the second year is they see that most students who drop out of college drop out in the first year and they are trying to provide some incentive to keep them into the second year.

The second program is the National Science and Math Access Program (SMART) for juniors or seniors which is a \$4,000 grant that is tacked on to the Pell grant. If you are a Pell grant recipient majoring in the stem fields and you have a 3.0 grade point or above, you get a SMART grant. The strengths of this program are that it rewards students for preparing well for college; it encourages students to major in an area of national need and it is focused on those students most underrepresented in the desired fields. This program has some limitations; one is that it excludes students from high schools that don't offer the rigorous curriculum. The other is that it is not permanently authorized so the program's sustainability is in question and, in fact, it is not proposed in the budget for next year.

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MR. LONGANECKER said the third type is the ones that blend merit and need. These programs include non separable merit and need components - both have to be demonstrated. The standard programs in this regard are the ones that come out of Indiana called the Twenty-first Century Scholars Program and the one out of Oklahoma called the Oklahoma Promise Scholarship. Each of these essentially say if a student takes a rigorous curriculum and achieves at a reasonable level (2.5 in Indiana and 3.0 in Oklahoma) they will have an award equal to tuition for the period of time that they go to college. Those programs seem to have changed the thrust of the high school activities; they seem to have a real impact on what the high schools offer and what the students take and how well prepared they come to college. They also require that students have assessed financial need using a family income cut off of \$50,000.

The program that he is particularly keen on is patterned after one in Minnesota called "Shared Responsibility," and he helped set it up in Oregon. Minnesota has a real philosophy behind its program that involves the total expense of going to college, not just the tuition. It varies from a two-year to a four-year institution because while tuition might be less at a community college the other expenses will be the same as if the student goes to a four year college. This model looks at those students and has four partners. The first partner they expect is the student who is the principal beneficiary. When Minnesota surveyed its residents, they said everybody should go to college but they ought to pay their way through college like I did. Most people don't fully understand that there is no way they could pay their way through college today. So they said the first partner who is going to benefit most from this is the student. So they said is the student who goes to a community college ought to be able to pay for that while going to work 10 hours a week and working summers, and that would be their contribution. They used 10 hours a week because research shows if you work more than 20 hours a week it reduces your likelihood of success in college. If a student went to a state university that is more expensive, he should be willing to take out loans.

So the four-year college amount was based on the student working that same amount and then borrowing an amount that they could reasonably pay back if they went into a low paying job, like teaching and social work.

What is interesting about the Oregon program and what could be key for a blended program for Alaska is basing the grant amount on work and borrowing, savings the student has saved before

going to college, or it can come from other scholarships. The benefit of this for Oregon's philanthropic community was that their dollars no longer were going to be substituted for the state dollars. If the state gave the student a scholarship, it was going to count against his share. So they could earn the money by working or by scholarship. He suggested that Alaska could blend the merit component into a plan like this. He said in Oregon this philosophy is extended to all students whether they have financial need or not.

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The second partner is the parents and he has portrayed parents that don't have much in the way of income. But for many students this will fill up all of the rest of what they need because they may come from a family with substantial wealth. But the argument was that even the student from a wealthy family should make a contribution toward their education. That is where the GPS scholarship component could go.

The third partner is to bring in everything that the federal government was going to provide including the tuition tax credits and the Pell grants. This is essentially identical for a student going to a high cost and low cost institution. Then their philosophy was a fourth partner was the state and they would fill in the difference.

He advised that they need to think about whether the state is really prepared for success and explained that Oregon looked at research on price elasticity of demand and projected a 7-10 percent increase in participation rates. However, in the first year, the increase was 17 percent in the universities and 27 percent in the community colleges. Oregon did not have the money in the appropriations to fund this. They came back and in the first year they put all of the money in and then economics hit Oregon pretty hard. It's one of the four hardest hit states and they have had to cut back and ration their awards this year. So the success of the program will have financial impacts on demands for this program and on the universities in general.

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MR. LONGANECKER next discussed what is best for Alaska. If the goal is to reward the best and the brightest, merit is the best approach, but it won't address affordability. It will affect where students go to college, but not whether they go to college. The evidence may be different for Alaska because it is such a low participation state over all - looking a little more like Georgia.

If Alaska's goal is to retain the best and brightest, merit is a possible approach, but it is pretty expensive. It might be better to try and entice them back after they went to school somewhere else. If the goal is to expand access through lower cost, need based will get the students in the door, but not through it, and it doesn't send the message about the importance of working hard to prepare for college. If they want access to success and that is the highest priority, he said a blended model may hold the most promise - plus it's more cost effective than either a straight need based or straight merit.

REPRESENTATIVE GARDNER asked what he would suggest if their only goal was to increase rigor.

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MR. LONGANECKER replied if the intent is to increase rigor, a merit program is the way to go. But he thought they could achieve more by doing a blended program that covers both rigor and need, because you won't get needy students with rigor alone. He said that research doesn't support Senator Meyer's comment that plenty of scholarships are available. Most need-based students have the greatest amount of unmet need in almost all of his calculations. Ms. Barrans talked about the current program that provides up to \$2,000, which is very similar to a need based program that Louisiana started last year to complement the TOPS program. Students know that tuition is not all they have to pay; they know they will have room and board, as well.

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CO-CHAIR MEYER said the reason he supports the Governor's program is if someone is showing effort in school with a C+ and better average, they are accommodated regardless of their income.

MR. LONGENECKER agreed and added that is the strength of the Hathaway over the TOPS program, which is an all or nothing program.

CO-CHAIR MEYER asked if he agreed that there is merit to having our children go off and see how the Lower 48 lives, and then get them back.

MR. LONGANECKER said they run the WUWI program which encourages interstate collaboration; but of course he thinks that exposure to the rest of the country is a valuable asset. Kids get a good education in Alaska and most Alaskans would say they wish their

kids would stay home. The benefits of a program like the Governor is proposing are that students will be preparing for the University of Alaska, but it will open up their horizons and possibilities and they will be able to go other places because they'll be much better prepared. They will be scoring well on the WorkKeys and be able to go in the trades and a lot of occupational areas that they're simply not well prepared to go into today.

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CO-CHAIR MEYER said they keep using ACT as a bench mark, and asked if SAT is the same.

MR. LONGANECKER replied pretty much, but they originated on very different principles and he liked the rationale behind ACT better than SAT, which is a measure of innate ability and intelligence. ACT was based on achievement.

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REPRESENTATIVE GARDNER asked if the merit portion of Oregon's blended program is a combination of rigor, GPA and independent assessment or is it available to all high school graduates.

MR. LONGANECKER replied that Oregon does not have a merit component. It is built that way so that the foundations and institutions would fill in there. Their rationale is that institutions like to give merit aid; they don't like to give need based aid - because they like to get the best and the brightest students. They like the UA Scholars Program; and in fact, there is some redundancy between that and the platinum level in the proposal. Oregon is not facing the same statistics as Alaska is; it doesn't have as high a participation rate as it would like, but most of the students graduate from high school and most of those go on to post secondary education.

If they are trying to change the ethic in the high school in a more substantial way, there is nothing wrong with intentionally blending that in and having a state component that would be part of that. He pointed out the danger is if they tie the grant to tuition at UAA and UAF, because almost all students will be eligible for this scholarship at the gold or platinum level and that will provide pressure on those institutions to increase tuitions. The way Wyoming came up with \$3,200 scholarship is because tuition is \$3,200; but it is not locked in at that level. This also makes it easier to defend legally on federal tax issues. He remarked that there was a lot of redundancy

between the platinum level and the University of Alaska Scholars Program.

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REPRESENTATIVE BUCH asked about other places who tried to win back students after graduation by using incentives like Alaska's old forgiveness program.

MR. LONGANECKER replied that no state is "buying back their talent." But certain states will forgive loans for doctors and lawyers, for example. Most of those programs find that about a third of the people come and serve out their obligation and leave, about a third come and serve their obligation and stay, and about a third "buy out" their obligation and leave. He mentioned that states don't have all the tools it needs to follow up on unpaid obligations of those who leave. The state would have to essentially run a collection mechanism at the same time. New Jersey did that for a number of years, but gave it up about the same time Alaska did.

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MR. LONGANECKER said he thinks there is a lot that can be done subtly. One possibility would be to provide a more attractive option to receive back those students who go to graduate school. The WICHE medical program has a contract with students to serve two years for every year contract they have with the state. They found that 74 percent of those students return to that state as opposed to 50 percent for those students who aren't on a contract. You can get return on investment for that, but that may be a work place issue as well as a work force issue. There needs to be places for those people to come back and work. He was interested in seeing how the South Dakota Roots program works over time.

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REPRESENTATIVE BUCH said part of their obligation is to consider the fact that students need a job. So it's a matter of economics. In building these models the end goal is to improve the economics of the state.

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SENATOR OLSON asked how many of the 74 percent of medical students who come back to the state are still there 5 or 10 years later.

MR. LONGANECKER didn't know the answer to that. Within the WICHE region they have a very strong presence. From his time in

Minnesota that has a federal program that encourages doctors with a similar state loan forgiveness he knows that only about half of those who came back stayed.

SENATOR OLSON asked if he is familiar with the M.D. program versus the D.O. program.

MR. LONGANECKER answered yes.

SENATOR OLSON said he has heard that the D.O. program is less expensive and that encourage medical students to go to the D.O. schools. Are there any significant differences in their return rates?

MR. LONGANECKER answered there seems to be a much larger share of osteopathic physicians who come back to rural areas than in the standard allopathic medicine programs - in part because they don't have areas of specialization. The form of education both in terms of providing it and receiving it is less expensive. The best students still seem to prefer the M.D. route.

SENATOR OLSON asked how many students in a North Dakota-type program actually returned, because they are facing the same type of rural practice and doctor shortages Alaska has.

MR. LONGANECKER replied he didn't know the answer to that, but South Dakota has a lot of students staying in the state; but that is partly because the South Dakota School of Medicine isn't terribly highly thought of elsewhere. The WAMI program has some pretty strong success with its clinical sites and that is a good way to have students return. Medicine and dentistry are fairly unique and probably require a different set of strategies than the standard undergraduate approach where they could think in broader terms and look for more standard models than in high cost programs. Part of the dilemma with medicine is that opportunity costs to come in to a rural area are huge. They might need to think about much different ways to deliver education, but he is very impressed with the way Alaska developed capacity in mental health services through a "grow your own building up professional development model." He thought it had potential in other areas for a rural state.

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CHAIR SEATON mentioned that Alaska has a unique tool in trying to win back people and in two previous legislatures they talked about programs for holding the PFD in trust after two years or so of allowable absences for students in a Masters or Ph.D.

program. They could get those back checks when they reestablished their residence here. He asked for data on how GPAs coordinated with success rates. He wanted to know the criteria they are using rewards future success.

MR. LONGANECKER said he would do the best he could to pull that together for them, but his sense is that they will get their biggest bang for the buck from the students who just take a rigorous curriculum who wouldn't have before and who aren't going to be exceptional performers. They will be just regular folks who will be much better prepared for college. In terms of rewarding, that's where they would have to be comfortable with the larger awards, the platinum level for instance, farther up the continuum. That might keep some students in state who would have gone elsewhere, and it clearly provides a reward for exceptional students - and there is nothing wrong with that. But they have to determine how valuable that is compared to other focuses and how much that will cost the state.

The profile for future eligible students could be drawn from the Louisiana State University where 92 percent of the students are TOPS eligible. About 17 percent of the students at Baton Rouge Community College are TOPS eligible. He referenced a graph by John LeGuardy that looked at income distributions.

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CHAIR SEATON said one of his concerns with the Hathaway Plan is that the profile of Alaska students is similar to the profile of the two-year "outside" college students - and only less than 5 percent of those students in those two-year colleges qualified for the need based portion.

MR. LONGANECKER agreed that something was "screwy" with the need component there that he would have to figure out. It's possible that the Pell grant is making their need based students ineligible for the need component of Hathaway. He would share that information when he figured it out.

CHAIR SEATON said the Alaska Scholars Program is based on the top 10 percent of each graduating class, and he wanted a comparison of what increase in participation would be for this program versus that one.

MR. LONGANECKER said he would work with them on that issue. Texas has a 10 percent scholars program, but the real problem with the GPA and the assessment is if students actually achieved

at a higher level it would cost the state a lot of money. That would be a nice problem to have, though, he mused.

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CHAIR SEATON said he thought the presentation had been helpful. Finding no further comments or questions the meeting was adjourned at 4:21 p.m.