

SENATE FINANCE COMMITTEE
April 11, 2014
4:29 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 4:29 p.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Michael Hanley, Commissioner, Department of Education and Early Development; Elizabeth Nudelman, Director, School Finances and Facilities, Department of Education and Early Development; Bruce Johnson, Executive Director, Alaska Council of School Administrators; Ron Furrer, President, NEA-Alaska; Norm Wooten, Director, School Improvement and Governmental Relations, Association of Alaska School Boards, Juneau; Dr. Bob Urata, American Heart Association, Juneau; Michael Patterson, Self, Juneau; Lincoln Bean, Alaska Native Health Board, Kake; Emily Nenon, Director, Alaska Government Relations, American Cancer Society Cancer Action Network; Senator Peter Micciche.

PRESENT VIA TELECONFERENCE

Sunni Hilts, President, Association of Alaska School Boards, Seldovia.

SUMMARY

SB 209 REGULATION OF SMOKING

SB 209 was HEARD and HELD in committee for further consideration.

CSHB 278(FIN) am
EDUCATION

CSHB 278(FIN) am was HEARD and HELD in committee for further consideration.

#hb278

CS FOR HOUSE BILL NO. 278(FIN) am

"An Act increasing the base student allocation used in the formula for state funding of public education; 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; establishing a public school and school district grading system; relating to charter schools and student transportation; relating to residential school applications; relating to tenure of public school teachers; relating to 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 schools operated by a federal agency; relating to a grant for school districts; 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 Department of Administration to provide a proposal for a salary and benefits schedule for school districts; making conforming amendments; and providing for an effective date."

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MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, relayed that department staff Elizabeth Nudelman would walk the committee through the Department of

Education and Early Development (DEED) current bond debt reimbursement program.

ELIZABETH NUDELMAN, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, communicated that the DEED debt reimbursement program was included under AS 14.11.100. She detailed that as of January 30, 2014 there was approximately \$1.7 billion in school construction and major maintenance debt that had been used to construct, build, and repair the state's schools. Based on the current reimbursable rates, the state's share was approximately \$1.1 billion. She explained that the program was funded on an annual basis with operating budget funds; the current operating budget included approximately \$127 million for the program.

Ms. Nudelman discussed the two rates that were reimbursable by the state under the debt program. She elaborated that a municipal school qualified for a 70 percent reimbursement rate when it built within the maximum allowable square footage in regulation for the program. Alternatively, the 60 percent reimbursement rate applied to projects that did not meet the square footage calculation.

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Co-Chair Meyer asked how much had been spent on the 60 percent/40 percent (60/40) program. He asked for verification that the state had little, if any control over the program.

Ms. Nudelman replied that the 60/40 program had more flexibility and less criteria than the 70 percent/30 percent (70/30) program. Both rates had statutory requirements related to the refunding of bonds and requiring bonds to be sold over a period of at least ten years. Additionally, both rate programs districts were required to maintain their preventative maintenance program. The 70/30 program had additional requirements including space and designating need in other categories. She referenced a handout in members' packets titled "Alaska Statute 14.11.100 State Aid Costs of School Construction Debt" (copy on file). The handout showed that for the past 3.5 years \$510.5 million was 70 percent debt and \$139.6 million was 60 percent debt.

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Senator Dunleavy communicated that he was a member of the committee that dealt with school construction. He recalled prior discussions related to the amount of outstanding major maintenance on the state's public school buildings. He noted that the figures were not precise, but costs were estimated to be upwards of \$2 billion. He addressed the life expectancy for some of the buildings. For example, the construction of a school in rural Alaska may cost \$60 million due to location, weather, and other. He questioned how long the school would last. He believed the life of some of the schools was 30 years. He observed that cost outweighed benefit in those situations. He commented on DEED's implementation of a major maintenance program in the past several years; however, there may not be a systematic method of continually upgrading and dealing with the buildings.

Senator Dunleavy believed it was pertinent to consider whether the 70/30 debt reimbursement was something the state wanted to continue. He wondered if the state needed to look at the concept of prototypical school design in order to save money on design and engineering. He thought the state should contemplate how it wanted to view, build, and locate buildings. He suggested that in some rural locations it may be more cost-effective to build one school for several communities that were in close proximity to one another. He stressed that currently the state currently churned out schools every year, but their longevity was not known. He stated that the legislature was responsible for establishing and maintaining a public school system. He believed the issue required consideration.

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Co-Chair Kelly appreciated the comments of Senator Dunleavy. He was disturbed that the legislature had discussed the issue many times, but had never taken any action. He surmised that the Alaska Housing Finance Corporation (AHFC) or another state housing/construction entity could conduct a study on how the state built schools. He thought it was possible to provide funding in the current year to have the issue studied.

Senator Dunleavy commented on the complexity of building a school. He pointed to statutory mandates to put art in schools, design committees comprised of community members, and other. He observed that there was a system of regulations and laws embedded in the process. He believed determining what laws currently required would enable the legislature to identify laws and processes that needed to be changed in the future.

Co-Chair Meyer asked Commissioner Hanley to provide additional comments on school construction. Commissioner Hanley recognized the challenge facing the state. He relayed that there were over 500 buildings that were largely supported/funded by the state. He agreed that how the schools were designed and developed was complex; there was not a simple fix. He surmised that it would take direction to find a solution to the components currently in statute and the way the schools were currently built. He discussed the state's responsibility to keep the schools in place and safe. He communicated that some schools lasted for 30 years, while others only lasted 15 to 20 years. He believed another part of the conversation revolved around finding a way to incentivize and find needed resources for maintenance. He noted that the maintenance expertise around the state was not equal; some communities may not have a person with the skills needed to maintain a \$30 million building. He believed the state may want to consider how to incentivize and support high quality maintenance.

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Senator Bishop agreed with the previous comments. He believed that schools should be built to last 50 years. He opined that a lifespan of 15 to 30 years was unacceptable. He recalled the remodeling of a territorial high school in Southeast; subsequently, it had become a great school. He thought the school may be good for another 20 to 30 years.

Senator Hoffman noted that local hire encouraged students to take better care of schools when they had a sense of ownership over the facilities. He discussed his chairmanship of the Bethel Native Corporation Board. The corporation had built schools and other projects and aimed to have a minimum of 50 percent local-hire. He acknowledged that constitutionally Alaska-hire could not be included in contracts, but he thought that incentive to hire in-state would help to give communities a sense of pride in their

schools. He believed when parents worked on the schools the schools were better maintained.

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Senator Bishop commented that the Department of Labor and Workforce Development had a provision where 90 percent local-hire could be encouraged if the project used 100 percent state funding. He agreed with Senator Hoffman's comments.

Vice-Chair Fairclough observed that two issues were currently before the committee. The first was related to the 70/30 and 60/40, which was encouraging debt in the larger communities. She discussed reasons project costs may be higher than normal. She believed a conversation should take place about whether debt should be encouraged and whether the state should continue to encourage debt to refurbish some of the communities that had the ability to tax themselves. She reasoned that if a change was made there could be more application for the state grant proposal that had been blocked by the Kasayulie case [1997 Kasayulie v. State] due to need in rural Alaska. She remarked that the state was currently in transition and was considering a substantial draw from savings to tide it over. She did not believe local communities should be encouraged to take on more debt. She encouraged the state to consider buying down the debt to relieve some of the responsibility to make room in local budgets. She opined that the 70/30 and 60/40 loans were encouraging voters to approve bonds that had \$0.30 on the \$1.00, which property tax paid for. She did not mean to say she would not pay more as a property tax payer. She believed there was a different perspective if someone was paying every \$1.00 for the construction; it would be challenging for school districts to bring a dollar-for-dollar payment before voters.

Vice-Chair Fairclough addressed the second longer-term issue, which related to what the schools the state financed should look like. She discussed that schools in rural communities were actually community centers. She observed that the state failed to recognize that the schools may be emergency shelters, food distribution centers, and a community's only library. She agreed with a prototype approach, but believed dialogue was needed pertaining to square footage allotments for the schools. She opined that

it would be nice to have a separate door for health aide nurses to allow for private entry into the office and for school nurses to share the office separated by a partition. She suggested working with cold climate research to determine the appropriate weatherization on some of the facilities. She reiterated that the debt financing should be discussed by the legislature.

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Co-Chair Meyer addressed prior conversations related to the debt ratios. He noted that in some ways DEED liked the 70/30 because the department had to agree to the debt prior to taking it on. He recalled that the commissioner had relayed the debt had been a useful tool to help complete school maintenance. Whereas, the 60/40 provided less control for the state and more flexibility for local municipalities, which meant the municipalities may not be using the money for things the state would like. He wondered if the commissioner would rather see a ratio of 50/50, 40/60, or other.

Commissioner Hanley referenced the handout titled "Alaska Statute 14.11.100 State Aid for Costs of School Construction Debt" (copy on file). He pointed to the second bullet point on page 2 related to the 70 percent reimbursement. He relayed that to be eligible for the 70 percent reimbursement a municipality was required to demonstrate need [for the project] and to fit within the space requirements. He relayed that the requirements did not apply to the 60 percent reimbursement rate; the 60 percent reimbursement had less oversight and accountability for the space. He could speak to the fiscal aspects of the 70 percent, but it was difficult to speak about how it impacted communities, the value it held, and a community's ability to maintain its schools. He communicated that at the 60 percent rate the state still had significant buy-in, but with little say; the facilities were typically outside the square footage requirements and had not demonstrated need.

Commissioner Hanley directed the committee's attention to page 3, which contained a list of projects. He detailed that just because a project fell under the 60 percent eligibility and did not have to demonstrate need did not mean it was a bad project. He remarked that in a summary level conversation he would be much more comfortable

reducing the amount in the 60/40 reimbursement rate than in the 70/30 rate simply because there was no identification of need. He believed it was important to consider what the impact of reducing the rates would be. He thought that a significant reduction would mean some projects would not come forward any longer. He reasoned that there also may be increased efficiencies in designs. He hypothesized that if a school district was receiving less than 70 percent maybe some of the extra features should be excluded. He suggested that a more modest design may be available without the other prototypical models in place; he was not suggesting cutting down on quality. He reiterated that in the future project requests may be reduced because due to a lack of affordability. Additionally, more modest requests may increase because more responsibility was falling to the local municipalities.

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Vice-Chair Fairclough requested when the applications were received and how the state committed to projects. She wondered when the department would implement any potential change to the reimbursement rates if approved by the legislature. She noted that Anchorage had recently had a bond package; page 5 of the handout included a notation that FY 15 debt projects for Anchorage [at 60 percent] were not included in the figures listed because they were not voter approved, but had been approved by the department.

Ms. Nudelman replied that applications could be received throughout the year for the debt program. She believed that if any changes were made, the wording and structure of statute would need to be designed to capture any outstanding projects that had been approved or were in the queue. She reasoned that if a change was made it would identify the timelines for implementation.

Vice-Chair Fairclough emphasized that an effective date needed to be determined if a change was made in order to avoid a rush to get bonds included on a November 2014 ballot. Alternatively, the state could allow the rush to go forward with the knowledge that its annual debt payment would increase. She referred to Commissioner Hanley's testimony that \$127 million of annual debt payments from the state supported the \$1.1 billion in debt carried at a local level. She asked the committee to consider that in 2015 the state would begin analyzing the debt that should

go on the balance books of cities across the state. She noted that school districts were part of the financial picture in some cases. She referred to Anchorage's enterprise funds and relayed that when the debt allocation went into effect on of the state's fiscal "houses" would go upside down; the debt owed in the Public Employees' Retirement System (PERS)/Teachers' Retirement System (TRS) calculation would be greater than the assets, which would impact the leverage of its ability to bond. She referred to her prior suggestion to buy down some of the local debt to avoid a reduction to cities' credit rating.

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Co-Chair Meyer inquired if the state placed limits or caps on municipalities, school districts, or specific projects. Ms. Nudelman replied that there were no currently no statutory limits or caps on the debt program. She detailed that at times over the past 25 years limits or caps had existed. Cost estimates were done at the municipal or school district level for specific projects and were forwarded to the department for review. She expounded that costs were generated based on professional estimates. Typically large communities such as Anchorage managed their levels of debt (as projects were completed, new projects were brought on).

Senator Dunleavy commented that a building constructed in Constantinople in the year 537 was still in use at present. He remarked that a building that deteriorates in 20 years was often considered a consumable structure; it was not looked at as an investment. He believed the bill provided an opportunity for the state to reinvent how it looked in the future. He pointed to opportunity for public/private partnerships. He referred to requests for building funds from charter schools. He thought the bill may provide an opportunity to change the paradigm. He noted that the legislature may come up with funds for rent or lease offsets. He concluded that there would be an opportunity for various things, which would not be completed in one year; the new direction could potentially save the state significant money while ensuring adequate buildings for students in the future.

Ms. Nudelman continued with her presentation. She pointed out that under the 70 percent debt reimbursement program, many of the projects were aimed at increasing the lifespan

of buildings. She explained that major maintenance for items such as roofs were part of the debt reimbursement program. She referred to information she had provided to the committee including total debt, the state's share of the debt, and the annual cost that ran through the state's operating budget out to the school districts. The final page of the handout included a breakout by school district.

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Co-Chair Meyer commented that a couple of years earlier a change had been made to mill rates. He referenced public testimony requesting an increase in flexibility for local communities. He expressed frustration that the state had made the change to mill rates; however, it had been criticized for not funding more. He communicated that the state had picked up significant responsibilities of the municipalities including school construction, PERS/TRS, and the change in mill rates. He asked for an explanation of the mill rate process.

Ms. Nudelman replied that years back the mill rate had been set at a local minimum requirement that school districts would contribute 4 mills of the assessed value for their community as a minimum local effort to the school district. She detailed that 10 to 12 years ago there had been a change to statute, which provided that as assessed values increased the required contribution would be half of the increase. Over time, as communities grew, the mill rates for the required local contribution across Alaska began to decrease from the 4 mills down to 2.65 mills at the lowest contribution level (there were various mill rate levels across the state including 3.2, 2.9, and other). She elaborated that the required local contribution was smaller in mill rate, but not in actual dollars. She communicated that a couple of years back legislation had used the lowest mill rate of 2.65 for the foundation program for the minimum required local effort for all districts except for three (that had a different convention due to tax base). Additionally, the legislation had eliminated the statutory language allowing for a 50 percent reduction as the assessments grew. In order to set the mill rate at 2.65 the state had picked up the remaining share (the cost represented \$1 million for some municipalities); the total cost to the state was \$20 million.

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Co-Chair Meyer noted that theoretically under the old method, there would be \$20 million in savings to the state that could be put in the Base Student Allocation (BSA) to equate a \$100 per child increase. Ms. Nudelman indicated yes, and clarified that savings under the rates from 2 years back would be \$20 million; savings would vastly exceed \$20 million under the rates used 20 years earlier, before the rate started dropping.

Co-Chair Meyer asked for verification that the mill rate of 2 years ago had been set at 2.9. Ms. Nudelman confirmed that the average was approximately that.

Co-Chair Meyer wondered aloud if the savings to each community was in the millions, and speculated that Anchorage had a savings of \$7 million.

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Co-Chair Meyer inquired about the commissioner's thoughts on the bill itself, including areas of concern or for adjustment. Commissioner Hanley responded that there were several things the governor wanted included that had been removed from the bill on the House side. He noted the removal of the boarding school/residential school stipends. There was a suggested increase to reflect the true cost of these schools; the same increase that was before the legislature the previous year and was also included in SB 113 [2014 legislation sponsored by Senator John Coghill related to increasing the stipend for boarding school students.]

Commissioner Hanley stated that the other area of concern was a size factor for charter schools - when the enrollment dropped below 150, the funding level drops slightly to 95 percent. By changing the enrollment number to 75, schools could remain at the full funding level. The change would particularly affect small communities and would make it more feasible to have smaller charter schools.

Commissioner Hanley stated that the third component was the inclusion of the SAT/ACT; in addition to the WorkKeys assessment system, it would allow students a choice and give them a score that would not only qualify them for the Alaska Performance Scholarship but also would enable them to get into a college of their choice.

Co-Chair Meyer asked whether that would go along with eliminating the high school exit exam. Commissioner Hanley responded in the affirmative and noted that ultimately they would like to see the repeal of the High School Graduation Qualifying Exam (HSGQE). The HSGQE repeal would be a decrement of \$2.7 million, and would cover the cost of approximately \$500 thousand for the SAT/ACT.

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Senator Hoffman requested a brief description of the eliminated provisions, as well as why they were removed. Commissioner Hanley noted that the components were removed in a committee substitute rather than through amendments in committee, so there was no chance to see the impacts directly. He concluded that the concerns had related to fiscal components.

Senator Olson expressed concern that the governor had not included any funding for the major maintenance of schools to enhance longevity. Commissioner Hanley responded that there had been an ongoing conversation with Governor Parnell, and there was a list of expenditures to consider. He postulated that it had been the intent of the governor to put something forward that was fiscally responsible, in hopes that the legislature would weigh in on areas of needed maintenance.

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Senator Olson commented that the fiscal responsibility seemed somewhat lacking if the current buildings were not being maintained. He opined that the Commissioner's explanation was a poor characterization of the missing maintenance items.

Senator Hoffman agreed with Senator Olson and noted that there seemed to be selective decision making when there was money in the budget for deferred maintenance for the University of Alaska and other facilities throughout the state, yet the only area that did not receive a major component was schools.

Senator Dunleavy referred back to the subject of the HSGQE and mentioned recent testimony by former Alaska State Senator Con Bunde, who had been instrumental in its creation. He inquired if it had been the intent to

eliminate the exit exam as part of the diploma-granting process, or rather to eliminate the test itself because it was outdated. Commissioner Hanley replied that the intent had been a little bit of both. When the HSGQE was originally put into place, it was a primary evaluative tool to measure student progress and preparation. In the years since, other measures had been developed including formative assessments that guide instruction. Commissioner Hanley further opined that the state still had the same remediation needs which were originally a motivating factor for development and implementation of the test. Further, it had not been a good indicator of graduation outcomes or success following high school.

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Senator Dunleavy inquired as to how the DEED would know that a graduating senior was ready to leave the system. Commissioner Hanley responded that the department relied heavily on the school districts to determine preparation through course grades and credit requirements.

Senator Dunleavy inquired if the HSGQE was put in to place as a result of any federal compliance issues such as No Child Left Behind (NCLB) funding requirements. Commissioner Hanley replied no, only half of the states had a high-stakes exam such as the HSGQE.

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BRUCE JOHNSON, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS (ACSA), spoke to four components of HB 278. He stated that the council was supportive of course credit mastery, but limited to subject areas that were more easily assessed by conventional exams (math, English, science, social studies and world languages). He cited the difficulty of assessing areas that involve more subjectivity and how it subsequently creates a challenge to maintain equitable treatment for all students throughout the districts and state. He reiterated support for the credit component of the bill and further explained it would help students move forward more quickly in their education and perhaps even move into earning dual credit. He spoke to

school and district designations and stated that the ACSA supports the current star rating system; he noted that it was new and still being tried out. He also noted its efficacy and characterized it as being about continuous progress. He stated the ACSA was split on the issue of teacher tenure; in part it was reconciled by the other body as they considered school municipalities, first-class cities, and Rural Education Areas under 5,500 population to be able to grant tenure in three years and the other districts would then move to five. The rationale is one of recruitment. He noted that some ACSA members believe many new teachers are unconcerned with retirement during their first years of work.

Mr. Johnson noted that the ACSA had heard from large population districts that it would be helpful to have extra time with tenure, particularly with hard to fill positions and unique circumstances. He went on to describe a concept they had discussed under which tenure would not be granted until after the third year (which takes care of districts that are involved in municipalities and first-class cities under 5,500); other districts could grant tenure after the third, fourth, or fifth year depending upon individual growth of the teacher. The value added is the extra time in which to evaluate teacher growth. He cited an illustrative example of two special education teachers who had not been retained after their third year for reasons of imposed tenure consideration despite uncertainty about the capability of the employee. He concluded that the concept could work in Alaska, and had been considered by some of the council members.

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Mr. Johnson addressed the subject of funding and related that the ACSA was cognizant about Alaska's changing fiscal future and the importance of using the state's funds in the most advantageous way to improve education for all kids. He noted that ACSA membership preferred the money within the BSA for obvious reasons. The organization appreciated funds outside the formula, honored the unique circumstances of school districts, and put the money through the formula as funds were awarded. He went on to relate that school districts have looked at potential cost savings with the insurance health pool, including 100 percent of school districts participating. He noted that this was an example of their commitment to cost saving measures, and that the

ACSA was open to exploring new approaches and would work with the legislature to explore possibilities in light of the fiscal situation.

Senator Dunleavy inquired as to where the ACSA stood on the tenure issue. Mr. Johnson responded that the council agreed with the three-year span in small/rural districts - the districts thought this was necessary in order to attract individuals to their district with the potential of achieving tenure more quickly. He noted that many of the larger districts preferred a longer time frame, which could be a helpful tool in some situations.

Senator Dunleavy inquired if they would support a statewide salary study as well as a healthcare study. Mr. Johnson responded that the ACSA was ready to explore any of those possibilities. He also noted that he knew the committee had communicated that if there were not cost savings and the proposed element was not a good idea, it would not be implemented.

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RON FURRER, PRESIDENT, NATIONAL EDUCATION ASSOCIATION-ALASKA (NEA), related that he had nothing to add to his prior testimony, but that he was ready to answer questions.

Co-Chair Meyer noted that Vice-Chair Fairclough had several questions.

Mr. Furrer hoped that the committee had a copy of a document dealing with teacher terminations [NEA Teacher Tenure Chart, dated April 10, 2014 (copy on file).] Co-Chair Meyer noted that the committee did have the document in question.

Vice-Chair Fairclough inquired about NEA's position on tenure, and noted that Mr. Furrer had gone quickly through his testimony. Vice-Chair Fairclough reiterated some of the items she thought he addressed, but asked for more clarification. She further asked Mr. Furrer if there were specific things he did not like in the bill and to propose an option for fixing any problems being addressed.

Mr. Furrer replied that NEA-Alaska believed that the current tenure process was not broken. He was aware that some think that tenure must be given or denied after three

years; however, he disagreed. He had worked with several teachers that did not meet or exceed the state standards after three years. The teachers had been put on a plan of improvement and had another year to show they could perform. He noted that when Alaska was recruiting teachers, it would be difficult to get a teacher to consider Alaska with one of the highest tenure laws in the nation. He related that the defined contribution plan was another disincentive. He referred to some statistics from the Alaska Retirement Management Board, citing that since July 2006, Alaska had hired 3,037 teachers. However by June of 2012, only 632 of those teachers had stayed in Alaska for more than five years; about a 20 percent retention rate. Of the 12,297 PERS employees hired in the same period, only 989 stayed for five years or more, which represents a retention rate of approximately 8 percent. In the last two years defined contribution employees who had left public employment, in both PERS and TRS, have withdrawn almost \$33 million from the system, much of which has left the state. He stated that according to the rules of the defined contribution plans, at the end of five years, public employees as well as teachers can take 100 percent of what they contributed to the plan and 100 percent of what the employer has contributed. He characterized the issue as "a merging of disincentives," and noted that having the ability to attract and retain the best and brightest teachers was the primary reason for the concern regarding moving to a five year tenure.

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Vice-Chair Fairclough referred to Section 30 through 41 of the bill and asked Mr. Furrer if he wanted to expand on his testimony regarding expanding tax credits to K-12 for public or private non-profit agencies or schools. Mr. Furrer noted that in the current and previous sessions there had been concerns regarding public monies and private institutions; the NEA wondered if for-profit companies were getting a tax credit for monies that went to private institutions or K-12, and expressed its concerns about the constitutionality.

Co-Chair Meyer thought that he recalled that the state currently allowed tax credits for vocational technical education in high school and post-secondary. Senator Dunleavy noted that that was correct, and that the Governor

is adding some additional recipients of the tax credits in his bill.

Co-Chair Meyer inquired if any state had zero tenure in its system. Mr. Furrer replied that Washington D.C. was the only state he could identify with no policy. He summarized differing state tenure policies.

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Senator Bishop inquired if the information that Mr. Furrer was referencing could be provided to the committee. Co-Chair Meyer thought that there was some misinformation with regard to the document.

Vice-Chair Fairclough referred to the statewide salary and benefits section, and reiterated that Mr. Furrer had spoken in opposition to a statewide salary and benefits survey. She queried how to solve the issue of maintaining local control while at the same time coming to the state when they cannot pay the bill. Mr. Furrer responded by revisiting the issue of student achievement and teacher proficiency. With regard to the statewide salary and benefits survey, he stated he believed the \$600,000 plus would be more useful in looking at the foundation formula. He mentioned that a statewide salary could place rural and urban areas in competition for teachers, which could be challenging for rural communities.

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Vice-Chair Fairclough noted that the question was how the state controlled the budget and maintained local control without the revenue to do so. She expressed optimism about the future but emphasized the need for a holding pattern in the current fiscal climate. She used the analogy of kids with a credit card to illustrate the current spending patterns. She noted that the two finance committees did not currently have a way to manage the spending side of things. She queried Mr. Furrer as to whether there was a way for them to manage spending together. She revisited the idea of setting a salary schedule, which would let people know what to expect in terms of spending, and furthermore currently constituted 85 to 90 percent of what the state was investing in schools.

Mr. Furrer replied that he had been told that school district settlements negotiated at the local level had achieved smaller increases than those settled by the state. He clarified that this is what he has been told and he was not in possession of backup information.

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Vice-Chair Fairclough noted that based on that information, the council should advocate for letting the state set the scale. Mr. Furrer responded that he guessed so.

Senator Bishop wondered if there were other states in which their education association negotiated a collective bargaining agreement with the state. Mr. Furrer replied that he believed Hawaii was the only state with a statewide salary schedule.

Senator Dunleavy clarified that the reason was that there was only one (statewide) school district in Hawaii.

Senator Dunleavy thanked Mr. Furrer for his testimony and noted that he and the NEA "have not always been on the same side of things." He commented that one of the things that Vice-Chair Fairclough was getting at was that Alaska was a very unique state with regard to how it funded education, whereas in the Lower 48 there were many county school districts with the power to tax and bond for both operations and capital. He further described them as local-controlled districts with an elected board, and responsible to the people for fiscal issues. He also noted that the recent negotiated salary increases in state have been small, but there had not necessarily been any controls over it. He continued to explain a hypothetical scenario of a district negotiating a raise that was not sustainable, then coming to the state for additional funds. He also referenced an issue in Copper River many years ago in which the district tried unsuccessfully to file for bankruptcy. He summarized the concern of determining how to control costs so that the state would have enough funding to continue to provide education throughout the state.

Mr. Furrer noted that he was hoping that someone would ask what the one thing was that would improve student achievement. He explained that as a group the NEA was very concerned about attendance. He noted frustration with the

compulsory attendance law stating that students must only attend until they are 16.

Senator Bishop commented that had an idea he wanted everyone to work towards. He expressed concern that an Alaskan born individual could go to the University to become a teacher and then could not get hired in the state of Alaska, yet could get hired out of state.

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Senator Dunleavy inquired how Mr. Furrer would fix the attendance issue in schools. Mr. Furrer referred to his own experience as a teacher and the resultant frustration with students not attending school. He brought up the importance of accountability in students, which was lacking.

Senator Olson commented that in Golovin he had noticed that there was an upsurge in attendance with the offering of a school breakfast program. He added that there were other reasons that contribute to absenteeism such as lack of sleep, parental neglect, and parental disinterest in education.

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SUNNI HILTS, PRESIDENT, ASSOCIATION OF ALASKA SCHOOL BOARDS (AASB), SELDOVIA (via teleconference), stated that in the interest of time she would address only one portion of the bill. She related that school board members took their stewardship of public money seriously. She added that salary negotiation was one of the most difficult issues they dealt with; but they understood the reasonability they had been given and try and keep costs down while still affirming the importance of their teachers, support staff, and administrators. She reiterated the request for additional funding inside the foundation formula, of which salaries were a part. She recognized the state deficit and expressed that the AASB wanted to be part of a solution. She related that currently increasing costs required the AASB to eliminate programs needed to ensure student success. She again urged the committee to add money to the foundation formula.

NORM WOOTEN, DIRECTOR, SCHOOL IMPROVEMENT AND GOVERNMENTAL RELATIONS, ASSOCIATION OF ALASKA SCHOOL BOARDS (AASB), JUNEAU, described that AASB represented all 53 school

districts across the state, and noted that Alaska's school boards were made up of elected officials statutorily charged with governance oversight of the school districts. He reported that each year AASB members coalesce around positions that affect students, and that he would briefly walk through the bill section by section to address areas on which the AASB had taken a position. In Section 2, regarding testing out of courses, the AASB supported challenge tests to give students credit for mastery of a subject. In Section 8, Mr. Wooten indicated AASB support for staying with the star system of school rating rather than changing to a letter grade. He noted that as a requirement of the NCLB waiver, it seemed to be adequate to let communities know how their schools measured up in relation to other schools. In Section 9, Mr. Wooten expressed that AASB members across the state supported charter schools as an option as part of the school district under the governance of a local school board. He clarified that the AASB did not support an appeal of the denial of a charter that went outside the authority of a local school board. In Sections 11 through 13, Mr. Wooten reiterated the AASB's support for charter schools, as well as its support of efforts to make them more successful. He noted that facilities were the greatest challenge that Alaska's charter schools faced, and the right of first refusal to lease district space would help alleviate that challenge somewhat. Additionally, the startup grant would ease up some of the initial challenges of opening a new charter school. In Section 16, regarding the State Board of Education reporting to the legislature on ways that schools could be improved, Mr. Wooten relayed that the AASB had always supported any effort to improve schools and create efficiencies. He further noted that the AASB would welcome the opportunity to work with the department towards that end.

Mr. Wooten addressed Section 17, regarding charter school pupil transportation, and reiterated support for charter schools and for the provisions. He then noted that the AASB found themselves at odds with the National School Board Association (NSBA) on the subject of charter schools. He expressed that as a state we believed in offering as many educational choices as possible, while the NSBA perhaps did not understand the various options that exist in Alaska including but not limited to charter schools and correspondence.

Mr. Wooten referred to Sections 18 and 19 and expressed the board's support for residential boarding schools. In Section 20, 21 and 22; dealing with the increase to the BSA, he expressed the board's great appreciation for the increase inside the foundation formula. He stated that they are also grateful for a three year increase, as was indicated in those sections. He added that the increase would help them plan for the coming years. He noted that the amount still did not meet the budget shortfalls that exist in districts all across the state. In Section 23 and 24, regarding teacher tenure, Mr. Wooten related that the board had a resolution supporting the increase in time to acquire tenure. In Section 26, regarding dual credit vocational courses (TVEP), the board was strongly in support. He noted that students should be able to advance as quickly as they can while being challenged. He added that students would rise to whatever standards were placed on them.

Mr. Wooten referenced Section 29, which dealt with municipal tax exemptions for rental property of charter schools, and expressed his support as he identified it as a means of assisting and meeting the needs of charter schools.

[6:08:26 PM](#)

Mr. Wooten addressed Sections 30 through 40, which dealt with tax credits, and remarked that the AASB was not specifically opposed to tax credits, however they were opposed to the use of public money to support private schools. In referring to Section 48, a one-time grant of \$30 million to districts with money outside the BSA, Mr. Wooten noted the board's great appreciation and support. He went on to recognize the legislature's additional support through PERS, TRS, major maintenance, bond-debt reimbursement, and categorical funding. He continued that the board also recognized the proposal by the Senate to fund schools with \$100 million over the next two years. He thanked the committee and stated he was available to answer questions.

Senator Dunleavy clarified that the tax credit concept was not public money, and in fact tax credit never touched the public treasury. He noted that many people still considered them public money, but the courts had ruled on the matter.

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

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AT EASE

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RECONVENED

Co-Chair Meyer noted that Vice-chair Fairclough and Senator Dunleavy had been working during the interim on various education related subjects that are germane to the bill itself.

Vice-Chair Fairclough referred to a contract with the Hay Group, insurance pooling, and controlling costs in school districts in the state. She noted that she would release the reports in a moment and inquired if Senator Dunleavy wanted to make any comments first.

Senator Dunleavy added that Co-Chair Kelly was also part of this process over the summer and fall; it was part of an expanded Senate Finance Subcommittee on Education. He noted that he was looking forward to the release of the reports, and the information wherein. He reiterated that we want to exhaustively pursue educational issues and make sure there's nothing in the policy that doesn't work for Alaska and Alaskans.

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Vice-Chair Fairclough read from a report (copy on file) in association with SB 90. She noted that the Hay Group's contract has been extended to June 30, 2014; and that they intend to continue the discussion and work on the rising costs of healthcare for school districts across Alaska. She stated that there are cost savings to be had, but there are some concerns with school districts that they are committed to working out before making changes in the legislative session.

Co-Chair Meyer noted that he was also involved in this process, in addition to Senator Dunleavy, Co-Chair Kelly, and Vice-Chair Fairclough. Vice-Chair Fairclough added that Senator Gardner and Senator Stevens also participated as well as an extended group that drafted the original Request for Proposal to start acquiring the information.

She continued that it was a group effort including all the school districts that participated. Co-Chair Meyer noted that there was 100 percent participation in the data gathering.

Senator Dunleavy relayed that the legislature is mandated by the constitution to establish and maintain a system of public schools. He pointed out the differing levels of engagement and involvement of legislatures over time, using the example of the 1997 writing of the Foundation Formula with the help of Senator Wilkens and his staff Sheila Peterson. He continued by relating that due to our current revenue projections and our oil commodity status, that we need to become more actively involved in "untangling" the education system to be sustainable and maintain/improve the quality. He noted that it would take some time and charged the legislature with looking at items such as construction, healthcare and salaries/benefits in order to make the system sustainable for the next 50 years.

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Vice-Chair Fairclough expressed appreciation for legislative staff, department staff, and school districts for their work and participation in the process.

Co-Chair Meyer inquired as to the next steps on the subject. Vice-Chair Fairclough noted that there are summer plans to continue the conversation. She reiterated that there were cost savings to be had, but there are contracts in place with a staged exit and other issues to evaluate. She pointed out that they were currently acquiring all the associated data to examine. She expressed that they wanted to honor collective bargaining agreements that exist. She noted the importance of understanding the ramifications of cost savings, and cited an example of incorporating Fairbanks school districts without consideration for the impacts. She noted that they may revisit extending this contract or asking for a new one, but currently having the latitude to move forward this summer to examine insurance pooling.

Senator Dunleavy noted that the advancement of SB 90 won't take place this year due to time constraints, but the concept will survive through the summer and it will continue to be pursued in the future.

[6:22:54 PM](#)

Co-Chair Meyer

#sb209

SENATE BILL NO. 209

"An Act prohibiting smoking in certain locations; and providing for an effective date."

[6:23:33 PM](#)

Co-Chair Meyer relayed that the committee would begin with public testimony.

DR. BOB URATA, PHYSICIAN AND AMERICAN HEART ASSOCIATION VOLUNTEER, JUNEAU, spoke in support of SB 209. He was in favor of the inclusion of e-cigarettes and hoped that the opt-out provision would be removed. He relayed that every 34 seconds an American died of a heart attack; every 40 seconds an American died of a stroke. He stressed that cancer and cardiovascular disease were the number one and two causes of death in Alaskans respectively. He detailed that secondhand smoke killed approximately 50,000 Americans annually. He cited that the Center for Disease Control (CDC) reported that secondhand smoke exposure cost Americans \$5.6 billion annually in lost productivity. He continued that annually tobacco cost the U.S. \$133 billion in direct medical care for adults and \$156 billion in lost productivity. He believed that smoke-free air workplace laws were an important part in improving the health of Americans. He emphasized that clean air reduced heart attacks, strokes, cancer, and lung disease. He provided an example that in Pueblo, Colorado there had been a decrease in heart attacks due to an implementation of a clean air act. He referenced an Institute of Social and Economic Research (ISER) report documenting Anchorage's positive business experience that occurred when a clean air act was implemented. He opined that e-cigarettes should be included under the legislation due to serious questions related to their safety. He detailed that the Federal Drug Administration had found known toxins in nicotine. He thought the approach should be to do no harm. He asked the committee to imagine how many lives would be saved if cigarettes had been properly studied prior to being placed on the market; he believed the same went for e-cigarettes. He stated that the bill's positive impacts would benefit

many individuals in a short period of time. On behalf of the American Heart Association he urged the committee to support the bill.

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MICHAEL PATTERSON, SELF, JUNEAU, spoke in support in SB 209. He shared that he had been chosen by the CDC to do a nation-wide campaign on chronic obstructive pulmonary disease (COPD) because there was little known about the disease and it was killing Alaska Natives at twice the rate of any other nationality in the U.S. He discussed his personal experience living with COPD, which had changed his life. He shared that in the past he had been a smoker and had objected to others infringing on his rights as a smoker; he no longer felt the same way. He expressed his dedication to traveling throughout Alaska to speak in schools about COPD. He agreed with a Juneau Empire story that stated he faced the anti-smoking campaign with a "fever of an evangelist." He stressed the importance of communicating with students and others about the impacts of smoking. He discussed how difficult it was to avoid secondhand smoke. He emphasized that the CDC had determined that e-cigarettes were an aerosol that contained carcinogens known to cause cancer in addition to ultrafine particles that caused veins to constrict. The e-cigarettes could cause a person with heart problems to have a heart attack; they also caused exacerbation attacks in people with asthma, emphysema, and COPD.

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Mr. Patterson experienced extreme exacerbation attacks caused by cigarettes and e-cigarettes, which were so intense he had quit smoking. He recalled extensive hospital stays as a result of the attacks. He stressed that e-cigarettes were deadly and although they had no smell, they could cost a person with COPD their life. He asked the committee to help him in his mission to help children understand the cost of smoking. He emphasized that he had not understood what life was until he was faced with his own death. He urged the committee to consider the bill and to set aside thoughts about ramifications to business owners. He thanked the committee for its time and consideration and underscored that the issue was a matter of life and death.

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Co-Chair Meyer thanked Mr. Patterson for his testimony and agreed that the legislation had many merits.

LINCOLN BEAN SR, ALASKA NATIVE HEALTH BOARD, KAKE, JUNEAU, spoke in support of SB 209. He discussed his membership on various boards. He agreed with comments made by the prior testifiers. He pointed to his membership on the National Indian Health Board. He relayed that Alaska had the highest cancer rate in the nation. He believed the issue should get the undivided attention of the state's residents. He recalled that when he had taken over at the Alaska Native Tribal Health Consortium (ANTHC) the organization had needed one oncologist; it currently required four. He stressed that the statistics did not lie. He communicated the Alaska Native Health Board's support for the legislation; the board had implemented a similar policy and had seen a positive impact. He relayed that the cancer rate was highest among Alaska Natives primarily due to tobacco use. He communicated that prevention was the key. He discussed a recent board meeting focusing on prevention. He emphasized that the news was not all grim; less than one in five (18 percent) of Alaska Native youths smoked at present. He compared the number to the 31 percent who had smoked five years earlier. He shared that non-smokers could be sickened by secondhand smoke and pointed to the successes of smoke-free businesses. He appreciated the committee's time and believed that speaking out on the issue could save lives.

EMILY NENON, DIRECTOR, ALASKA GOVERNMENT RELATIONS, AMERICAN CANCER SOCIETY CANCER ACTION NETWORK, testified in support of SB 209. She relayed that she had been working on the issue in Alaska for 13 years in local areas. She mentioned barriers to furthering local action and stressed that it was time to protect all workers from secondhand smoke in the workplace. The organization did not support the opt-out provision in the bill, but it did support the continued public discourse and moving the bill forward. She highlighted a study commissioned by the American Cancer Society that looked at how the law would impact states. She shared that over five years a comprehensive smoke-free law would be expected to produce economic benefits including a \$3.69 million savings in heart attack and stroke treatments, \$1.35 million in lung cancer savings, \$520,000 in state Medicaid savings, and \$980,000 in smoking related

pregnancy treatment savings. She stated that the e-cigarettes information had come forth in the past couple of years due to the product's newness. She relayed that the organization had been working closely with the Department of Health and Social Services on implementation plans; the department would be able to implement the legislation smoothly with the existing community grant program around the state with a focus on public education. She communicated that everyone had the right to breathe smoke-free air.

Co-Chair Meyer wondered if there were items in the bill such as the opt-out provision that Ms. Nenon did not like. Ms. Nenon replied that the American Cancer Society Action Network supported protecting all workers from secondhand smoke in the workplace. The organization was confident the legislative process would continue to deal with the issues.

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Co-Chair Meyer asked how many Alaskan cities and communities had become smoke-free. Ms. Nenon replied that Bethel was the first community to become smoke-free in 1998. Other smoke-free communities included Barrow, Nome, Dillingham, Unalaska, Anchorage, Juneau, Palmer, Haines, Skagway, Petersburg, and Klawok. She noted that the information was included in the sponsor statement. She added that the smoke-free communities accounted for approximately half of the state's population.

SB 209 was HEARD and HELD in committee for further consideration.

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

#

ADJOURNMENT

[6:46:54 PM](#)

The meeting was adjourned at 6:46 p.m.