

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

February 9, 2011

8:04 a.m.

MEMBERS PRESENT

Senator Kevin Meyer, Co-Chair
Senator Joe Thomas, Co-Chair
Senator Bettye Davis, Vice Chair
Senator Hollis French
Senator Gary Stevens

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel
Senator Linda Menard

COMMITTEE CALENDAR

SENATE BILL NO. 43

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 43

SHORT TITLE: ALASKA PERFORMANCE SCHOLARSHIPS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	EDC, FIN
02/02/11	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)
02/02/11	(S)	Heard & Held
02/02/11	(S)	MINUTE(EDC)
02/04/11	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)
02/04/11	(S)	Heard & Held

02/04/11 (S) MINUTE(EDC)
02/07/11 (S) EDC AT 8:00 AM BELTZ 105 (TSBldg)
02/07/11 (S) Heard & Held
02/07/11 (S) MINUTE(EDC)
02/09/11 (S) EDC AT 8:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

JERRY BURNETT, Deputy Commissioner
Treasury Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Answered questions on the Amerada Hess Fund in regards to conceptual Amendment A.5 for SB 43.

MURRAY RICHMOND, Staff
Senator Joe Thomas
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on conceptual amendments A.9 and A.11 for SB 43.

TIM LAMKIN, Staff
Senator Gary Stevens
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on conceptual amendment A.10 for SB 43.

KEITH HAMILTON, President
Alaska Christian College
Soldotna, Alaska

POSITION STATEMENT: Testified in support of conceptual amendment A.10 for SB 43.

PAULA SCAVERA, Special Assistant
Commissioner's Office
Alaska Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Provided a summary of the Eligible Training Programs (ETP) list with regard to SB 43.

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

POSITION STATEMENT: Answered questions related to conceptual amendment A.10 for SB 43 and expressed concern on conceptual amendment A.11 for SB 43.

JEAN MISCHEL, Attorney
Legislative Affairs
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions related to conceptual amendment A.11 for SB 43.

ACTION NARRATIVE

[8:04:41 AM](#)

CO-CHAIR JOE THOMAS called the Senate Education Standing Committee meeting to order at 8:04 a.m. Present at the call to order were Senators Davis, French, Stevens, Co-Chair Meyer, and Co-Chair Thomas.

SB 43-ALASKA PERFORMANCE SCHOLARSHIPS

[8:05:15 AM](#)

CO-CHAIR THOMAS announced the consideration of SB 43. He said the purpose of the meeting was to continue hearing proposed conceptual amendments for SB 43.

[8:06:38 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.5 as a conceptual amendment.

27-GS1893\A.5

CONCEPTUAL AMENDMENT A.5

OFFERED IN THE SENATE
TO: SB 43

BY SENATOR THOMAS

Page 1, lines 2 - 4:

Delete "establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds;"

Insert "relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding and establishing an account and funds for those purposes; repealing the Alaska capital income fund and a provision relating to the Alaska capital income fund;"

Page 4, line 24:

Delete "**Sec. 14.43.845.**"

Insert "**Sec. 14.43.915. AlaskAdvantage education grant and**"

Page 4, line 24, following "The":

Insert "AlaskAdvantage education grant and"

Page 4, line 26, following "for":

Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

Page 4, line 28, following "pay":

Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

Page 4, line 31, following "awarding":

Insert "grants under AS 14.43.400 - 14.43.420 and"

Page 5, following line 8:

Insert new bill sections to read:

"* **Sec. 9.** AS 37.07.020(b) is amended to read:

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program covering the succeeding six fiscal years. The governor shall also submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

(1) must include sufficient details to identify

(A) significant sources of funds;

(B) significant uses of funds, including lump sum projections of

(i) operating expenditures;

(ii) capital expenditures;

(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services.

* **Sec. 10.** AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund or for transfers to the principal under (c) of this section, and shall be annually deposited into the AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL INCOME FUND (AS 37.05.565)]."

Renumber the following bill sections accordingly.

Page 5, line 10, following "8A.":

Insert "**AlaskAdvantage Education Grant and**"

Page 5, line 11, following "**Sec. 37.14.750.**":

Insert "**AlaskAdvantage education grant and**"

Page 5, line 12, following "The":

Insert "AlaskAdvantage education grant and"

Page 5, line 15:

Delete "and"

Page 5, line 16, following "assets":
Insert "; and
(4) money deposited to the fund under
AS 37.13.145(d)"

Page 6, line 2, following "the":
Insert "AlaskAdvantage education grant and"

Page 6, line 3:
Delete "AS 14.43.845"
Insert "AS 14.43.915"

Page 6, line 4, following "award":
Insert "grants under AS 14.43.400 - 14.43.420
and"

Page 6, line 6, following "the":
Insert "AlaskAdvantage education grant and"

Page 6, line 11, following "the":
Insert "AlaskAdvantage education grant and"

Page 6, line 26, following "the":
Insert "AlaskAdvantage education grant and"

Page 7, line 9, following "the":
Insert "AlaskAdvantage education grant and"

Page 7, line 11:
Delete "is"
Insert "and AS 37.05.565 are"

Page 7, following line 11:
Insert a new bill section to read:
"* **Sec. 15.** Section 28, ch.134, SLA 1992, is
repealed."

Renumber the following bill sections accordingly.

Page 8, following line 13:
Insert a new bill section to read:
"* **Sec. 19.** The uncodified law of the State of
Alaska is amended by adding a new section to read:
TRANSITION: ALASKA PERFORMANCE SCHOLARSHIP
INVESTMENT FUND. The money deposited in the Alaska
capital income fund established under AS 37.05.565
shall be transferred to the Alaska performance

scholarship investment fund established under AS 37.14.750 on July 1, 2011."

Renumber the following bill sections accordingly.

Page 8, line 14:

Delete "Section 15"
Insert "Section 18"

Page 8, line 15:

Delete "Section 11"
Insert "Section 13"

Page 8, line 16:

Delete "secs. 16 and 17"
Insert "secs. 20 and 21"

CO-CHAIR THOMAS objected for the purposes of discussion.

CO-CHAIR MEYER said that the amendment would direct the proceeds from the Amerada Hess Fund to be used for the funding of the scholarship program. He explained that the Amerada Hess Fund was a result of a law suit that took place in 1977 for the amount of \$902 million. The settlement from this lawsuit was made into a subset of the Permanent Fund principal but is tracked separately. The current balance of that account is about \$424 million dollars and the interest it generates each year is the amount needed for the scholarship fund. He explained that this funding base was recommended by the Scholarship Funding Task Force and has been acceptable to the members of the committee who he has spoken with.

SENATOR FRENCH asked for confirmation that the Amerada Hess Fund was a separate subset of the permanent fund principal and if the earnings of the fund are transferred into the Capital Income Fund.

CO-CHAIR MEYER answered yes.

SENATOR FRENCH asked if any of the money from the Capital Income Fund has been spent.

[8:10:40 AM](#)

JERRY BURNETT, Deputy Commissioner, Treasury Division, Department of Revenue, replied that, generally, there has not been a regular pattern of appropriations from that fund.

SENATOR FRENCH said this was his recollection as well.

MR. BURNETT continued that the rest of the Permanent Fund is subject to inflation proofing; however, none of the income from the Amerada Hess Fund goes back into the fund or the principal for this purpose. The income from the Amerada Hess Fund is transferred as net income into the Capital Income Fund.

SENATOR FRENCH asked if that was because of the legal outcome of the lawsuit or a practice that was adopted.

MR. BURNETT replied that originally the legislature restricted the funds so it could not be used for dividends. He explained that subsequently, in 2005, the Capital Income Fund and the mechanism for transferring the money were created. Prior to this date, "this amount had been included in the inflation proofing every year."

SENATOR FRENCH asked what he meant by "this amount".

MR. BURNETT answered that the corpus of the Amerada Hess settlement was inflation-proofed prior to 2005.

SENATOR FRENCH asked for confirmation that inflation proofing to the fund has stopped since that time.

SENATOR FRENCH replied yes, the net income now goes to the Capital Income Fund.

CO-CHAIR THOMAS withdrew his objection to conceptual amendment A.5. Finding no further objection, he announced that conceptual amendment A.5 is adopted.

[8:14:07 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.9 as a conceptual amendment.

27-GS1893\A.9

CONCEPTUAL AMENDMENT A.9

OFFERED IN THE SENATE
TO: SB43

BY SENATOR THOMAS

Page 5, line 16, following "assets":
Insert "and appropriated to the fund"

CO-CHAIR THOMAS objected for the purpose of discussion.

[8:14:29 AM](#)

MURRAY RICHMOND, Staff to Senator Joe Thomas said SB 43 established a fund for scholarships to be paid out of. The intent of this fund was to generate a five-percent income to be re-deposited. He explained that in order for the earned interest to be legally re-deposited into the fund, it must be appropriated. This amendment makes the earnings of the fund subject to appropriation.

CO-CHAIR THOMAS added that the amendment would add a five-word phrase to the bill on page 5, line 16.

MR. RICHMOND said the previous lines, 14 and 15, state that the fund consists of extra appropriations and donations to the fund.

SENATOR FRENCH asked if the amendment was designed to reduce the likelihood that this fund would be seen as a dedicated fund.

MR. RICHMOND replied yes.

CO-CHAIR THOMAS withdrew his objection. Finding no further objection, he announced that conceptual amendment A.9 passes.

[8:17:06 AM](#)

SENATOR STEVENS moved to adopt Amendment A.10 as a conceptual amendment.

27-GS1893\A.10

CONCEPTUAL AMENDMENT A.10

OFFERED IN THE SENATE
TO: SB 43

Page 3, line 26, following "regional":
Insert "or national"

CO-CHAIR THOMAS objected for the purposes of discussion.

SENATOR STEVENS explained that the amendment addresses the conflict between regional and national accreditation within the scholarship bill. He said there are a lot of legitimate institutions that can only receive national accreditation and are thus excluded from the scholarship bill.

[8:18:17 AM](#)

TIM LAMKIN, Staff to Senator Gary Stevens, explained that regional accreditation includes traditional universities; whereas nontraditional institutions such as faith-based institutions, technical training schools, flight schools, and salon/beauty schools are typically accredited through a national agency. These groups are often recognized federally through the United States Department of Education and are authorized to receive federal financial aid. He explained that, as the bill is currently written, there are some schools where a student could not apply their scholarship because the schools are not regionally accredited.

CO-CHAIR THOMAS turned to the training program list created by the Alaska Department of Labor and Workforce Development (DOLWD) and asked what the "ETP status" column refers to.

MR. LAMKIN said that he assumes it has to do with an institution's eligibility status. He referred the committee members to Paula Scavera regarding any further questions about the list.

SENATOR FRENCH asked if all of the institutions listed on the DOLWD handout would be eligible for the scholarship.

MR. LAMKIN answered that the vast majority of institutions are already eligible. He noted that it is presumed that when a student enters an institution they are aware of the certificate quality they will receive and whether their scholarship funds will apply.

SENATOR FRENCH asked if any institution with an ETP status of "1 or 2" were eligible for the scholarship program and an institution with a "3" is not.

CO-CHAIR THOMAS said DOLWD should respond to that question.

SENATOR STEVENS added that, currently, students can use loan money from the Alaska Commission on Postsecondary Education (ACPE) to attend these institutions.

MR. LAMKIN concurred.

[8:22:34 AM](#)

DR. KEITH HAMILTON, President, Alaska Christian College, said the Alaska Christian College serves students for two years before they transfer to a four-year institution. He reiterated that the college is FAFSA [Free Application for Federal Student

Aid] approved and is in the process of becoming fully authorized by ACPE. He explained that the college represents a segment of Alaska's students that desire to have access to this scholarship program. However, the college is currently unable to receive scholarship recipients because it is not regionally accredited.

CO-CHAIR THOMAS asked Ms. Scavera to explain what the "1, 2 and 3" eligibility requirements mean.

8:24:31 AM

PAULA SCAVERA, Special Assistant, Commissioner's Office, Alaska Department of Labor and Workforce Development (DOLWD), explained that the eligible training provider [ETP] list includes institutions where Federal Workforce Investment Funds can be used for training.

8:25:33 AM

DIANE BARRANS, Executive Director, Alaska Commission of Postsecondary Education (ACPE), Department of Education and Early Development (DEED), said ACPE and DOLWD have worked closely to provide a list of schools and training providers which will be eligible to receive scholarship recipients. She explained that at this time there isn't a definitive list of eligible institutions but an application and participation agreement has been developed for institutions to submit. She said that the application is due by March 15th and the commission hopes to have a finalized list in early April. She explained that for institutions that are not otherwise authorized, some evidence is required of its financial and administrative capacity.

SENATOR STEVENS asked her for confirmation that the list will only include Alaska institutions. He continued by asking her what a qualifying institution in Alaska needs to include in comparison to institutions that are located outside of the state.

MS. BARRANS answered that the commission reviews the applying institution's financial information and performs background checks on the proprietors and owners. ACPE also looks at the physical plant, equipment, and requests information on all of the institution's training and trainers. She added that the institution must also be physically located in Alaska.

SENATOR STEVENS asked if she is concerned that this will allow unethical institutions to offer degrees in Alaska and make use of these funds.

MS. BARRANS replied that she believes the commission has sufficient controls in its regulatory requirements to prevent that from happening.

SENATOR FRENCH pointed out that the bill already includes both universities and colleges and career-technical schools. He asked how big of a change this amendment would be to the program.

MS. BARRANS answered that the amendment would add four or five additional institutions.

SENATOR FRENCH asked how large the current list is.

MS. BARRANS replied that there isn't a definitive list but she guessed there to be around 40 institutions.

SENATOR FRENCH asked how many institutions are currently qualified to receive students with AlaskAdvantage grants.

MS. BARRANS answered about 40.

SENATOR FRENCH asked whether the amendment would add to the list of institutions that could accept the AlaskAdvantage grant or if the institutions are already included.

MS. BARRANS replied that these institutions are already included.

SENATOR FRENCH asked for confirmation that this amendment would make the scholarship program more consistent with the AlaskAdvantage grant.

MS. BARRANS concurred.

SENATOR FRENCH asked if the commission has already been overseeing the same types of grants that this amendment envisions.

MS. BARRANS answered yes.

CO-CHAIR MEYER explained that initially he was afraid the amendment would open up the program too much. He said, "however, I don't think we should care. The overall goal is to raise the overall academic standards of our K-12 kids." He asked if this was Ms. Barran's understanding as well and if she supports the amendment.

MS. BARRANS replied yes; she would support this amendment. She pointed out that AVTEC [Alaska Vocational Technical School] is nationally accredited but not regionally accredited. However, the school would have been covered under the process that DOLWD has built with the commission. Some of the other institutions could be covered in this regard as well but it is one more bureaucratic step to take that the regional schools do not have to go through.

SENATOR STEVENS said he understands Co-Chair Meyer's concerns. He noted that the Alaska Christian College is a legitimate institution which deals with a lot of students from rural areas of Alaska.

CO-CHAIR THOMAS asked for confirmation that the list from DOLWD is not necessarily the list of eligible institutions who could receive scholarship recipients; the institutions would still need to take the extra step she had discussed earlier.

MS. BARRANS answered yes.

CO-CHAIR THOMAS removed his objection. Hearing no further objection, he announced that Amendment A.10 is adopted.

[8:37:09 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.11 as a conceptual amendment.

CONCEPTUAL AMENDMENT A.11

27-GS1893\A.11

OFFERED IN THE SENATE
TO: SB 43

BY SENATOR THOMAS

Page 1, lines 2 - 4:

Delete **"establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds;"**

Insert **"relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; establishing an account and funds for those purposes;"**

Page 3, following line 18:

Insert a new bill section to read:

"* **Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

(f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

Renumber the following bill sections accordingly.

Page 4, line 24:

Delete "**Sec. 14.43.845.**"

Insert "**Sec. 14.43.915. AlaskAdvantage education grant and**"

Page 4, line 24, following "The":

Insert "AlaskAdvantage education grant and"

Page 4, line 26, following "for":

Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

Page 4, line 28, following "pay":

Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

Page 4, line 31, following "awarding":

Insert "grants under AS 14.43.400 - 14.43.420 and"

Page 5, following line 1:

Insert new subsections to read:

"(c) The amount annually awarded by the commission for payment of grants awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount awarded for scholarships under AS 14.43.810 - 14.43.849.

(d) If insufficient funds are appropriated to pay all eligible grants and scholarships, the commissioner shall divide the available fund balance to provide for not less than one-third of the balance to be paid for grant awards and,

(1) if the fund balance on July 1 is less than \$80,000,000, pay grant and scholarship awards on a pro rata basis only to eligible individuals who received a grant or scholarship in the previous fiscal year;

(2) if the fund balance on July 1 is \$80,000,000 or more, pay eligible grant and scholarship awards to eligible individuals who received a grant or scholarship in the previous fiscal year and pay all other awards on a pro rata basis."

Page 5, line 10, following "8A.":

Insert "**AlaskAdvantage Education Grant and**"

Page 5, line 11, following "Sec. 37.14.750.":

Insert "**AlaskAdvantage education grant and**"

Page 5, line 12, following "The":

Insert "AlaskAdvantage education grant and"

Page 6, line 2, following "the":

Insert "AlaskAdvantage education grant and"

Page 6, line 3:

Delete "AS 14.43.845"

Insert "AS 14.43.915"

Page 6, line 4, following "award":

Insert "grants under AS 14.43.400 - 14.43.420 and"

Page 6, line 6, following "the":

Insert "AlaskAdvantage education grant and"

Page 6, line 11, following "the":

Insert "AlaskAdvantage education grant and"

Page 6, line 26, following "the":

Insert "**AlaskAdvantage education grant and**"

Page 7, line 9, following "the":

Insert "**AlaskAdvantage education grant and**"

Page 8, line 14:

Delete "Section 15"

Insert "Section 16"

Page 8, line 15:

Delete "Section 11"

Insert "Section 12"

Page 8, line 16:

Delete "secs. 16 and 17"
Insert "secs. 17 and 18"

CO-CHAIR THOMAS objected for the purposes of discussion.

MR. RICHMOND explained that the amendment ties the merit-based and needs-based components of the scholarship together by establishing the AlaskAdvantage Education Fund and the Alaska Performance Scholarship Fund into a single account.

Page 2, line 10, tied the amount of merit-based scholarships to the amount of needs-based grants. He said that for every \$3 of merit-based scholarships that are awarded, the commission would award at least \$1 for needs-based grants. For this reason, the two scholarships would be tied together by one-third.

Line 15, paragraph (d), would forward fund the account. He explained that this ensures that enough money would be set aside to fund the first cohort of students. If the amount of the AlaskAdvantage and performance fund dips below \$80 million then a new contingency of students would, most likely, not be funded. If the fund is \$80 million or more a new group of eligible students would be awarded scholarships or grants on a pro rata basis.

SENATOR STEVENS asked for clarification that the first cohort of students from year one will receive full scholarships for four years and would not be affected if, in the future, the scholarship must be given out on a pro rata basis.

MR. RICHMOND answered yes.

SENATOR STEVENS said that the needs-based element of the scholarship has been a confrontation between the administration and the legislature and this amendment would tie the two components together through the funding of the scholarship program. He asked why the ratio of merit-based to needs-based funding changed from one-quarter to one-third.

MR. RICHMOND replied that one-third seemed to be a reasonable number and could be changed at any time by the committee. He pointed out that using the AlaskAdvantage grant has included a large number of nontraditional students.

SENATOR STEVENS said he would like to know what the rationale is behind the one-third ratio.

SENATOR FRENCH said "if you really want it to be a third, you'd have to say \$2 for merit-based and \$1 for needs-based."

CO-CHAIR THOMAS said the wording in the amendment says one-third; it does not provide the example given by Mr. Richmond.

SENATOR FRENCH said that there is no right answer; it is simply a policy call but he hopes the ratio does not get reduced any more. He asked if the fund that the committee has appropriated will appear as a single line in the budget that goes to the governor.

MR. RICHMOND answered that this bill does not appropriate a single amount. However, it does state that whatever amount is appropriated would be spent in the manner specified by the bill.

SENATOR FRENCH said he is concerned that if both a merit- and needs-based component is appropriated, the governor could veto the needs-based. He asked if the governor would be able to do this under the approach taken by the amendment.

MR. RICHMOND replied that he did not know.

SENATOR FRENCH asked if there would be one or two lines for the scholarship that goes to the governor.

MR. RICHMOND answered that if the bill were to pass out of the Finance Committee it would be a one-line item.

SENATOR FRENCH asked for clarification that there would be one scholarship appropriation which would be divided up after it is signed into law.

MR. RICHMOND replied "to the AlaskAdvantage and Performance Scholarship Fund."

[8:48:24 AM](#)

CO-CHAIR MEYER explained that the task force came to the conclusion that the one-third ratio was a good compromise between all of the considerations it had been given. He said that using this ratio, if \$20 million fully funded the merit-based component than about \$7 million would be necessary for the needs-based funding. While this is not the full amount for needs-based funding, it is well above the minimum.

SENATOR STEVENS asked for an explanation on the wording found on page 2, line 13, which read: "may not be less than" and how this would actually play out.

MR. RICHMOND answered that if \$9 million dollars was awarded to merit-based scholarships then \$3 million would be awarded for needs-based scholarships.

SENATOR STEVENS asked what would happen if fewer students apply for the needs-based funding and the one-third ratio is not met.

8:54:02 AM

JEAN MISCHEL, Attorney, Legislative Affairs, Alaska State Legislature, answered that the "may not be less" language on line 13 allows the commission to award more than one-third for grants. The use of "shall" on line 16 requires the commissioner to divide insufficient appropriations in order to provide one-third of the balance to grants.

She said that there is a possibility that the total dollar amount of grant applicants may be less than the one-third minimum allowed in a given fiscal year. She explained that if that were the case, under the amendment, a decision would need to be made on how many scholarship applicants would receive pro rata funding.

MR. RICHMOND suggested that it might be helpful to insert language that would allow them to drop under the one-third ratio in this situation.

CO-CHAIR THOMAS asked Ms. Mischel if there was a reason for using "may" in line 13, versus "shall" in line 16.

MS. MISCHEL answered yes. She explained that the "may not be less than" refers to the ratio for grant awards. The "shall" in line 16 requires the commissioner to divide the full amount into that ratio if there are insufficient funds appropriated for all eligible grants and scholarships.

CO-CHAIR THOMAS asked if line 13 is dealing with the funds and the line 16 is dealing with recipients.

MS. MISCHEL replied that one is dealing with the minimum grant allocation of one-third and the other is dealing with the commissioner's duty to make sure that occurs.

8:57:56 AM

MS. BARRANS replied that this section of the amendment is being inserted into the scholarship section, labeled the "Alaska Performance Scholarship Award Fund." She explained that the amendment appears to give direction both to the Alaska Commission on Postsecondary Education in subsection (c) and direction to the commissioner of the Department of Revenue in subsection (d). She said that she did not know whether the redirection of funds, in the event that there is unmet need on the scholarship side, is necessary. She explained that it would be helpful, in this event, to have the clarity of intent from the legislature.

CO-CHAIR THOMAS asked if she could tell the committee precisely how they need to respond in order to clarify that section.

MS. BARRANS replied that she would need some time to answer that question.

MS. MISCHEL replied that she did not intend, in drafting subsection (d), for the commissioner to refer to the commissioner of the Department of Revenue. She suggested that the amendment would be clearer if, in line 16, the word "commission" was used again, in reference to ACPE. She reiterated that there are two funds in this bill, and this amendment insertion would go into the award fund which ACPE uses to pay scholarships and grants. She explained that either the commission could clarify what would occur if the grants submissions did not reach the minimum ratio or the amendment could be amended to give direction to the commission.

CO-CHAIR THOMAS asked if a simple insertion would be feasible for amending the amendment.

MS. MISCHEL answered that the committee could amend subsection (c) on page 2, lines 12-14, to provide an exception to the one-third minimum, in the event that there are insufficient applications to meet that ratio. She suggested the committee adopt this as a conceptual amendment to amendment A.11.

MS. BARRANS said she is confused about the balance reference in paragraph 1 of page 2, line 18, which references \$80 million in the fund. She explained that because of this reference she had presumed that the fund in question was the fund at the Department of Revenue, not the award fund which would be controlled by the commission.

MS. MISCHEL agreed that this is an ambiguity and the fund should be referencing AS 37.14.750.

CO-CHAIR THOMAS said he will hold Amendment A.11.

CO-CHAIR MEYER concurred. He said that there is one other conceptual amendment to be taken up by the committee.

CO-CHAIR THOMAS maintained his objection to Amendment A.11 and held SB 43 in committee.

9:05:22 AM

There being no further business to come before the committee, Co-Chair Thomas adjourned the meeting at 9:05 a.m.