

HOUSE FINANCE COMMITTEE
March 17, 2014
1:33 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Lynn Gattis, Chair, House Education Committee; Michael Hanley, Commissioner, Department of Education and Early Development; Angela Rodell, Commissioner, Department of Revenue; Diane Blumer, Commissioner, Department of Labor and Workforce Development.

SUMMARY

HB 150 TECHNICAL/VOCATIONAL EDUCATION PROGRAM

HB 150 was SCHEDULED but not HEARD.

HB 179 BROADBAND DISCOUNTS FOR SCHOOLS

HB 220 REPEAL SECONDARY SCHOOL EXIT EXAM

HB 220 was SCHEDULED but not HEARD.

HB 278 EDUCATION: FUNDING/TAX CREDITS/PROGRAMS

HB 278 was HEARD and HELD in committee for further consideration.

HB 291 STIPEND FOR BOARDING SCHOOLS

HB 291 was SCHEDULED but not HEARD.

#hb278

HOUSE BILL NO. 278

"An Act increasing the base student allocation used in the formula for state funding of public education; repealing the secondary student competency examination and related requirements; relating to high school course credit earned through assessment; relating to a college and career readiness assessment for secondary students; relating to charter school application appeals and program budgets; relating to residential school applications; increasing the stipend for boarding school students; extending unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to education tax credits; making conforming amendments; and providing for an effective date."

1:33:59 PM

Co-Chair Stoltze discussed the omnibus education bill and the intent of the meeting.

Representative Costello moved the House Education Committee bill version before the committee.

REPRESENTATIVE LYNN GATTIS, CHAIR, HOUSE EDUCATION COMMITTEE, read from a prepared statement pertaining to HB 278:

The Governor's Education bill came to us in late January and we immediately began hearing it in House Education. Recognizing that the bill had many different aspects related to education in it, the Committee determined very early on that the bill would need to be broken down into its various components and heard in segments.

We identified at least ten different components of the bill and though some of them overlapped, we spent several weeks hearing the bill by the various topics. We had several presentations from DEED and from the DLWD. We heard several hours' worth of expert testimony and even more hours' worth of public testimony.

Last week we began the arduous but thoughtful process of presenting our amendments. The Committee dealt with two dozen amendments and the result of those that passed is in front of you in CSHB 278, version N.

To begin with, there are some changes in this version of the bill that are the work of the Legislative Legal department simply for clean - up and conformity purposes. But the bulk of the work is the result of the Committee's work, so here is a summary of that activity by the topical components.

Section 1 is the High school course credit earned through assessment. The Governor's bill provided for "testing out" for students who could prove mastery of a subject through an assessment rather than having to do required "seat time" in a classroom and thereby a student can receive credit for that course if the established "mastery" or proficiency rate on the assessment is reached.

The House Education Committee amended the bill with language similar to HB 190 - which provides for the development of more course assessments to be made available to students other than just those courses that are required courses for meeting the criteria of the Alaska Performance Scholarship Program.

Sections 2, 3, and 4. These sections deal with eliminating the requirement for passing the HSGQE and the Committee amended out any requirement for the

state to pay for a student to take a post-secondary test such as the ACT, SAT or WorkKeys. The current requirement from the State Board of Education for high school Juniors to take the Work Keys test is not impacted by this potential change. The Committee amended in the requirement for determining and reporting on the number, the attendance rates and the performance of students whose parents are active duty military. The effective date for the transition regarding these sections was amended from June 30, 2017 to June 30, 2015.

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Representative Gattis continued to address the legislation in a prepared statement:

Section 5 begins the sections that deal with charter school applications, appeals and programs. The first segment regarding charter schools was amended to add language allowing the State Board of Education to be an alternative authorizer of a charter school. Though the bill's initial language states that a denial from a local district for a charter school application could be appealed to the Commissioner and then could be approved by the Commissioner, the Committee amended that portion to state that the State Board of Education could become the charter school's chartering and operating authority so a charter school would not have to try to operate within a hostile environment of a district that initially denied it. The amendment however, does provide for giving the local district a chance to appeal and request that it become the operating authority. This section was also amended by the Committee to limit the length of time by which a local board had to make its decision to approve or deny to 60 days.

If you move onto Section 8, you will see where the Committee amended that section to add that a charter has the right of first refusal for leasing of available space of school district facilities and that the district can charge a reasonable fee that reflects the true operational costs of that facility.

Section 9 limits the amount that a district can charge in indirect cost fees to 4%.

Skipping onto Section 12; it was amended by the Committee to require that school districts formulate policies and thoughtfully address the transportation challenges of their charter school students. Districts would be charged with coordinating transportation routes and transportation availability as best they can within their current transportation plan in order to provide transportation where and when feasible. If not, the districts will have to forfeit the portion of their transportation funds generated by the number of students attending the charter school and hand that money over to the charter school.

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Representative Gattis spoke to the component requiring districts to forfeit the portion of their transportation funds generated by the number of students attending the charter school; districts would be required to hand the money over to the charter school. She had offered the provision as an amendment in the House Education Committee; it had passed unanimously. The intent was not to change the existing transportation system, but to require buses to pick up and drop off charter school students if there were open seats.

Co-Chair Stoltze remarked that the amendment became easier once people had understood that charter schools were public schools.

Representative Gattis replied that the issue had been a topic of lengthy conversation. She discussed that many people did not understand how charter schools were funded given that some had been implemented as experimental and processed through as private-type programs. She spoke to a lack of understanding about where charter schools paid and where inequities existed. She believed the governor had recognized the issues and that charter schools were an opportunity to compete on a local level, offered parents a choice, and complimented the existing educational system. She pointed to the success of charter schools demonstrated by their long waiting lists.

Representative Gattis continued reading from a prepared statement:

It does not require the district to specifically provide transportation for students but they do have to allow charter school students to take advantage of normal bus routes whenever reasonably possible.

In Section 13, the end of that section was amended to allow for bonding by a municipality or borough for construction, additions and major rehabilitation projects for charter schools. This will allow for a 70% debt reimbursement of bonds for charter schools.

Though it seems a little out of order Section 17 was added in to decrease the minimum number of students required for establishing the funding rate for a charter school within its first three years, and allowing the adjusted student count to be counted at the same rate as for 150 students.

Looking back at Sections 15 and 16, the Governor's bill provided for an improved application process for creating new residential schools and for an increase in the stipend to more accurately reflect the actual audited costs of boarding school students and the House Education Committee simply amended Section 37 to provide for an effective date of July 1, 2014 replacing the Governor's date of Sept. 1st.

Representative Gattis explained that the effective date had been changed to July 1, 2014 given that school would have already started by the September 1 date that had been included in the governor's bill version.

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Representative Gattis continued reading from a statement:

Sections 18, 19 and 20 deal with the Base Student Allocation increases. The committee did not address the component of the bill that deals with the BSA but decided from the beginning that that was an issue better discussed in HOUSE FINANCE so the Committee passed that portion unamended.

Section 21, Technical and Vocational Education Programs (TVEP); the percentages for the funding allocation were amended in order to add another program to the list of supported programs. The U of A

percentage was decreased to 42% and the Southern Southeast Alaska Technical Education Center was added at 3%.

Co-Chair Stoltze interjected that the section would be up for discussion.

Representative Gattis agreed. She resumed reading beginning with Section 22:

Section 22 was amended to add more reporting requirements to verify the performance results of those programs.

Moving on to Section 25 and the Tax Credit component of the Governor's bill - this section further defines the items that can be identified as costs, and added a tax credit for contributions made to early learning and childhood development programs to include those provided by a for-profit corporation. This section was also amended to clarify that this tax credit applies to those contributing to post-secondary schools or institutions within the state, not outside. That language is repeated in Sections 26, 28, 29, 31, 32, 34 and 35.

Section 37 repeals Section 3, ch. 91, SLA 2010 which will remove the sunset date and that will allow Alaska to continue to seek federal grants for providing start-up funds for new charter schools.

The amendments made by the House Education Committee make our charter school environment even stronger in the state of Alaska, they further reduce unnecessary testing requirements in our state and the costs associated with testing and improve incentives for corporations and organizations to support our vocational opportunities and the learning opportunities of our youngest students. The amendments will more effectively support the Governor's efforts to improve our education system in our state.

Co-Chair Stoltze asked about Section 38. He referred to two "repealers." Representative Gattis believed there may have been a TVEP sunset included. She was unsure what Section 38 encompassed.

Co-Chair Stoltze commented that repealers were often more powerful than other more descriptive language.

Co-Chair Austerman asked Representative Gattis to provide her written comments to the committee. Representative Gattis agreed to provide her remarks.

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MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, clarified that Section 38 was the only location the High School Graduation Qualifying Exam (HSGQE) was repealed. He expressed intent to highlight items differing from the governor's original bill.

Co-Chair Stoltze asked Commissioner Hanley to make comments on changes made in the House Education Committee and to address the department's aspirations for the legislation. Commissioner Hanley relayed that some of the changes brought a different perspective, but did not change the governor's intent.

Co-Chair Stoltze asked Commissioner Hanley to outline the governor's goals, objectives, and hopes related to the various elements of the bill.

Commissioner Hanley shared that ultimately the governor's goal was to reform education largely by examining the current system, cleaning things up, removing barriers, and incorporating an increase in the BSA. He addressed the secondary school course credit where students were allowed to test out. He detailed that the House Education Committee had aligned the bill with HB 190 [a bill introduced the prior year]; HB 190 allowed school districts to provide the opportunity for students to test out; whereas, HB 278 identified specific courses including reading, writing, math, social studies, science, and world languages. The specificity recognized the burden the development of assessments was on school districts and that some courses were experiential in nature and did not naturally lend themselves to an end of course exam (e.g. drama, pottery, or debate).

Commissioner Hanley discussed that the idea was to remove the a high stakes exam that a student was required to pass and to provide a choice of assessments a student could use towards their next step out of high school. Currently

WorkKeys was required in 11th grade. The idea was to allow students to have a choice; if the student knew they were going to college they could choose to take the SAT or ACT instead of WorkKeys. Under the CS before the committee WorkKeys was required, but the option to take the SAT or ACT was not.

Co-Chair Stoltze remarked that there had been significant input on Common Core. He asked Commissioner Hanley to provide the administration's position on the topic and any Common Core elements in the legislation.

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Commissioner Hanley relayed that Common Core was a set of academic standards adopted by numerous districts in the nation in recognition that many students were not adequately prepared when leaving high school. Alaska districts had similar standards; therefore, its students would be competitive. However, the bill contained no Common Core components. Alaska adopted new academic standards for students in June 2012; districts had been implementing the new standards for the past 1.5 to 2 years. He stated that there was no connection between the policies in the bill and the academic standards. He addressed a component that increased the boarding stipend for residential schools to recognize the true cost; the component also required the Department of Education and Early Development (DEED) to hold an annual open application period. There had been an open application period one year earlier; subsequently there were some "great" new schools. He noted that the commissioner's approval was not required.

Commissioner Hanley explained that the governor's vision was to remove some barriers that made starting new charter schools challenging. The key component to the charter school application required an academic policy committee (comprised of parents) to apply with its local school board to start a charter school. The school board response had to be in writing based on fact and conclusions of law. He stressed that the requirement brought integrity to the local process. In cases of denial an academic policy committee could appeal to the commissioner. The commissioner had the ability to remand the denial back for further consideration, to confirm the denial, or to suggest an approval; ultimately the decision would continue to go to the state board. One of the House Education Committee

amendments outlined that in order for the state board to overturn a local school district they would essentially start a new school district; the fiscal note was indeterminate given that the number of future denials was unknown. Under the scenario a new charter school would become its own school district (similar to Mt. Edgecumbe) with its own superintendent and teachers who would all be state employees. There would be a significant fiscal note for the state to start one of the new schools. He stated that the idea of using the state board of education as an additional authorizer had some unintended consequences that would bring a significant fiscal note to the state.

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Commissioner Hanley discussed the tax credits that had been included; the CS included an amendment that added a credit for early education and the governor had added two additional tax credits. One credit aimed to defray costs of students who are taking dual credits (i.e. course and registration fees) and allowed for transportation and potentially room and board. The credit would apply to programs such as the Alaska Native Science and Engineering Program or the Rural Alaska Honors Institute that helped students get college and high school credits during the summer. The second credit added by the governor would help provide funding for the maintenance, operation, or construction of a dorm facility for one of the approved residential schools. The funding was currently unavailable through the capital improvement projects or major maintenance process.

ANGELA RODELL, COMMISSIONER, DEPARTMENT OF REVENUE, addressed the tax credits component of the legislation. She noted that the education tax credit cap of \$5 million per tax payer had not changed. Additional uses had been added related to what would qualify for the education tax credit. She spoke to the importance of encouraging private investment into the state's education system and to create opportunities for partnership with the private sector. She believed the amendments expanding the education tax credit were important to increase opportunities for students across the state of Alaska. Additionally, she believed it was important that the additions did not increase the overall tax credit claim above the \$5 million cap.

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DIANE BLUMER, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, spoke to the TVEP program section. She communicated that the program provided funds for statewide job institutions. She relayed that the governor's primary focus had been to recognize the importance of career and technical education and to provide for a bridge or partnership with local or distance high schools through the process. The process included the identification of a requirement of an articulated agreement with the vocational technology programs, high schools, and universities. A component was added to make reporting requirements more stringent and enforceable by the Department of Labor and Workforce Development (DLWD). The amendments required financial information to be provided to DLWD in order for the legislature to determine if the performance measure outcomes were meeting the designated mark. She noted that there had been one change made to the formula funding.

Commissioner Hanley pointed to a section regarding bond reimbursements for charter schools. The state reimbursed at a 70 percent rate. He explained that restrictions were largely square footage related and qualification was based on the number of students in a school district; districts qualified for construction of a certain square footage. He detailed that a 60 percent reimbursement rate did not include square footage requirements. The component would allow a 70 percent/30 percent (70/30) reimbursement of the bonds without the space requirements; therefore, space and structures could be increased in school districts with a higher reimbursement rate.

Co-Chair Stoltze asked if the provision was 70 percent or up to 70 percent. Commissioner Hanley replied that the rate would be 70/30 even though only the requirements of the 60/40 rate were met.

Co-Chair Stoltze thought the issue should be looked at. He wanted charter schools to be treated fairly, but not more fairly.

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Representative Guttenberg wondered if the charter school application process including denials and appeals were set in statute. He gathered from Commissioner Hanley's statement that sometimes school districts did not provide

timely responses to applications. Commissioner Hanley answered that there was no appeal process at present. Currently the process came to a stop if an application was denied for any reason. The idea of the proposed provision would be to provide a second set of eyes to review applications.

Representative Guttenberg asked if the reason for denial was currently delineated in statute. He asked about reasons for reconsideration of a denial. Commissioner Hanley replied that currently a denial could be made for any reason based on fact and conclusions of law.

Co-Chair Austerman asked about Section 13 related to the 70/30 provision. He wondered why a sunset had been added. Commissioner Hanley did not believe there was a new sunset related to the 70/30 provision.

Co-Chair Austerman pointed to a letter from DEED to the House Finance Committee related to a summary of bill changes dated March 14, 2014 (copy on file). He pointed to the July 1, 2014 through December 31, 2017 dates included in the letter. Commissioner Hanley answered that the program would be three years because the provision allowing a school to qualify for the 70/30 reimbursement when they only met the 60/40 requirements was new. He noted that a sunset had not previously been in place. He could not speak to the reason the sunset had been proposed.

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Representative Thompson spoke to the 70/30 reimbursement provision. He wondered why the size and building standards would be different from those currently in place for public school buildings.

Co-Chair Stoltze noted that the provision had not been inserted by DEED. He asked Representative Gattis to respond to the question.

Representative Thompson reiterated his question. Representative Gattis answered that she did not recall a discussion about the same size standard for neighborhood and charter schools. The bigger conversation had been about charter schools being responsible for the leasing of their own property, paying for property tax, and to use the same funding as neighborhood schools that did not have the same

responsibility. She referred to charter schools in her district that were leasing space and were not able to purchase or participate in a bonding program. She explained that they did not have the opportunity if the school district did not put them forward. The provision would enable charter schools to ask for bonding from the municipality.

Representative Thompson wondered about building standards currently in place for public schools. He mentioned R-values of walls and ceilings. He could not find any of the detail under the charter school provisions.

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Representative Gattis responded that the specific issue had not come up in the House Education Committee deliberations. She believed it had been assumed that the same school intent should apply to charter schools as well. She communicated that the committee had spent significant time talking about parity and equity; that charter schools should be provided with the same opportunities. Representative Kito had offered the amendment related to the inequity. She reiterated that most of the committee assumed it was covered in what was already done in neighborhood schools.

Co-Chair Stoltze remarked that the issue may be subject to refinement. He surmised that if the goal was parity that the provision may make charter schools more equal. He believed the intent was to have the schools on the same level playing field. He noted that the committee could work on the provision related to Representative Thompson's questions.

Representative Thompson asked why the SAT, ACT, and career readiness assessment exams had been removed from the legislation. Commissioner Hanley replied that the items had been removed by the House Education Committee.

Representative Gattis answered that the amendment sponsor in the House Education Committee thought it was appropriate to remove the college and career readiness verbiage because the language was used in Common Core standards. The ACT and SAT had been removed, but because WorkKeys fell under a different bill it had not been removed. She believed the intent had been to remove all three, but it had not been

done. She believed the issue was more about the college and career readiness verbiage and had less to do with the ACT and SAT (except for the fact that the tests were aligned with the Common Core).

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Representative Edgmon asked whether residential school stipends were the same as boarding school stipends. He wondered whether stipends included in the bill recognized 1st through 8th grades. Commissioner Hanley answered that the terms residential and boarding were used synonymously. He detailed that residential schools were for high school students only.

Representative Wilson asked what data had been used to determine how to approach the goal of increasing graduation rates and other. She wondered why the solutions in the CS been chosen versus others. She questioned how to determine whether the solutions would work. She opined that the bill represented a significant amount of money.

Commissioner Hanley replied that he did not believe there was a focus on new programs, but on current activities and artificial barriers that were in place. The goal was to remove some of the barriers and to increase equity for charter schools. The provision would provide an annual period where charter schools could apply to be residential schools. The components with positive fiscal notes were primarily related to the BSA and the increase in boarding stipends for residential schools. The HSGQE had a negative fiscal note and other items did not have a fiscal impact. The idea was to provide improvements to current practices. The bill included additional tax credits to incentivize private/public partnerships.

Representative Wilson wondered how the department had identified specific programs and what data it had used to determine that the programs were working. Additionally, she wondered how the department had determined expected outcomes that would occur based on the reduction of barriers.

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Commissioner Hanley replied that the bill was not comprehensive to everything that the department could do;

however, it did address some items that could be done relatively easily due to built-in barriers. Bill components provided students with increased opportunity by providing them with the ability to test out of classes and to choose the SAT or ACT. He elaborated that there was not data comparing a student taking the SAT or ACT versus WorkKeys, but he believed there was recognition that not all students need WorkKeys. Some students had a vision for college; therefore, the tools they would use would be the SAT or ACT. Clear data around removing barriers may not be available, but he believed the proposals made sense.

Representative Wilson spoke to her concern. She wondered if charter and boarding schools took students away, but left traditional public schools with the same costs. She thought the schools would need more money per student due to the fewer number. She spoke about her district and that charter schools provided opportunity for a few, but that the district continued to have the same number of schools and bus routes with fewer students. She was not against providing the opportunity, but she was trying to determine how the cost would work as more opportunities were created. She wondered how to know whether a boarding school was successful. She opined that testing out of a class should require the same test across school districts. She stated that the bill included significant costs to districts. She clarified that whether or not the state adopted the Common Core standards the standards would enter the state's schools in curriculum because curriculum would be written for the majority of states that did adopt the standards. She stressed that the state did not need to adopt Common Core to utilize it.

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Commissioner Hanley replied that districts were able to address their need to expand as a part of their own districts. He stated that he had taken the SAT and ACT when he was in high school, but the Common Core had only been around for a few years. He found it strange to equate the exams with Common Core. The addition of the exams in the bill was recognition that colleges used them for entrance. He believed additional charter schools and opportunities for residential schools increased opportunity in response to local-level needs.

Co-Chair Stoltze believed there had been concern related to Common Core because the administration had come out against the standards, but then appeared to include some in the legislation. He opined that the administration had had challenges presenting its vision on the topic.

Representative Gara asked if any of the provisions in the bill took funding away from the BSA received by school districts for non-charter schools. Commissioner Hanley replied in the negative.

Representative Gara asked if DEED had studied what BSA was needed by school districts in order to avoid a fourth year of cuts.

Commissioner Hanley replied that he had provided the information to Representative Gara's office. He stated that no two districts had the same number. He hypothesized that one district may need an increase of \$110 while another district may need an increase of \$150. He explained that an average would be erroneous. He communicated that there was no good number. He elaborated that if he had provided Representative Gara with a number in the past that it would be wrong at present because districts had changed their numbers. He communicated that in his ongoing conversations with districts, numbers tended to be between \$100 and \$200; a few districts had communicated the need for an increase above \$200. He had not had any districts speak to him about a \$400 increase. He reiterated that the numbers had continued to change in ongoing conversations; therefore, it was impossible to provide a number reflective of all districts statewide.

Representative Gara wondered what various school districts needed. He noted that the Juneau School District needed an increase of over \$400. He added that there were a number of other schools in the same situation. He pointed to a provision that would allow a charter school application to be appealed to the DEED commissioner in the event of a denial. He asked about the standards that would be used by the commissioner in order to make a decision on the appeal.

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Co-Chair Stoltze asked about the current standards.

Representative Gara asked about the standards that would be used by the commissioner in order to make a decision on the appeal. He wondered if there were current standards for the denial or acceptance of a charter school application.

Commissioner Hanley replied that there was currently no appeal process; therefore there were no standards listed in statute or regulation. The standards were listed in the legislation. The conclusions of law and statement of fact coming from the local school district would be the same criteria that would appear before the commissioner. There was no additional language on what the commissioner would do to address the appeal.

Representative Gara believed the removal of the HSGQE had support by much of the legislature. He opined that it was time for the test to go. He did not want to discriminate against students in the past who had completed course work, but had not passed the exam. He wondered if the bill would grant a high school diploma to students who had received a certificate of completion in the past.

Commissioner Hanley replied that under the current bill version students graduating up to 2014 were required to have passed the exam. The governor had included three years of transitional language in the bill to allow adults who had left with a certificate of achievement to pass the HSGQE to receive their diploma. The bill had been amended from three years (to match HB 220) to one year.

Co-Chair Stoltze remarked that it was the committee's intent to report out HB 220 prior to reporting out HB 278.

Representative Gara believed prior students should be treated the same as future students.

Representative Gattis clarified that there had been much discussion related to the appeal process for charter school applications. She explained that the DEED commissioner would have criteria that the charter schools would write to; it would not be an arbitrary process.

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Representative Gara pointed to Sections 6 and 7 of the legislation related to the appeal process. He did not see

standards or the authority for the commissioner to come up with standards.

Co-Chair Stoltze noted that the committee would work on the section if it needed refining.

Commissioner Hanley noted that there was no objection from the governor's office or the administration to clarifying what the authority for the DEED commissioner looked like. He added that it was necessary to look beyond his tenure as commissioner. The authority could be outlined in regulation or statute.

Representative Costello asked about the transportation element of the bill in relation to lottery schools. She listed various programs including the Russian, Spanish, Japanese immersion programs, and the Denali Montessori. She explained that the lottery schools were housed in neighborhood schools. Currently the BSA and transportation funding was going to the school, but there were parents of students driving across town.

Commissioner Hanley replied that current statute said that charter schools shall have a budget that reflects no less than the amount generated by those students in the same manner as other schools in the school district. The idea was equity; that students attending charter schools should have some access to transportation. The language included by the governor specified that transportation funding was generated by student for the special education and vocational technical education components as well. He noted that the formula was different. The addition did not mean that transportation would be provided to individual homes around a district, but it could mean that there were designated drop off/pick up spots. He believed there should be a conversation about transportation. He appreciated that the House Education Committee had clarified that there should be a conversation about providing transportation at least to a minimal extent.

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Representative Gattis elaborated that charter schools had experienced difficulty speaking to their school districts about the transportation of students. The bill language would force the school district to have the conversation. She asked about the definition of a lottery school.

Representative Costello replied that that parents lotteried into the public school that housed an additional program (e.g. Russian, Spanish, Japanese immersion programs, and the Denali Montessori); there was a blend of a neighborhood school that had busing for neighborhood students and families outside of the district that had to drive. She noted that the challenge was no different from that facing charter schools related to transportation. She asked for verification that lottery schools had not been discussed during the House Education Committee meetings on the legislation.

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Representative Gattis replied that the term "lottery school" had never been discussed. She noted that the schools were referred to as "mission schools" in the Mat-Su district. She verified that the same concern existed. The committee had not discussed the issue. She believed that if lottery, mission, or boundary exempt schools had been discussed that they would have fallen in the same category as charter schools in relation to transportation; students should have the opportunity to ride on a school bus if they were on the bus route and room was available.

Representative Costello asked if there had been any discussion about exempting charter schools from paying property taxes if they were leasing their facility. Commissioner Hanley replied in the negative. He elaborated that local property tax was a local decision.

Co-Chair Austerman asked about Section 13 related to the 70/30 provision. He wondered about the House Education Committee's decision to include a sunset date of December 31, 2017. He thought that under the provision charter schools would return to the 60/40 like all other schools.

Representative Gattis replied that the dates had not been discussed in her committee. She expounded that the discussion had focused on the 70/30 split for a charter schools. She thought the dates may have come from DEED.

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Co-Chair Austerman noted that charter schools currently had a 60/40 split. He wondered if the schools could qualify for

the 70/30 split. Commissioner Hanley replied that any school district school could qualify for either based on the square footage requirements of the district; typically a school district was at the maximum with their neighborhood schools. A charter school could qualify if a district chose to put the issue before its voters.

Co-Chair Austerman surmised that the provision allowed charter schools to receive the 70/30 reimbursement on construction for three years regardless of the existing 60/40 and 70/30 requirements. Commissioner Hanley believed that had been the intent; charter schools would have a lesser requirement to receive the higher reimbursement rate.

Co-Chair Austerman wondered whether a sunset applied to any of the tax credits. Representative Gattis responded that the House Education Committee had limited discussion about the tax credits and their effect given the bill's finance referral. The committee had given thought to what tax credits could and could not do, but there had not been discussion on finances or sunsets.

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Vice-Chair Neuman spoke to Section 18 of the bill. He pointed to the summary of changes that included the removal of sideboards related to space requirements for the current debt reimbursement program. He discussed Susitna High School related to average daily membership and the different costs and size requirements for courses. He wondered if the bill removed all building size requirements based on school population. He wondered if schools would have the ability to build a school of any size.

Commissioner Hanley replied in the affirmative. Currently if a district wanted to add a facility they qualified for the 60/40 reimbursement without space requirements. The bill would allow charter schools to do the same, but with the 70 percent reimbursement.

Vice-Chair Neuman referred to page 2 of the bill. He discussed the application for dual credits for TVEP and other similar programs. He recalled a requirement to maintain a certain grade point average (GPA) to receive the credits. He wondered if there were any existing sideboards on the amount of funds available for students. He wondered

about any GPA requirements. He referred to secondary school credits and asked if there were ways to define required standards for students.

Commissioner Hanley replied in the negative. The provision related to testing out of a course currently offered by a school. For example, he discussed whether a Spanish speaking student could test out of and receive credit for a Spanish 1 course. The local district already determined what it took to receive a credit either through a test or a course.

Vice-Chair Neuman pointed to pages 18 through 20. He discussed the funding of scholarships awarded by a non-profit organization to a dual credit student. He wondered if the provision allowed students to receive dual credits. He thought the provision tied into TVEP funds.

Commissioner Hanley responded that the component related to tax credits and was not directly connected to TVEP. The provision recognized that dual credit students often had costs at the university level (e.g. registration, course and lab fees, transportation, and other) and that a tax credit could be offered to corporation helping to defray the costs. The TVEP components in the bill stated that an entity receiving TVEP money needed to offer dual credit and needed to have an articulation agreement with the student's high school in order to ensure the credit would be earned in both locations. The provision did not address GPA.

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Vice-Chair Neuman looked Section 26 pertaining to funding awarded for a scholarship awarded by a non-profit to a dual credit student. He referred to the summary of changes that allowed a non-profit to fund a scholarship for a dual credit student. He wondered whether a student received a tax credit.

Commissioner Hanley replied in the negative. He provided an example of tax paying corporation providing funds to a university to provide scholarships to students earning dual credits. The company would receive a tax credit for providing the funds and the student would have an opportunity to receive a scholarship or defray some of the costs.

Representative Munoz noted that the education tax credit appeared to apply to a single student. She wondered if it rose to the level of the tax credit that was 50 percent of a \$100,000 donation. She wondered if the intent was to fund the scholarship program versus an individual student.

Commissioner Hanley replied that the intent was to provide scholarships or to defray dual credit costs for any students; however, someone providing a scholarship fund could establish parameters designating that the money should support students in a specific field or go to a particular institution.

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Commissioner Rodell elaborated that the intent was to allow the scholarship program to be operated by the receiver of the donation. She detailed that the tax credit was attached to the tax payer who would determine which causes the money would go to. She clarified that the credit was not intended to attach to a specific student.

Representative Munoz asked about the ultimate hiring flexibility provided to charter schools. She spoke to schools with alternative education programs (e.g. language immersion or native language instruction) where the labor pool may be specialized and hire may be difficult. She wondered if the legislation offered flexibility that would allow charter schools to hire outside the traditional labor force.

Commissioner Hanley replied in the negative. The conversation was primarily one that occurred between the local union, school district, and charter school to determine how a charter school would be staffed.

Representative Munoz wondered if the administration had looked at having an organization other than the school district authorize a charter school (e.g. an educational nonprofit, university, or other). Commissioner Hanley replied in the affirmative. He detailed that several states allowed multiple authorizers. He relayed there was sometimes a charter school board that authorized and operated what was essentially a separate school district; not defined by geographic boundaries, but defined by the school's mission and authorizer. The topic had been

discussed related to providing greater opportunities for charters, but it not included in the bill.

Representative Munoz thought the committee may want to look at the items.

[2:49:49 PM](#)

Representative Gattis shared that she had a bill on multiple authorizers, but she was not sure her committee was ready for that. She detailed that the committee had gotten hung up on another school district and could not get past the issue. She elaborated that Native organizations had expressed their desire to be a multiple authorizer. There were charter schools that wanted to participate. She believed there were some great programs that the state could grow into. She opined that it had been difficult for her committee to get around the issue especially in the omnibus bill. She expressed intent to continue working on the issue.

Co-Chair Stoltze asked what DEED thought about credential based licensing for teachers. He stated that there was a difficulty keeping teachers in rural Alaska. He provided an example of a person working in rural Alaska for Department of Fish and Game with a master's degree in the science field. He wondered about setting up a truncated process that would allow the individual to get a teaching license. He wondered if it was a possibility to solve some of the chronic shortages in villages.

Commissioner Hanley replied that the AKT2 [Alaska Transition to Teaching] program had provided an alternate route to becoming a teacher; people with a degree in another subject area could begin working in a school while getting their credentials and learning the art of teaching. The state had discontinued the program due to its expense. He believed it was a great conversation to have.

[2:52:32 PM](#)

Co-Chair Stoltze pointed to the comparative expense of bringing up a teacher from California who had never lived in rural Alaska. He referred to the benefit of having an enthusiastic teacher who was familiar with the region in comparison to a person with traditional teaching experience. He was surprised at the opposition he had faced

on the issue by the educational community. He thought it would be beneficial to include the option in the bill to provide another tool in the tool box.

Commissioner Hanley did not dispute the significant cost of teacher turnover and the alienation students felt with high turnover rates. There was a fiscal component to the state; the fiscal component to the districts was the difference. The former program had been successful, but it was dropped due to cost.

Representative Wilson asked for the cost the state was paying to transport students who were not actually transported. She understood that currently the state paid transportation funding for charter schools, but the students did not receive transportation. She stated that transportation to the Catholic school was paid for in Fairbanks. She believed that some boroughs and cities took an administrative fee from the education formula. She had thought the money all went directly to school districts. She opined that formula funding should go to students and not boroughs.

Co-Chair Stoltze asked if she wanted to include lottery schools as well.

Representative Wilson stated that a lottery was used in Fairbanks to determine charter school attendees. She was interested in transportation costs the state was paying for any students who were not being transported.

[2:56:37 PM](#)

Co-Chair Stoltze assumed the superintendents knew the number of boundary exempt students in their districts.

Commissioner Hanley replied in the affirmative. The superintendents would know the number of students in alternative and charter school programs that districts did or did not offer transportation to. The component spoke to charter schools, which encompassed any alternative program (e.g. optional, charter, or other). A lottery process was typically used when there were more applicants than the school had room for. Additionally, there was a lottery process for neighborhood schools when students wanted to come in from outside the district. He explained that the lottery process referred to the way the schools were

filled. He shared that Representative Ledoux's staff had called all school districts with charter schools (he believed there were five districts) to determine which districts provided transportation. Anchorage was the only district out of the five that did not provide transportation. He believed Anchorage did not provide transportation to alternative schools either. He did not know if the state should get involved in the issue or if local parents should ask why their students were not provided with transportation.

Co-Chair Stoltze believed the larger question was whether school districts were receiving the allotment for transportation.

Representative Wilson wondered why the state would pay for the transportation of a student that it was not transporting. She thought it was nonsensical and wrong. She thought there may be other places the state was paying transportation funds for students who were not transported. Additionally, she wondered whether boroughs and cities were taking formula funding away from schools at different rates. She did not know if the activity was occurring, but believed that it could be a reason some districts were short of funding. She discussed mandatory local taxes and in-kind donations versus financial donations.

[3:00:51 PM](#)

Co-Chair Stoltze noted that it was informational to know about the disbursement of funds. He stated that it cost a school district the same amount to transport 32 students versus 40 students. He did not want school districts to think they would be penalized and reiterated the importance of understanding the various pieces of funding.

Representative Gara wondered about the purpose of requiring a high school student to take the SAT or ACT if a score requirement was not imposed. He pointed to studies indicating that the SAT had little bearing on what a student did in college. He wondered about Commissioner Hanley's view of a bill that would not require the tests.

Commissioner Hanley replied the goal was to move away from requiring a student to pass a test towards a requirement of participation. The idea was to provide data and information for the student, the school, and the parents related to a

student's next steps. Currently WorkKeys was required; the addition of the SAT and ACT would give students an additional choice. The tools were also used to qualify for the Alaska Performance Scholarship. Currently if a student wanted to qualify for the performance scholarship on the college route they would be required to pass and pay for either the SAT or ACT. The bill would provide students with a choice and the state would pay for one administration of the exam.

Representative Gara explained that there was already incentive for students who needed one of the tests to go on to college. He wondered how requiring a non-college bound student to take one of the tests would be of any advantage. He thought students who did not need the test would not take it seriously.

Commissioner Hanley replied that without the option students would continue to be required to take WorkKeys in 11th grade. The addition of the ACT and SAT would allow students to choose between the three options.

Representative Gara asked for verification that adding transportation funding for charter school students did not take away funding for other students. Commissioner Hanley replied in the affirmative. He believed current statute outlined that a charter school's budget should not be less than the funds generated by its students; however, the language was broad enough that it was open to interpretation and was not always included. He noted that there were no additional funds going out. He referred to testimony from several school districts that they would not be impacted because they were already transporting their students.

Representative Gara asked for verification that the provision would not dilute funds going to other students. Commissioner Hanley answered that if a district was not currently transporting students to its charter schools it may need to begin transporting the students and may need to locate the funds to do so. He elaborated that if that was the case a disparity existed between the charter and neighborhood schools; funds may need to be shifted to provide equity.

[3:06:15 PM](#)

Co-Chair Stoltze informed the committee that the legislature was currently appropriating money for the charter school students on a pro rata basis through the formula. Commissioner Hanley agreed.

Vice-Chair Neuman recalled that overcrowding on school buses had been an issue in the past. He believed buses had been allowed to go over capacity by approximately 20 percent. He wondered if the regulations were still in place.

Commissioner Hanley replied that safety requirements were still expected to be met. He could not speak to the specific requirements as decisions were made locally. The department expected districts to have student safety in mind; students should have a seat and should not need to stand.

Vice-Chair Neuman asked for an explanation of the WorkKeys requirement. He wondered how it differed from Common Core or Alaska standards.

Commissioner Hanley replied that WorkKeys was not connected to Common Core or the Alaska standards. WorkKeys had three components that gave students information about their aptitude for a particular career; whereas the SAT and ACT were geared more towards colleges and universities. The three components included location of information, math application, and understanding information. Students were provided with a score sheet and certificate.

[3:08:55 PM](#)

Representative Guttenberg wondered if there was a system used to evaluate the transportation efficiencies between school districts. He wondered whether there was a pupil mile or number of students on a bus per mile. He was under the impression that school districts did not all treat transportation in the same way.

Commissioner Hanley replied that in the past DEED had reimbursed schools for transportation based on routes. He detailed that the exercise had been cumbersome and did not incentivize efficiencies on the routes. The process had been changed many years back and schools began to be funded based on actual contract costs and a per pupil basis. The cost of transportation in contracts was divided by the

number of students. He added that there had been increases since then to pupil transportation. He summarized that currently transportation was funded on a per student basis, but it had previously based on actual contracts and costs.

Co-Chair Stoltze noted that he and Representative Gattis represented districts with higher costs. He thanked Representative Gattis for her time and candor. He informed the committee that it would spend multiple days on the topic. He asked members to communicate through his office and with the departments. He believed the committee needed to do its due diligence on the subject.

HB 278 was HEARD and HELD in committee for further consideration.

#hb150

HOUSE BILL NO. 150

"An Act extending the unemployment contributions for the Alaska technical and vocational education program."

HB 150 was SCHEDULED but not HEARD.

#hb179

HOUSE BILL NO. 179

"An Act providing for public school funding for telecommunications or Internet services."

HB 179 was SCHEDULED but not HEARD.

#hb220

HOUSE BILL NO. 220

"An Act repealing the secondary student competency examination and related requirements; and providing for an effective date."

HB 220 was SCHEDULED but not HEARD.

#hb291

HOUSE BILL NO. 291

"An Act increasing the stipend for boarding school students; and providing for an effective date."

HB 291 was SCHEDULED but not HEARD.

Co-Chair Stoltze discussed the schedule for the following day.

ADJOURNMENT

[3:14:24 PM](#)

The meeting was adjourned at 3:14 p.m.