

HOUSE FINANCE COMMITTEE
April 2, 2014
1:50 p.m.

1:50:49 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:50 p.m.

MEMBERS PRESENT

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

Representative Alan Austerman, Co-Chair

ALSO PRESENT

Representative Lynn Gattis; Representative Lora Reinbold; Daniel George, Staff, Representative Bill Stoltze; Dianne Blumer, Commissioner, Department of Labor and Workforce Development; Doug Wooliver, Deputy Administrative Director, Alaska Court System; Michael Hanley, Commissioner, Department of Education and Early Development; Elizabeth Nudelman, Director, School Finances and Facilities, Department of Education and Early Development.

SUMMARY

HB 278 EDUCATION: FUNDING/TAX CREDITS/PROGRAMS

CSHB 278 (FIN) was REPORTED out of committee with no recommendation and with one new zero fiscal note from the Department of Education and Early

Development, two new fiscal notes from the House Finance Committee for Fund Transfers, three new fiscal notes from the Department of Education and Early Development, two new fiscal notes from the Department of Labor and Workforce Development, one new fiscal note from the University, one new indeterminate fiscal note from the Department of Revenue, one new zero fiscal note from the Department of Revenue, one new fiscal note from the Department of Administration, and one new fiscal note from the House Finance Committee for State Assistance to Retirement Funds.

#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."

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^AMENDMENTS

[1:53:03 PM](#)

Co-Chair Stoltze discussed the amendment process.

Representative Munoz MOVED to ADOPT Amendment 15, 28-GH27165\G.5, Mischel, 4/1/14, by Representative Munoz, Representative Edgmon, Representative Thompson, Representative Gara and Representative Guttenberg (copy on file):

Page 1, line 10, through page 2, line 1:
Delete "relating to the local contribution to public education funding; relating to the withholding of state aid to public education for teacher retirement contributions; relating to the teachers' defined benefit retirement plan; establishing the teachers' pension reserve fund;"

Page 11, line 21, through page 14, line 3:
Delete all material.

Renumber the following bill sections accordingly.

Page 14, line 23:
Delete "sec. 18"
Insert "sec. 16"

Page 14, line 26:
Delete "secs. 18 and 19"
Insert "secs. 16 and 17"

Page 16, line 17, through page 17, line 19:
Delete all material.

Renumber the following bill sections accordingly.

Page 19, line 17, through page 22, line 19:
Delete all material.

Renumber the following bill sections accordingly.

Page 33, line 29:
Delete "Sections 22 - 24"
Insert "Sections 20 - 22"

Page 33, lines 30 - 31:
Delete "secs. 22 - 24"
Insert "secs. 20 - 22"

Page 34, line 18:
Delete "Sections 22 - 24, 28, 50, and 52"
Insert "Sections 20 - 23, 42, and 44"

Page 34, line 20:
Delete all material.

Renumber the following bill sections accordingly.

Page 34, line 21:
Delete "19, and 29 - 31"
Insert "17, and 24 - 26"

Page 34, line 22:
Delete "Section 20"
Insert "Section 18"

Page 34, line 23:
Delete "Sections 37, 40, 43, and 46"
Insert "Sections 29, 32, 35, and 38"

Page 34, line 24:
Delete "secs. 54 - 58"
Insert "secs. 46 - 49"

Vice-Chair Neuman OBJECTED for discussion.

Representative Munoz discussed the amendment. The intent of the amendment was to strip the provisions relating to the Teachers' Retirement System (TRS) from CSHB 278 (FIN), version G. The reasons were related to concerns from the administration about the proposal contained in the legislation. She supported the governor's approach, which was presented as a method of paying off the unfunded liability in 20 years. The current plan extended the payment to 40 years. The local contribution rate was moved from 12.56 percent to 32.56 percent. She mentioned a formula allocation to reimburse the school districts, but no funding contemplated for the University and other TRS employers.

Representative Munoz stated that the most concerning portion of the proposal addressed the depletion of the state's trust funds. The combined trust funds held approximately 17 billion. The interest from the funds provided a major contribution toward the payment of the unfunded liability along with retirement debt both current and future. She pointed out that the retirement payment would be approximately \$3.5 billion. She wished to avoid shifting the burden to future generations. She noted that Commissioner Rodell emphasized concerns that the proposal would affect the state's credit worthiness, which could make the approval of gasline financing difficult.

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Representative Munoz discussed further concern with the proposal's lack of vetting. She believed that the large decision required additional time and deliberation. She stated that her office requested an actuarial analysis on the proposal, but had yet to receive it. She believed that such a large decision required additional time and deliberation.

Representative Gara stated that Amendment 17 was similar in nature and he requested that he and Representative Guttenberg be added as co-sponsors to the amendment.

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Representative Thompson acknowledged that the decision was a difficult one. The bill placed an unpredictable measure in statute, denying the legislature the flexibility needed. He wished that prior legislators had arrived at a solution sooner. He supported the amendment.

Representative Costello considered all of the amendments, and appreciated the sponsor's sentiment. She noted that the plan proposed in the bill's format placed a larger lump sum of \$1.4 billion from contributions with a longer period of time until payout. She mentioned the commitment on behalf of the legislature to address TRS. She believed that placing the amounts in statute commits the legislature to the effort. She stated that she would vote against the amendment.

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Representative Holmes agreed that the issue was difficult. She noted that the major budget drivers included public education, Public Employees' Retirement System (PERS) and TRS. She admitted that she was conflicted about the issue. Discussions in the building provided her with valuable information regarding the unanimity to contribute approximately \$3 billion into PERS and TRS trust funds in the current year. She noted the unanimity of opinion in the building regarding a large upfront payment followed by substantial payments in the upcoming years. She discussed the state's obligation to pay the liability. She interpreted agreement between the governor's plan and that of the Legislative Finance Division. She did not feel that

the CS provided a final product. She predicted continued discussion and convergence. She knew that actuaries would be available to help the legislature flush out both plans. She stated that she would vote against the amendment. She believed that the final product would be a functional hybrid of both plans and she was optimistic about the outcome.

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Representative Gara stated that voting along each member's personal analysis was important. He believed that the governor's plan made sense because a substantial pay down of debt led to less future interest. He pointed out future deficits faced by the state. Annual payments should be as low as possible, which would be accomplished by a large initial pay down. The proposal in the CS did not include a large one-year pay down. He stated that the bill's proposal was not properly vetted.

Co-Chair Stoltze replied that the bill proposed a \$1.4 billion pay-down, while the governor proposed a \$1.1 billion pay-down. He clarified that the pay-down proposed in the CS was larger than the governor's stated proposal.

Representative Gara understood that the governor's proposed \$3 billion pay-down included the \$1 billion owed for the current year. The analysis of the governor's plan included an additional payment of \$2 billion that would lower the escalating annual costs, which would soon exceed \$1 billion per year, to approximately \$500 million per year. He noted that the legislature could further alter the payment amount to extend the payments. He had not had the time to analyze the CS thoroughly. He had not viewed an actuarial analysis of the plan proposed in the CS. He was most comfortable with the governor's proposal.

Co-Chair Stoltze interrupted that the bill addressed TRS alone, while Representative Gara was discussing both PERS and TRS.

Representative Gara understood and preferred that the legislature address PERS and TRS together. He stated that the proposal to contribute an additional \$2 billion upfront would reduce the state's future interest payments. He stated that he had not been presented with a PERS proposal or solution and was not comfortably informed about the TRS

proposal in the CS. He expressed discomfort with moving forward without all of the necessary analysis. He encouraged the governor to present his plan in the form of a bill.

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Representative Wilson pointed out that fiscal note number 12 had the \$1.4 billion contribution spoken about earlier. She understood the sponsor of the amendment's sentiment. She asked which plan was most affordable to the state. She discussed the comparison between a 30-year and a 15-year mortgage. Most people would prefer to pay a debt in 15 years, but settle for the more affordable 30-year term. She understood that the governor could choose to pay his proposed amount despite legislative recommendations. She pointed out that future payments would be reviewed for the purposes of bond rating. She stressed the need to take care of Alaskan retirees. She hoped for an optimistic outcome. She stated that she would vote against the amendment.

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Representative Guttenberg stated that he had initially hoped for actuarial analysis of the governor's plan, but another plan was presented in the CS without analysis. He supported the governor's past recommendations on the issue. He recalled testimony from Commissioner Rodell expressing wide-ranging concerns for the state and its bond rating. He wished to avoid risks until better information was available. He trusted the concerns of Commissioner Rodell. He supported the amendment.

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Co-Chair Stoltze appreciated the level of discussion on the issue. He discussed the recognition of the legal and moral commitment. He argued that TRS was an education cost driver and a legacy issue with no insinuation that the funding will be used in the classrooms. The payment would encompass a piece of the state's obligation to the cost of doing business in the education environment. He noted that the bill allowed for necessary elevated committee discussion. He believed that the CS spurred activity and analysis on the important topic. The bill allowed for presentations and deliberations.

Co-Chair Stoltze explained that the approach in the CS was circulating throughout the Capitol prior to the introduction of the CS. He stated that the administration had responsibility for providing information in a forthcoming manner. He noted that the issue was separate from the PERS issue with a different payment system. The committee worked to allow the state to meet their moral and legal obligation. He stated that he had many questions about the governor's plan. He stated that the amendment may lead to a plan similar to the governor's proposal. He stated that approval of the amendment would eliminate the vehicle for discussion. He welcomed continued debate on the issue.

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Representative Munoz expressed concern about the depletion of the trust funds over time. Revenue would be lost with the depletion of funds. The state would generate billions of dollars over the course of the obligation with the trust fund. She stated that Deputy Commissioner Mike Barnhill described the change as radical. The multibillion dollar change would likely affect the state's credit worthiness and the ability to obtain gasline financing. She strongly suggested an actuarial analysis prior to making such a large decision.

A roll call vote was taken on the motion.

IN FAVOR: Guttenberg, Munoz, Thompson, Edgmon, Gara
OPPOSED: Holmes, Neuman, Wilson, Costello, Stoltze

The MOTION FAILED (5/5).

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AT EASE

[2:24:23 PM](#)

RECONVENED

Co-Chair Stoltze MOVED to ADOPT Amendment 16, 28-GH2716\G.10, Mischel, 4/1/14, by Co-Chair Stoltze and Co-Chair Austerman (copy on file):

Page 34, line 20:

Delete "Sections 16, 25, 27, and 33 - 35"

Insert "AS 14.17.410(b)(1), as amended by sec. 16 of this Act, and secs. 25 and 33 - 35

Vice-Chair Neuman OBJECTED for discussion.

DANIEL GEORGE, STAFF, REPRESENTATIVE BILL STOLTZE, discussed amendment 16, which included collaboration between the co-chairs offices, Legislative Legal Services and Legislative Finance Division. The amendment changed the effective date on page 34, line 20 from June 30, 2014 to July 1, 2014 as related to the 45-40 percent change in the required school district contribution.

Co-Chair Stoltze appreciated Legislative Legal Services' help with the amendment.

Vice-Chair Neuman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 16 was adopted.

[2:26:03 PM](#)

Representative Wilson MOVED to ADOPT Amendment 3, 28-GH2716\G.12, Mischel, 4/1/14 by Tammie Wilson (copy on file):

Page 15, line 30, through page 16, line 16:
Delete all material.

Renumber the following bill sections accordingly.

Page 33, line 29:
Delete "Sections 22 - 24 of this Act apply"
Insert "Section 22 of this Act applies"

Page 33, lines 30 - 31:
Delete "secs. 22 - 24"
Insert "sec. 22"

Page 34, line 18:
Delete "Sections 22 - 24, 28, 50, and 52"
Insert "Sections 22, 26, 48, and 50"

Page 34, line 20:
Delete "25, 27, and 33 - 35"
Insert "23, 25, and 31 - 33"

Page 34, line 21:

Delete "29 - 31"
Insert "27 - 29"

Page 34, line 23:
Delete "Sections 37, 40, 43, and 46"
Insert "Sections 35, 38, 41, and 44"

Page 34, line 24:
Delete "secs. 54 - 58"
Insert "secs. 52 - 56"

Vice-Chair Neuman OBJECTED for discussion.

Representative Wilson discussed the amendment, which was added in the House Education Committee.

Co-Chair Stoltze explained that the inclusion of the language in the CS was an oversight.

Representative Gara requested further clarification.

Representative Wilson replied that the five-year review would be removed in section 23. Section 24 referred to section 23.

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Vice-Chair Neuman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 3 was adopted.

[2:28:43 PM](#)

Representative Edgmon MOVED to ADOPT Amendment 4, 28-GH2716\G.3, Mischel, 4/1/14, by Representative Edgmon (copy on file):

Page 15, following line 29:
Insert a new bill section to read:
 "* Sec. 23. AS 14.20.150 is amended by adding a new subsection to read:
 (f) For teachers employed by a rural school district, the years of employment required to acquire tenure rights as provided in (a) of this section shall be reduced by two years. In this subsection, "rural school district" means a regional educational attendance area or a school district located in a

small borough or first class city with a population of less than 5,500."

Renumber the following bill sections accordingly.

Page 33, line 29:

Delete "Sections 22 - 24"

Insert "Sections 22 - 25"

Page 33, lines 30 - 31:

Delete "secs. 22 - 24"

Insert "secs. 22 - 25"

Page 34, line 18:

Delete "Sections 22 - 24, 28, 50, and 52"

Insert "Sections 22 - 25, 29, 51, and 53"

Page 34, line 20:

Delete "25, 27, and 33 - 35"

Insert "26, 28, and 34 - 36"

Page 34, line 21:

Delete "29 - 31"

Insert "30 - 32"

Page 34, line 23:

Delete "Sections 37, 40, 43, and 46"

Insert "Sections 38, 41, 44, and 47"

Page 34, line 24:

Delete "secs. 54 - 58"

Insert "secs. 55 - 59"

Vice-Chair Neuman OBJECTED for discussion.

Representative Edgmon discussed the amendment. He stated the purpose was to return to language creating a dual track for teacher tenure. Larger school districts would remain at the five-year tenure mark, while smaller districts would use the three-year tenure mark. He listed the larger school districts. Superintendents in his district had conveyed that having three-year tenure would help the districts in terms of recruitment and retention of teachers. He believed that a three-year period was adequate in a smaller district.

Co-Chair Stoltze believed that the amendment was offered in the spirit of good will. He noted that he voted against a similar amendment on the House Floor last year.

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Representative Wilson did not realize that Mt. Edgecombe would not be included. She pointed out that school districts could make their own decisions, but the bill enforced tenure after five years of teacher service. She believed that tenure could be written into individual district's contracts. She expressed concerns about micromanaging school districts.

Co-Chair Stoltze also had issues with the amendment.

Representative Gara asked about a school district's negotiation of a shorter term.

Representative Wilson understood that the districts could draft contracts for shorter durations.

Co-Chair Stoltze supposed that the arguments about teacher tenure would not have occurred if contracts could establish durations.

Vice-Chair Neuman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 4 was adopted.

[2:35:18 PM](#)

Representative Gara MOVED to ADOPT Amendment 5, 28-GH2716\G.13, Wallace/Mischel, 4/1/14 by Representative Gara and Representative Guttenberg (copy on file):

Page 15, line 13, through page 16, line 16:
Delete all material.

Renumber the following bill sections accordingly.

Page 33, lines 27 - 31:
Delete all material.

Renumber the following bill sections accordingly.

Page 34, line 18:
Delete "Sections 22 - 24, 28, 50, and 52"

Insert "Sections 25 and 48"

Page 34, line 20:

Delete "25, 27, and 33 - 35"

Insert "22, 24, and 30 - 32"

Page 34, line 21:

Delete "29 - 31"

Insert "26 - 28"

Page 34, line 23:

Delete "Sections 37, 40, 43, and 46"

Insert "Sections 34, 37, 40, and 43"

Page 34, line 24:

Delete "secs. 54 - 58"

Insert "secs. 50 - 54"

Vice-Chair Neuman OBJECTED for discussion.

Representative Gara discussed Amendment 5. He appreciated Amendment 4, which preserved the current tenure rule for smaller communities of 5500 people or fewer. He believed that the comments made by Representative Edgmon applied to all teachers. Attracting the best teachers in Alaska was of primary importance, yet the state created roadblocks over the years by eliminating the pension system. He believed that altering the tenure schedule would further complicate the process of attracting teachers to Alaska.

Representative Gara addressed myths about tenure. Tenure allowed employment protection. A sub-par teacher could be eliminated even if they had tenure. A tenured teacher that did not follow school district standards to increase academic achievement could be fired. Tenure would allow a teacher to keep their job if performance was good. He opined that the delay of tenure sent the message to teacher that even if they perform well, they could be terminated without reason.

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Representative Wilson wished that an underperforming teacher could be eliminated so easily. She stated that eliminating a teacher with tenure included a long and drawn-out process with many checks and balances. A poorly performing teacher could remain in the classroom for one

year or longer before the necessary documentation was obtained. Districts wished for a larger pool of tenured teachers to allow for good choices. She added that unions were available to protect the teachers. She believed that the schools deserved flexibility to allow education to function at a higher level. She advocated for voting against the amendment.

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Representative Costello stated that she opposed the amendment. She noted rare instances when teachers were not performing. She believed that five-year tenure would allow a district to determine that a teacher was performing appropriately or help them to increase performance. She felt that her vote against the amendment was one in favor of students.

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Representative Guttenberg believed that a teacher's performance was determined in a relatively short time frame. He stated that urban schools faced similar attraction and retention problems that rural schools encountered. He expressed support for the amendment.

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Representative Gara clarified that a teacher could be laid off for good-cause reasons. Without tenure, a person could be let go for no reason whatsoever. He pointed out that a person could not be fired because of religion, race or gender. He stated that the best teachers would not be drawn to Alaska with the tenure practice defined in the proposed legislation.

A roll call vote was taken on the motion.

IN FAVOR: Munoz, Edgmon, Gara, Guttenberg

OPPOSED: Holmes, Neuman, Thompson, Wilson, Costello, Stoltze

The MOTION FAILED (4/6).

[2:49:55 PM](#)

Representative Wilson MOVED to ADOPT Amendment 6, 28-GH2716\G.21, Luckhaupt/Mischel, 4/1/14 by Representative Tammie Wilson and Representative Bill Stoltze, (copy on file):

Page 1, line 2, following "education;":
Insert "relating to the powers of the Department of Education and Early Development;"

Page 3, following line 18:
Insert a new bill section to read:
"* Sec. 3. AS 14.03.083 is amended by adding a new subsection to read:

(d) The department and the state Board of Education and Early Development may not enter into or renew a contract or agreement, or participate, with any organization, entity, group, or consortium after the effective date of this section that requires the state to cede any measure of autonomy or control over education standards and assessments, including the determination of passing scores."

Renumber the following bill sections accordingly.

Page 8, line 8, following "department":
Insert "may not spend money on implementing standards that are based on the Common Core State Standards Initiative and"

Page 14, line 23:
Delete "sec. 18"
Insert "sec. 19"

Page 14, line 26:
Delete "secs. 18 and 19"
Insert "secs. 19 and 20"

Page 33, line 29:
Delete "Sections 22 - 24"
Insert "Sections 23 - 25"

Page 33, lines 30 - 31:
Delete "secs. 22 - 24"
Insert "secs. 23 - 25"

Page 34, line 3:
Delete "Sections 5 and 6"

Insert "Sections 6 and 7"

Page 34, line 18:

Delete "Sections 22 - 24, 28, 50, and 52"

Insert "Sections 23 - 25, 29, 51, and 53"

Page 34, line 20:

Delete "Sections 16, 25, 27, and 33 - 35"

Insert "Sections 17, 26, 28, and 34 - 36"

Page 34, line 21:

Delete "19, and 29 - 31"

Insert "20, and 30 - 32"

Page 34, line 22:

Delete "Section 20"

Insert "Section 21"

Page 34, line 23:

Delete "Sections 37, 40, 43, and 46"

Insert "Sections 38, 41, 44, and 47"

Page 34, line 24:

Delete "secs. 54 - 58"

Insert "secs. 55 - 59"

Vice-Chair Neuman OBJECTED for discussion.

Representative Wilson discussed the Common Core State Standards Initiatives. She noted that other states were backing out of participation because of the cost. The amendment added language enforcing Alaska's autonomy and control over education standards and assessments.

Co-Chair Stoltze stated that the amendment implemented the policy stated by the administration.

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Representative Holmes understood that the amendment did not affect the practice of individual school districts.

Representative Wilson appreciated the question and noted that the Common Core state standards initiative applied to the state alone. School districts would retain local control.

Representative Gara stated that no discussion regarding the Common Core State Standards Initiative occurred during House Finance Committee hearings. He recalled that the commissioner supported the initiatives. He argued that small school districts lacked the funding to develop their own curriculum. The Department of Education and Early Development was assisting those smaller districts with implementing the standards. The amendment might allow some districts to implement the standards, while others might not afford to. By deleting state assistance, the option might be eliminated for those districts interested in the Common Core State Standard Initiative.

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Representative Wilson replied that the Alaska state standards were already adopted while the Common Core State Standards Initiative had not been adopted. She noted that assistance from the department would include the Alaska state standards only. The department would allow districts to adopt the Alaska state standards.

Co-Chair Stoltze stated that pointed questions were directed to the commissioner regarding the Common Core State Standards Initiative in recent House Finance Committee meetings. The amendment cleared up the ambiguity encountered in the earlier hearing. He noted that the issue was discussed in other committees.

Representative Guttenberg asked about the amendment's intent. He wondered if amendment addressed both private and public schools.

Representative Wilson replied that the state could not negotiate a contract furthering the Common Core State Standards Initiative. Assistance with the Alaska state standards was readily available.

[2:57:05 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Munoz, Neuman, Thompson, Wilson, Costello, Edgmon, Gara, Guttenberg, Holmes, Stoltze
OPPOSED: None

The MOTION PASSED (10/0).

[2:58:20 PM](#)

AT EASE

[3:12:01 PM](#)

RECONVENED

Co-Chair Stoltze MOVED to ADOPT Amendment 2, 28-GH2716\G.19, Mischel, 4/1/14 by Representative Neuman (copy on file):

Page 18, lines 6 - 31:

Delete all material and insert:

"* Sec. 29. AS 23.15.835(e) is amended to read:

(e) The institutions receiving funding under (d) of this section shall provide an expenditure and performance report to the department by November 1 of each year that includes [THE]

(1) the percentage of former participants in the program who have jobs one year after leaving the program;

(2) the median wage of former participants seven to 12 months after leaving the program;

(3) the percentage of former participants who were employed after leaving the program who received training under the program that was related or somewhat related to the former participants' jobs seven to 12 months after leaving the program;

(4) a description of each vocational education course funded through the allocation set out in (d) of this section that permits high school students to earn dual credit upon course completion, and the number of high school students who earned dual credit in the past year;

(5) a copy of any articulation agreement established under (g) of this section that either was in effect for the preceding year or is in process for the next year of funding, and the number of high school students who earned dual credit under each articulation agreement; and

(6) the performance and financial information needed to verify the performance of the program as specified by the department by regulation [PERCENTAGE OF FORMER PARTICIPANTS WHO INDICATE SOME LEVEL OF SATISFACTION WITH THE TRAINING RECEIVED UNDER THE PROGRAM; AND

(5) PERCENTAGE OF EMPLOYERS WHO INDICATE SATISFACTION WITH THE SERVICES PROVIDED THROUGH THE PROGRAM]."

Representative Costello objected for the purpose of discussion.

Co-Chair Stoltze discussed the amendment, which removed redundant reporting requirements.

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Representative Costello expressed comfort with the amendment that removed the additional reporting requirements. The information deemed appropriate would continue to be reported to the legislature.

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Representative Costello WITHDREW her OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 2 was adopted.

[3:14:04 PM](#)

Co-Chair Stoltze MOVED to ADOPT Amendment 1, 28-GH2716\G.1, Mischel, 4/1/14 by Representative Bill Stoltze, (copy on file):

Page 19, line 1:
Delete "a new subsection"
Insert "new subsections"

Page 19, following line 4:
Insert a new subsection to read:
"(h) An institution's failure to comply with (e) or (g) of this section shall result in a withholding penalty of 20 percent of the funding allocated under (d) of this section in the following year."

Representative Wilson OBJECTED for discussion.

Co-Chair Stoltze discussed the amendment reinserting a provision approved by the education committee. He noted that the 20 percent penalty was inadvertently removed during the drafting of the omnibus bill. The administration supported the penalty. He stated that he supported a higher penalty, but deferred to the greater judgment for the bill that would be extended for three years. He stated that the penalty would encourage better compliance, adherence and performance.

Representative Wilson WITHDREW her OBJECTION

Representative Gara OBJECTED for discussion. He asked about the 20 percent penalty for failure to comply with subsection (e) or (g) of the section. He asked for more information about the subsections.

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DIANNE BLUMER, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, stated that subsection (e) outlined numbers one through three in Amendment 2 including the percentage of former participants, the median wage of former participants and the former participants employed after leaving the program. She stated that subsection (g) addressed the articulation agreement proposed by the governor.

Representative Gara asked if the penalty was for education institutions.

Co-Chair Stoltze informed the committee that finding jobs for people in their field was relevant to a training program.

Representative Gara stated that he did not understand the commissioner's statements.

Commissioner Blumer replied that the subsections allowed for the withholding of funds if an institution did not provide the information outlined in the statute. She explained that the department had past difficulty obtaining information from some of the institutions. The amendment allowed for a consequence in such situations.

Co-Chair Stoltze noted the difficulty in measuring some programs.

Representative Gara WITHDREW his OBJECTION. Amendment 1 was ADOPTED.

[3:19:35 PM](#)

Representative Gara MOVED to ADOPT Amendment 14, 28-GH2716\G.7, Mischel, 4/1/14 by Representative Gara and Representative Guttenberg, (copy on file):

Page 1, line 2, following "education;":
Insert "relating to the exemption from jury service
for certain teachers;"

Page 2, following line 6:
Insert a new bill section to read:
 "* Section 1. AS 09.20.030(b) is amended to read:
(b) A person may claim exemption and shall be excused
by the court from service as a juror during the school
term if it is shown that the person is a teacher in a
school that is designated as a low performing school
under regulations adopted by the state Board of
Education and Early Development [FAILING TO MAKE
ADEQUATE YEARLY PROGRESS UNDER P.L. 107-110]. In this
subsection, "teacher" means a person who serves a
school district in a teaching capacity in a classroom
setting and is required to be certificated in order to
hold the position."

Page 2, line 7:
Delete "Section 1"
Insert "Sec. 2"

Re-number the following bill sections accordingly.

Page 14, line 23:
Delete "sec. 18"
Insert "sec. 19"

Page 14, line 26:
Delete "secs. 18 and 19"
Insert "secs. 19 and 20"

Page 33, line 29:
Delete "Sections 22 - 24"
Insert "Sections 23 - 25"

Page 33, lines 30 - 31:
Delete "secs. 22 - 24"
Insert "secs. 23 - 25"

Page 34, line 3
Delete "Sections 5 and 6"
Insert "Sections 6 and 7"

Page 34, line 18:

Delete "Sections 22 - 24, 28, 50, and 52"
Insert "Sections 23 - 25, 29, 51, and 53"

Page 34, line 20:
Delete "Sections 16, 25, 27, and 33 - 35"
Insert "Sections 17, 26, 28, and 34 - 36"

Page 34, line 21:
Delete "Sections 1, 19, and 29 - 31"
Insert "Sections 2, 20, and 30 - 32"

Page 34, line 22:
Delete "Section 20"
Insert "Section 21"

Page 34, line 23:
Delete "Sections 37, 40, 43, and 46"
Insert "Sections 38, 41, 44, and 47"

Page 34, line 24:
Delete "secs. 54 - 58"
Insert "secs. 55 - 59"

Co-Chair Stoltze OBJECTED for discussion.

Representative Gara discussed the amendment. He stated that teachers were exempted from jury service in low-performing schools. The law defining the exemption was no longer applicable. He stated that schools that failed under No Child Left Behind to meet adequate yearly progress allowed teachers to be exempted from jury service. He stated that adequate yearly progress was no longer used in Alaska, which eliminated the exemption. He stated that the amendment reestablished the jury service exemption for a low-performing school under regulations adopted by the state board of education and early development. The stated would determine the definition of low-performing schools.

[3:21:35 PM](#)

Representative Holmes expressed concern about jury selection. She asked if the teachers were available for jury duty in the summer months.

[3:22:34 PM](#)

Representative Edgmon stated that in Dillingham the jury pool extended to multiple communities. He explained that the smaller communities would not have the ability to draw from one small community alone.

Representative Holmes wondered whether the employee was excused from jury duty or deferred until a summer break.

Co-Chair Stoltze expressed an issue with "picking a profession." He stated that other professions do not get paid for their time off like teachers do.

[3:25:01 PM](#)

Representative Wilson acknowledged that the smaller school districts operated without substitute teachers. She shared the sentiment and question of Representative Holmes regarding a deferral of service for teachers.

[3:26:04 PM](#)

Representative Guttenberg pointed out that the amendment was directed to the school term. He noted that he was regularly called for jury duty. He believed that the amendment was clear and simple allowing teachers to structure time off around jury duty.

[3:27:25 PM](#)

DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, responded to Representative Holmes' question. He stated that jury duty was generally deferred to the summer periods for those teachers once exempted.

Representative Holmes clarified that the amendment did not excuse the jury duty service for teachers; it simply deferred it to the summer period.

Mr. Wooliver replied yes.

Representative Gara pointed out that other professions were excused from jury service as well.

[3:28:43 PM](#)

Representative Edgmon asked if the judge could allow a deferral for a teacher in a high-performing school as well.

Mr. Wooliver responded that a teacher always had the ability to request a deferral.

[3:29:30 PM](#)

Representative Holmes understood the intent of the amendment. She was on jury duty deferral herself, which she understood was the right of every Alaskan citizen.

[3:30:34 PM](#)

Mr. Wooliver replied that portions of the state required serving on jury duty for one full year. In those circumstances, the law allowed the teacher an exemption from serving on trials that arose during the school year. Those teachers would continue to be subject to summertime trials.

Co-Chair Stoltze joked that juries were filled with people that were not smart enough to avoid jury duty. He deemed it short-sighted to take the best and the brightest (teachers) out of the jury pool.

[3:31:58 PM](#)

Representative Gara stated that the teachers would remain in the jury pool outside of the school term.

[3:32:25 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Guttenberg, Holmes, Wilson, Costello, Edgmon, Gara, Stoltze

OPPOSED: Munoz, Stoltze

The MOTION PASSED (6/2).

Amendment 14 was adopted.

[3:33:46 PM](#)

AT EASE

[4:36:57 PM](#)

RECONVENED

Representative Holmes MOVED to ADOPT Amendment 19, 28-GH2716\G.23, Gardner/Mischel, 4/2/14 by Representative Holmes (copy on file):

Page 34, line 18:
Delete "22 - 24,"

Page 34, line 21, following "19,":
Insert "22 - 24,"

Representative Wilson OBJECTED for discussion.

Representative Holmes discussed the amendment. She noted that the bill's tenure provisions had an immediate effective date. The amendment moved the effective date of the tenure provisions from the immediate effective date section into a section taking effect July 1, 2015, which would allow school districts time for the transition.

Co-Chair Stoltze stated that an effective date of July 1, 2014 would provide a better compromise for the provision.

Representative Wilson added that procedures would not change, so the additional time was unnecessary.

Co-Chair Stoltze noted that seven school districts were addressed.

Representative Holmes agreed that the removal of the provision allowing for district adaptation to the subsequent five year alleviated the majority of her concern. She proposed a compromise.

Representative Holmes MOVED to AMEND Amendment 19 by adding July 1, 2014 as the effective date for the tenure sections. There being NO OBJECTION, it was so ordered. The amendment as amended was before the committee.

Representative Gara OBJECTED for discussion. He noted that multiple committee members voted against the tenure provisions in the proposed legislation. He opined that the additional time would be advantageous for the process and transition. He then removed his objection. There being NO further OBJECTION, it was so ordered. Amendment 19, as amended with the July 1, 2014 effective date was ADOPTED by the committee.

[4:41:17 PM](#)

Representative Gara MOVED to ADOPT Amendment 13, by Representative Gara and Representative Guttenberg, (copy on file).

Page 34, lines 14-17:
Delete all material

Vice-Chair Neuman OBJECTED for discussion.

Representative Gara MOVED to AMEND Amendment 13. He requested a change from lines 14-17 to lines 12 - 17. There being NO OBJECTION, it was so ordered. The amendment to Amendment 13 was adopted. Amendment 13 as amended was before the committee.

[4:43:00 PM](#)

Representative Guttenberg stated that the three lines comprising Amendment 13 allowed the Department of Administration to implement salary and benefits for school districts. He believed that salaries and benefits ought to remain local options that school districts could discern independently. His rural districts stressed the ability to attract and obtain school employees. He discussed the process initiated in the proposed legislation where the legislature would determine the salaries and benefits for districts statewide.

Representative Guttenberg compared the proposal in the CS to federal overreach. He opined that legislators in Juneau would not make the best decisions for the smaller rural districts. Removing the section, as proposed in the amendment would allow the districts to make their own decisions about matters such as salaries and benefits.

[4:46:50 PM](#)

Representative Costello stated that the legislation requested a written proposal from school districts. She highlighted the problem of rising costs in the state operating budget, with the target of zero percent increase. She spoke about education as one of the major cost drivers in the state budget. She thought that the section included in the legislation was a responsible measure requesting a simple proposal for legislative consideration of the

highest drivers of state cost. She opined that the oversight would be prudent and responsible. She added that the legislation, as written would consume 28 percent of the state's reserves in the next ten years. She pointed out that the legislature had a great responsibility to address the costs. She preferred to address the cost of healthcare rather than cut teacher positions each year. She would vote against the amendment because she felt that the written proposal would allow the legislature to discern proper spending for school districts.

[4:49:51 PM](#)

Representative Wilson discussed the geographic differential determined in last year's session that allowed different areas of the state to best determine salaries and benefits. She mentioned the process with the union that increased costs for employees forcing districts to lay-off teachers. She believed that the section in question would allow the legislature to receive information from the Department of Administration regarding cost drivers. She believed that the districts were at a disadvantage because of their dependence on state funds.

[4:52:57 PM](#)

Representative Gara discussed the oversight leading to a potential teacher salary that would limit teacher salaries to the point that the state would not attract the best and brightest teachers to Alaska. He stated that inadequate salaries and funding was the recipe for disaster. He discussed Representative Wilson's comment regarding the requested 2 percent increase. He noted that the inability to provide a 2 percent increase for teachers sent the message to teachers that their salaries would not keep pace with inflation. He stressed that school districts should be allowed the power and authority to hire transformational teachers and principals. He stressed that a 2 percent increase for teachers was more than acceptable.

[4:55:38 PM](#)

Representative Guttenberg stated that the superintendents and finance directors might not have realized that the legislature would address their salaries as well, since the review would include all areas of the legislature. He suggested that the report would not define a teacher or

principal's performance. He stated that the legislation would allow state intrusion into districts across the state. He added that some areas of his district were far removed from the legislative process in Juneau.

[5:01:26 PM](#)

Co-Chair Stoltze clarified that the amendment would eliminate language initiating a salary and schedule study. The highlighted schedule would be implemented in two years with the approval of a future legislature.

Representative Guttenberg concurred.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg

OPPOSED: Wilson, Costello, Edgmon, Holmes, Munoz, Neuman, Thompson, Stoltze

The MOTION FAILED (2/8).

[5:02:44 PM](#)

AT EASE

[5:04:05 PM](#)

RECONVENED

Representative Gara MOVED to ADOPT Amendment 12, 28-GH2716\G.9, Mischel, 4/1/14 by Representative Gara and Representative Guttenberg (copy on file):

Page 22, line 27:
Delete "or private nonprofit"

Page 23, line 3:
Delete "or private nonprofit"

Page 24, line 11:
Delete "or private nonprofit"

Page 25, line 20:
Delete "or private nonprofit"

Page 25, line 27:
Delete "or private nonprofit"

Page 27, line 4:
Delete "or private nonprofit"

Page 28, line 13:
Delete "or private nonprofit"

Page 28, line 20:
Delete "or private nonprofit"

Page 29, line 28:
Delete "or private nonprofit"

Page 31, line 7:
Delete "or private nonprofit"

Page 31, line 14:
Delete "or private nonprofit"

Page 32, line 23:
Delete "or private nonprofit"

Vice-Chair Neuman OBJECTED for discussion.

Representative Gara discussed the amendment. He pointed out an active system allowing companies to reduce tax payments to the state by offering the reduced payment to an educational institution. In the past, the funding was routed to public schools, but the proposed legislation allowed private nonprofit schools to receive the same funding. He disagreed with state funds routed to private schools. He noted that the constitution barred state funding supporting private and religious schools.

Co-Chair Stoltze supported the original language in the bill because he interpreted a buffer of state resources. He believed that the amendment's intent spoke volumes about the values of the sponsors regarding tax credits in the state.

Representative Thompson supported the original language. He pointed out that the governor's performance scholarship was available for private schools and he saw the legislation similarly. He would vote against the amendment.

[5:08:40 PM](#)

Vice-Chair Neuman discussed the importance of vocational education programs in the schools. He appreciated the original language in the CS and would vote against the amendment.

[5:10:22 PM](#)

Co-Chair Stoltze apologized that he was so passionate about the issue. He promised to have a calmer disposition for the remainder of the deliberations.

[5:10:50 PM](#)

Representative Costello stated that the committee typically discussed tax credit proposals in detail. She believed that the tax credit portion of the bill provided a strong element. She encouraged activities funded with means alternate to public education dollars. She mentioned the inclusion of science technology, engineering and math in the section discussed. She believed that the tax credits would drive dollars into areas that would allow students to take advantage of exciting opportunities. She felt that the identification of private non-profit added a strengthening measure to the bill. She stated that she would vote against the amendment.

[5:12:34 PM](#)

Representative Guttenberg appreciated the chair's passion. He stated that he attended a religious school for five years and his parents did not expect the state to pay tuition. He supported tax credits for vocational schools. He expressed concern with the broad nature of the identification of private non-profit, which might lead to a voucher system for the state education system.

[5:14:19 PM](#)

Representative Gara apologized to Representative Wilson for his animated nature.

Co-Chair Stoltze commented that the finance committee was similar to a family.

Representative Gara stated that he would be less worried about the amendment if the state had ample reserves. If tax revenue was diverted from both the general fund and from

public schools to religious and private schools, further underfunding of public education would result. He stressed that the bill, as written assumed no state deficit. He disagreed with the funding of private schools during a time of budget constraints.

[5:16:57 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg

OPPOSED: Costello, Edgmon, Holmes, Munoz, Neuman, Thompson, Wilson, Stoltze

The MOTION FAILED (2/8).

[5:17:54 PM](#)

Representative Holmes MOVED to ADOPT Amendment 20, 28-GH2716\G.22, Gardner/Mischel, 4/2/14 by Representative Holmes, (copy on file):

Page 14, line 21:

Delete "\$5,865"

Insert "\$5,965"

Page 14, lines 24 - 25:

Delete "\$5,923 [\$5,865]"

Insert "\$6,065 [\$5,965]"

Page 14, lines 27 - 28:

Delete "\$5,981 [\$5,923]"

Insert "\$6,165 [\$6,065]"

Vice-Chair Neuman OBJECTED for discussion.

Representative Holmes discussed the Base Student Allocation (BSA) increase. She noted that the amendment would add an additional \$100 for years one and two.

[5:20:08 PM](#)

Representative Gara discussed the claim that the bill proposed a \$185 Base Student Allocation (BSA) increase. He noted that \$25 million would be eliminated from the budget allowing for an \$85 BSA. The amendment would reestablish the \$185 BSA increase. He cited the numbers provided by the

Legislative Finance Division's interactive charts, and the various state areas' increases and deficits. He planned to vote for any proposed increase to the education budget. He acknowledged that the amendment would not move schools forward. He detailed the various state districts' financial responses to the increase. He opined that the amendment improved the bill, although the increases would result in cuts overall. He stressed that the legislature could make education a greater priority.

[5:23:57 PM](#)

Representative Costello expressed concern that the progress achieved in the bill would be negated by the amendment. She mentioned the other body's proposal of one-time funding equivalent to a BSA increase greater than that proposed in the CS. She wondered if communities wanted one-time funding that exceeded the proposal in the CS or the security of funding an increased BSA. She stated that the CS increase equated to a \$120 BSA increase for the majority of students in Alaskan schools. She added that some districts preferred no BSA increase. She wished to retain the intent of the CS and would vote against the amendment.

Representative Munoz spoke in favor of the amendment. She believed that the amendment compensated for the elimination of the \$25 million in one-time funding.

[5:27:33 PM](#)

Representative Wilson commented on Representative Gara's interest in Fairbanks.

Representative Gara responded that he represented the entire state.

Representative Wilson discussed the reality of the state's restricted budget. She proposed that the committee wait one year to evaluate the bill's success. She wondered if the districts might learn that diminishing federal funds also contributed to school district shortfalls. She expressed discomfort with the amendment and the lack of concrete expectation of state spending. She wished to converse about changes made statewide rather than focusing on separate districts.

[5:31:08 PM](#)

Co-Chair Stoltze stated that the CS, as written would soon comprise 28.2 of the state's total savings over the next decade. He referenced the funding added to the BSA and the popularity of base increases. He pointed out the compounding effect of the increases to the base. He mentioned the bracketing improvements made in the bill which would be diminished by raising the BSA.

[5:35:36 PM](#)

Representative Holmes thanked the chair for the latitude to introduce the amendment at the late hour. She deliberated thoroughly during the process of drafting the amendment. She appreciated the discussion and the CS, but she would like to see the committee increase the BSA.

[5:36:56 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Gara, Guttenberg, Holmes, Munoz
OPPOSED: Neuman, Thompson, Wilson, Costello, Stoltze

The MOTION FAILED (5/5).

[5:38:17 PM](#)

AT EASE

[5:52:09 PM](#)

RECONVENED

Representative Gara MOVED to ADOPT Amendment 18, 28-GH2716\G.8, Mischel, 4/1/14 by Representative Gara, (copy on file):

Page 14, line 21:

Delete "\$5,865"

Insert "\$6,084"

Page 14, lines 24 - 25:

Delete "\$5,923 [\$5,865]"

Insert "\$6,334 [\$6,084]"

Page 14, lines 27 - 28:

Delete "\$5,981 [\$5,923]"

Insert "\$6,584 [\$6,334]"

Page 14, following line 28:

Insert new bill sections to read:

"* Sec. 21. AS 14.17.470 is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is \$6,184 [\$5,680].

* Sec. 22. AS 14.17.470, as amended by sec. 21 of this Act, is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is \$6,434 [\$6,184].

* Sec. 23. AS 14.17.470, as amended by secs. 21 and 22 of this Act, is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is \$6,684 [\$6,434]."

Renumber the following bill sections accordingly.

Page 33, line 29:

Delete "Sections 22 - 24"

Insert "Sections 25 - 27"

Page 33, lines 30 - 31:

Delete "secs. 22 - 24"

Insert "secs. 25 - 27"

Page 34, following line 17:

Insert a new bill section to read:

"* Sec. 57. The uncodified law of the State of Alaska is amended by adding a new section to read:

CONTINGENT EFFECT. (a) Sections 18 - 20 of this Act take effect only if the Twenty-Eighth Alaska State Legislature passes an appropriation bill that becomes law that appropriates at least \$25,000,000 to the Department of Education and Early Development for funding public education as state aid to districts according to the average daily membership for each district adjusted under AS 14.17.410(b)(1), in addition to K-12 support provided under the foundation program.

(b) Sections 21 - 23 of this Act take effect only if the Twenty-Eighth Alaska State Legislature fails to pass an appropriation bill that becomes law that appropriates at least \$25,000,000 to the Department of Education and Early Development for funding public education as state aid to districts according to the average daily membership for each district adjusted

under AS 14.17.410(b)(1), in addition to K-12 support provided under the foundation program.

Renumber the following bill sections accordingly.

Page 34, line 18:

Delete "Sections 22 - 24, 28, 50, and 52"

Insert "Sections 25 - 27, 31, 53, and 55"

Page 34, line 20:

Delete "25, 27, and 33 - 35"

Insert "28, 30, and 36 - 38"

Page 34, line 21:

Delete "19, and 29 - 31"

Insert "and 32 - 34"

Page 34, line 22:

Delete all material.

Renumber the following bill sections accordingly.

Page 34, line 23:

Delete "Sections 37, 40, 43, and 46"

Insert "Sections 40, 43, 46, and 49"

Page 34, following line 23:

Insert new bill sections to read:

* Sec. 62. If sec. 18 of this Act takes effect, it takes effect July 1, 2014.

* Sec. 63. If sec. 19 of this Act takes effect, it takes effect July 1, 2015.

* Sec. 64. If sec. 20 of this Act takes effect, it takes effect July 1, 2016.

* Sec. 65. If sec. 21 of this Act takes effect, it takes effect July 1, 2014.

* Sec. 66. If sec. 22 of this Act takes effect, it takes effect July 1, 2015.

* Sec. 67. If sec. 23 of this Act takes effect, it takes effect July 1, 2016."

Renumber the following bill section accordingly.

Page 34, line 24:

Delete "secs. 54 - 58"

Insert "secs. 58 - 67"

Vice-Chair Neuman OBJECTED for discussion.

Representative Gara explained that the amendment retained the \$25 million in the budget and added \$404 BSA to current law in year one with an additional \$200 BSA added in both year two and three. Evidence suggested that a teacher must teach to the individual, while the common ratio was 35 students to one teacher. He compared crowd control to education in classrooms with many students. He stressed that Alaska had failed to raise the BSA since 2011. He spoke about the schools suffering from layoffs as a result.

Representative Gara explained that the amendment would provide every district in the state ample funds to avoid future cuts and rehire some of the staff lost over the last three years. The amendment would provide money in the out years to prevent cuts. He ranked the prevention of further cuts to education above many of the state's proposed megaprojects. He encouraged care with state spending. He suggested that families would leave Alaska unless the legislature approved increased education funding.

Representative Gara understood the gravity of the proposed request, but he encouraged legislators to reprioritize. He believed that the state required an educational system that reduced class sizes.

[5:59:25 PM](#)

Representative Wilson argued that education funding was increased recently, but the BSA was the last number in the multiplier. She pointed out that \$2.4 billion was spent last year on education. She stressed that while the BSA remained the same, education funding was appropriated in various areas of the budget. She stated that the diminishment of students in some areas resulted in flat spending. She proposed transparency about state spending for constituent purposes. She stated that she would vote against the amendment.

[6:03:00 PM](#)

Representative Guttenberg discussed the need to place funding into the classroom. One-time funding did not accomplish the task. Increasing the BSA would allow the money to be used in the classroom.

[6:04:17 PM](#)

Representative Gara acknowledged that the legislature approved recent increases to education related to the state's unfunded liability. He pointed out the loss of over 600 teachers, guidance counselors, nurses and career counselors. The layoffs outpaced the loss in student counts over the last three years. He noted that the student count remained relatively stable over the last three years. He pointed out that one-time funding did not equal an increase.

[6:08:12 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg

OPPOSED: Holmes, Munoz, Neuman, Thompson, Wilson, Costello, Edgmon, Stoltze

The MOTION FAILED (2/8).

[6:09:25 PM](#)

Co-Chair Stoltze stated that Amendment 21 replaced Amendment 7.

Representative Edgmon MOVED to ADOPT Amendment 21, 28-GH2716\G.24, Bannister/Mischel, 4/2/14 by Representative Edgmon, Representative Gara and Representative Guttenberg (copy on file):

Page 14, line 13:
Delete "1.62"
Insert "1.86 [1.62]"

Page 14, line 14:
Delete "55.8"
Insert "57.2 [55.8]"
Delete "1.49"
Insert "1.71 [1.49]"

Page 14, line 15:
Delete "122.5"
Insert "135.15 [122.5]"
Delete "1.27"
Insert "1.46 [1.27]"

Page 14, line 16:
Delete "218.1"
Insert "244.65 [218.1]"
Delete "1.08"
Insert "1.24 [1.08]"

Page 14, line 17:
Delete "or over [- 400]"
Insert "- 400"
Delete "326.1"
Insert "368.65 [326.1]"
Delete "0.97"
Insert "1.12 [0.97]"

Page 14, line 18:
Delete "["
Delete "471.6"
Insert "528.65 [471.6]"
Delete "0.92"
Insert "1.06 [0.92]"

Page 14, line 19:
Delete "OR OVER"
Insert "or over"
Delete "793.6"
Insert "899.65 [793.6]"
Delete "0.84"
Insert "0.97 [0.84]"
Delete "]"

Vice-Chair Neuman OBJECTED for discussion.

Representative Edgmon discussed the amendment. The amendment proposed a change on page 14, section 17 of the CS. The change equalized the multiplier effect of the formula. He was not confident in the outcome of the amendment. He thought that the issue would reverberate outside of the committee hearing. He supported additional funding for larger schools. He expressed appreciation for the BSA increase in the bill. He was bothered by the issue of breaking down the bill and its innocuous numbers in section 17. Without the amendment, \$13.5 million would be added, of which the largest amount would go to the three largest schools. He disputed the argument that the smaller, more remote schools did not require the additional funding. He asserted that the smaller schools had even greater

funding needs. He acknowledged that families were gravitating to less expensive parts of the state. He understood the fiscal situation faced by the state, but he argued the need for equality for rural Alaskan schools. The amendment would help correct the disparity.

[6:16:26 PM](#)

Representative Guttenberg pointed out that the purpose of adjustment factors was to level the playing field between the urban and rural districts. He appreciated the high cost-of-living in rural Alaska that made adjustments necessary. He appreciated the effort to level the playing field and supported the amendment.

Representative Munoz appreciated the testimony. She asked for an estimate of the fiscal implications of the amendment.

[6:18:28 PM](#)

MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, stated that the amendment changed the number in the multiplier as well as the base. He expressed difficulty estimating a cost without a count of rural schools affected.

ELIZABETH NUDELMAN, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, provided educated speculation. She stated that she reviewed Amendment 7 and found a cost increase of \$25 million to \$30 million range.

Co-Chair Stoltze asked if the estimation was greater than the change from single bracketing.

Ms. Nudelman replied that the CS had a school-size change reflected at \$13 million. She reviewed Amendment 7, which she believed increased the change to \$25 million to \$30 million range.

Co-Chair Stoltze asked if the estimate was in addition to the CS proposal.

Ms. Nudelman replied yes.

Co-Chair Stoltze requested Ms. Nudelman's speculation for Amendment 21.

Ms. Nudelman replied that the estimate might be the same for both amendments.

Representative Munoz asked if the amendment would revert back to the original formula with new adjustments.

Commissioner Hanley concurred. He noted that page 2, of Amendment 21 reinstated the original formula.

Representative Munoz asked if the net impact was approximately \$25 to \$30 million.

Ms. Nudelman expressed discomfort providing further information.

Representative Munoz asked if the \$13 million was no longer a factor with the readjustment to original language using the amendment.

Co-Chair Stoltze understood that the \$25 to \$30 million was added to the original \$13 million.

[6:23:27 PM](#)

Ms. Nudelman stated that the current size chart in statute displayed the \$400 - \$750 at 0.92. The amendment changed the \$400 - \$750 to 1.06, which appeared to increase the last two components.

Co-Chair Stoltze heard two conflicting statements. He asked if Amendment 21 provided \$25 - \$30 million in addition to the \$13 million.

Ms. Nudelman concurred that her best estimation added \$25 - \$39 million to the \$13 million already in the CS.

Co-Chair Stoltze wished to receive the correct estimates for the record.

[6:25:00 PM](#)

Representative Wilson noticed that the multipliers were used per school rather than per district. She sympathized with the amendment sponsor and the difficulty arriving at a

place of equality for rural and urban schools. She apologized that she could not support the amendment. She stated that she would require a fiscal note to determine the exact impact of the amendment before she could support the change.

[6:28:25 PM](#)

Representative Munoz wondered about focusing on the smaller schools with the amendment. She recalled that the removal of the upper categories increased the funding to the larger schools and she wondered if a similar change might allow the same for the smaller schools.

Co-Chair Stoltze stated that the \$13 million covered 80 percent of students.

[6:29:51 PM](#)

Representative Costello clarified that a school with 30 students counted the students as \$55.8 in terms of the BSA. Additional students from 30 to 75 were multiplied by 1.49.

Ms. Nudelman replied yes. The table's size was increased by the base and a multiplier for the number of students above the base with the school size adjusted. Daily membership continued to run through the formula.

[6:31:15 PM](#)

Representative Costello asked if the column under base would change with the amendment.

Ms. Nudelman assumed that base was reset to reflect the higher increment in the multiplier allowing the calculation to be addressed in the same manner as in current statute.

[6:31:54 PM](#)

Representative Costello asked if the base column would change with the adoption of the amendment.

Ms. Nudelman replied yes. The amendment proposed 57.2 leading to a change in the base.

Representative Costello appreciated the amendment. She wished to see the detailed fiscal impact.

[6:32:48 PM](#)

Representative Gara noted that his district received more than their share under the amendment. He expressed willingness to remove the aspect of the amendment allowing the larger schools to receive more than their share. He supported the amendment.

[6:34:17 PM](#)

Representative Edgmon appreciated the discussion. He discussed the age-old argument that dollars cycle in the local communities eventually affects the economy of Southcentral Alaska. He stated that schools in bush Alaska were atrophying. He quoted a letter from a Bristol Bay Borough district regarding the drastic changes made because of diminishing funds including elimination of the art and music teacher, nurses and a full-time physical education teacher. He admitted that enrollment was declining in the district, but if the costs were more favorable, the population would stabilize. He stressed the difficulty of living in the bush. He was unsatisfied with the bill although he did support the increases for larger schools. He recognized the sensitivity of the subject.

[6:37:26 PM](#)

Representative Edgmon WITHDREW Amendment 21.

Representative Munoz wished to work with Representative Edgmon to achieve a similar goal.

Representative Edgmon appreciated the gesture.

[6:38:13 PM](#)

Representative Gara MOVED to ADOPT Amendment 8, 28-GH2716\G.17, Mischel, 4/1/14 by Representative Gara and Representative Guttenberg, (copy on file):

Page 14, following line 28:

Insert a new bill section to read:

"* Sec. 21. AS 14.17 is amended by adding a new section to read:

Sec. 14.17.475. Charter school facility cost adjustment. In addition to other money available

under AS 14.03.260(a), if a charter school operates in a facility that requires a lease payment, the department shall pay to a charter school established under AS 14.03.250 a facility cost adjustment in the amount of 10 percent of the base student allocation under AS 14.17.470, multiplied by the number of students enrolled in the charter school."

Renumber the following bill sections accordingly.

Page 33, line 29:

Delete "Sections 22 - 24"

Insert "Sections 23 - 25"

Page 33, lines 30 - 31:

Delete "secs. 22 - 24"

Insert "secs. 23 - 25"

Page 34, line 18:

Delete "Sections 22 - 24, 28, 50, and 52"

Insert "Sections 23 - 25, 29, 51, and 53"

Page 34, line 20:

Delete "25, 27, and 33 - 35"

Insert "26, 28, and 34 - 36"

Page 34, line 21:

Delete "29 - 31"

Insert "30 - 32"

Page 34, line 23:

Delete "Sections 37, 40, 43, and 46"

Insert "Sections 38, 41, 44, and 47"

Page 34, line 24:

Delete "secs. 54 - 58"

Insert "secs. 55 - 59"

Vice-Chair Neuman OBJECTED for discussion.

Representative Gara noted that charter schools lacked state funding for major school construction. A portion of a charter school student's BSA was allocated toward rent of the facility. Amendment 8 allowed charter schools a 10 percent increase above the BSA for every student to help defray the lease cost. The amendment would allow equity for charter school students.

[6:40:58 PM](#)

Representative Wilson understood that the CS allowed school districts to lease buildings to charter schools. She wondered if a charter school leasing from a school district would qualify for the 10 percent increase.

Representative Gara asked for further details.

Representative Wilson replied that a charter school in her district rented a building from the school district. The school district maintained the building, so she wondered whether the school was eligible for the 10 percent increase.

Representative Gara replied that the increase proposed in the amendment would apply to the charter school in question. He pointed out that a traditional public school did not utilize a portion of their BSA to cover the lease payment. The 10 percent BSA increase would cover the cost of the lease for a charter school regardless of the rental arrangement.

Representative Wilson asked how many students were enrolled in charter schools.

[6:43:44 PM](#)

Co-Chair Stoltze stated that he worked on a similar issue with the Mat-Su Valley Delegation as a fan of charter schools. He recognized that charter schools had bipartisan support with many leaders seeking solutions to the lease issue. He stated that he would vote against the amendment, while continuing to seek a lasting solution.

[6:47:04 PM](#)

Representative Holmes discussed a charter school that was relocated from her district. She felt that the issue was important. She expressed concern about amendment's language and would vote against the amendment.

[6:48:13 PM](#)

Representative Gara appreciated that the committee had similar goals. He acknowledged that the 10 percent increase might be too much.

[6:49:02 PM](#)

Representative Gara MOVED to AMEND Amendment 8 on page 1, line 7, with a change from 10 percent to 4 percent of the BSA.

Co-Chair Stoltze OBJECTED and shared a story about a charter school seeking a greenhouse. He WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 8 as amended was before the committee.

Representative Gara stated that a charter school with 200 students with the 4 percent BSA increase would receive approximately \$4500 to lease their space. He pointed out that the lease cost for his restaurant was approximately \$10 thousand per month. He argued that \$4500 would not compromise an Alaskan charter school. He understood the caution, because with a 10 percent increase some charter schools might have been tempted to overspend.

Co-Chair Stoltze could not verify the number, but the 10 percent increase created a \$2.9 million fiscal note.

Representative Gara explained his calculations and stressed that overspending would not be encouraged by the increase. He expressed his commitment to reduce the lease costs for charter schools in the state.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg

OPPOSED: Munoz, Neuman, Thompson, Wilson, Costello, Edgmon, Holmes, Stoltze

The MOTION FAILED (2/8).

[6:53:06 PM](#)

Representative Guttenberg MOVED to ADOPT Amendment 9, 28-GH2716\G.16, Mischel, 4/1/14 by Representative Gara and Representative Guttenberg (copy on file):

Page 7, following line 23:

Insert a new bill section to read:

"* Sec. 9. AS 14.03 is amended by adding a new section to read:

Sec. 14.03.263. Charter school grant program. (a) A charter school that is established on or after the effective date of this section may receive a one-time grant from the department equal to the amount of \$500 for each student enrolled in the school on October 1 of the first year in which the school applies for the grant. The charter school shall use a grant received under this section to provide educational services. In this subsection, "educational services" includes curriculum development, program development, and special education services.

(b) The department shall establish by regulation procedures for the application for and expenditure of grant funds under (a) of this section.

(c) If the amount appropriated in a fiscal year for the charter school grant program is insufficient to meet the amounts authorized under (a) of this section, the department shall reduce pro rata the per pupil grant amount by the necessary percentage as determined by the department. If a charter school grant is reduced under this subsection, the charter school may apply to the department in a subsequent fiscal year for the balance of the grant amount."

Renumber the following bill sections accordingly.

Page 14, line 23:

Delete "sec. 18"

Insert "sec. 19"

Page 14, line 26:

Delete "secs. 18 and 19"

Insert "secs. 19 and 20"

Page 33, line 29:

Delete "Sections 22 - 24"

Insert "Sections 23 - 25"

Page 33, lines 30 - 31:

Delete "secs. 22 - 24"

Insert "secs. 23 - 25"

Page 34, line 18:

Delete "Sections 22 - 24, 28, 50, and 52"

Insert "Sections 23 - 25, 29, 51, and 53"

Page 34, line 20:

Delete "Sections 16, 25, 27, and 33 - 35"

Insert "Sections 17, 26, 28, and 34 - 36"

Page 34, line 21:

Delete "19, and 29 - 31"

Insert "20, and 30 - 32"

Page 34, line 22:

Delete "Section 20"

Insert "Section 21"

Page 34, line 23:

Delete "Sections 37, 40, 43, and 46"

Insert "Sections 38, 41, 44, and 47"

Page 34, line 24:

Delete "secs. 54 - 58"

Insert "secs. 55 - 59"

Vice-Chair Neuman OBJECTED for discussion.

Representative Guttenberg explained the amendment's intent to aid charter schools with start-up expenses. The amendment would allow a \$500 allocation for each charter school's education services at the inception of the school. The money would provide a mechanism to assist the charter schools in their success.

Representative Munoz supported the amendment. She stated that she was one founder of the Juneau Community Charter School. She recalled reception of a one-time federal grant for the school's set-up costs.

Representative Guttenberg concurred that the federal grant program served a similar need from 1996-2007.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Edgmon, Gara, Guttenberg, Holmes, Munoz
OPPOSED: Wilson, Costello, Neuman, Stoltze

The MOTION PASSED (6/4).

[6:58:29 PM](#)

Representative Gara MOVED to ADOPT Amendment 11, 28-GH2716\G.14, Nauman/Mischel, 4/1/14 by Representative Gara and Representative Guttenberg, (copy on file):

Page 14, line 21, following "\$5,865":

Insert "plus, in a school district where the student-to-teacher ratio has increased by more than half a student between the academic year ending in 2012 and the academic year ending in 2014, \$50"

Page 14, line 25, following "[\$5,865]":

Insert "plus, in a school district where the student-to-teacher ratio has increased by more than half a student between the academic year ending in 2012 and the academic year ending in 2014, \$50"

Page 14, line 28, following "[\$5,923]":

Insert "plus, in a school district where the student-to-teacher ratio has increased by more than half a student between the academic year ending in 2012 and the academic year ending in 2014, \$50"

Vice-Chair Neuman OBJECTED for discussion.

Representative Gara discussed the amendment. The amendment granted an additional \$50 BSA increase to schools with increasing class sizes for the following three years. He mentioned that many state districts experienced increasing teacher/student ratios. He stated that the cost factor would allow the mentioned schools to recuperate losses from the last three years.

[6:59:56 PM](#)

Representative Wilson requested further information. She stated that she did not support the amendment as another creative method of raising the BSA.

[7:01:38 PM](#)

Representative Gara clarified that the funding would not apply to every school district. He mentioned that some school districts had cut back on curriculum, while some district continued unscathed.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg

OPPOSED: Holmes, Munoz, Neuman, Thompson, Wilson, Costello, Edgmon, Stoltze

The MOTION FAILED (2/8).

[7:03:49 PM](#)

Representative Gara MOVED to RESCIND the committee's action in adopting Amendment 6. There being NO OBJECTION, it was so ordered.

Representative Wilson MOVED to ADOPT Amendment 6.

Vice-Chair Neuman OBJECTED for discussion.

[7:04:43 PM](#)

Representative Gara noted that the state's own educational standards were based on the Common Core Initiative's standards. He understood that the amendment discouraged Alaskan school standards that were based on Common Core Initiative standards. The amendment would likely eliminate the state's educational standards. He pointed out the lack of definition of Common Core Initiative standards in the amendment. He believed that the amendment incurred the potential risk of losing the state's educational standards.

Representative Wilson assumed that Representative Gara was speaking about lines 16-18. She disagreed that the state would not be able to implement the Alaska state standards. She understood that Alaska did not incur additional costs as a result of the state standards.

Co-Chair Stoltze announced that he was a co-sponsor of Amendment 6.

Representative Gara agreed with subsection (d), lines 8-12 of the amendment. He expressed concern with lines 17 and 18, which stated that the Department of Education and Early Development could not reconstruct the state's own standards because of the expense involved. He encouraged the sponsor to discuss the matter with the commissioner before the House Floor session addressing the legislation.

Vice-Chair Neuman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 6 was ADOPTED.

7:10:32 PM

AT EASE

7:17:20 PM

RECONVENED

Representative Costello discussed the 13 fiscal notes accompanying the bill. The first from the Department of Education and Early Development showed no fiscal impact. The second fiscal note from Fund Transfers showing a fiscal impact of \$281,447,000 for FY 15 and \$240,188,000 for FY 16, \$245,059,000 for FY 17, \$250,170,00 for FY 18, \$255,539,00 for FY 19 and \$261,027,000 for FY 20.

Co-Chair Stoltze appreciated the audible impact of the fiscal note in contrast to the figures debated during BSA discussions.

7:19:01 PM

Representative Costello continued with the third fiscal note from the Department of Education and Early Development with a fiscal impact of \$80 thousand in FY 15, which would be amended to include \$500 thousand. The remainder of the fiscal note would also be amended.

Co-Chair Stoltze suggested a motion.

Representative Costello MOVED to AMEND fiscal note 3 to reflect the passage of Amendment 9.

Representative Thompson opined that the figure was excessive. He suspected that an indeterminate fiscal note would be more applicable, since the number of aspiring charter schools was unknown.

Representative Costello MOVED to AMEND fiscal note 3 to reflect the true cost. There being NO OBJECTION, it was so ordered.

Representative Gara requested further information about the first fiscal note.

Representative Costello discussed fiscal note 4 from Department of Labor and Workforce Development with the fiscal impact in FY 15 of zero and \$5,533,100 included in the governor's request. The proposed fiscal impact for FY 16 and FY 17 was \$5,533,100, concluding with zero fiscal impact in FY 18, FY 19 and FY 20. Fiscal note 5 from the University of Alaska showed a fiscal impact of \$8,381,300 for FY 15 with \$5,431,800 included in the governor's request. Fiscal years 16 through 20 anticipated \$13,813,100.

[7:22:45 PM](#)

Representative Costello continued with FN 6 from the Department of Revenue showed zero fiscal impact. Fiscal note 7 from the Department of Revenue showed no fiscal impact. Fiscal note 8 from the Department of Education and Early Development showed a fiscal impact of \$1,301,000 for FY 15 through FY 20.

[7:23:51 PM](#)

Representative Costello discussed FN 9 from the Department of Education and Early Development and the impact of \$177 thousand for FY 15 through FY 20.

Representative Costello discussed FN 10 from the Department of Labor and Workforce Development showing a fiscal impact of \$156 thousand in FY 15 through FY 20.

Representative Costello discussed FN 11 from the delineation Fund Transfers with a fiscal impact in FY 15 of \$100 million.

[7:25:16 PM](#)

Representative Costello discussed FN 12 from the State Assistant to Retirement showing a fiscal impact in FY 15 of \$1.4 billion.

Representative Costello discussed the final fiscal note from the Department of Administration showing a fiscal impact of \$610,600 for FY 15, a fiscal impact of \$94,500 for FY 16 and zero fiscal impact in FY 17 through FY 20.

[7:26:10 PM](#)

Vice-Chair Neuman asked about the analysis of FN 4. He disagreed that 5 full-time positions were required to manage 11 schools. He suspected that one full-time position could manage the schools. He was assured by Commissioner Blumer that the reporting requirements would not increase costs.

Co-Chair Stoltze requested an amendment.

[7:30:34 PM](#)

Vice-Chair Neuman MOVED a conceptual AMENDMENT to fiscal note 4. He suggested that the FY 15 appropriation request reflect a negative \$400 thousand, which would allow one full-time personnel to administer 11 grants for approximately \$11 million.

Representative Holmes asked for the years impacted.

Vice-Chair Neuman replied that the change would include FY 15 through FY 17.

There being NO OBJECTION, it was so ordered.

Representative Gara pointed to page 2 of fiscal note 1. He noted that the fiscal cost in column 3 was \$59.8 million. He noted that the total fiscal cost would be approximately \$34 to \$36 million after removal of the \$25 million.

Co-Chair Stoltze stated that Representative Gara's comments would be noted on the record.

Co-Chair Stoltze remarked that the fiscal notes would continue to be adjusted throughout the process.

Vice-Chair Neuman MOVED to REPORT CSHB 278(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Co-Chair Stoltze OBJECTED for discussion.

[7:34:20 PM](#)

Representative Gara stated that if Co-Chair Austerman's version of the distribution of \$25 million through the BSA came to pass, the bill would not meet the deficits of the

schools in the first year of the bill. He understood that everyone worked very hard, but he expressed his concerns.

Co-Chair Stoltze thanked all of the members for their patience during the process.

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

CSHB 278 (FIN) was REPORTED out of committee with no recommendation and with one new zero fiscal note from the Department of Education and Early Development, two new fiscal notes from the House Finance Committee for Fund Transfers, three new fiscal notes from the Department of Education and Early Development, two new fiscal notes from the Department of Labor and Workforce Development, one new fiscal note from the University, one new indeterminate fiscal note from the Department of Revenue, one new zero fiscal note from the Department of Revenue, one new fiscal note from the Department of Administration, and one new fiscal note from the House Finance Committee for State Assistance to Retirement Funds.

Co-Chair Stoltze thanked Representative Munoz for forgoing an important event celebrating a youth hockey development clinic. He noted that he and Representative Munoz co-sponsored the clinic.

Representative Munoz shared that approximately 70 participants enrolled in the successful clinic.

Co-Chair Stoltze noted that it had been a treat for him to help bring hockey to Juneau.

ADJOURNMENT

[7:37:10 PM](#)

The meeting was adjourned at 7:37 p.m.