

SENATE FINANCE COMMITTEE

April 1, 2010

9:07 a.m.

[9:07:40 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:07 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Jay Livey, Staff, Co-Chair Hoffman; Eddy Jeans, Director, School Finances and Facilities, Department of Education and Early Development; Senator Menard; Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education; David Logan, Legislative Chair, Alaska Dental Society; Pat Carr, Program Manager Department of Health and Social Services; Senator Kevin Meyer; Jomo Stuart, Staff, Senator Meyer; Sam Kito, Facilities Engineer, Alaska Education and Early Education; Larry Ledoux Commissioner, Department of Education and Early Development; Mark Hamilton, President, University of Alaska.

PRESENT VIA TELECONFERENCE

Jim Towle, Executive Director, Alaska Dental Society; Tracy Oman, Executive Director, Alaska Optometric Association; Loretta Nardi, President, Partnership for Alaska Charter Schools; Barbara Gerard, Academy Charter School; Kiki

Abrahamson, Fireweed Academy, Homer; Jim Johnsen, Senior Vice President, Doyon Limited; Robynn Wilson, Tax Division.

SUMMARY

SB 237 SCHOOL CONSTRUCTION DEBT REIMBURSEMENT

SB 237 was REPORTED out of Committee with a "do pass" recommendation and with new fiscal impact note from Department of Education and Early Development.

SB 174 PROF STUDENT EXCHANGE LOAN FORGIVENESS

SB 174 was HEARD and HELD in Committee for further consideration.

SB 235 CHARTER/ALTERNATIVE SCHOOL FUNDING

SB 235 was HEARD and HELD in Committee for further consideration.

SB 236 TAX CREDITS FOR EDUCATIONAL CONTRIBUTIONS

SB 236 was HEARD and HELD in Committee for further consideration.

SB 224 POSTSECONDARY SCHOLARSHIPS

SB 224 was HEARD and HELD in Committee for further consideration.

SB 230 BUDGET: CAPITAL, SUPP. & OTHER APPROPS

SB 230 was SCHEDULED but not HEARD. .

HB 326 SUPPLEMENTAL/OTHER APPROPRIATIONS

HB 326 was SCHEDULED but not HEARD.

#sb237

SENATE BILL NO. 237

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

[9:07:51 AM](#)

Co-Chair Hoffman proposed committee substitute, work draft #26- LS1342\C, Mischel, 3/31/10 (copy on file). Co-Chair Stedman OBJECTED.

JAY LIVEY, STAFF, CO-CHAIR HOFFMAN, discussed the Committee Substitute (CS). He relayed that three proposed changes exist. First, the findings section more closely focuses on the Kasayulie hearing. Secondly, Section 2, Line 18 changes the name of the fund created to the Regional Education Attendance Area School Fund, as the previous title did not relate to the text. The third change in Section 4, Page 8 calls for review of the impact the legislation has on the state's bond rating. The change calls for a review to be conducted five years from the effective date of the bill.

[9:11:33 AM](#)

Co-Chair Hoffman added that his office is working with the administration to wordsmith the legislation. He planned to discuss his concerns in the other body. He commented on the Kasayulie versus State case. He explained that his office has worked with the plaintiffs and school districts with much headway in the right direction.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman stated that a new updated fiscal note was released.

EDDY JEANS, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, informed that the two fiscal notes were combined. The first part of the fiscal note estimates the amount of state liability under the debt reimbursement program. He anticipated that the first year of liability would occur in FY13. A three year average of projects approved under the program yielded the \$3.7 million estimated state liability beginning in FY13 under the debt reimbursement program. He elaborated that the second portion of the fiscal note addresses the new funding formula for regional education attendance areas. The estimation is an annual allocation of approximately \$40 million dollars.

Co-Chair Stedman stated that public testimony is closed.

Co-Chair Hoffman MOVED to report CS SB 237 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 237 was REPORTED out of Committee with a "do pass" recommendation and with new fiscal impact note from Department of Education and Early Development.

[9:15:00 AM](#)

#sb174

SENATE BILL NO. 174

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

[9:15:47 AM](#)

Co-Chair Hoffman MOVED to ADOPT work draft LS0764\T, Mischel, 2/1/10. Co-Chair Stedman OBJECTED.

MICHAEL ROVITO, STAFF, SENATOR MENARD, discussed the CS. He explained the differences. Page 1, Section 2 was added to clarify that the Alaska Commission on Postsecondary Education shall administer Alaska's participation in the Western Regional Higher Education Compact. Page 2, Section 3 was modified to address the loan repayment terms. Initially the bill set the annual repayment interest rate at five percent, but concern was raised that locking a rate in statute was bad policy. The current language in version T uses existing statute AS 14 435 10 to dictate the interest payment of the loans. The third change occurs on Section 4, Page 2. The scope of the section describes how an individual can receive loan forgiveness and the parameters that must be met to receive that forgiveness.

[9:18:57 AM](#)

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Senator Menard delivered the sponsor statement.

Senate Bill 174 will boost the number of Alaska's health care providers by making it more financially

feasible and attractive for a recent graduate to come back to the state.

We now have the WAMI program, which provides educational opportunities for medical students. But for dentists, there is a massive gap in educational opportunities.

This is where Senate Bill 174 comes in.

There's no doubt about Alaska's shortage of dentists. This has been a long-time problem in rural Alaska. In other areas of the state there are an extremely small percentage of providers taking Medicaid. As the exodus of retiring dentists continues, and recent graduates are wooed by Lower 48 medical clinics, the problem worsens and Alaska loses.

A well crafted loan forgiveness program will entice Alaskans graduating in dentistry, pharmacy and optometry to come home for their careers.

Senate Bill 174 accomplishes this by setting requirements for loan forgiveness.

Working with the Western Interstate Commissions for Higher Education, also known as WICHE, Alaska residents will be able to attend professional health care programs not offered in the Alaska university system. WICHE is a regional organization adopted in the 1950s. Its purpose is to create resource sharing among higher education systems in the American west.

This bill establishes a minimum number of supported Alaska participants in dentistry, pharmacy and optometry. The bill also sets the loan interest rate for the PSE loan in statute at 5 percent and provides zero percent interest during the participants' in school period.

Senate Bill 174 will establish a forgiveness program entitlement of up to 25 percent loan forgiveness for the participants who meet these criteria: They must accept Medicaid for not less than 5 percent of their total average gross billings for the year.

Participants in the program could get an additional 25 percent loan forgiveness if they maintain a practice in rural areas.

Please help me support retaining new dentists and other medical professionals in Alaska, for the entire state's benefit.

[9:24:21 AM](#)

Senator Thomas asked about Page 2, Line 17. He asked if the loan forgiveness was for the initial year, or annually as the loan takes place.

DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION answered that the certification process would occur annually. She noted that the department would work with the Department of Health and Social Services (DHSS) to ensure the certification.

Senator Thomas asked if the certification would be 750 hours minimum, or a six month requirement. He asked to know the percentages forgiven. Ms. Barrans referred to Page 3 of the bill where a governing cap is discussed.

Senator Thomas clarified that the 50 percent referenced on Page 3, Line 5 is the defining factor.

[9:26:46 AM](#)

Co-Chair Stedman noted the fiscal note from the Department of Education and Early Development (DEED) for \$230,500 in FY11 to fund the loans. The cost is increased in subsequent years. The committee will request an updated fiscal note to reflect the changes in the CS.

[9:27:26 AM](#)

JIM TOWLE, EXECUTIVE DIRECTOR, ALASKA DENTAL SOCIETY (via teleconference), testified in support of the legislation. He stressed that the bill provides an excellent tool for a long term and sustainable source of professional education currently unavailable in Alaska.

TRACY OMAN, EXECUTIVE DIRECTOR, ALASKA OPTOMETRIC ASSOCIATION (via teleconference), testified in support of the legislation. She noted that Alaska is home to 119

practicing optometrists with 22 percent reaching retirement age. The bill offers an incentive for people to return to Alaska.

[9:31:22 AM](#)

DAVID LOGAN, LEGISLATIVE CHAIR, ALASKA DENTAL SOCIETY, testified in support of the legislation. Students in the fields of dentistry, optometry, and pharmacy face a challenge of high out of state tuition as programs for the fields do not exist in Alaska. The cost of health care education has risen dramatically. Students can finish school with \$200 to \$350 thousand dollars worth of debt.

[9:34:10 AM](#)

PAT CARR, PROGRAM MANAGER DEPARTMENT OF HEALTH AND SOCIAL SERVICES informed that she was present for questions. Senator Olson asked if the department was opposed to or in favor of the legislation. Ms. Carr responded that the administration has not taken a position on the bill. Ms. Barrans echoed the testimony of Ms. Carr.

[9:35:51 AM](#)

Senator Olson agreed that the shortages of the discussed professions have become critical. He revealed that dentists require additional investment in the equipment that they require to practice their profession. He elucidated that optometrists often discover disease in the early stages and are trained to perform specialized procedures that a family practice doctor may not have experience with. He pointed out the importance of pharmacy school.

Senator Egan asked if a shortage of dentists and optometrists exists in Alaska. Senator Menard believed that there will be a shortage in the future with many of the dentists nearing retirement age.

Senator Huggins echoed the comments of Senator Olson. He identified the necessary responsibility taken by Senator Menard.

Senator Menard added that prior to SB 174 she received a proposal from Oregon State University offering a dental seat in perpetuity for any dental student that would attend their school. The mentioned professions enjoy low risk for a chance of loan default.

[9:41:23 AM](#)

SB 174 was HEARD and HELD in Committee for further consideration.

[9:41:35 AM](#) AT EASE

[9:44:15 AM](#) RECONVENED

#sb235

SENATE BILL NO. 235

"An Act relating to charter school approval and funding."

[9:44:27 AM](#)

SENATOR KEVIN MEYER requested his staff present the legislation.

JOMO STUART, STAFF, SENATOR MEYER,

Senate Bill 235 amends existing state statute to allow the Department of Education & Early Development to compete on behalf of Alaska charter schools for facility maintenance & start-up grant funds nationally available through the U.S. Department of Education. Alaska and its charter schools are currently ineligible.

Senate Bill 235 addresses this inequity in two ways:

First, Senate Bill 235 removes the statutory cap which limits the number of charter schools, on a statewide basis to sixty. As the only authorizer of charter schools, local school boards thoroughly examine and evaluate charter applications prior to agreeing to accept a charter for their district. In this way, local school boards act as a check on charter school over-proliferation and growth - today, there are only 26 charter schools in existence across Alaska - making a state mandated cap unnecessary.

Second, Senate Bill 235 creates in statute the programmatically required state funding mechanism necessary to comply under the federal grant program. It amends current law to establish in Alaska the per-

pupil facilities aid program required under the U.S. Department of Education's applicant eligibility requirements. Senate Bill 235 then seeds the in-state aid program with a nominal \$1 dollar per pupil per year. However, it is communities and school districts which must arrange for themselves the means to provide the 10% local contribution necessary to achieve the initial 90% federal match and subsequent, escalating match proportions.

With minimal State involvement, but maximized local initiative & control, Senate Bill 235:

- Improves the State of Alaska's ability to secure the Federal Start Up Funds for Alaskan Charter Schools.
- Makes charter schools eligible to compete for federal grants for facilities.
- Is strongly supported statewide by school boards, school districts, and charter schools.
- Reduces a major barrier to the development of charter schools.
- Benefits Alaska's children.
- Will increase educational choices for parents & opportunities for students.

Co-Chair Stedman mentioned one fiscal note from DEED for \$301 thousand in general funds of which \$150 thousand is requested for adoption of the regulations and the remainder is for one and one half positions to administer the program.

[9:48:12 AM](#)

LORETTA NARDI, PRESIDENT, PARTNERSHIP FOR ALASKA CHARTER SCHOOLS (via teleconference), testified in support of the legislation. She stressed the importance of charter schools as public schools. Alaska charter schools often lease facilities with funds slated for student use.

[9:51:02 AM](#)

BARBARA GERARD, PRINCIPAL, ACADEMY CHARTER SCHOOL (via teleconference) testified in support of the legislation.

She stressed her support for charter schools. SB 235 strengthens Alaska's charter school law.

[9:53:52 AM](#)

KIKI ABRAHAMSON, FIREWEED ACADEMY, HOMER (via teleconference), testified in support of SB 235. She stated that the facility equity allows access.

[9:55:31 AM](#)

SAM KITO, FACILITIES ENGINEER, ALASKA EDUCATION AND EARLY EDUCATION, stated that the administration does not have a position on the legislation. He reported that the fiscal note was prepared based on the best interpretation of the legislative language and intent. The fiscal note includes funding to implement regulations to administer the program. The program allows start up or enhancement funding for charter school facility programs. The grant funding is stepped so that the federal government receives larger amounts in the first year with declining amounts in subsequent years. The department believes that regulations are necessary for the implementation of a new facilities funding program. The department estimates the need for a single full time staff person dedicated to the management of the funding.

[9:58:04 AM](#)

Senator Thomas commented that the bill addresses the long term problem of financing for charter school facilities.

Senator Huggins noted that there are 26 charter schools in the state. He opined that SB 235 represents a solution to part of the problem. He expressed support of the legislation. Charter schools are part of the national strategy to move the education system forward.

Senator Meyer explained that he and Senator Huggins met with a group of concerned parents who see SB 235 as a mechanism to help charter schools whose largest obstacle is facility funding.

[10:01:29 AM](#)

SB 235 was HEARD and HELD in Committee for further consideration.

#sb236

SENATE BILL NO. 236

"An Act relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes or for a college facility; and providing for an effective date."

[10:01:43 AM](#)

Senator Meyer discussed SB 236.

CS for SB 236 amends the current statutes regarding higher education tax credits by expanding the range of the "second tier" of tax credits and by adding a third tier.

Under current law, state income tax payers who make cash contributions to an Alaskan educational or vocational institution receive a tax credit of 50 percent for contributions up to \$100,000 and 100 percent for contributions between \$100,000 and \$200,000. Therefore, maximum tax credit allowable in any given year is \$150,000. This limit appears to be having a constraining effect on corporate donations to & investments in educational and vocational institutions in Alaska.

Under CS for SB 236, cash contributions to an Alaskan educational or vocational institution receive a tax credit of 50 percent for contributions up to \$100,000, a 100 percent tax credit for contributions between \$100,000 and \$300,000 and a 50 percent tax credit for contributions over \$300,000, for a maximum allowable credit accrual of \$25 Million per year.

Many major employers in Alaska understand that the future success of their businesses requires a highly skilled workforce. These businesses want to hire Alaskans from Alaska's vocational schools, colleges and universities. In addition, many businesses are interested in, through commercialization of university-generated information and technologies, helping Alaska's universities expand their existing scientific research & development capacities - a process that has become a major source for economic development and diversification in other states.

By facilitating greater cooperation between Alaska's business and education sectors, and encouraging greater financial support from the former to the latter, SB 236 hopes important workforce and economic development goals such as the following can be achieved:

- Strengthening workforce development and job opportunities for Alaskans
- Increasing collaboration between Alaska's employers and its higher education institutions
- Diversifying funding sources for Alaska's higher education institutions
- Enhancing student success through internships, K-12 outreach, camps, and other developmental programs
- Developing research programs that contribute to economic development in Alaska

[10:03:46 AM](#)

JIM JOHNSEN, SENIOR VICE PRESIDENT, DOYON LIMITED (via teleconference), testified in support of the legislation. He stated that values from shareholders are encouraged through private development. The 50 percent tax credit for natural gas exploration effectively encourages the current exploration for gas in the Nanana Basin and for oil in the Yukon Flats. He opined that the state's encouragement of private investment in human resource development in colleges and universities is not as effective as it is capped at \$150 thousand per year. He agreed that SB 236 addresses the shortcoming.

[10:06:34 AM](#)

ROBYNN WILSON, TAX DIVISION (via teleconference), stated that she is unaware of the administration's position on the bill. She offered to present the committee with a list of technical suggestions, but stated no known concerns from the administration.

Senator Huggins inquired about the sunset date. He recalled from his work on the Education Committee that industry

provided a case for elimination of the sunset date. He requested the consideration of the industry's perspective.

[10:08:47 AM](#)

Senator Olson stated that the contributor's receive tax relief under federal income tax so a state tax credit may be seen as "double dipping." Senator Meyer deferred to Ms. Wilson. Ms. Wilson responded that the statute reads that a taxpayer cannot claim both a charitable contribution and a credit for the same contribution to an educational facility.

SB 236 was HEARD and HELD in Committee for further consideration.

#sb224

SENATE BILL NO. 224

"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."

[10:10:44 AM](#)

LARRY LEDOUX COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT opined that the bill emerged from the Senate Education Committee a stronger and more focused piece of legislation. He explained that the Merit Scholarship was a contract inviting students to choose a rigorous curriculum and to validate good grades by a standardized assessment. He believed that the legislation was transformative and would change the mindset of Alaskan students. Alaska must create a culture of success. Many students dream of attending college or technical school. The Alaska commission on post secondary education quoted statistics that in ten years among 50 of today's Alaska ninth graders, three will have a college degree, 19 will not graduate from high school, eleven will have some college and 17 will only have a high school diploma. The goals of the Merit Scholarship are to improve high school graduation rates and to improve the rigor of high school courses. He explained that he wants to create a college and post secondary culture in Alaska.

Mr. LeDoux described the specifics of the scholarship program. He noted that the program is open to graduates of Alaska high schools whether they are home school, public school, or private school students. The scholarship can be used at any Alaska post secondary private or public tech school or college and is not restricted to the University of Alaska. He mentioned three levels of academic scholarships. The academic scholarships provide eight semesters of funding over a six year period. The six year time period is important because many of Alaska's students are nontraditional. The criteria to achieve the scholarship are based on a student's grades, an assessment that validates the grades and a rigorous curriculum that predicts students' success in college. If a student is unable to complete the curriculum due to geographic location or availability, they can apply to the commissioner's office that will devise and develop an individualized alternative program for the student to meet the same standard. The other criterion for the alternative pathway is a situation beyond the control of the student. The criteria is an A average for the highest level of academic scholarship, a B average for middle level of academic scholarship, and a C+ average for the lower level of academic scholarship.

[10:18:17 AM](#)

Mr. LeDoux highlighted the assessment criteria. He explained the importance of the grades achieved by students in rigorous courses. Another criterion is validated by the standardized assessment test. It is not the intent of the program to create a rigorous assessment test for students to qualify. The rigorous curriculum demanded from the Senate Education Committee was four years of English, four years of math, four years of science, and four years of social studies, of which one year can be an Alaska native language, a foreign language, or an arts program. Another option includes four years of language arts, four years of social studies, three years of science, three years of math, and two years of foreign language.

Mr. LeDoux informed that the highest academic scholarship is 100 percent tuition at the University of Alaska for the 2010-2011 school year for 15 credits. The gold scholarship is 75 percent tuition at the University of Alaska for eight semesters. The silver academic is 50 percent of the tuition

using the University of Alaska over eight semesters. The current technical scholarship awards \$3000 a year for a two year period. Both the House and the Senate Education committee added a needs-based component to the scholarship following the achievement of the academic program. Students apply through the Free Application for Federal Student Aid (FAFSA) based on their criterion which would be determined. The minimum expected cost for any student would be \$2000.

Mr. LeDoux stated that the cost of implementing the program is approximately \$417 thousand. The legislature could fund the operating cost this year which would allow the Department of Labor and Workforce Development, the commission of post secondary education, and the Department of Education and Early Development to institute the regulations necessary for funding in 2010.

[10:24:02 AM](#)

MARK HAMILTON, PRESIDENT, UNIVERSITY OF ALAKSA, testified in support of the legislation. He explained the needs of preparation and access. The instrument of addressing the needs is the responsibility of the legislature. He stated that scholarships work. Most scholarships address high school students moving directly to college. Alaska has nontraditional students who are not eligible for the Alaska Scholars. These nontraditional students comprise 50 percent of University of Alaska students. He recommended that the legislature seek a needs-based requirement that exists outside of the traditional high school student.

[10:26:31 AM](#)

Co-Chair Hoffman commented that the Alaska Scholar's Program has been as successful with an increase from 42 to 60 percent. He recalled a request from the President to expand the Alaska Scholars Program. Mr. Hamilton advocated for an expansion of the Alaska Scholar's Program by 15 or 20 percent. He noted that the program has an inexpensive method of administration.

[10:28:49 AM](#)

Senator Thomas asked about the existing scholarship programs. Ms. Barrans responded that the Alaska Advantage Education Grant is the only other non-loan aid program. The Alaska Advantage Education Grant is a needs-based grant that has been funded with a blend of federal dollars,

student loan corporation interest income on an unencumbered account, and with a general fund appropriation in the capital budget in 2009. She noted that the funding for the program is modest and lacks the components cited in the proposal today regarding academic criterion. The grant is a \$2000 per year maximum grant.

Senator Thomas requested information on the concept of loan forgiveness versus scholarship. Ms. Barrans responded that from the late 1960s through 1986, the state funded its loan program with general funds. The loan forgiveness program allowed for entitlements for up to fifty percent forgiveness. She observed that the aggregate impact of the program was unsuccessful as only one in five of the borrowers returned to the state. The overall impact was that the state continues to collect from some of those borrowers today and default rates approach 28 percent. The cost of the investment was substantial with relatively indifferent returns.

[10:33:26 AM](#)

Senator Thomas noted that the proposed program is broad and would cost less than the previous one. Ms. Barrans agreed.

Senator Ellis asked about the Alaska Advantage Program and targeted nature of the program toward workforce needs of the state. Ms. Barrans answered that the statute allows the commission to create priorities in high achieving students and to provide larger grants to those students enrolled in career programs leading to workforce shortage areas. The three areas of study that qualify are process industry extraction, education, and health and public safety related careers.

Senator Ellis commented that the Alaska Advantage Program has promise in targeting students with workforce development needs, high achieving students, and those who simply need the help.

Co-Chair Stedman mentioned one fiscal note from DOL for \$25 thousand in general funds to contract services to adopt regulations, one fiscal note from DOR for \$115 thousand in interagency receipts to cover the cost of managing the endowment fund, and one fiscal note from DEED for \$376.300 in general funds to cover the cost of the program implementation. The fiscal note reflects the cost of

funding the scholarship in the amount of \$25,341 in general funds which increases in the out years.

SB 224 was HEARD and HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 10:37 AM.