

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

February 11, 2011
8:01 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)
02/09/11 (S) Heard & Held
02/09/11 (S) MINUTE(EDC)
02/11/11 (S) EDC AT 8:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

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

POSITION STATEMENT: Provided a summary of the changes in CSSB 43, version M.

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

POSITION STATEMENT: Answered questions and made recommendations for changes for CSSB 43, version M.

ACTION NARRATIVE

8:01:28 AM

CO-CHAIR JOE THOMAS called the Senate Education Standing Committee meeting to order at 8:01 a.m. Present at the call to order were Senators Stevens, French, Davis, Co-Chair Meyer, and Co-Chair Thomas.

SB 43-ALASKA PERFORMANCE SCHOLARSHIPS

8:02:00 AM

CO-CHAIR THOMAS announced the consideration of SB 43. He explained that conceptual amendment A.11 was turned into Amendment A.14 and incorporated into a proposed committee substitute.

He asked for a motion to withdraw amendment A.11.

8:03:05 AM

CO-CHAIR MEYER withdrew conceptual amendment A.11.

CO-CHAIR THOMAS asked for a motion to adopt the proposed committee substitute (CS) for SB 43 that incorporated the amendments adopted and discussed at the hearing on 2/9/2011.

8:03:32 AM

CO-CHAIR MEYER moved to adopt CSSB 43(), labeled 27-GS1893\M, as the working document. There being no objection, version M was before the committee.

CO-CHAIR THOMAS recalled the discussion at the previous meeting regarding how the Alaska Commission on Postsecondary Education (ACPE) would pro-rate the AlaskAdvantage grant and scholarship award if there were insufficient funds.

8:04:38 AM

MURRAY RICHMOND, Staff to Senator Joe Thomas, explained that at the previous meeting several amendments were discussed; two of which had not yet been adopted. All of these amendments were integrated into the proposed CS. He began with page 5, line 22 of version M, which integrated Amendment A.14 [previously known as conceptual Amendment A.11]. He reminded the committee that Amendment A.14 made sure that the AlaskAdvantage program would receive at least one-third of the funding that the Alaska Performance Scholarship program was receiving. The first sentence of the amendment remained the same [as it was previously discussed as conceptual amendment A.11], it reads:

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

He explained that this means if there is \$9 million in performance scholarships then there should be \$3 million of needs-based grants. The question arose as to what happens if the number of students receiving the AlaskAdvantage grant is less than one-third. This issue was addressed in line 24 of the proposed CS, which reads:

except to the extent that the total amount necessary to pay all eligible grant applicants in a fiscal year is than less that amount.

He explained that this means if the number of applicants for the grant program is less than one-third, then the Alaska Commission on Postsecondary Education (ACPE) is empowered to pay less than one-third.

SENATOR STEVENS asked if all the money is not used for the AlaskAdvantage program whether it can then be used for the merit-based program.

MR. RICHMOND answered that this was not specifically addressed in version M. He assumed that ACPE could choose how the funds were awarded in this situation.

He continued with subsection (d) on page 5, which addresses what happens if there are insufficient funds to pay for scholarships and grants. It reads:

(d) If insufficient funds are appropriated to pay all eligible grants and scholarships, the commission shall allocate one-third of the balance of the fund established under this section for payment of grant awards based on the highest to lowest financial need

He explained that the needs-based awards are based on economic need and the CS empowers the commission to give the needs-based grants to those who need the help the most.

Page 6 included provisions that address the actions to be taken if the scholarship fund drops below \$80 million. If this is the case then ACPE is directed to pay grants and scholarships that have already been awarded. The commission is not, however, empowered to pay for new scholarships.

He explained that if there is more than \$80 million in the fund but the funds are "winding down" the commission can use the money left over to provide scholarship awards on a pro rata basis. He informed the committee that Ms. Barrans requested that these awards be paid out in four years, rather than six, which would allow the commission to bring closure to the program.

SENATOR FRENCH asked why lines 5-8 on page 6 were needed since it has been anticipated that there will generally be more than \$80 million in the fund.

MR. RICHMOND answered that this is in case insufficient funds are appropriated.

CO-CHAIR MEYER said he supports the needs-based concept, especially for non-traditional students. However, he said he is concerned that this is opening the scholarship up to anyone with economic need and this is setting some of these students up for

failure. He asked if there are any academic requirements for students to receive the needs-based grant. He said he will save his question for Ms. Barrans.

8:12:51 AM

MR. RICHMOND continued on page 6, line 10, which incorporated Amendment A.12 and was not heard at the previous meeting. This section addresses any money in the fund that is left over if the program comes to an end, so that the funds do not become obligated. It reads:

(e) Money appropriated to the fund does not lapse except after the fourth consecutive fiscal year in which no appropriations have been made to the fund, or all awards have been paid to eligible recipients as provided in this chapter, whichever occurs last.

He explained that after four consecutive years the money in the fund would lapse and return to the general fund. He reiterated that this is an amendment that the committee did not look at or adopt at the previous hearing, but it was included in the current CS.

CO-CHAIR THOMAS added that this last change is a way of ending the fund, should that ever occur in the future.

MR. RICHMOND said the original bill changed three things [to SB 236 which passed during the last year of the 26th Legislature]. First, it changed the name of the scholarship and the committee further changed the name to the Alaska Performance and AlaskAdvantage fund. Second, it established the fund, but put no money into it. The committee refined the fund with the amendments that have been addressed. And, third, it allowed for tax credits.

He walked the committee through the CS to point out the inclusion of all the amendments that were adopted.

He explained that everything on the first few pages mainly addresses the name changes.

Page 4 referred to schools which are eligible to receive scholarship recipients. [Conceptual] amendment A.10 was added to include institutions that are nationally accredited.

Amendment A.2 was included on page 4, lines 3-5 of the version M. This would require participating institutions to establish an advisory program.

Amendment A.3 was incorporated into paragraph (d) of page 4, and would require participating institutions to provide courses and credits that would result in the issuance of a degree or certificate in a timely manner.

Page 5, line 5 included Amendment A.6, which required the Department of Education and Early Development (DEED), ACPE, the University of Alaska, and the Department of Labor and Workforce Development (DOLWD) to provide an assessment of distance delivery programs in the state.

Line 22 included what would have been Amendment A.14 and Amendment A.12.

Page 7 incorporated Amendment A.8, which allows the Alaska Sea Life Center to qualify for the education tax credit. He noted that this language is consistent throughout the document.

Page 8, line 6 included Amendment [A.5], which would allow the income of the Amerada Hess settlement to go into the AlaskAdvantage education grant and Alaska Performance Scholarship investment fund.

Page 8, lines 25 and 27, included Amendment A.9, which allows the fund to consist of assets that have been appropriated from the income earned off of the fund.

MR. RICHMOND said the next few pages included the expansion of eligibility for who can qualify for the education tax credit [Amendment A.1]. The following changes are as follows:

- Page 9, line 26 included a taxpayer.
- Page 10, line 7 and 9 included the Alaska Sea Life Center.
- Page 10, line 14 included a producer of oil and gas.
- Page 11, line 2 included an owner of property taxable under this chapter.
- Page 11, line 21 included a person engaged in the business of mining.
- Page 12, line 9 included a person engaged in a fisheries business.
- Page 12, line 28 included a person engaged in a floating fisheries business.

He concluded that the rest of the proposed CS is essentially the same as it was submitted by the governor.

[8:19:22 AM](#)

SENATOR FRENCH said he appreciated the form the CS has come to the committee. He referred to page 4, lines 6-8. It reads:

(D) provides courses and credits that will result in the issuance of a degree or certificate available at the institution within a time frame expected for that degree or certificate;

He asked "expected by whom?"

MR. RICHMOND answered that this language was used because there are some four year programs offered that essentially take five years to complete and they did not want to penalize students that were involved in those programs. He explained that it would have been impossible to set a date unless every exemption was covered.

SENATOR STEVENS asked if "expected by" refers to the institution.

MR. RICHMOND answered that it refers to the expectations conveyed to the student by the institution.

CO-CHAIR THOMAS explained that the institution must be able to offer the degree or certificate program within an expected time frame in order to qualify as an eligible institution for scholarship recipients. He said that this would be one of the eligibility factors the commission would be looking at.

SENATOR FRENCH said that this implies that the expectations are established by the commission, not by the institution. He asked how the committee should interpret this section.

[8:23:07 AM](#)

DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education (ACPE), Department of Education and Early Development (DEED), said it is her understanding that the institutions, in applying to participate in the program, would offer assurances to the commission that the courses necessary to complete a degree on time would be made available to full time students.

SENATOR FRENCH offered conceptual amendment [1], as follows:

Page 4, line 8 after "frame":
Delete "expected"
Insert "established by the institution"

He explained that by doing this when the institution submitted their application to the commission it would include the timeframe needed to complete a degree.

CO-CHAIR MEYER asked if Ms. Barrans is amenable to conceptual amendment [1].

MS. BARRANS answered yes; this is language the commission could use to ensure that an eligible institution would issue a degree or certificate within the normal or expected time period.

8:26:01 AM

SENATOR STEVENS said that most institutions do not care how long it takes for a student to get a degree. He asked Ms. Barrans how the commission will force institutions to offer classes and grant degrees in a reasonable amount of time.

MS. BARRANS answered that, in regards to the scholarship, there are a number of levers that will work together to encourage students to be committed in finishing their degree on time. She explained that this provision will also raise the level of conversation at institutions on how these requirements will be met. With regard to compliance, the commission will be tracking students' progress in their specified program each year in order to continue being eligible for the scholarship. For this reason there are incentives and rewards for both the institution and the student and the combination of both of these will help have the outcome the commission is looking for.

CO-CHAIR THOMAS asked if the qualifications are established by ACPE and not by the institution.

MS. BARRANS answered that it would be very feasible for the commission to put in a more detailed framework describing the timely completion of a degree or certificate, while making provisions for programs that inherently run a little longer. She explained it would be problematic to enforce this provision on institutions by July 1, 2011 and requested an effective date of July 1, 2012.

CO-CHAIR THOMAS said the committee looked at the language which still exists that allows students to "stretch" their scholarship

out. He said, in this case, the committee is looking at the qualifications for an eligible institution and he is concerned about allowing these institutes to set their own time frame for a student to receive a degree.

8:32:07 AM

SENATOR FRENCH concurred. He said that the time frame should be established by the commission.

SENATOR FRENCH withdrew conceptual Amendment [1].

He moved to adopt conceptual Amendment [2], as follows:

On page 4, line 8, after "frame":

Delete "expected"

Insert "established by the commission"

SENATOR DAVIS said she would like to hear from the university before determining what language should be used in this conceptual amendment. She explained that the university has spoken to the committee about this issue in the past.

CO-CHAIR THOMAS agreed. He explained that, when discussing the merit-based aspect of the scholarship bill, the committee allowed a longer period of time for this discussion.

MS. BARRANS suggested the committee delete "expected" and substitute it with "customary". She explained that there are national norms and expectations for the timely completion of a degree and with that language ACPE could survey what the norm is.

SENATOR FRENCH said it would settle his concerns.

SENATOR FRENCH withdrew conceptual Amendment [2].

8:34:31 AM

SENATOR FRENCH moved to adopt conceptual Amendment [3], as follows:

Page 4, line 8, after "frame":

Delete "expected"

Insert "customary"

CO-CHAIR THOMAS asked for confirmation that this would be a one word change.

SENATOR FRENCH replied yes.

MR. RICHMOND recommended that the committee include the delayed effective date that Ms. Barrans suggested in the conceptual amendment.

SENATOR FRENCH said part of conceptual Amendment [3] would be to give a delayed effective date of one year for subsection (D) on page 4.

CO-CHAIR THOMAS asked for confirmation that the date would be July 1, 2012.

CO-CHAIR MEYER concurred.

MS. BARRANS suggested the delayed effective date be changed for both subsection (C) and (D).

[8:36:27 AM](#)

SENATOR FRENCH moved to amend conceptual Amendment [3] to delay the effective dates for both subsection (C) and (D) on page 4, lines 3-8. [There were no objections and the amendment to conceptual Amendment 3 was treated as adopted.]

SENATOR STEVENS said the scholarship program has created a good framework for students to succeed and subsection (C) and (D) have added more strength to the program.

[8:37:34 AM](#)

CO-CHAIR THOMAS asked if there were any more questions or comments on conceptual Amendment [3]. Hearing none, he announced that conceptual Amendment [3], as amended, is adopted.

CO-CHAIR MEYER said his only concern is that some merit-based consideration should be included before a needs-based scholarship is awarded. He added that students are known to do better in school when they hold a job on campus.

MS. BARRANS answered that there is a component in the existing AlaskaAdvantage education grant that gives prioritization to students who have taken a preparatory class for college. She explained that this regulation will be taken to the commission to consider amending it, in order to allow students who otherwise qualify for the scholarship program to not take the preparatory class. This would allow students qualifying for the scholarship program and who have demonstrated need a grant award

of up to \$3,000. She explained that this ensures that the two programs complement each other.

CO-CHAIR MEYER said that this satisfies his concern, as long as the SAT/ACT scores required are fairly high. He asked for confirmation that any in-state student who wants to attend the University of Alaska (UA) must be accepted regardless of their SAT/ACT score.

MS. BARRANS replied that UA is an open enrollment university. However, there is an assessment of ability that occurs before a student is admitted into a degree program, she explained.

[8:43:26 AM](#)

SENATOR STEVENS asked what an exceptional merit student who also has large financial needs can expect from ACPE and the university.

MS. BARRANS answered that a student in the top 10 percent of their high school graduating class would qualify for the UA scholars, which is \$11,000 for four years. If the student is Pell eligible they would qualify for an additional \$5,500 in aid. And, finally, if the student is a top state scholarship recipient there would be an additional \$4,755. If, after this, the student still exhibited a high need they could qualify for a \$3,000 AlaskAdvantage education grant.

SENATOR STEVENS said this is good to hear and shows that a large effort is being made to help students with exceptional abilities who also have financial needs.

MS. BARRANS turned to page 5 of version M. She explained that the current language requires the commission to track the levels of money that are awarded. She said that the wording related to the one-third ratio is ambiguous and may have implications to how much the commission is able to award on the scholarship side. She said that a small language change would address the issue.

She recommended that, on line 22, "awarded by" be changed to "available to" and, on line 24, "awarded" be changed to "available". She explained that in the event that the pool of funds is sufficient to pay all grants, but is less than one-third, the commission would not have to withhold some of the scholarship funds.

[8:47:58 AM](#)

SENATOR STEVENS moved to adopt conceptual Amendment [4], as follows:

Page 5, line 22, after "annually":
Delete "awarded by"
Insert "available to"

Page 5, line 24:
Delete "awarded"
Insert "available"

CO-CHAIR THOMAS asked if there were any questions or objections to conceptual Amendment [4]. Hearing none, he announced that conceptual Amendment [4] is adopted.

CO-CHAIR MEYER said he would like to hear from the administration on whether it is comfortable with the changes made in the CS.

MS. BARRANS replied that the commission has been clear on what the governor's ideal structure to the scholarship program is. In regards to the financial aid structure, she explained that there is an understanding of the high interest the legislature has in funding both needs- and merit-based scholarships. She said she would not raise any specific concerns on the way those two programs have been structured in the bill.

CO-CHAIR MEYER thanked Mr. Richmond for his time and effort on the CS.

[8:51:11 AM](#)

At ease from 8:51 a.m. to 8:54 a.m.

[8:54:38 AM](#)

CO-CHAIR THOMAS announced that due to one outstanding issue regarding the qualifying post secondary institutions, he would hold SB 43 in committee.

CO-CHAIR MEYER requested that a clean CS be prepared for Monday's meeting.

CO-CHAIR THOMAS concurred.

[8:56:05 AM](#)

There being no further business to come before the committee, Co-Chair Thomas adjourned the meeting at 8:56 a.m.