

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

March 12, 2015

3:31 p.m.

MEMBERS PRESENT

Senator Mike Dunleavy, Chair
Senator Charlie Huggins, Vice Chair
Senator Cathy Giessel
Senator Gary Stevens
Senator Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR HOUSE CONCURRENT RESOLUTION NO. 2(EDC)
Designating January 24 - 30, 2016, as Alaska School Choice Week.

- MOVED CSHCR 2(EDC) OUT OF COMMITTEE

SENATE CONCURRENT RESOLUTION NO. 1
Relating to a legislative task force on civics education.

- MOVED CSSCR 1(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.

- MOVED SJR 2 OUT OF COMMITTEE

SENATE BILL NO. 64
"An Act relating to school bond debt reimbursement; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HCR 2

SHORT TITLE: JAN 24 - 30, 2016: AK SCHOOL CHOICE WEEK

SPONSOR(S): REPRESENTATIVE(S) GATTIS

01/26/15 (H) READ THE FIRST TIME - REFERRALS
 01/26/15 (H) EDC
 02/04/15 (H) EDC AT 8:00 AM CAPITOL 106
 02/04/15 (H) Heard & Held
 02/04/15 (H) MINUTE(EDC)
 02/06/15 (H) EDC AT 8:00 AM CAPITOL 106
 02/06/15 (H) Moved CSHCR 2(EDC) Out of Committee
 02/06/15 (H) MINUTE(EDC)
 02/09/15 (H) EDC RPT CS(EDC) NT 4DP
 02/09/15 (H) DP: KREISS-TOMKINS, DRUMMOND, SEATON,
 KELLER
 02/23/15 (H) TRANSMITTED TO (S)
 02/23/15 (H) VERSION: CSHCR 2(EDC)
 02/25/15 (S) READ THE FIRST TIME - REFERRALS
 02/25/15 (S) EDC
 03/12/15 (S) EDC AT 3:30 PM BUTROVICH 205

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

BILL: SCR 1

SHORT TITLE: CIVICS EDUCATION TASK FORCE

SPONSOR(s): SENATOR(s) STEVENS

01/21/15 (S) READ THE FIRST TIME - REFERRALS
 01/21/15 (S) EDC, FIN
 02/26/15 (S) EDC AT 3:30 PM BUTROVICH 205
 02/26/15 (S) Heard & Held
 02/26/15 (S) MINUTE(EDC)
 03/12/15 (S) EDC AT 3:30 PM BUTROVICH 205

BILL: SB 64

SHORT TITLE: SCHOOL BOND DEBT REIMBURSEMENT

SPONSOR(S): FINANCE

03/02/15 (S) READ THE FIRST TIME - REFERRALS
03/02/15 (S) EDC, FIN
03/12/15 (S) EDC AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE LYNN GATTIS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of HCR 2.

TIM LAMKIN, Staff

Senator Gary Stevens

Alaska State Legislature

Juneau, Alaska,

POSITION STATEMENT: Explained the changes in the CS for SCR 1.

STUART THOMPSON, representing himself

Meadow Lakes, Alaska

POSITION STATEMENT: Testified in support of SCR 1.

LISA SKILES PARADY, Executive Director

Alaska Council of School Administrators (ACSA) and

Executive Director

Alaska Superintendents Association

Juneau, Alaska

POSITION STATEMENT: Testified on SCR 1.

SENATOR ANNA MACKINNON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of SJR 2 and Cross Sponsor of HCR 2.

ROBERT DOTSON, representing himself

Cordova, Alaska

POSITION STATEMENT: Testified in support of SJR 2.

LAURIE PIERRE, Staff

Senator Anna MacKinnon

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented a sectional analysis of SB 64.

MIKE ABBOTT, Chief Operating Officer
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Testified about concerns regarding SB 64.

ACTION NARRATIVE

[3:31:10 PM](#)

CHAIR MIKE DUNLEAVY called the Senate Education Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Huggins, Giessel, Gardner, and Chair Dunleavy. Senator Stevens arrived shortly thereafter. Chair Dunleavy noted the committee would hear four bills.

HCR 2-JAN 24 - 30, 2016: AK SCHOOL CHOICE WEEK

[3:32:19 PM](#)

CHAIR DUNLEAVY announced the consideration of HCR 2. [CSHCR 2(EDC) was before the committee.]

REPRESENTATIVE LYNN GATTIS, Alaska State Legislature, sponsor of HCR 2, related that the resolution is about school choice and a parent's right to choose when, where, and how their child is educated. Designating January 24 - 30, 2016 as Alaska School Choice Week, simply acknowledges that our education system is accountable to families. Alaska has many education opportunities; public neighborhood schools, public charter schools, public home schools, optional public schools, independent home schools, as well as private schools. She said School Choice Week is a national celebration recognized by millions of students, parents, educators, schools, and community leaders for the purpose of raising public awareness to the importance of effective education options. This truly comes down to a parent's right to choose how to education their child. She concluded that HCR 2 is a simple resolution.

CHAIR DUNLEAVY recognized that Senator Stevens was present. He said the resolution is similar to the Senate version of the bill. The only change is on line 10; there is an addition of "optional public schools."

SENATOR GARDNER said she read the Senate version very carefully to see if it was a voucher bill that supported the use of state money for private schools. She concluded that it was not a pro-voucher bill. She said when she researched the national School Choice movement she recognized that when "public charter school" is used, it means "voucher schools" that receive state dollars.

She asked if the wording on line 10 is an endorsement of vouchers.

REPRESENTATIVE GATTIS said it really means "Alaska's school choices, not vouchers." There are no private charter schools in Alaska.

CHAIR DUNLEAVY corrected that the resolution states "public charter schools."

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SENATOR HUGGINS said he could add vouchers to the resolution.

SENATOR HUGGINS moved to report CSHCR 2(EDC) from committee with individual recommendations and attached zero fiscal note. There being no objection, it was so ordered.

[3:36:30 PM](#)

At ease

SCR 1-CIVICS EDUCATION TASK FORCE

[3:39:03 PM](#)

CHAIR DUNLEAVY announced the consideration of SCR 1. He said it is the second hearing of the resolution and he intended to move it out of committee.

TIM LAMKIN, Staff, Senator Gary Stevens, Alaska State Legislature, explained the changes in the new CS for SCR 1, version N. He said the bill is modeled after one from Illinois and the language was changed to fit Alaska's task force composition. There is a net change to twelve for the number of task force members. On page 2, lines 23-26, the task force now has three representatives and three senators, including one each from the minority caucus. On page 3, line 1, the NEA member would be a teacher with significant experience in the area of civics and social studies.

SENATOR HUGGINS moved to adopt the CS for SCR 1, labeled 29-LS0237\N, as the working document before the committee.

CHAIR DUNLEAVY objected.

MR. LAMKIN continued to describe the changes in the bill. On page 3, lines 4-6, the reference to a member of the media was deleted and replaced with a student. Also, on page 3, lines 7 and 8, a civics non-profit member was deleted and replaced by

someone from the judicial branch of government. Representation by the superintendent was also deleted since school board representation was maintained.

[3:41:57 PM](#)

SENATOR GARDNER pointed out that there is an even number of task force members and she assumed they would work for consensus.

MR. LAMKIN said historically there is consensus with task forces. In the event of a tie, a motion would fail.

CHAIR DUNLEAVY opened public testimony.

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STUART THOMPSON, representing himself, testified in support of SCR 1. He discussed his belief in citizen participation. He said he has five methods for financing civics education. He said he will fax his comments to the committee.

[3:47:23 PM](#)

LISA SKILES PARADY, Executive Director, Alaska Council of School Administrators (ACSA), and Executive Director, Alaska Superintendents Association, testified on SCR 1. She requested that a superintendent be left on the task force. She maintained that school board members have a different role than superintendents.

CHAIR DUNLEAVY closed public testimony.

SENATOR STEVENS voiced appreciation for Mr. Thompson's support. He recognized the problem of funding the task force. He appreciated Dr. Parady's comments. He said he would not mind adding the superintendent position back, but there is a limit to the number of members.

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SENATOR HUGGINS asked for clarification of the status of the fiscal note.

MR. LAMKIN said there is a fiscal note for the original version of the bill and a replacement is being considered. He explained that it is the sponsor's intent to have the bulk of task force members who reside in or near Anchorage.

CHAIR DUNLEAVY said there could be a discussion of the fiscal note in Senate Finance.

[3:52:37 PM](#)

At ease

[3:52:46 PM](#)

CHAIR DUNLEAVY said they would move the bill out of committee with a fiscal note that could be discussed in Senate Finance.

SENATOR HUGGINS moved to report CSSCR 1(EDC), version N, from committee with individual recommendations and attached fiscal note. There being no objection, the motion carried. [The assumption is that Chair Dunleavy removed his objection to the adoption of version N.]

[3:53:35 PM](#)

At ease

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

[3:55:17 PM](#)

CHAIR DUNLEAVY announced the consideration of SJR 2. He shared that the resolution is a constitutional amendment for General Obligation bonds for student loans. The committee heard SJR 2 on February 24 and also heard public testimony, which is still open. There is a zero fiscal note. He said the committee has received responses to questions posed at the last meeting from Diane Barrans from the Alaska Commission on Post-Secondary Education.

SENATOR ANNA MACKINNON, Alaska State Legislature, sponsor of SJR 2, read from the sponsor statement: SJR 2 is our way of trying to reduce student loan debt for those who currently have debt in the state of Alaska and those that may have debt in Alaska's future. Article IX, sec. 8, of the Alaska Constitution currently says that the state only can use the full faith and credit of Alaska for capital improvement or for housing loans for veterans. This would amend that to allow post-secondary education to offer loans to students, thereby creating a lower loan rate for students, and our hope is to reduce student debt.

CHAIR DUNLEAVY opened public testimony.

ROBERT DOTSON, representing himself, testified in support of SJR 2. He shared that he is helping support three grandsons through college. He said he objects to the high interest rates for student loans.

CHAIR DUNLEAVY noted the fiscal note has zero impact. He said if both bodies pass SJR 2, it goes to the public for a vote.

SENATOR MACKINNON agreed. She explained that after two years the public would vote again before any bond would be issued.

CHAIR DUNLEAVY closed public testimony.

[4:00:45 PM](#)

SENATOR HUGGINS moved to report SJR 2 from committee with individual recommendations and attached zero fiscal note. There being no objection, the motion carried.

[4:01:07 PM](#)

At ease

SB 64-SCHOOL BOND DEBT REIMBURSEMENT

[4:03:16 PM](#)

CHAIR DUNLEAVY announced the consideration of SB 64. He said it is the first hearing of the bill.

SENATOR ANNA MACKINNON, Alaska State Legislature, sponsor of SB 64, read the sponsor statement. Alaska is facing a \$3.5 billion revenue shortfall this year and projected into next year. One thing we can do to take care of Alaska is to take care of our fiscal house as quickly as possible. The current bill before you proposes to sunset current state aid regarding reimbursement for major maintenance and school construction. This is a measure that is outside of our control in anticipating our future debt-to-credit ratio needs. I understand that it is a valuable tool for communities that can provide bond indebtedness. This doesn't prevent schools from going forward and providing that indebtedness.

She said she originally wanted an effective date of January 1, 2015. That date was rejected and is a policy consideration for the committee. It takes into account that people go to bond market in April and October and sell bonds. A municipality may be getting ready to market to sell bonds. She opined that January 1, 2015, is the correct date and the people of Alaska will understand that the state is not in the position to go forward with reimbursing at a higher level. The bill does not eliminate the program, but sunsets it for five years.

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SENATOR GARDNER asked if January 1, 2015, is the correct date.

SENATOR MACKINNON said yes; it is retroactive. She related that Legislative Legal expressed concern about retroactivity and the possibility that Anchorage might have a bond proposition that voters expect to be reimbursed for.

CHAIR DUNLEAVY requested a sectional analysis.

LAURIE PIERRE, Staff, Senator Anna MacKinnon, Alaska State Legislature, presented a sectional analysis of SB 64. She clarified that the year bonds are issued is listed in state statute. The most recent one was issued from October 1, 2006, to May 1, 2015. Legislative Legal suggested a May 1 sunset date so as not to affect that bond.

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MS. PIERRE related that Section 1 sunsets the bond debt reimbursement provisions for school construction and major maintenance for five years, May 1, 2015 to July 1, 2020.

Section 2 begins on page 6, line 21, and restricts the reimbursement of bonds authorized after May 1, 2015. Also, on page 7, lines 1 through 11, it deletes language relating to bonds authorized after May 1, 2015.

Section 3 page 12, line 17, through page 13, line 2, inserts language relating to bonds authorized on or after July 1, 2020, and reduces reimbursement from 70 percent for standard projects to 50 percent, and from 60 percent for non-standard projects to 40 percent.

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Section 4 restricts the commissioner from approving an application for bond debt reimbursement between May 1, 2015, and July 1, 2020.

Section 5 restricts the commissioner from approving an application for bond debt reimbursement between May 1, 2015, and July 1, 2020.

Section 6 repeals sections 1, 4, and 5 of this Act on July 1, 2020.

Section 7 is the retroactivity clause and applies to Sections 1, 4, and 5.

Section 8 states that Section 3 takes effect on July 1, 2020.

Section 9 is the immediate effective date.

[4:11:22 PM](#)

SENATOR STEVENS requested clarification of a hypothetical situation; if the voters of Anchorage approved a bond package on April 7, 2015, it would be funded at a 70/30 ratio, but other districts that vote at a later date would not have that opportunity.

MS. PIERRE said that is correct.

[4:12:28 PM](#)

MIKE ABBOTT, Chief Operating Officer, Anchorage School District (ASD), testified about concerns regarding SB 64. He said ASD relies on general obligation debt for all capital projects, at about 90 percent, with smaller contributions from legislative grants, federal sources, and the operating budget. ASD has taken advantage of multi-year bonding programs for capital projects and voters appreciate that approach. ASD hopes to continue that funding method.

He explained that ASD's six-year capital improvement program anticipates going forward with debt reduction. New bonds have been sold at lower rates and old debts have been refinanced at lower rates. He said ASD is not involved in the state grant process and would not score well compared to other area projects. He concluded that ASD is uncertain if it could meet its capital requirements going forward with this bill.

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SENATOR HUGGINS said Wasilla has had many new students and construction demands. He asked what the trend is in Anchorage.

MR. ABBOTT replied that ASD anticipates a slight growth in enrollment over the next six years; a slight decline is anticipated next year.

SENATOR HUGGINS asked for retrospective data.

MR. ABBOTT said over the last five years the district has declined in enrollment by about three percent.

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SENATOR STEVENS said the bill has unusual wording. He asked what is on the Anchorage ballot for April 7, and how the 70/30 split would work.

MR. ABBOTT replied that there is a single bond proposal, Proposition 1, for a little over \$59 million. About 2/3 of the bond is to be reimbursed at 60 percent and 1/3 at 70 percent, for a blended rate of about 64 percent. Of the \$59 million, \$56 million is for four elementary renewal projects. Individual costs range between \$12 million and \$19 million. No new school construction is planned within the six-year CIP.

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CHAIR DUNLEAVY noted SB 64 is an attempt to get a handle on revenue and would provide breathing space for the state to replenish its coffers. He stated he would hold the bill in committee today. He thanked the sponsor and noted the bill goes to Senate Finance next.

SENATOR MACKINNON said there are four major cost drivers in Alaska's budget; K-12, Health and Human Service - Medicaid growth, PERS/TRS, and school debt reimbursement, which has totaled \$3 billion since FY 1972. The legislature has had no control except to step up and pay just under \$120 million annually. She stated support for what ASD is doing, but maintained that it is time to reduce expenses. She stressed the need to retroactively date the bill to prevent large bonds in the fall. She concluded that SB 64 is totally about fiscal restraint.

CHAIR DUNLEAVY asked Mr. Abbott about the 60 percent reimbursement and if ASD followed DEED guidelines.

MR. ABBOTT explained that three of the elementary school projects are eligible for 60 percent reimbursement under DEED regulations because ASD is adding a small amount of square footage to try and improve the security of the front entrances. It is less expensive to add a few square feet rather than remodel an old structure. It would be eligible for 70 percent if that were not done, but would be more expensive.

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SENATOR HUGGINS assumed there would be a retroactive date proposed. He asked what that would do to ASD's bond proposition.

CHAIR DUNLEAVY asked Mr. Abbott to consider a proposed amendment to that effect.

MR. ABBOTT explained that the ballot language authorized by the Anchorage Assembly describes school debt reimbursement as it is

currently defined in statute - it is not guaranteed and is subject to appropriation. The voters are on the hook for the entire amount of the indebtedness and the entire amount of annual debt service.

CHAIR DUNLEAVY commented on the trend of a declining student population in Alaska. He summarized that the bill is a result of the financial situation in the state.

SENATOR MACKINNON noted SB 64 is a Senate Finance Committee bill.

CHAIR DUNLEAVY held SB 64 in committee.

[4:31:44 PM](#)

There being nothing further to come before the committee, Senator Dunleavy adjourned the Senate Education Standing Committee at 4:31 p.m.