

SENATE FINANCE COMMITTEE
April 18, 2014
1:44 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 1:44 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

Edra Morledge, Staff, Senator Kevin Meyer; Michael Hanley, Commissioner, Department of Education and Early Development; Diane Blumer, Commissioner, Department of Labor and Workforce Development; Norm Wooten, Director, School Improvement and Governmental Relations, Association of Alaska School Boards (AASB); Dr. Robert Whicker, Director, Consortium for Digital Learning, Association of Alaska School Boards; Angela Rodell, Commissioner, Department of Revenue; Kathy Wasserman, Executive Director, Alaska Municipal League, Juneau; Senator Hollis French;

SUMMARY

HJR 10 CONST. AM: TRANSPORTATION FUND

HJR 10 was SCHEDULED but not HEARD.

CSHB 140(FIN)

REGULATIONS: NOTICE, REVIEW, COMMENT

CSHB 140(FIN) was SCHEDULED but not HEARD.

CSHB 160(FIN)
LICENSING OF ATHLETIC TRAINERS

CSHB 160(FIN) was SCHEDULED but not HEARD.

CSHB 278(FIN) am
EDUCATION

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

CSHB 287(RLS) am
OIL ROYALTIES; TAX CREDIT

CSHB 287(RLS) am was SCHEDULED but not HEARD.

HB 306 EVAL. INDIRECT EXPENDITURES; TAX CREDITS

HB 306 was SCHEDULED but not HEARD.

HB 385 PERS/TRS STATE CONTRIBUTIONS

HB 385 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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Co-Chair Kelly MOVED to ADOPT the proposed committee substitute for HB 278, Work Draft 28-GH2716\S (Mischel, 4/17/14) as a working document. There being NO OBJECTION, it was so ordered.

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AT EASE

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RECONVENED

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Co-Chair Meyer noted that education was very important to the committee and that several different Senate bills had been rolled into the current committee substitute (CS); some of the included bills were sponsored by Senator Olson, Senator Dunleavy, and Senator Bishop. He recalled taking public testimony during the formulation of the legislation and offered that there were some things in CS that people would like and perhaps other things that people would not care for; however, he believed that the bill was a balanced piece of legislation that everyone could support. He noted that \$100 million had been set aside for bottom line of education in the bill, which included \$100 million in funding for the next 3 out years. He stated that the base student allocation (BSA) was part of the formula for education and that the CS included a study that would examine how to better improve the education funding formula. He reiterated that the committee had opted to keep the funding outside of the formula in the new CS, but added that \$100 million in funding equated to around a \$400 BSA per student; however, some of that funding would be used

for other programs and the BSA would end up being closer to \$300.

Co-Chair Kelly thought that the money was distributed through the formula, but that it was allocated through the adjusted average daily membership (AADM) instead of the BSA. He concluded that the funding was distributed through the formula but that it did not raise the BSA.

Co-Chair Meyer stated that Co-Chair Kelly was correct.

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EDRA MORLEDGE, STAFF, SENATOR KEVIN MEYER, presented a sectional analysis of the CS (copy on file) and spoke to the changes from the House version of the bill. She related that the first change in the new CS was in Section 2 on page 2, beginning on line 23. In the first change, the course credit earned through mastery of course content had been reinserted in this section; this included a student being able to challenge out of one of the core courses and allowed one of the courses to simultaneously qualify for the Alaska Performance Scholarship (APS). She expounded that the core courses in question were mathematics, language arts, science, social studies, and world languages.

Ms. Morledge continued to speak to the sectional analysis and related that the second change to the bill occurred on Section 3 on page 3, beginning on line 6. The change was related to college and career readiness assessments and allowed a student to choose between taking the SAT, ACT, or Work Keys within 2 years of their graduation. She addressed the CS's third change from the House version; it was also on page 3, beginning on line 19 and it effectively removed the requirement for students to take the high school graduation qualifying exam (HSGQE). She stated that the next change was on Section 7 on page 6, beginning on line 15 and was funding for internet services. She noted that the funding for internet services was one of the pieces of other Senate legislation that had been rolled into the bill.

Ms. Morledge continued to address a sectional analysis of the bill and related that the next change was in Section 7 on page 6, beginning on line 29. The change was the personalized learning opportunity grant program and would

be administered through the Association of Alaska School Boards; the program would provide technological equipotent and well as technical support and training for students in the use of an electronic device. The second change was on Section 12 on page 11, beginning on line 6; language had been inserted to ensure that the 4 percent administrative fee cap that may be charged by districts to charter schools would not include costs related to rent utilities and maintenance. Also included in Section 12 was language that began on line 14 which ensured that funds that were generated by charter school student were distributed to the charter schools for the student that generated the funds.

Ms. Morledge continued to present a sectional analysis of the bill and stated that there were changes in Section 14 on page 12, beginning on line 9 to correspondence study programs and individual learning plans; this section provided requirements for districts to provide individual learning plans for students enrolled in a correspondence program. She added that Section 14 on page 13, beginning on line 2 had been changed to allow the Department of Education and Early Development (DEED) or a school district to provide an annual allotment to a parent or guardian of a student enrolled in a correspondence program to cover instructional expenses. She stated that the next change could be found in Section 20 on page 21, beginning on line 18 and explained that it pertained the debt reimbursement program; the 70/30 debt reimbursement program that the state was currently using was being changed to 60/40. She added that the second program that the state was currently reimbursing at 60 percent had been changed to reimburse at 40 percent.

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Ms. Morledge continued to speak to a sectional analysis of the bill and related that the next change occurred on Section 23 on page 24; the residential school stipends had been increased. She related that the next change was in Section 24 and that language had been added so that municipalities could voluntarily contribute up to 23 percent of the total state aid, including basic need. She stated that in Section 25 on line 27 state funding for correspondence study had increased from 80 percent of the average daily membership (ADM) to 90 percent. She pointed to Section 26 on the top of page 25 and related that the charter school size factor threshold had been reduced from

150 students to 75 for full funding for each student within the first 3 years of the their operation. She discussed an additional change in Section 29 on page 26, on line 12 and stated that the contribution for the Technical Vocational Education Program (TVEP) had been raised from 15 percent to 16 percent. She stated that the current version of the bill kept the House version sunset date of 2017 for TVEP; additionally, the allocations had been changed, Ilisagvik College had been added to the program, and there were some name corrections.

Ms. Morledge stated that the next 2 changes were to Sections 35 through 46 to the education tax credits. She related that the only 2 changes to the education tax credits sections were that non-profit regional training centers and apprentice programs, as well as non-profit organizations that provided education opportunities promoting the legacy of public service contributions had been added. She stated that the next change was Sections 52 and 53 beginning on page 41, line 25; a school district cost factor study and a school size factor study had been added. She stated that the next change was in Section 54 and explained that beginning on line 13, a school design and construction report had been added. She related that another change to the current version of the bill was in Section 56 and explained that the pilot project to expand middle school science, technology, engineering, and mathematics education had been added. She stated that on the last page of the bill there had been a provision added that allowed students to receive a retroactive issuance of their high school diploma if they had previously been required to take the HSGQE.

Co-Chair Meyer stated that the bill was a piece of omnibus legislation that touched on a lot of different areas. He thought that the legislation would provide more choices for the parents, as well as more resources for teachers and students; the legislation incentivized the districts to operate differently and also incentivized the successful model of residential boarding schools. He noted that the legislation also made the process of opening up a charter easier and noted the lowered threshold requirements of 75 from 150 students. He discussed the \$500 one-time stipend that went with each student who attended a charter school. He pointed out that Senator Dunleavy could speak to the success and popularity of the correspondence schools and offered that the legislation was attempting to target the

classroom. He stated that the Alaska Native Science and Engineering Program (ANSEP) had also been expanded in the bill to encompass middle schools.

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MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, stated that he the appreciated the work of the Senate on the bill and recalled that the governor had previously stated the need for changes in education in order to improve outcomes, remove barriers, and increase opportunity for students. He remembers that the governor also recognized additional funding was needed for Alaska's school districts. He thought that the Senate had taken the governor's initial ideas and had built them into a more comprehensive bill that would have positive impacts on Alaska's children.

Co-Chair Meyer inquired if there was anything in particular within the bill that would be difficult to implement. Commissioner Hanley responded that anytime there was change, it was difficult to implement; however, he did not see any particular challenges regarding implementation for the department. He related that a lot had change in Alaska over the last several years regarding raising standards and teacher evaluations. He thought that the legislation represented positive opportunity without a lot of mandated or unfunded responsibilities for districts. He thought there would need to be some small changes to the current system and some new responsibilities, but that they were worth it. He thought that repealing the high school exit exam was significant and would provide several extra days of learning time for the state's students. He opined that the removal of some of the barriers was a positive thing. He concluded that he did not see anything in the bill that seemed to cause red flags for him or the school districts.

Vice-Chair Fairclough requested an explanation of the changes in the bill that related to the debt reimbursement program and if there would be transitional opportunities for those who might already be in the queue. Commissioner Hanley replied that he had not seen the language regarding the transitional aspect of the bill, but that his understanding was that the debt had already been acquired and bonds that had already gone out were under the current system; bonds going forward after the bill passed would be under this new system. He anticipated that after the bill

passed, the state's responsibility for the ongoing debts would become less and that there would be some rethinking regarding putting forward projects that would cost local municipalities a little more money; additionally, there might be some more review into projects regarding what went into them, which might lead to more frugal designs.

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Vice-Chair Fairclough directed the committee's attention to Sections 17 and 18 on page 21 of the bill and related that she wanted to be sure that municipalities that had gone out to bond had transitional ability. She wanted language in the CS or an amendment that recognized that there were people who may qualify for debt reimbursement even if they had not submitted the issue to voters and whether reimbursement under the old plan was desired. Her understanding was that if the department had already qualified a school district for a project, it would qualify under the old reimbursement plan instead of the new one; she requested an explanation of whether the bill stated that or not. Commissioner Hanley believed that lines 7 and 8 spoke to the issue and pointed out that those lines discussed other indebtedness that was authorized by the qualified voters of the municipality on or after October 2006, but before June 30, 2014. He expounded that prior to a project coming to the state for reimbursement, it would need to be authorized by qualified voters prior to June 30, 2014; he thought that this addressed Vice-Chair Fairclough's question.

Vice-Chair Fairclough noted that it addressed her question and the needs of Anchorage because its bonds were held in April; however, she was unsure if the legislation anticipated others who had already qualified and expected to take a particular project before the voters. She wondered if people who had already qualified for a project would be entitled to the reduced rate.

Co-Chair Meyer welcomed Senator Hollis French who was present in committee. He stated that the current version was the Senate Finance Committee's first CS and that there would be changes to the bill. He requested members to provide desired changes to his office by 6 p.m.

Senator Bishop discussed dual credits and articulation agreements regarding TVEP. He requested an affirmation that

Commissioner Hanley would work with the commissioner of the Department of Labor and Workforce Development, the president of the University of Alaska, and the districts on dual credits with TVEP recipients in order to all allow more Alaskan students to enter into the university at their freshmen or sophomore year. Commissioner Hanley replied that the dual credits were critical and that DEED was training Alaskan students for Alaskan jobs, many of which were directly tied to these types of trainings.

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Senator Dunleavy wanted it on the record that his office and the office of Commissioner Hanley had worked together on a section of the bill that was referred to as the home school correspondence section. He thought that language had been developed by the two offices in the section that would work for kids, parents, teachers, and school districts in the state. Commissioner Hanley surmised that Senator Dunleavy was referencing the language on Section 14 on page 12 of the bill, which dealt with correspondence study programs and individual learning plans. He noted that the first part of the language on page 12 solidified current regulatory language into statute. He explained that some of the language was not new, but it built on other ideas such as student allotments being allowed to roll over. He confirmed that he had his office had conversations that were focused on money being spent for educational purposes in a relatively flexible manner. He added that he and Senator Dunleavy did agree on the current language in the section being referenced.

Vice-Chair Fairclough recalled discussions the previous summer in the Senate Finance Subcommittee regarding repealing the HSGQE. She noted that the bill was reinserting the SATs, the ACTs, and other placements. She wondered if there had been considerations regarding setting a testing level so that the state could measure outcomes for students. She inquired if there was a level on the tests that would be similar to what students qualified for the in the APS that could be used as a measurement tool for how Alaskan students were achieving. Commissioner Hanley replied that the department had not looked at bringing a separate cut score on to the assessments. He noted that the department was moving from high stakes exam to an informative tool that was intended to inform students, parents, counselors, and high schools of a student's

readiness for college. He stated that there were other tools in place already to measure a student's proficiencies regarding standards; the department also had the cut scores for different levels of the APS.

Vice-Chair Fairclough noted that she had not yet read through the entirety of the new CS and inquired how tenure was addressed. Co-Chair Meyer replied that the tenure was not changed from the House version of the bill.

Commissioner Hanley addressed the fiscal notes attached to the bill and spoke to a 4 page spread sheet that showed the fiscal impacts of each section (copy on file). He discussed Section 3 of the bill which dealt with the ACT and SAT tests and pointed out that the fiscal note attached to the Section was for \$525,000. He noted the removal of the HSGQE in Section 4 created a decrement of \$2.7 million. He discussed Section 7 and stated that the funding for internet services had been slightly changed from Senator Olson's bill; it no longer added 10 percent, but got all the schools up to 10 megabits. He stated that DEED's latest analysis of the internet services had the cost at \$7.3 million. He discussed the 1:1 Digital Learning Initiative and stated that the fiscal note for that was currently indeterminate. He added that the department did not currently have the ability to determine the exact costs of the 1 to 1 initiative.

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Co-Chair Meyer requested an explanation of the 1:1 Digital Learning Initiative. Senator Dunleavy explained that it was a program that would get Ipads and electronic devices in the hands of teachers and students in order focus on an approach to education that encompassed modern technology, as well as modern and online course work. He thought that estimates of the costs for the program ranged from \$3 million to \$5 million.

Co-Chair Meyer noted that the costs for the 1:1 Digital Learning Initiative were still unknown, but that it was expected to be between \$3 million to \$5 million.

Commissioner Hanley pointed out that there were models of IPads out there, but that there were other vendors that were interested in the initiative. He added that it would not involve strictly apple products. Senator Dunleavy

clarified that he used the brand name iPad sometimes in referenced to all kinds of electronic tablets.

Co-Chair Meyer observed that the committee was not promoting one company over another.

Commissioner Hanley continued to address the spread sheet and noted that there was an item in the budget for \$750,000 for the innovative approach to learning grants.

Co-Chair Meyer requested an explanation of the innovative approach to learning grants. Senator Dunleavy explained that it was a granting opportunity for school districts, especially for some of the smaller one to bring a concept to DEED for application for a planning grant. He related that the grant would allow districts that had a worthy concept to contract research to more fully explore the idea; then it could be submitted to DEED for scoring and examination. If the idea had merit at this point, it would be brought back before the legislature. He related that this concept was opposed to the current method of the districts coming to the state on an individual basis and potentially asking for a multi-million dollar appropriation for a program that might not work.

Commissioner Hanley spoke to page 2 of the spread sheet and referenced Section 13 of the bill, which addressed the Charter School Grant Program; the fiscal note for this was for \$168,000 and was for charter schools that began after the bill was passed. He pointed to Section 23 and the residential stipends and related that \$2.2 million was what DEED believed was close to the actual costs.

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Commissioner Hanley spoke to page 3 of the spread sheet and section 25; the section moved the correspondence school students from a .8 to a .9 and had a fiscal impact of \$12.3 million. He noted that the annual cost of the change from .8 to .9 was about \$6.15 million but that there was an obligation to have forward funding.

Co-Chair Meyer inquired if the funding was for \$12.3 million for 2 years. Commissioner Hanley replied in the affirmative and stated that it included the current year and 1 additional year of forward funding.

Commissioner Hanley stated that Section 26 was the charter school size factor and that it allowed charter schools that fell below 150 students to continue to receive full funding; it changed the minimum number to 75 students. He added that the change would currently only impact several schools and that it would have a cost of \$483,000; DEED believed that this would help charter schools that were starting up and would enable people to start a smaller school with full funding without having to reach 150 students. He directed the committee's attention to page 4 of the spreadsheet and Sections 52 and 53; these sections dealt with the studies for school district cost factor and the school size factor. He stated that the 2 studies were both Legislative Budget and Audit components and that he had not seen a fiscal note for those. He guessed that the study costs from Sections 52 and 53 would be comparable to the school design and construction report in Section 54, which had a cost of \$620,000.

Commissioner Hanley continued to address the spread sheet and stated that Section 55 was the Department of Administration's (DOA) salary and benefits proposal; the cost for this was \$610,000. He stated that the ANSEP middle school pilot program had a cost of \$3 million and that it would engage 8th graders with a vision into high school and beyond.

Co-Chair Meyer noted that the commissioner had discussed ANSEP and inquired if it was limited to science and engineering. Commissioner Hanley replied that the primary focus of ANSEP was science and engineering.

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Co-Chair Meyer inquired if math was a focus of ANSEP. Commissioner Hanley replied that math was incorporated throughout the program and added that students in it were engaged in high-level calculus, trigonometry, and other math courses.

Senator Bishop observed that ANSEP was another example of where the state would want to focus on dual credits. Commissioner Hanley responded in the affirmative and added that it was where the conversation had been originally brought to light.

Senator Dunleavy noted that the dual credits involved the high school component of ANSEP, but added that the pilot program in reference reached into middle school. He stated that the goal for the pilot program was to get middle school students an Algebra 1 background before entering high school.

Commissioner Hanley related that there was a small component being added on Section 5 on the 1st page of the spreadsheet. He explained that the change added a component to data for students who had parents that were in the active military and that it had a cost of about \$80,000 in the current year; beyond the current year, the fiscal note had a cost of \$10,000. He stated that the TVEP portion was switching from 1.5 percent to 1.6 percent represented a \$926,000 fiscal note; that change could be found in Section 29.

Co-Chair Meyer noted that the funding for the TVEP increase would come from a trust and thought that there would be no additional cost to the workers. Commissioner Hanley deferred the question to Commissioner Blumer and stated that it was a labor component.

Commissioner Hanley recalled Co-Chair Meyer's comments that the bill had set aside \$100 million for education and noted that if you pulled the spreadsheet's components, the bill would be in the \$65 million to \$70 million range. He added that the spreadsheet contained somewhere in the ballpark of \$30 million to \$35 million in components, but that the range could be solidified shortly.

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Co-Chair Meyer thought that the bill was closer to \$75 million without the components, but noted that there was a lot of variance in the estimates. He stated that the estimate for computers was \$3 million to \$5 million and that the correspondence represented 2 years of funding. He inquired if the bill represented a \$300 BSA if the spreadsheet's components were removed. Commissioner Hanley replied that legislation seemed to be in the ballpark of a \$300 BSA.

DIANE BLUMER, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, stated that there was a small increase to the TVEP component and related that the funding came out UI Trust Fund. She related that over the past several years, the amount coming out had .15 percent, but that it was being increased to .16 percent; however, there was a slight cost to employers, which was about \$2.40 per year, per employee. She related that the effect on employers represented the best estimate by the Research and Analysis Division and that it limited the impact of adding another regional training to the funding source.

Co-Chair Meyer inquired if the Commissioner Blumer supported the change to the TVEP component. Commissioner Blumer replied that she had spoken with Senator Bishop on the issue and that the administration would prefer to move forward with the governor's proposed language; however, the administration understood that adding Ilisagvik College would impact other recipients and it agreed with the change.

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Vice-Chair Fairclough thought that if the committee was going to conduct a salary and benefit proposal with DOA, it should examine what the Legislative Budget and Audit Committee had already paid for in the form of a benefit analysis. She wanted to be sure that the dollars would be used wisely. She wondered whether DOA was the right place to conduct the survey or if it should be through legislative budget and audit. She noted that legislative budget and audit typically partnered with the National Conference of State Legislatures, which had conducted like surveys many times in the past. She was unsure if \$610,000 was the best available price for the survey.

Co-Chair Meyer liked the 1:1 Digital Learning Initiative, as well as the focus on science and math. He thought that the bill represented a good package.

Senator Dunleavy requested that the Association of Alaska School Boards (AASB) briefly comment on the bill.

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Senator Bishop requested Commissioner Hanley and Commissioner Blumer to take a look at the ANSEP middle

school pilot program to see if it could be incorporated with the Career and Technical Education Program.

Senator Dunleavy requested a walkthrough of the procurement procedures of the 1:1 Digital Learning Initiative because it would involve a number of school districts, companies, and platforms. He noted that there might concerns on the part of school districts, particularly with a district that may not be part of the AASB.

NORM WOOTEN, DIRECTOR, SCHOOL IMPROVEMENT AND GOVERNMENTAL RELATIONS, ASSOCIATION OF ALASKA SCHOOL BOARDS (AASB), explained that purpose of the 1:1 Digital Learning Initiative was to increase student achievement and that the association was not dedicated to a particular vendor. He noted that student achievement would remain AASB's focus at all times and that it would ensure the competitive processes were followed by requiring local districts to comply with board policies for procurement.

DR. ROBERT WHICKER, DIRECTOR, CONSORTIUM FOR DIGITAL LEARNING, ASSOCIATION OF ALASKA SCHOOL BOARDS, added that AASB represented 49 of the 53 school districts and that the 3 others out of the remaining 4 used policies from the association's manual. He stated that the Aleutian Region was the only school district that was not part of AASB, but that the Consortium for Digital Learning worked with any school district and school, including charter schools and home school support programs. He stated that when the consortium conducted a project, it made sure that districts were aware of multiple vendors. He reported that in 2008, the consortium ran a similar project to the 1:1 initiative and that multiple vendors had been used in that project. He stated that honoring local choice would be paramount and that the consortium would be working with vendors to identify what fits; it would be working with districts to enable them to know what is available. He stated that the consortium would be holding webinars with multiple vendors and that there were probably 4 vendors in the state that could be participating in the program. He stated that the consortium had been conducting aggregate orders with the smaller school districts and had been working with Apple and Dell on those orders. He added that the consortium also made sure through the application process that the school districts had considered the multiple vendors.

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Vice-Chair Fairclough noted that the Legislative Budget and Audit Committee worked with procurement a little bit. She was not sure that the plan that was just outlined provided the best benefit for Alaska's students, while it might lead to the most local choice. She had something a bit different in mind and wondered why the state could not approach each 1 of the 4 vendors to get the lowest-cost bid for a unit as a group. She offered that with 100,000 students, the state would not purchase all of the products at once; however, it seemed that negotiating each district individually would not secure the best cost for the state. She had been supportive of the money to be moved into AASB for distribution because she thought that the buying power of the state would be used in the negotiations. She thought that a survey of districts should first be conducted to determine what the software capacity was and that the AASB would negotiate with all 4 contractors; at this point the school districts could buy through AASB versus having 54 procurement processes. She offered that maybe the best price possible was already achieved and requested an explanation. Dr. Whicker replied that the Consortium for Digital Learning had been conducting aggregate orders for small school districts for several years and that vendors recognized the consortium as the central agency; the consortium negotiated the price with the vendors and had sometimes been able to secure ultra-competitive prices because of that. He related that the current method streamlined purchases and had enabled getting more devices into school; furthermore, the consortium had been tracking the type of discounts that it had been getting in aggregate orders and it had determined that it was as good as anyone else had been able to achieve.

Vice-Chair Fairclough related a hypothetical example that the state was quoted \$500 for one unit and \$495 per unit if 1,000 units were purchased. She inquired if every school would receive the discount whether it purchased one unit or 500. Dr. Whicker replied in the affirmative, but added that the \$495 would be different and that it depended on the type of equipment. He stated that if a small southeast school district and Fairbanks were put into an aggregate order, all of them would be lumped together and the small district would receive the same price as the large one.

Vice-Chair Fairclough thought it seemed like a discount would be achieved if a contract was set up for a certain

number, but was purchased in an incremental fashion. She expounded that she thought there would be a price savings between 1, 10, 100, 1000, and 10,000 units. She wondered if the consortium had considered consulting the school districts to find out the platforms and services that they might want instead of having 54 different platforms; she wondered if it should be standardized.

Vice-Chair Fairclough stated that her office had worked Senator Dunleavy and his staff on the procurement issue because of a concern for making sure that there was a fairness aspect to competing. She appreciated the effort to formulate language that provided the private sector an opportunity to compete; she thought that this was being achieved, but was unsure if the state would be getting the highest value per unit with the current approach.

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Co-Chair Meyer understood that Vice-Chair Fairclough or Senator Dunleavy had an amendment to offer that addressed the cost per unit issue. Vice-Chair Fairclough replied that the amendment was being worked on currently.

Senator Dunleavy understood that the 54 school districts would be grouped per platform and product in bulk and that the costs would be driven down as a result. He thought the state's dollar would be maximized by grouping the districts' orders together and that the cost per unit would go down as a result. He stated that there was language that would be offered in the amendment process that would clarify the issue further.

Senator Olson inquired if the state's procurement code was being handled. Dr. Whicker replied that the consortium was looking at a competitive bidding process that was reasonable and fair for the multiple vendors. He concluded that local districts had different codes that they followed and that the consortium would be working with those districts to ensure that things were fair.

Senator Olson noted that on Section 56 on page 42 of the bill, the middle school pilot project was discussed. He recalled that the project was identified in the presentation as being part of ANSEP, but stated that he did not see ANSEP named in the referenced section. He inquired if he was missing something in the legislation or if he had

misunderstood something. Ms. Morledge replied that 2 amendments had been received on the section and that the pilot project was geared towards getting students into ANSEP; it was intended as a pre-ANSEP program that would move students towards ANSEP in middle schools.

Senator Olson inquired if the pilot project was open to all students or just Alaskan Native students. Ms. Morledge replied that it would be open to all students.

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Senator Hoffman referenced page 42 of the bill and the salaries and benefit proposal. He expressed concerns that the different salary structures and incentives for hiring teachers could not be put into boxes and be compared between schools districts because each district had a different method of trying to hire the best teachers. He also expressed concerns of higher costs in rural areas of the state. He inquired how the study would be beneficial to the State of Alaska and be fair to all districts of the state. Commissioner Hanley responded that the answer depended in the vision and will of the committee and the legislature and that the implementation of the study was a function of DOA; he added that it fell outside of the purview of DEED.

Commissioner Hanley queried if Senator Hoffman was inquiring what he personally thought of how the study would be beneficial and fair to all of the school districts. Senator Hoffman responded that it may fall outside of the purview of DEED and be part of DOA's study; however, the varied salary structures that the school districts had to retain competent teachers had direct implications to the quality of education for all of students throughout the State of Alaska. He thought that Commissioner Hanley should be involved in the study and that it should not be left to DOA because of the implications of what the salary and benefits proposal would recommend. Commissioner Hanley state "wholeheartedly" that if the state took on the task of choosing to set and implement state-wide salaries, it would have huge implications. He anticipated that if the state did set statewide salaries, it would be done similarly to the geographic cost factor and that there would be a district as a base; different regions would have different levels.

Senator Hoffman stated that another factor with setting salaries could involve a school district that already had a hard time filling vacancies with the current flexibility to increase its salary structure. He related another example that a school district may want higher achievement levels and would want more competitive salaries in order to hire more competent teachers; he thought that this would be hard to accomplish when salaries and benefits were structured. He thought that it seemed as though a statewide benefit and salary structure would tie school districts' hands by removing a major avenue for teacher retention. Commissioner Hanley understood and agreed. He added that anytime the state made a decision for all of the districts from Juneau, it needed to do so very cautiously. He observed that the risk was that the state would not adequately recognize the challenges of particular regions, communities, and schools that had the ability to set salary schedules.

Senator Hoffman stated that from his viewpoint, giving local control and flexibility to these regions, communities, and schools was one of the primary reasons that Alaska had switched from a state-operated system to the current system.

[3:03:19 PM](#)

Senator Olson inquired how opposed Commissioner Hanley would be to removing Section 55 of the bill. Commissioner Hanley replied that he was not married to that particular component.

Co-Chair Meyer thought that the component in question had been added in the House and had not come from the governor. Commissioner Haley responded that it was not in the governor's version of the bill. Co-Chair Meyer assumed that Commissioner Hanley was not too attached to that particular component. Commissioner Hanley replied that he was not.

[3:04:03 PM](#)

AT EASE

[3:32:58 PM](#)

RECONVENED

Co-Chair Meyer handed the gavel over to Co-Chair Kelly.

#hb385

HOUSE BILL NO. 385

"An Act relating to additional state contributions to the teachers' defined benefit retirement plan and the public employees' defined benefit retirement plan; and providing for an effective date."

Co-Chair Kelly requested an explanation of changes of the differences between SB 220 and HB 385.

3:33:44 PM

ANGELA RODELL, COMMISSIONER, DEPARTMENT OF REVENUE, spoke to the changes between the 2 bills. She related that there were no changes made between the house companion bill and SB 220. She stated that the legislation provided for a fixed amount of \$343 million to be deposited into the Teachers Retirement System (TRS) on an annual basis through FY 36; it also would appropriate \$157 million to the Public Employee Retirement System (PERS) on an annual basis through FY 36. She related that the bill also provided for \$1.1 billion to be deposited in a lump sum to TRS and \$1.8 billion into PERS. She added that the bill was unchanged from what had been presented to the committee on February 20th.

KATHY WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, JUNEAU, related that Alaska Municipal League (AML) supported the bill and that it had been its priority for several years. She stated that AML had been supportive of the governor's proposal since it had been introduced. She thanked the committee for its work on the issue and for helping maintained the 22 percent salary base into the PERS system. She stated that AML liked the bill because it was predictable, allowed for budgeting, and it was affordable. She related that even though the municipalities would pay more at the end as the amortization schedule extended, AML was willing to do that in order to keep it affordable for the municipalities.

Co-Chair Kelly CLOSED public testimony.

3:37:11 PM

AT EASE

3:37:49 PM

RECONVENED

Co-Chair Kelly discussed the upcoming conference committee.

3:38:25 PM

RECESSED

HJR 10 was SCHEDULED but not HEARD.

CSHB 140(FIN) was SCHEDULED but not HEARD.

CSHB 160(FIN) was SCHEDULED but not HEARD.

CSHB 287(RLS) am was SCHEDULED but not HEARD.

HB 306 was SCHEDULED but not HEARD.

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ADJOURNMENT

5:14:58 PM

The meeting was adjourned at 5:14 p.m.