

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 23, 2016

8:04 a.m.

MEMBERS PRESENT

Representative Wes Keller, Chair
Representative Liz Vazquez, Vice Chair
Representative Jim Colver
Representative Paul Seaton
Representative David Talerico
Representative Harriet Drummond
Representative Ivy Spohnholz

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 89(RLS) AM(EFD ADD)

"An Act relating to a parent's right to direct the education of a child; prohibiting a school district from contracting with an abortion services provider; prohibiting a school district from allowing an abortion services provider to furnish course materials or provide instruction concerning sexuality or sexually transmitted diseases; relating to physical examinations for teachers; and providing for an effective date."

- MOVED HCS CSSB 89(EDC) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 2

Proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.

- HEARD & HELD

HOUSE BILL NO. 156

"An Act relating to compliance with federal education laws; relating to public school accountability; and providing for an effective date."

- MOVED CSHB 156(EDC) OUT OF COMMITTEE

HOUSE BILL NO. 298

"An Act relating to school districts; and relating to layoff plans for tenured teachers."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 89

SHORT TITLE: SCHOOLS: PARENT RTS; ABORT. PROVDRS LIMITS

SPONSOR(S): SENATOR(S) DUNLEAVY

03/25/15	(S)	READ THE FIRST TIME - REFERRALS
03/25/15	(S)	EDC, STA
03/31/15	(S)	EDC AT 3:30 PM BUTROVICH 205
03/31/15	(S)	Scheduled but Not Heard
04/02/15	(S)	EDC AT 3:30 PM BUTROVICH 205
04/02/15	(S)	Heard & Held
04/02/15	(S)	MINUTE (EDC)
04/07/15	(S)	EDC AT 3:30 PM BUTROVICH 205
04/07/15	(S)	Heard & Held
04/07/15	(S)	MINUTE (EDC)
04/09/15	(S)	STA AT 9:00 AM BUTROVICH 205
04/09/15	(S)	<Pending Referral>
04/09/15	(S)	EDC AT 3:30 PM BUTROVICH 205
04/09/15	(S)	Moved CSSB 89(EDC) Out of Committee
04/09/15	(S)	MINUTE (EDC)
04/10/15	(S)	EDC RPT CS 3DP 1DNP NEW TITLE
04/10/15	(S)	DP: DUNLEAVY, GIESSEL, HUGGINS
04/10/15	(S)	DNP: GARDNER
04/14/15	(S)	STA AT 8:00 AM BUTROVICH 205
04/14/15	(S)	Heard & Held
04/14/15	(S)	MINUTE (STA)
04/15/15	(S)	STA RPT CS 3DP 1AM NEW TITLE
04/15/15	(S)	DP: STOLTZE, COGHILL, HUGGINS
04/15/15	(S)	AM: WIELECHOWSKI
04/15/15	(S)	STA AT 8:00 AM BUTROVICH 205
04/15/15	(S)	Moved CSSB 89(STA) Out of Committee
04/15/15	(S)	MINUTE (STA)
02/24/16	(S)	RLS RPT CS 4DP 1DNP NEW TITLE
02/24/16	(S)	DP: HUGGINS, COGHILL, KELLY, MEYER
02/24/16	(S)	DNP: GARDNER
02/24/16	(S)	BILL REPRINTED 2/24/16
02/24/16	(S)	RLS AT 8:00 AM BUTROVICH 205
02/24/16	(S)	Moved CSSB 89(RLS) Out of Committee
02/24/16	(S)	MINUTE (RLS)
02/29/16	(S)	TRANSMITTED TO (H)
02/29/16	(S)	VERSION: CSSB 89(RLS) AM(EFD ADD)

03/04/16 (H) READ THE FIRST TIME - REFERRALS
03/04/16 (H) EDC, JUD
03/14/16 (H) EDC AT 8:00 AM CAPITOL 106
03/14/16 (H) Heard & Held
03/14/16 (H) MINUTE (EDC)
03/16/16 (H) JUD REFERRAL REMOVED
03/16/16 (H) HSS REFERRAL ADDED AFTER EDC
03/21/16 (H) EDC AT 8:00 AM CAPITOL 106
03/21/16 (H) Heard & Held
03/21/16 (H) MINUTE (EDC)
03/23/16 (H) EDC AT 8:00 AM CAPITOL 106

BILL: SJR 2

SHORT TITLE: CONST. AM: G.O. BONDS FOR STUDENT LOANS
SPONSOR(S): SENATOR(S) MACKINNON

01/21/15 (S) PREFILE RELEASED 1/9/15
01/21/15 (S) READ THE FIRST TIME - REFERRALS
01/21/15 (S) STA, EDC, FIN
02/10/15 (S) STA AT 9:00 AM BUTROVICH 205
02/10/15 (S) Moved SJR 2 Out of Committee
02/10/15 (S) MINUTE (STA)
02/11/15 (S) STA RPT 3DP 2NR
02/11/15 (S) DP: COGHILL, MCGUIRE, WIELECHOWSKI
02/11/15 (S) NR: STOLTZE, HUGGINS
02/24/15 (S) EDC AT 3:30 PM BUTROVICH 205
02/24/15 (S) Heard & Held
02/24/15 (S) MINUTE (EDC)
03/12/15 (S) EDC AT 3:30 PM BUTROVICH 205
03/12/15 (S) Moved SJR 2 Out of Committee
03/12/15 (S) MINUTE (EDC)
03/13/15 (S) EDC RPT 3DP 1NR
03/13/15 (S) DP: DUNLEAVY, STEVENS, HUGGINS
03/13/15 (S) NR: GARDNER
03/26/15 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/26/15 (S) Heard & Held
03/26/15 (S) MINUTE (FIN)
04/09/15 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/09/15 (S) Moved SJR 2 Out of Committee
04/09/15 (S) MINUTE (FIN)
04/10/15 (S) FIN RPT 3DP 3NR
04/10/15 (S) DP: MACKINNON, BISHOP, HOFFMAN
04/10/15 (S) NR: KELLY, DUNLEAVY, OLSON
04/13/15 (S) TRANSMITTED TO (H)
04/13/15 (S) VERSION: SJR 2
04/13/15 (H) READ THE FIRST TIME - REFERRALS
04/13/15 (H) EDC, JUD, FIN

03/23/16 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 156

SHORT TITLE: SCHOOL ACCOUNTABILITY MEASURES; FED. LAW

SPONSOR(S): REPRESENTATIVE(S) KELLER

03/20/15 (H) READ THE FIRST TIME - REFERRALS
03/20/15 (H) EDC
03/30/15 (H) EDC AT 8:00 AM CAPITOL 106
03/30/15 (H) Heard & Held
03/30/15 (H) MINUTE (EDC)
04/08/15 (H) EDC AT 8:00 AM CAPITOL 106
04/08/15 (H) Heard & Held
04/08/15 (H) MINUTE (EDC)
04/10/15 (H) EDC AT 8:00 AM CAPITOL 106
04/10/15 (H) Scheduled but Not Heard
04/13/15 (H) EDC AT 8:00 AM CAPITOL 106
04/13/15 (H) Heard & Held
04/13/15 (H) MINUTE (EDC)
03/14/16 (H) EDC AT 8:00 AM CAPITOL 106
03/14/16 (H) Scheduled but Not Heard
03/16/16 (H) EDC AT 8:00 AM CAPITOL 106
03/16/16 (H) Heard & Held
03/16/16 (H) MINUTE (EDC)
03/18/16 (H) EDC AT 8:00 AM CAPITOL 106
03/18/16 (H) Heard & Held
03/18/16 (H) MINUTE (EDC)
03/21/16 (H) EDC AT 8:00 AM CAPITOL 106
03/21/16 (H) <Bill Hearing Rescheduled to 3/23/16>
03/23/16 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 298

SHORT TITLE: LAYOFF OF TENURED TEACHERS

SPONSOR(S): REPRESENTATIVE(S) TILTON

02/05/16 (H) READ THE FIRST TIME - REFERRALS
02/05/16 (H) EDC
03/23/16 (H) EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

SENATOR MIKE DUNLEAVY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on SB 89, as prime sponsor.

CHRISTA MCDONALD, Staff
Senator Mike Dunleavy
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on SB 89, on behalf of Senator Mike Dunleavy, prime sponsor.

KRISTEN PRATT, Staff
SENATOR ANNA MACKINNON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SJR 2, on behalf of Senator Anna MacKinnon, sponsor.

DIANE BARRANS, Executive Director
Postsecondary Education Commission
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Testified in support of SJR 2.

CHARLENE MORRISON, Chief Finance Officer
Postsecondary Education Commission
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on SJR 2.

MARGARET MACKINNON, Director
Assessment and Accountability
Department of Education and Early Development (EED)

POSITION STATEMENT: Responded to questions during the hearing on HB 156.

REPRESENTATIVE CATHY TILTON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 298, as prime sponsor.

HEATH HILYARD, Staff
Representative Cathy Tilton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 298, on behalf of Representative Tilton, prime sponsor.

DR. DEENA PARAMO, Superintendent
Matsu-Borough School District

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 298.

NORM WOOTEN, Director

Association of Alaska School Boards

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 298.

KAREN GABORIK, Superintendent

Fairbanks North Star Borough School District

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 298.

LISA SKYLES PARADY, Executive Director

Alaska Council of Administrators

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 298.

DR. MARTIN MILLER, Superintendent

Juneau School District

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 298.

ACTION NARRATIVE

[8:04:21 AM](#)

CHAIR WES KELLER called the House Education Standing Committee meeting to order at 8:04 a.m. Representatives Keller, Colver, Drummond, Seaton, Vazquez, and Talerico were present at the call to order. Representative Spohnholz arrived as the meeting was in progress.

SB 89-SCHOOLS: PARENT RTS; ABORT. PROVDRS LIMITS

[8:04:45 AM](#)

CHAIR KELLER announced that the first order of business would be CS FOR SENATE BILL NO. 89(RLS) am(efd add) "An Act relating to a parent's right to direct the education of a child; prohibiting a school district from contracting with an abortion services provider; prohibiting a school district from allowing an abortion services provider to furnish course materials or provide instruction concerning sexuality or sexually transmitted diseases; relating to physical examinations for teachers; and providing for an effective date."

[8:05:40 AM](#)

SENATOR MIKE DUNLEAVY, Alaska State Legislature, introduced his staff and availed himself for questions.

[8:06:02 AM](#)

CHRISTA MCDONALD, Staff, Senator Mike Dunleavy, Alaska State Legislature, addressed a series of questions previously posed by the committee, paraphrasing from a prepared statement, which read as follows:

[Question:] Would the provision "recognizing the authority of a parent and allowing a parent to object to and withdraw a child from a standards based assessment or standards-based test required by the state" put a school district in statutory noncompliance with state law? Are we now saying that tests are not required by the state but rather just suggested by the state?

[Response:] Under current state regulation each school district is required to administer a standards-based test. In addition, schools are not allowed to systematically exclude students from an assessment. However, no law compels a parent to send a child to these tests as they are not associated with student grades or promotions.

[8:06:55 AM](#)

SENATOR DUNLEAVY added that the Every Student Succeeds Act (ESSA) is in flux, and when the reauthorization was being developed, he said, this is an area that many parents petitioned congress to change. The original intent under No Child Left Behind (NCLB) was to ensure that low performing groups were not excluded systematically by schools to skew the school performance scores. A number of parents that choose to have their students excluded, actually have high performing children. These parents are refusing to have their child participate, as a form of objection to the data sharing and testing requirements.

[8:08:16 AM](#)

MS. MCDONALD continued:

[Question:] Will the language in Senate Bill 89 prohibit a school district from covering the costs of a teacher's physical examination or suggest that they may choose whether or not to cover this expense?

[Response:] The language in Senate Bill 89 prohibits a school district from paying for a teacher's physical examination. "May not" is used to be in compliance with the Legislative Drafting manual, page sixty-five which states: Use the words "may not" to impose a prohibition upon someone.

[Question:] Would Section 4 of the bill dealing with physical examinations include fingerprinting and background checks as well.

[Response:] No, the requirements for fingerprints and background checks are established in AS 14.20.020 and would not be impacted by the passage of Senate Bill 89.

[Question:] If we state that a school district may not pay for these physical examinations do we impact the teacher's ability to be provided evaluations through health insurance benefits funded by the district.

[Response:] As stated in the bill, "This section does not affect the coverage of any health insurance benefits that a school district provides to teacher." SB 89 will not impact any physical evaluations that are covered under health insurance benefits.

[8:09:29 AM](#)

CHAIR KELLER moved to adopt Amendment 1, labeled 29-LS0735\F.A.9, Glover, 3/22/16, which read as follows:

Page 3, line 23, following "provider":

Insert "who is acting on behalf of the abortion services provider"

The committee took an at-ease from 8:09 a.m. to 8:12 a.m.

[8:12:14 AM](#)

REPRESENTATIVE SEATON objected for discussion.

8:12:22 AM

CHAIR KELLER said that the language serves to narrow the focus of who may provide reproductive information in a classroom.

REPRESENTATIVE SEATON recalled testimony concerned with impinging on the summer employment for a teacher who works at a hospital, clinic, or other medical office.

8:14:04 AM

The committee took a brief at-ease at 8:14 a.m.

8:14:11 AM

REPRESENTATIVE SEATON removed his objection, and with no further objection, Amendment 1 was adopted.

8:14:54 AM

CHAIR KELLER moved to adopt Amendment 2, labeled 29-LS0735\F.A.10, Glover, 3/22/16, which read as follows:

Page 3, line 15:

Delete "may"
Insert "shall"

8:15:39 AM

REPRESENTATIVE COLVER objected, and said existing statute requires districts to pay for physical examinations, and changing it from "may" to "shall" represents a substantial policy change. The decision should be left to the districts to exert local control and whether or not to implement this measure as a condition for employment. The background checks are still required by state law, which are already a condition of employment. The permissive term should be retained, he opined, and stated opposition to Amendment 2.

8:17:20 AM

REPRESENTATIVE VAZQUEZ commented that this measure addresses public safety, and opined that it does not represent an unduly burdensome task, as a condition of employment. She stated support for Amendment 2.

[8:18:07 AM](#)

REPRESENTATIVE DRUMMOND stated opposition to Amendment 2, echoing the concerns of Representative Colver. It is a major policy change, she agreed.

[8:18:59 AM](#)

SENATOR DUNLEAVY declined further comment and deferred to the committee's decision.

[8:19:24 AM](#)

MS. MCDONALD offered that existing Department of Education and Early Development (EED) regulation, 4AAC 06.050, states that physical examinations "shall" be required of the districts for teachers, but it does not appear in state statute.

[8:19:48 AM](#)

REPRESENTATIVE COLVER maintained his objection.

[8:19:54 AM](#)

A roll call vote was taken. Representatives Talerico, Vazquez, and Keller voted in favor of Amendment 2. Representatives Colver, Drummond, Spohnholz, and Seaton voted against it. Therefore, Amendment 2 failed by a vote of 3-4.

[8:21:04 AM](#)

REPRESENTATIVE SEATON expressed concern for the bill particularly from the health and social services aspect stating that, without the sex education programs currently provided to schools, the levels of unplanned pregnancies and sexually transmitted diseases (STD's) will increase. Additionally, it removes local control of school districts, as provided on page 3, lines 22-25, which read as follows:

(c) A school district may not permit an abortion services provider or an employee or volunteer of an abortion services provider to offer, sponsor, furnish course materials, or provide instruction relating to human sexuality or sexually transmitted diseases.

REPRESENTATIVE SEATON pointed out that this language imposes rulings over local school boards, and prohibits the use of curricula that has been publicly vetted, adopted, and utilized by many districts. The bill is a state usurpation of local control, he opined, and said it may be the first time the state has prohibited districts from identifying curricula for use in meeting state standards and requirements. He stated opposition to passage of SB 89.

[8:23:46 AM](#)

REPRESENTATIVE SPOHNHOLZ stated that the opt-in requirement creates a major barrier to children receiving a positive public health curriculum. The parents already have the opt-out elective to employ. Additionally, the administrative and processing of an additional opt-in form is unnecessary.

[8:25:56 AM](#)

REPRESENTATIVE VAZQUEZ moved to report the proposed committee substitute (CS) for SB 89 (RLS) am(efd add), as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE SEATON maintained his objection.

[8:26:21 AM](#)

REPRESENTATIVE SEATON offered further objection to the bill, specifically Sec. 4, which redirects the cost burden associated with the physical examination requirements of teachers. The local control currently exercised in this area is sufficient, he opined.

[8:27:00 AM](#)

CHAIR KELLER stated support for the bill as a means to bolster parental rights regarding an intimate and important aspect of a child's development.

[8:27:46 AM](#)

REPRESENTATIVE COLVER stated support for the bill, and said a significant section of it recognizes the authority of a parent to withdraw their child from standards based assessments. He opined that this authority is important to have in statute, as a vehicle to move away from future, federal assessment mandates.

[8:28:52 AM](#)

REPRESENTATIVE DRUMMOND stated her agreement with the previous comments regarding the sexual health education aspect of the bill; however, inclusion of the variety of components causes an issue and should be addressed separately, particularly the standards based test concerns. Parents have the right to opt-out their student, to examine class curricula, and, through the local school boards, be involved in the development and approval of curriculum. Thus the proposed opt-in measure creates additional unnecessary administrative paperwork and is of no help to districts. Finally, she stated opposition to the bill.

[8:30:11 AM](#)

CHAIR KELLER commented:

There's no certification required for this contract teaching, and that's kind of novel.

[8:30:40 AM](#)

A roll call vote was taken. Representatives Talerico, Vazquez, Colver, and Keller voted in favor of CSSB 89 (RLS) am(efd add). Representatives Drummond, Spohnholz, and Seaton voted against it. Therefore, HCS for CSSB 89 (EDC) was reported out of the House Education Standing Committee by a vote of 4-3.

SJR 2-CONST. AM: G.O. BONDS FOR STUDENT LOANS

[8:32:12 AM](#)

CHAIR KELLER announced that the next order of business would be SENATE JOINT RESOLUTION NO. 2 Proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.

[8:32:20 AM](#)

KRISTEN PRATT, Staff, Senator Anna MacKinnon, Alaska State Legislature, introduced SJR 2, paraphrasing from the sponsor statement, which read as follows [original punctuation provided]:

Senate Joint Resolution 2 proposes to place a constitutional amendment before the voters during the

fall 2016 general election. This bill amends Article IX, sec. 8, of the Alaska Constitution and would authorize state General Obligation (GO) debt for the purpose of funding state education loans for Alaska students.

Currently, state General Obligation debt may only be authorized for capital improvements or housing loans for veterans.

Financial market conditions once allowed the Alaska Student Loan Corporation (ASLC) to offer competitive, low-cost education loans to a significant percentage of Alaska students without State support. However, those conditions no longer exist and appear unlikely to occur again in the foreseeable future. As a result of these changed conditions, Alaska students and families are receiving decreasing levels of state support, at a higher cost, in meeting postsecondary education expenses.

Senate Joint Resolution 2 will establish a cost-effective way to finance state education loans by leveraging the State's outstanding general obligation credit ratings. Doing so will not only achieve lower costs of funds than what is otherwise available through current alternative financing structures, but will also permit some flexibility of the loan underwriting criteria which currently results in a 43% denial rate on loan applications.

These loan programs represent a critical component of the State's student financial aid system and its efforts to enhance the workforce development pipeline in order to build and maintain a healthy state economy.

[8:33:00 AM](#)

REPRESENTATIVE COLVER ascertained that this would be handled similar to any general obligation (GO) bond and require a public vote.

[8:34:21 AM](#)

DIANE BARRANS, Executive Director, Postsecondary Education Commission, Department of Education and Early Development (EED),

stated support for SJR 2, and said the expectation is that [following voter approval] the commission would be returning to the legislature to support a bill describing the way in which the bonds would be issued, including, potentially, a cap on the amount of bonds allowed, as supported under the GO.

[8:35:40 AM](#)

REPRESENTATIVE COLVER asked what the maximum length of authority for the GO would be prior to subsequent voting being requirements. Also, what would be the savings in interest rates by adopting the use of free GO bonds.

MS. BARRANS responded that statute would be established by the legislature through passage of a support bill to provide specifications regarding the length of time that the corporation would be able to enjoy the ability to issue bonds, as well as the total amount of debt that would be approved. Texas is another state that employs the use of GO bonds for educational loans, where the program functions under a cap. Regarding the interest rate, she said 1-1.5 percent would be the expectation. Another benefit of issuing this type of debt, is the underlying scrutiny required to issue a loan, which lowers the cost of the loan to the consumer.

[8:38:02 AM](#)

REPRESENTATIVE VAZQUEZ queried how the student loans are currently being financed.

MS. BARRANS responded that loans are financed via cash reserves, with loans issued previous to 2008 held as bond debt. To a follow-up question she said the bond debt is approximately \$130 million. However, since 1988, she stressed, the corporation has issued, and successfully repaid, \$1.8 billion in bonds.

[8:39:25 AM](#)

REPRESENTATIVE DRUMMOND expressed concern, regarding the financial leverage expectations of SJR 2, considering the state's current fiscal situation and the possibility that Alaska's credit rating may continue to fall.

MS. BARRANS assured members that the GO debt has been discussed and the 1-1.5 percent interest rate is based on the state maintaining a credit rating of AA; recently devalued from AAA.

[8:41:09 AM](#)

REPRESENTATIVE SEATON noted that the sponsor statement mentions flexibility for the loan underwriting criteria, which currently results in a 43 percent, loan application denial rate, as based on the FICO [formerly Fair Isaac Company] rating. He asked what the current default rate is on student loans, and whether any effects on the default levels are anticipated, by lowering the FICO score requirement.

MS. BARRANS opined that underwriting criteria, when based on a credit score, may be misleading. A credit score does not necessarily reflect less of an ability to repay, as much as the lack of a credit history. The minimum FICO score currently used by the corporation is 680, which is slightly higher than the average Alaskan score of 650. By lowering the rate to 650, she explained, it will align with the average score without impacting default rates adversely. The current annual default rate is about 8 percent, and fluctuates in accordance with the national economic and employment levels.

[8:43:16 AM](#)

REPRESENTATIVE COLVER asked how a newly emancipated, 18 year old student could receive a FICO score and, lacking a credit history, be eligible for a loan.

MS. BARRANS responded that a qualified co-signer is required for anyone who lacks a personal credit standing. The average University of Alaska (UA) student's age is 26, thus, the majority of applicants have a credit score, she said, but 43 percent of the time it's not sufficiently high enough to qualify. She recalled that loans were initially provided through the state's general fund (GF), carried no credit requirements, and demonstrated a default rate as high as 20 percent. Further, early on in the history of the program, a "credit ready" standard was implemented to support students who lacked a credit score, again resulting in higher default rates.

[8:46:28 AM](#)

REPRESENTATIVE COLVER pointed out the difficulty in building a credit history, particularly for young adults who haven't had opportunities to exercise credit. He opined that it represents a discriminatory process, and, although debt repayment is important, a fairness question arises. He asked a series of questions regarding the typical authority granted the GO bonds

for veteran housing loans, which included: duration of authority, amounts granted, and balloting interval requirements.

[8:48:02 AM](#)

MS. PRATT offered to provide further information.

REPRESENTATIVE COLVER expressed concern for establishing an open ended bond authority.

[8:49:05 AM](#)

MS. BARRANS opined that a reasonable voting interim time frame would be five years, which would provide a frequent enough cycle for voters to become familiar with the program, note the benefits, and provide continued support or not. She said this will also be helpful to older students, who may exercise refinance opportunities.

[8:50:28 AM](#)

REPRESENTATIVE VAZQUEZ asked who establishes the FICO score.

MS. BARRANS responded that it's handled through the Alaska Student Loan Corporation (ASLC), via regulation. To a follow-up question, she said the corporation is governed by a five member board, comprised of the commissioners from Department of Revenue (DOR), Department of Commerce, Community & Economic Development (DCCED), Department of Administration (DOA), and two members of the Postsecondary Secondary Commission appointed by the governor.

REPRESENTATIVE VAZQUEZ surmised that the board has the authority to change the FICO score requirement.

MS. BARRANS concurred, and reiterated that the 680 score is a barrier, and 650 will mitigate the denial rate.

[8:52:06 AM](#)

REPRESENTATIVE VAZQUEZ directed attention to the committee packet, and the sponsor statement, paragraph three, which read as follows:

Financial market conditions once allowed the Alaska Student Loan Corporation (ASLC) to offer competitive,

low-cost education loans to a significant percentage of Alaska students without State support.

REPRESENTATIVE VAZQUEZ noted that interest rates have been at historic lows since 2008, and asked what market conditions are being referred to in this statement.

MS. BARRANS pointed out that the cost of funds to banks and lending organizations, reflected in the historically low rates, are not relative to the cost of bonds issued in the market. The interest rates on the bonds themselves would need to be reviewed, rather than the interest rate of funds to lending organizations.

REPRESENTATIVE VAZQUEZ asked what the bonds have to do with the interest rate being charged by the ASLC, if, as mentioned earlier, the loans are currently being backed by cash.

MS. BARRANS answered that the loans the corporation makes must be of sufficient quality to be used as assets to issue bonds in the market. When the corporation considers its interest rate sets, it looks at what the rate in the market would be today, if debt was being issued. In that manner, she explained, the interest rates on the loans will be appropriate to support the use of the loans as assets, when the corporation re-enters the market.

REPRESENTATIVE VAZQUEZ asked what the amount of revenues and expenditures were for ASLC in 2015.

MS. BARRANS deferred.

[8:55:13 AM](#)

CHARLENE MORRISON, Chief Finance Officer, Postsecondary Education Commission, Department of Education and Early Development (EED), responded that the 2015 ASLC revenues totaled \$18 million, and expenditures were \$17 million.

REPRESENTATIVE VAZQUEZ asked for the 2016 revenue and expenditure estimates, the corporation's cash value, and reserve totals.

MS. MORRISON said 2016 estimates have not been established, although the first six months figures show revenues of just over \$9 million and expenditures approximating \$8.8 million, for a net income of just under \$700,000. The unencumbered cash

available for loans is roughly \$28 million, which also funds the operating budget and other corporation expenditures. The unreserved equity, as of 6/30/15, was \$95 million.

[8:58:31 AM](#)

REPRESENTATIVE SEATON clarified that the question is whether GO bonds should be presented to the voters to decide whether or not to allow tax free, lower cost loans to students.

MS. BARRANS concurred, and added that the structure being contemplated proposes that the corporation would continue to pledge assets to the bonds for repayment. The action would not represent a debt to the state; however, it leverages the states credit to good advantage relative to the market cost of bonds.

REPRESENTATIVE SEATON said with five commissioners on the board, and the process requiring legislative reauthorization, the appropriate protections appear to be in place to support this bill. He opined on the importance for continued support of education in the state.

[9:01:17 AM](#)

REPRESENTATIVE VAZQUEZ stated an assumption that a resolution was passed by the board of directors to proceed with this request for a change in statute.

MS. BARRANS said a formal resolution was not put forward; however, general agreement on the board exists to support the action in light of the benefits to the constituents of the corporation.

REPRESENTATIVE VAZQUEZ asked whether the board has considered lowering the FICO scores through existing authority.

MS. BARRANS answered that the interest rate has not been revisited since it was established in 2008. At this point, she explained that, absent the support that a GO bond authority would provide, it would be imprudent to take the action to lower the rate, thus requiring the corporation to substantially over collateralize the trust from which the bonds are issued. Such action would create an inefficiency in the use of the corporate assets.

REPRESENTATIVE VAZQUEZ asked about outstanding bonds issued by the corporation.

MS. BARRANS answered that the last bond issue for new money occurred in 2007; however, refinancing and restructuring of outstanding debt has occurred since that time.

[9:03:50 AM](#)

CHAIR KELLER closed public testimony.

[9:04:35 AM](#)

REPRESENTATIVE COLVER expressed reservations for passing the bill from committee, and said legislative intent needs to be clarified. The proposed legislation lacks a clear and concise record of expected terms and conditions regarding exercising the authority to put a GO bond on the ballot. The record should include the anticipated length of the GO bond authority, the anticipated amount, as well as an accounting of similar exercises of the constitutional authority regarding veteran's housing loans, as administered by the Alaska Housing Corporation. Creating an open ended authority without appropriate sideboards may result, he opined, and acknowledged that statutory authority will still exist. A major missing link is a statement of interest and support from the ASLC board.

[9:08:51 AM](#)

REPRESENTATIVE VAZQUEZ noted that the reason to issue the GO bonds is to allow additional accessibility to loans for students. The benefit could be garnered by lowering the FICO score, she said, and pointed out that the ASLC board has the authority to implement that change. She expressed concern for issuing bonds, which isn't an uncostly undertaking, and opined that the justifications for passage of SJR 2 don't appear to fit.

[9:11:12 AM](#)

CHAIR KELLER announced SJR 2 as held over.

HB 156-SCHOOL ACCOUNTABILITY MEASURES; FED. LAW

[9:11:20 AM](#)

CHAIR KELLER announced that the next order of business would be HOUSE BILL NO. 156, "An Act relating to compliance with federal education laws; relating to public school accountability; and

providing for an effective date." [Before the committee, adopted as a work draft on 3/16/16, was the proposed committee substitute (CS) for HB 156, Version 29-LS0566\Y, Glover, 3/11/16.]

[9:11:34 AM](#)

CHAIR KELLER passed the gavel to Vice Chair Vazquez.

[9:11:40 AM](#)

CHAIR KELLER stated that the first component of the bill is a means to address the implementation of ESSA and proposes a two year hiatus for the transition period; effectively suspending the high stakes testing regimen required by the federal government. The second component addresses the state school board reporting requirements, which will be "tweaked" based on the adoption of the changes made in the first aspect of the bill.

[9:14:44 AM](#)

REPRESENTATIVE COLVER moved to adopt Amendment 1, labeled 29-LS0566\Y.1, Glover, 3/16/16, which read:

Page 3, line 13, following "demonstrates":

Insert "(1)"

Page 3, line 14, following "year":

Insert "; or
(2) maintenance of a proficient or high performance designation from the previous year"

[9:14:47 AM](#)

CHAIR KELLER objected for purposes of discussion.

[9:15:39 AM](#)

REPRESENTATIVE COLVER said the amendment addresses school district concerns to establish a bar for the purpose of high performance designations and comparisons.

[9:17:20 AM](#)

CHAIR KELLER removed his objection. He explained that an annually updated, on-line report card, lists the designated, high performance schools. He opined that even top rated schools could be served instead via a performance indicator, with better results. Understanding the standard may be necessary, but the intent of the bill directs the board to establish considerations for determining school performance and consistent improvement, rather than focusing on maintaining proficiency.

[9:19:27 AM](#)

CHAIR KELLER removed his objection.

[9:19:32 AM](#)

REPRESENTATIVE SEATON objected.

[9:19:46 AM](#)

REPRESENTATIVE SEATON asked if the current five star rating system will be effected or whether what is being proposed is in addition to what exists. An additional system may effectively double the school rating effort, he surmised, and asked how the department would align the two approaches.

[9:21:21 AM](#)

MARGARET MACKINNON, Director, Assessment and Accountability, Department of Education and Early Development (EED) responded that the current Alaska School Performance Index uses a five-star rating base. The Elementary and Secondary Education Act (ESEA) flexibility waiver [implemented at the beginning of the 2013-14 school year] directed the department to maintain identification categories to include schools rated as the lowest performing, as well as the reward status facilities. The requirements also categorized high progress and high performance schools. The department is currently experiencing a "pause," in anticipation of the new assessment system. The passage of ESSA [ESEA/NCLB reauthorization], allows flexibility for creating an accountability system, and places the decision making in the hands of the state. Thus, the type of indicators for inclusion, and whether or not to continue the star rating method is yet to be decided. ESSA doesn't require a high performing designation, she pointed out.

REPRESENTATIVE SEATON recalled the establishment of the current star system, which Alaska may have created to satisfy federal requirements. However, he said, the current accountability system, as written, may satisfy the proposed criteria, negating a need for Amendment 1.

MS. MACKINNON answered that the current requirements for designating schools has not been changed. She explained that the existing designations are broad and, under the ESEA waiver, the star accountability system may meet all requirements. The provisions are general enough to allow the development of a modified, or new, state accountability system while recognizing schools that are improving. Once the high threshold for school performance is attained, however, it can become difficult to show continued improvement from year to year. The proposed amendment language will bolster both situations.

[9:25:34 AM](#)

CHAIR KELLER commented that when a school's previous year's performance becomes the status quo, "it makes me uncomfortable." The amendment offered allows for an element of improvement.

[9:26:09 AM](#)

REPRESENTATIVE SEATON removed his objection, and with no further objection, Amendment 1 was adopted.

[9:26:48 AM](#)

CHAIR KELLER moved to adopt Amendment 2, labeled 29-LS0566\Y.3, Glover, 3/18/16, which read:

Page 6, line 18:

Delete "2017"
Insert "2016"

Page 6, line 19:

Delete "2019"
Insert "2018"

Page 7, line 12:

Delete "2017"
Insert "2016"

[9:27:19 AM](#)

REPRESENTATIVE SEATON objected for discussion.

[9:27:22 AM](#)

CHAIR KELLER said the intent of Amendment 2 is to address the department's request for an adjustment of the effective date, which will allow the necessary time for implementation.

[9:28:08 AM](#)

REPRESENTATIVE COLVER clarified that the intent is to not require school districts to administer a statewide based assessment after July 1, 2016; a directive to the state school board.

CHAIR KELLER concurred.

[9:28:50 AM](#)

REPRESENTATIVE COLVER surmised that testing is being returned to local control, per ESSA, with the expectation that the department will develop a meaningful, measurable assessment system, in concert with local districts, which can be compared with other state's scores. He underscored the importance for rebuilding a new state assessment system from the ground-up. A collaboratively developed framework, with goals and objectives, would be the best approach, he opined.

[9:30:27 AM](#)

REPRESENTATIVE SEATON reminded committee members that the federal government has expressed to EED that a two year waiver is not available, thus, putting the state's federal education funding at risk. He asked if that is the reason for the proposed date change.

[9:31:40 AM](#)

CHAIR KELLER said the date change allows the department to get an earlier start for implementing the permissive elements of ESSA.

[9:32:44 AM](#)

REPRESENTATIVE SPOHNHOLZ stated support for the concepts presented in the bill, and expressed concern for unintended consequences effecting currently enrolled senior students. Would lacking participation in an assessment them in jeopardy, as graduates, she asked.

MS. MACKINNON responded no.

[9:33:43 AM](#)

REPRESENTATIVE SEATON removed his objection, and with no further objection Amendment 2 was adopted.

[9:34:13 AM](#)

REPRESENTATIVE VAZQUEZ moved to report the proposed CS for HB 156, Version 29-LS0566\Y, Glover, 3/11/16, as amended, from committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 156(EDC), was reported from the House Education Standing Committee.

[9:34:27 AM](#)

REPRESENTATIVE COLVER stated support for the bill and said it is important to retool the educational situation in the state.

[9:35:06 AM](#)

The committee took a brief at-ease at 9:35 a.m.

[9:35:24 AM](#)

REPRESENTATIVE VAZQUEZ returned the gavel to Chair Keller.

HB 298-LAYOFF OF TENURED TEACHERS

[9:36:02 AM](#)

CHAIR KELLER announced that the final order of business would be HOUSE BILL NO. 298, "An Act relating to school districts; and relating to layoff plans for tenured teachers."

[9:36:27 AM](#)

REPRESENTATIVE CATHY TILTON, Alaska State Legislature, introduced HB 298, paraphrasing from the sponsor statement, which read:

HB 298 provides an optional tool for school districts to manage personnel costs through "Reductions In Force" (RIF).

Currently, AS 14.20.177 stipulates that in order for a district to be able to even consider a personnel reduction plan for tenured teachers, one of two triggers have to be met:

1. School attendance in the district has decreased; or
2. The basic need of the school district decreases by three percent or more from the previous year.

For a number of school districts, especially the more populous ones, this is simply a standard that cannot be met in order to even consider the option for personnel reductions.

HB 298 simply eliminates the student attendance or basic need as requirement in order to proceed with the consideration of a layoff plan.

While it is important to provide districts with greater flexibility to manage their finances in our new fiscal paradigm, it is also essential to provide robust protections for Alaska's teachers so that any RIF is not done arbitrarily or irresponsibly. AS14.20.177 (b)-(h) provides that protection through a very thorough process up to and including arbitration. HB 298 does nothing to remove or weaken that process.

HB 298 is an option that allows Alaska's school districts greater flexibility to manage expenses.

[9:38:38 AM](#)

REPRESENTATIVE SEATON asked whether there is a threshold to be considered, regarding a decrease in student attendance.

HEATH HILYARD, Staff, Representative Cathy Tilton, Alaska State Legislature, responded that, in accordance with AS 14.20.177, in terms of the actual school attendance only a decrease needs to exist. The basic needs formula carries a percentage threshold, he pointed out.

REPRESENTATIVE SEATON noted that the intent of the proposed legislation is to gain flexibility for laying off teachers.

MR. HILYARD concurred and said it removes the two existing layoff triggers while retaining robust protections for tenured teachers.

[9:40:00 AM](#)

REPRESENTATIVE COLVER asked about any support from the districts, and underscored the importance to have input from the trenches. Tenure is a sensitive issue, he reminded, which must be tread lightly while gaining a full breadth of understanding from those effected, as well as from the policy and budget promulgators.

[9:42:02 AM](#)

REPRESENTATIVE DRUMMOND referred to the committee packet handouts titled, "District Enrollment by Grade as of October 1, 2015, FY 2016" and "District Enrollment by Grade as of October 1, 2014, FY 2015, compiled by the Department of Education & Early Development (EED), to note that there doesn't appear to be an existing urgency. The numbers indicate that enrollment has increased, she pointed out, and questioned the grounds for the bill.

[9:43:31 AM](#)

REPRESENTATIVE TILTON deferred.

[9:43:45 AM](#)

REPRESENTATIVE SEATON noted that the proposed legislation allows for reduction in tenured staff, and asked whether it allows for the retention of non-tenured teachers, at the same time.

MR. HILYARD responded that the bill is silent on the question of non-tenured teachers.

[9:44:41 AM](#)

REPRESENTATIVE SEATON noted that at some point he will be declaring a conflict of interest, as a parent and in-law of non-tenured teachers.

[9:45:34 AM](#)

DEENA PARAMO, PhD, Superintendent, Matsu-Borough School District (MBSD), stated support for HB 298, paraphrasing from a prepared statement, which read:

I am speaking to you today on behalf of the Mat-Su School District to express support for HB 298.

Even though Mat-Su is a rapidly growing District, we continue to be faced with some difficult realities that these times of limited resources present. We are a growing District and have not experienced a reduction in the component of the funding formula known as basic need. Without having these two triggers, we are unable to reduce the tenured workforce, no matter how large our deficit becomes or what programs we determine should not continue. For us this has created two realities. We have been forced to place tenured teachers in positions for which they were not qualified to comply with the current law and we are limited when exploring innovative and specialized programs as we may be required to retain an individual beyond the existence of the educational need. The proposed changes to AS 14.20.177 recognize that there are scenarios where a reduction in the number of tenured teachers may be necessary beyond the narrow scope currently in law.

Let me be clear, Mat-Su values highly its talented workforce. We pride ourselves on offering a top notch education. However, fiscal realities require that we at times make difficult choices. We have no intention or desire to reduce the number of tenured teachers in our district without careful and deliberate consideration and even then only when necessary. We support the proposed bill not because we hope to issue notices of layoff, but because we appreciate the ability to consider the needs of the students in our district and the educational offerings we provide, not just the tenure status of teachers.

Our current budget, which is based on the assumption that the Base Student Allocation is increased by \$50 and that our contributions to PERS/TRS remain unchanged, would not require us the issue notices of layoff to tenured teachers. However, as both the State and our local Borough have not yet finalized the

funding allocation, we are prepared for a multitude of scenarios. Realistically, I expect that this would affect Mat-Su as early as next year, but only on a limited scale.

[9:49:45 AM](#)

REPRESENTATIVE SEATON referred to the bill, page 1, lines 13-15, which read as follows:

APPLICABILITY. AS 14.20.177(a), as amended by sec. 1 of this Act, applies to a contract or collective bargaining agreement entered into on or after the effective date of this Act.

REPRESENTATIVE SEATON asked about the application of this language to tenured versus non-tenured teachers.

DR. PARAMO said the intention is to work with the collective bargaining agreements (CBAs) and align the language, following the effective date of the bill.

[9:51:00 AM](#)

REPRESENTATIVE COLVER noted that MBSD is facing a \$9 million shortfall, and asked what other measures, outside of tenured staff layoffs, are being considered for controlling costs, such as freezing pay step increases or adjusting health care costs.

DR. PARAMO explained that the district has previously taken action to reduce health care costs, and said the district's intent is to direct revenue to the classroom. She said more changes will be evident in the FY 18 negotiations. A comprehensive secondary school program is important and programs vary between high schools. The secondary schools are more costly, due to the type of services necessary to prepare students for college and technical careers. The district has established a resource sharing program allowing students to attend the high school which best suits their interests and goals. Some students may attend three different schools in a given year to benefit from the resources and services offered. An example are the welding programs, that are offered at only four high schools, as the transportation costs for students are less than the cost of offering welding in every school. Further, space is being optimized in every facility and private industry is being cultivated to provide programs. She emphasized the need to cultivate the best instructors and

programs, which means allowing districts the ability to change the status quo of staff, as necessary. Districts that are seeing a decrease in enrollment, have the ability to layoff tenured teachers; however, due to the growth in the MBSD tenured teachers must be retained, regardless of what the identified needs are for the district.

[9:57:56 AM](#)

NORM WOOTEN, Director, Association of Alaska School Boards, stated support for HB 298 paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I am speaking today in favor of HB 298. We in the Association have tremendous support for our teachers. Research clearly shows that the most important factor in a student's success is good instruction delivered by a teacher.

Having said that we find ourselves in increasingly difficult times and which will likely get worse. As our states financial situation worsens we will need all the "tools" you can give us.

We need the ability to keep the "right" teachers in front of students. This would be the first step in getting to that ability

Our responsibility is to deliver the best instruction possible to every student.

Thank you for your time today. I encourage you to pass this legislation out of committee.

[9:59:05 AM](#)

KAREN GABORIK, Superintendent, Fairbanks School District, stated support for HB 298, agreeing with Dr. Paramo's testimony. It will assist in the decision making process, especially in situations that effect tenured teachers. The effective date in Sec. 2 presents a problem, she opined and recommended it be amended.

[10:01:23 AM](#)

LISA SKYLES PARADY, Executive Director, Alaska Council of School Administrators (ACSA), stated support for HB 298, and said the bill arose from a list of items that would provide non-monetary support to school districts in a time of budgetary constraints. The list was generated through a joint effort of members from the Alaska Association of School Boards (AASB) and the Alaska Superintendents Association (ASA). The bill seeks to eliminate the narrow triggers currently allowed for teacher layoffs, which leaves the districts with a functional inability to staff as appropriately as possible. Certainly, tenured teachers are highly valued, she said, and the bill does not change the robust process of preferring and protecting seniority. The bill would provide an important tool for districts at these difficult times, and she provided a theoretical situation: A district decides to save money by closing a program, but it is unable to reduce staff of the tenured teacher carrying the terminated class. Although the teacher is not qualified to teach any other district offered curriculum the district must resort to transferring the tenured teacher into a position for which they are not qualified or effective. In the end, with the limited triggering, currently in statute, a negative impact results. She assured the committee that the layoff plan will be protected and have public accountability given the requirement for the local board review. Finally, the ACSA concurs with Superintendent Gaborik's recommendation to delete the Sec. 2 effective date, as unnecessary language.

[10:05:19 AM](#)

DR. MARTIN MILLER, Superintendent, Juneau School District, stated support for HB 298, and said the only means to continue to meet budgetary constraints is through reduction in the work force. Costs increase each year primarily based on the step increases, which are an attraction for new teachers; however, with a static income and rising costs, measures must be taken, he opined. At the second level the specialized programs are the biggest challenge due to the specialty of the course work involved.

CHAIR KELLER announced HB 298 as held over.

[10:08:08 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 10:08 a.m.