

ALASKA STATE LEGISLATURE
FREE CONFERENCE COMMITTEE ON HB 278

April 25, 2014

8:14 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Lynn Gattis
Representative Sam Kito III

Senator Kevin Meyer, Chair
Senator Mike Dunleavy
Senator Lyman Hoffman

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Mia Costello

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR SENATE CS FOR CS FOR HOUSE BILL NO. 278(FIN) AM S, "An Act relating to the exemption from jury service for certain teachers; relating to the powers of the Department of Education and Early Development; relating to high school course credit earned through assessment; relating to school performance reports; relating to assessments and accountability standards; providing for funding for Internet services; relating to the secondary school competency examination and related requirements; relating to charter schools and student transportation; establishing a grant program to be administered by the Association of Alaska School Boards for the purchase of student equipment and technology services; establishing a public school grant program for innovative approaches to learning; relating to correspondence study programs, funding, and student allotments; relating to residential school applications; increasing the stipend for boarding school students; relating to school construction bond debt reimbursement; relating to the local contribution to public school funding; relating to funding of and reporting by Alaska technical and vocational education programs; relating to earning high school credit for completion of vocational education

courses offered by institutions receiving technical and vocational education program funding; relating to schools operated by a federal agency; relating to education tax credits; establishing an optional municipal tax exemption for privately owned real property rented or leased for use as a charter school; requiring the Legislative Budget and Audit Committee to provide for studies on the school size factor and the school district cost factor for public education funding and for a study on school staff salary and benefits; requiring the Department of Education and Early Development to report to the legislature on school design and construction; establishing a pilot project for public middle schools; and providing for an effective date."

- MOVED FCCS HB 278 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 278

SHORT TITLE: EDUCATION

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/24/14	(H)	READ THE FIRST TIME - REFERRALS
01/24/14	(H)	EDC, FIN
02/03/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/03/14	(H)	Heard & Held
02/03/14	(H)	MINUTE(EDC)
02/07/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/07/14	(H)	Heard & Held
02/07/14	(H)	MINUTE(EDC)
02/10/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/10/14	(H)	Heard & Held
02/10/14	(H)	MINUTE(EDC)
02/14/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/14/14	(H)	Heard & Held
02/14/14	(H)	MINUTE(EDC)
02/17/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/17/14	(H)	Heard & Held
02/17/14	(H)	MINUTE(EDC)
02/24/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/24/14	(H)	Scheduled But Not Heard
02/26/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/26/14	(H)	Heard & Held
02/26/14	(H)	MINUTE(EDC)
02/28/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/28/14	(H)	Heard & Held
02/28/14	(H)	MINUTE(EDC)

03/05/14 (H) EDC AT 8:00 AM CAPITOL 106
 03/05/14 (H) Heard & Held
 03/05/14 (H) MINUTE(EDC)
 03/07/14 (H) EDC AT 8:00 AM CAPITOL 106
 03/07/14 (H) Heard & Held
 03/07/14 (H) MINUTE(EDC)
 03/10/14 (H) EDC AT 8:00 AM CAPITOL 106
 03/10/14 (H) Heard & Held
 03/10/14 (H) MINUTE(EDC)
 03/10/14 (H) EDC AT 3:00 PM CAPITOL 106
 03/10/14 (H) Heard & Held
 03/10/14 (H) MINUTE(EDC)
 03/11/14 (H) EDC AT 5:00 PM CAPITOL 106
 03/11/14 (H) Moved CSHB 278(EDC) Out of Committee
 03/11/14 (H) MINUTE(EDC)
 03/12/14 (H) EDC RPT CS 2DP 3NR 2AM (CS FORTHCOMING)
 03/12/14 (H) DP: REINBOLD, GATTIS
 03/12/14 (H) NR: SEATON, P.WILSON, SADDLER
 03/12/14 (H) AM: LEDOUX, KITO III
 03/12/14 (H) EDC AT 8:00 AM CAPITOL 106
 03/12/14 (H) -- MEETING CANCELED --
 03/12/14 (H) EDC AT 3:00 PM CAPITOL 106
 03/12/14 (H) -- MEETING CANCELED --
 03/13/14 (H) CS(EDC) NT RECEIVED
 03/13/14 (H) EDC AT 5:00 PM CAPITOL 106
 03/13/14 (H) -- MEETING CANCELED --
 03/14/14 (H) EDC AT 8:00 AM CAPITOL 106
 03/14/14 (H) -- MEETING CANCELED --
 03/14/14 (H) EDC AT 3:00 PM CAPITOL 106
 03/14/14 (H) -- MEETING CANCELED --
 03/17/14 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/17/14 (H) Heard & Held
 03/17/14 (H) MINUTE(FIN)
 03/18/14 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/18/14 (H) Heard & Held
 03/18/14 (H) MINUTE(FIN)
 03/18/14 (H) FIN AT 5:30 PM HOUSE FINANCE 519
 03/18/14 (H) Heard & Held
 03/18/14 (H) MINUTE(FIN)
 03/19/14 (H) REINBOLD CHANGED FROM DP TO AM UC
 03/19/14 (H) EDC RPT CS 1DP 3NR 3AM (CHANGED)
 03/24/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
 03/24/14 (H) <Bill Hearing Postponed>
 03/24/14 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/24/14 (H) Heard & Held
 03/24/14 (H) MINUTE(FIN)
 03/25/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519

03/25/14 (H) <Bill Hearing Postponed>
03/26/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
03/26/14 (H) -- MEETING CANCELED --
03/27/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
03/27/14 (H) <Bill Hearing Canceled>
03/28/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
03/28/14 (H) <Bill Hearing Canceled>
03/31/14 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/31/14 (H) Bills Previously Heard/Scheduled
04/01/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
04/01/14 (H) Heard & Held
04/01/14 (H) MINUTE(FIN)
04/01/14 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/01/14 (H) Heard & Held
04/01/14 (H) MINUTE(FIN)
04/02/14 (H) RLS TO CALENDAR PENDING REPORT
04/02/14 (H) IN FINANCE
04/02/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
04/02/14 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/02/14 (H) Moved CSHB 278(FIN) Out of Committee
04/02/14 (H) MINUTE(FIN)
04/03/14 (H) FIN RPT CS(FIN) NT 1DP 5NR 4AM
04/03/14 (H) DP: COSTELLO
04/03/14 (H) NR: NEUMAN, THOMPSON, EDGMON, T.WILSON,
STOLTZE
04/03/14 (H) AM: GUTTENBERG, GARA, HOLMES, MUNOZ
04/07/14 (H) TRANSMITTED TO (S)
04/07/14 (H) VERSION: CSHB 278(FIN) AM
04/08/14 (S) READ THE FIRST TIME - REFERRALS
04/08/14 (S) FIN
04/08/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/08/14 (S) <Pending Referral>
04/09/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/09/14 (S) Heard & Held
04/09/14 (S) MINUTE(FIN)
04/10/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/10/14 (S) Heard & Held
04/10/14 (S) MINUTE(FIN)
04/10/14 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/10/14 (S) Heard & Held
04/10/14 (S) MINUTE(FIN)
04/11/14 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/11/14 (S) Heard & Held
04/11/14 (S) MINUTE(FIN)
04/14/14 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/14/14 (S) Heard & Held
04/14/14 (S) MINUTE(FIN)

04/16/14 (S) FIN AT 1:30 PM SENATE FINANCE 532
 04/16/14 (S) Scheduled But Not Heard
 04/18/14 (S) FIN AT 1:30 PM SENATE FINANCE 532
 04/18/14 (S) Heard & Held
 04/18/14 (S) MINUTE(FIN)
 04/19/14 (S) FIN RPT SCS 5DP 1DNP 1AM NEW TITLE
 04/19/14 (S) DP: KELLY, MEYER, HOFFMAN, OLSON,
 BISHOP
 04/19/14 (S) DNP: DUNLEAVY
 04/19/14 (S) AM: FAIRCLOUGH
 04/19/14 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/19/14 (S) Scheduled But Not Heard
 04/19/14 (S) FIN AT 1:30 PM SENATE FINANCE 532
 04/19/14 (S) Moved SCS CSHB 278(FIN) Out of
 Committee
 04/19/14 (S) MINUTE(FIN)
 04/21/14 (S) TAKEN UP IN THIRD READING ON 4/21
 CALENDAR
 04/21/14 (S) VERSION: SCS CSHB 278(FIN) AM S
 04/21/14 (H) CONSIDER CONCUR MESSAGE
 04/21/14 (H) FREE CONFERENCE COMMITTEE APPOINTED
 04/21/14 (H) HAWKER(CHAIR), GATTIS, KITO III
 04/21/14 (S) WAIVE UNIFORM RULE 42(A) & (B)
 04/21/14 (S) FREE CONFERENCE COMMITTEE APPOINTED
 04/21/14 (S) MEYER (CHAIR), DUNLEAVY, HOFFMAN
 04/21/14 (S) HB278 AT 9:00 PM BUTROVICH 205
 04/21/14 (S) -- MEETING CANCELED --
 04/22/14 (H) HB278 AT 10:00 AM HOUSE FINANCE 519
 04/22/14 (S) -- Recessed to a Call of the Chair --
 04/23/14 (H) HB278 AT 1:00 PM HOUSE FINANCE 519
 04/23/14 (S) -- Recessed to a Call of the Chair --
 04/24/14 (H) HB278 AT 10:00 AM SENATE FINANCE 532
 04/24/14 (S) -- Recessed to a Call of the Chair --
 04/25/14 (H) HB278 AT 8:00 AM SENATE FINANCE 532

WITNESS REGISTER

MIKE HANLEY, Commissioner
 Department of Education and Early Development (EED)
 Juneau, Alaska

POSITION STATEMENT: Testified during the Free Conference
 Committee hearing on the proposed FCCS for HB 278.

JULI LUCKY, Staff
 Representative Mike Hawker
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Testified during the Free Conference Committee hearing on the proposed FCCS for HB 278.

LES MORSE, Deputy Commissioner
Office of the Commissioner
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Testified during the Free Conference Committee hearing on the proposed FCCS for HB 278.

ACTION NARRATIVE

[8:14:37 AM](#)

CHAIR MIKE HAWKER called the meeting of the Free Conference Committee on HB 278 to order at 8:14 a.m. Present at the call were Representatives Gattis, Kito III, and Hawker; and Senators Dunleavy, Hoffman, and Meyer. Representative Costello was also in attendance.

HB 278-EDUCATION

[8:15:18 AM](#)

CHAIR HAWKER announced that the only order of business would be 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."

[Before the committee was the FCCS HB 278, Version Q].

CHAIR HAWKER directed attention to the work draft, Version Q, before the committee. The Free Conference Committee has dealt with subsequent issues although, several questions still need to be addressed. He asked for further clarification on the

distinction between "residential schools" and "boarding schools."

[8:16:02 AM](#)

MIKE HANLEY, Commissioner, Department of Education and Early Development (EED), noted that previously the department has used the term "boarding schools" and so that term will be referenced in statute; however, the current term is "residential schools." Thus, he thought the terms were used synonymously; however, in further response to a question, he indicated that the department currently uses the term "residential schools."

[8:16:40 AM](#)

CHAIR HAWKER recalled Chair Meyer also has a question on the repeal for the [High School Graduation Qualifying Exam (HSGQE)] exit exam.

CHAIR MEYER related that the exit exam applied to charter schools. He wanted to be certain that "residential schools" would also fall under the same guidelines and policies.

COMMISSIONER HANLEY responded that the HSGQE and the repeal of the exam applies to all schools. Interestingly, charter schools are slightly different and have increased autonomy. He then referred to page [8], line 27, which says that charter schools are exempt from the local school district's textbook, program, curriculum, and scheduling requirements. However, the statute requires students to take the HSGQE, which is referenced separately in order to put some "sideboards" on their autonomy, but again, the HSGQE exit exam applies to all schools and the repeal will also apply to all schools.

[8:19:19 AM](#)

CHAIR MEYER moved to adopt Amendment 1, labeled 28-GH2716\Q.3, Mischel, 4/24/14, which read as follows:

Page 2, lines 8 - 9:

Delete **"the school size factor and the school district cost factor for"**

Page 38, line 12:

Delete "January 1, 2016"

Insert "June 15, 2015"

Page 38, line 20:
Delete "January 31, 2016"
Insert "June 15, 2015"

Page 38, line 24:
Delete "STUDY"
Insert "STUDIES"

Page 38, line 25:
Delete "a study"
Insert "two studies"

Page 38, line 26:
Delete "January 20, 2015"
Insert "June 15, 2015"
Following "entity":
Insert "or entities"

Page 38, lines 29 - 30:
Delete "The study must include consideration of"
Insert "The studies must include, but are not
limited to, consideration of
(1) for the first study,"

Page 38, line 31:
Delete "(1)"
Insert "(A)"
Delete "sustainable"
Insert "predictable"

Page 39, line 2:
Delete "(2)"
Insert "(B)"

Page 39, line 4:
Delete "(3)"
Insert "(C)"

Page 39, line 6:
Delete "(4)"
Insert "(2) for the second study,"

CHAIR HAWKER objected for discussion purposes.

[8:19:34 AM](#)

JULI LUCKY, Staff, Representative Mike Hawker, Alaska State Legislature, identified an earlier concern which is the consolidation of the LB&A reports and to ensure that the reports are due at same time so all the information will be available to the legislature as it moves forward to determine the best school funding method and other decisions.

CHAIR HAWKER interjected and directed attention to page 38 of Version Q to the three reports.

MS. LUCKY said that Amendment 1 will standardize all of the reports, which are all due on June 15, 2015. Beginning on page 38, line 31, Amendment 1 would also bifurcate the study of the policy and methodology from the data. She directed attention to page 38, line 31, through page 39, line 6, to paragraphs 1-3, which comprises one study and paragraph 4 [page 39, lines 7-9], which comprises the second study. She highlighted two word changes to address the concern that the scope might be too narrow. First, "but are not limited to consideration" is inserted on page 38, lines 29-30, which would then read, "The studies must include, but are not limited to, consideration of" Secondly, on page 38, line 31, it would remove, "sustainable" and insert, "predictable."

CHAIR HAWKER asked for comments on whether this language will ameliorate Senator Hoffman's concerns.

SENATOR HOFFMAN answered that it does.

CHAIR HAWKER removed his objection. There being no further objection, Amendment 1 was adopted.

[8:22:21 AM](#)

CHAIR HAWKER directed attention to fiscal notes.

[8:23:06 AM](#)

CHAIR HAWKER said the fiscal notes are largely unchanged from the prior bill. The fiscal notes have been conformed to Version Q, with the biggest change being the rebalancing the amount of money allocated inside the BSA and outside the BSA. He referenced that the fiscal notes are identified by the [OMB Component] number and the page number for each fiscal note. He referred to fiscal note 1, [OMB component number 141 dated 4/23/14], noting the information contained in the narrative shows the BSA increases and the funding outside the BSA [outside

the foundation formula]. He characterized this as splitting the \$300 million appropriation for educational funding equally between inside the BSA and outside the BSA for the next three fiscal years [FY 15, FY16, and FY 17].

[8:24:32 AM](#)

CHAIR HAWKER directed attention to fiscal note 2 [OMB component number 2929, dated 4/23/14], which funds the BSA and outside the BSA, as well as the correspondence school funding increase from 80 percent to 90 percent, and the \$43,998.4 charter school funding within the funding formula. These funds are appropriated into the public education fund and this fiscal note transfers that funding from the public education fund and makes it available each year to fund the expenditures disclosed in the first fiscal note just discussed.

[8:25:20 AM](#)

REPRESENTATIVE KITO III related his understanding that this fiscal note does include the \$25 million in the House version of the operating budget outside the BSA.

CHAIR HAWKER said that that the aforementioned \$25 million no longer exists since the House and Senate versions were adjusted. This fiscal note recognizes the compromises [in FCCS HB 278].

[8:26:02 AM](#)

CHAIR MEYER asked whether Representative Kito III was referring to the governor's \$25 million outside the BSA, which the House increased to \$30 million that is now included in the total.

REPRESENTATIVE KITO III agreed.

CHAIR MEYER referred to the spreadsheet attached to fiscal note 1.

CHAIR HAWKER suggested the committee review all the fiscal notes first and then have Commissioner Hanley speak to the spreadsheet.

[8:26:53 AM](#)

CHAIR HAWKER referred to fiscal note 3 [OMB component number 2796, dated 4/23/2014], which provides the fiscal consequences of establishing the three-year pilot program for middle school

students related to the STEM program [Science, Technology, Engineering, and Math] that incorporates the ANSEP concept. He characterized it as an omnibus fiscal note, which includes replacement of the secondary school competency [exit] exam with the ability to participate in the ACT or SAT, for \$525,000. It also includes the House requested information on performance of students of military personnel for \$80,000 in FY 15 and \$10,000 in outlying years. In addition, it includes the \$500 per student start-up grant for charter schools, the TVEP [Technical and Vocational Education Program] change from .15 percent to .16 percent, and adds the pilot program for middle schools in science and related activities of \$3 million, he said.

[8:28:23 AM](#)

CHAIR HAWKER referred to fiscal note 4, [OMB component number 2737; dated 4/19/14] for \$620,000 [\$620.1] to the Department of Education and Early Development (EED) to fund the prototype for modular schools consistent across Alaska focusing on energy efficiency, common designs with the goal to achieve higher quality school facilities that will require less cost for maintenance and engineering.

[8:29:01 AM](#)

CHAIR HAWKER directed attention to fiscal note 5 [OMB component number 148, dated 4/19/14] related to \$2.2 million for residential schools to raise the funding level to the actual cost of providing boarding school services. He stated that this will provide full funding for the per pupil monthly stipend.

CHAIR HAWKER directed attention to fiscal note 6, [OMB component number 208 dated 4/23/2014] which will provide \$5 million to the Alaska Library and Museums for initial funding to expand broadband Internet services across the state, including participation in a federal program to bring the first 10 megabits of download capability. The federal goal will be to achieve 100 megabits in the near future, he said.

[8:30:14 AM](#)

CHAIR HAWKER directed attention to fiscal note 7, [OMB component number 153, dated 4/24/2014], which accompanies the school debt reimbursement changes. He related that this is indeterminate since it will depend on which districts take advantage of the program.

CHAIR MEYER asked to clarify that this is a credit to the state.

CHAIR HAWKER agreed; stating that this would maintain the 70/30 program as it stands and adjusting the 60/40 program to a 50/50 split, which will place a little more of the burden for educational funding on local communities.

[8:30:52 AM](#)

CHAIR HAWKER directed attention to fiscal note 8 [OMB component number 773, dated 4/24/2014], provides \$650,000 [\$650.0] to the Legislative Budget & Audit Committee, Legislative Audit, to conduct the two previously discussed studies included in Amendment 1.

CHAIR HAWKER directed attention to fiscal note 9 [OMB component number 56, dated 4/24/2014], which provides \$610,600 [\$610.6] to the Centralized Administrative Services for the purposes of conducting a salary and benefits schedule for school districts that includes an evaluation of and recommendations for teacher tenure across the state.

CHAIR HAWKER directed attention to fiscal note 10 [fiscal note number 27, published 4/19/2014], which reflects the changes to the TVEP. It provides additional funding, and recognizes the Ilisagvik vocational technical program in Barrow. It would put all of the university funding into one pool and will eliminate specific earmarks for the individual campuses; however, the programs within the university system have indicated they can have a greater total funding as a result of this methodology. He characterized it as being a restructuring as well as adding Ilisagvik as a recognized entity.

[8:32:19 AM](#)

CHAIR HAWKER directed attention to fiscal note 11 [OMB component number 1296, dated 4/18/14], which recognizes the consolidation of the TVEP program and the additional funding for the program.

CHAIR HAWKER summarized that these 11 fiscal notes which accompany the proposed FCCS for HB 278 total approximately \$300 million, based on the estimated student enrollment for the next three years. The aggregate \$300 million represents \$100 million per year for the next three fiscal years.

CHAIR MEYER, referred to the fiscal note 1 spreadsheet and pointed to Anchorage as an example, and asked for further

clarification that the total amount the Anchorage School District will receive is \$24,438,413 for FY 15.

[8:33:24 AM](#)

LES MORSE, Deputy Commissioner, Office of the Commissioner, Department of Education and Early Development (EED), agreed.

CHAIR MEYER asked for further clarification on how the breakout works between charter schools, correspondence schools, and neighborhood schools.

MR. MORSE answered that charter school funding is an indication of an increase relative to the change in size factor for charter schools. He related that any district affected by that change is noted in the spreadsheet. He then offered to provide a clean spreadsheet to the committee.

CHAIR MEYER asked whether Juneau and Kenai are the only school districts affected by this.

MR. MORSE answered that under the current enrollments those were only two school districts affected in the current calculation; however, other districts could be affected in the future.

[8:36:07 AM](#)

CHAIR MEYER questioned whether dropping the enrollment to 75 students may affect other school districts in the future.

MR. MORSE responded any change would be funding rolled into the formula funding. He offered his belief that the spreadsheet represents a pretty accurate picture of the future. He acknowledged that if there are new charter schools it will have an impact; however, there would also be an adjustment in the amount of funding to the district since the students will be funded through the charter schools. Although it is difficult to predict the future, these figures are accurate for the current look of charter schools throughout the state, he said.

[8:37:15 AM](#)

COMMISSIONER HANLEY said that largely the impetus behind this is the recognition that it is a challenge for some districts to reach 150 students for full funding, especially in smaller communities. He said that Anchorage may have been less interested in starting a charter school with less than 150

students since the funding would have been less. However, now that funding will be the same for charter schools with 75 students, there may be new charter schools because of the additional funding.

CHAIR MEYER asked whether most charter schools are calculated differently than neighborhood schools.

COMMISSIONER HANLEY acknowledged that charter school budgets are handled differently. He suggested that significant language in HB 278 speaks to that since the current statutory language relates that the budget for a charter school shall not be less than the amount generated by the students enrolled in the charter school. He characterized it as being a contract between the district and the charter school, but the budget needs to reflect at least the amount of money generated by the students. He pointed out significant clarifying language exists, but typically, for a neighborhood school, the district has a big pot of funding which is distributed. Charter schools have autonomy, but have parameters on the amount of funding that should be generated. Thus, it is a different structure, he said.

CHAIR MEYER expressed concern that some of the funds might not be following the child to the charter school.

COMMISSIONER HANLEY agreed. He said the governor started the conversation, but the legislature wanted equity for students.

CHAIR HAWKER said fiscal note shows that the \$500 per student start-up grant will also follow the students.

COMMISSIONER HANLEY agreed that the one-time \$500 per student start-up grant will also follow the students.

[8:40:05 AM](#)

CHAIR MEYER pointed to correspondence schools, noting that Anchorage School District has a \$500,000 increase. He noted that Galena [City School District], heavy with correspondence schools will receive \$2 million in funds and the Matanuska-Susitna [Borough School District] will receive over \$1 million. He asked for further clarification on how correspondence school funding is calculated. He said his interest is that currently, Anchorage had a deficit of \$21 million so he assumed the \$24 million in funding would cover the deficit. However, after speaking with the finance section of the Anchorage School District, he questioned whether it would be enough funding since

charter schools and correspondence schools are factored differently.

COMMISSIONER HANLEY, referring to the spreadsheet, pointed out the column [labeled FY 2015 [Correspondence] adjustment from .80 to .90] reflected the increase from .80 to .90 so it represents the number of students multiplied by the factor for every school district that has correspondence programs. Previously, Mr. Teal presented information on the entire funding formula. He said that correspondence students are limited to the BSA component, which previously was .80 of \$5,680. Now that it has been raised to .90, it will be .90 of \$5,680, which is the funding that will go straight to the district. Again, these schools are public schools and district schools and the local district will ultimately determine how to support their correspondence school students.

[8:42:06 AM](#)

CHAIR HAWKER noted that the funding [for FCCS HB 278] uses an unusual process since the legislature is in special session and the operating budget has been closed out. He emphasized that these figures represent operating budget expenditures, but the legislature will include an appropriation for the operating budget to accommodate the fiscal notes for FCCS HB 378 in the capital budget.

[8:42:49 AM](#)

CHAIR MEYER moved to adopt the fiscal notes as presented, noting the funding will be an operating budget appropriation included the FY 15 capital budget. SB 119.

CHAIR HAWKER objected for discussion purposes.

[8:43:21 AM](#)

CHAIR HAWKER removed his objection. There being no further objection, fiscal note was adopted.

[8:43:38 AM](#)

REPRESENTATIVE KITO III highlighted some concerns. At the time HB 278 passed the House, he had expressed concern regarding the tax credits during the floor debate. Those provision were also contained in the Senate version of the bill. Thus, he still has the same concern about the Senate provision, on page 11, related

to the student allotments, in which parents or guardians can purchase non-sectarian services and materials from a private, public, or religious organization. He questioned whether this language raises a constitutional issue. He asked to have his concerns placed on the record.

CHAIR HAWKER acknowledged his concerns.

[8:44:47 AM](#)

CHAIR MEYER asked his members to indicate whether they were comfortable with the language in the proposed FCCS for HB 278.

[8:44:59 AM](#)

SENATOR DUNLEAVY asked for further clarification that the language discussed in the past few days is contained in the proposed Version Q, with the exception of Amendment 1 adopted today.

CHAIR HAWKER said that the Free Conference Committee would be adopting Version Q, which was changed by Amendment 1. The fiscal notes will be attached, he said.

[8:45:47 AM](#)

SENATOR HOFFMAN said he appreciated the bifurcation of the studies. He expressed concern with the timeframe being reduced by six months. He offered his belief that this might place some burden on the Legislative Budget and Audit (LB&A) committee.

CHAIR HAWKER appreciated his willingness to find accord.

CHAIR MEYER said he thought this bill represented a good compromise. He acknowledged that he spoke to his school district's finance personnel, noting he preferred the Senate numbers; however, he characterized the proposed FCCS for HB 278 as a good compromise and one that represents a good package that offers incentives for innovation and reform. He further remarked that he believed the committee process worked effectively this legislative session.

[8:47:51 AM](#)

CHAIR MEYER moved that the Free Conference Committee for HB 278 recommend the House and Senate adopt the proposed free conference committee substitute (FCCS) for HB 278, Version Q,

labeled 28-GH 2716\Q, Mischel, 4/23/14, as amended, with the attached fiscal notes.

CHAIR HAWKER reiterated that the motion is to adopt a recommendation for the House and Senate to adopt the FCCS for HB 278, as amended, with the attached fiscal notes.

REPRESENTATIVE HAWKER objected for discussion purposes.

SENATOR HOFFMAN asked whether the objection to Amendment 1 has been withdrawn.

CHAIR HAWKER was unsure, but removed his objection to Amendment 1 [which had previously been removed].
[The FCC treated it as though the objection to adopting the FCCS for HB 278 had been removed.]

[8:49:07 AM](#)

A roll call vote was taken. Senators Hoffman, Dunleavy, and Meyer and Representatives Gattis, Kito III, and Hawker voted in favor of the House and Senate adoption of the proposed free conference committee substitute (FCCS) on HB 278, Version Q, labeled 28-GH 2716\Q, Mischel, 4/23/14, as amended, with the attached fiscal notes. Therefore, the FCCS HB 278 was reported out of the Free Conference Committee on HB 278 by a vote of 6-0.

[8:50:21 AM](#)

ADJOURNMENT

There being no further business before the committee, the Free Conference Committee meeting on HB 278 was adjourned at 8:50 a.m.