

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

March 22, 2017
8:00 a.m.

MEMBERS PRESENT

Senator Shelley Hughes, Chair
Senator Cathy Giessel
Senator John Coghill
Senator Tom Begich

MEMBERS ABSENT

Senator Gary Stevens

COMMITTEE CALENDAR

SENATE BILL NO. 87

"An Act relating to energy efficiency standards and standardized options for building and equipment components for school construction and major maintenance; relating to school construction and major maintenance grants and bond debt reimbursement; establishing a working group to make recommendations relating to energy efficiency and standardized components in schools; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 96

"An Act relating to education; relating to school districts; relating to course credit for students; relating to group insurance, self-insurance, and other cooperative arrangements between school districts and businesses, nonprofit organizations, and government agencies; relating to funding for school districts; relating to school operating funds; relating to competency examinations for teacher certificates; relating to the Professional Teaching Practices Commission; relating to the duties and powers of the Department of Education and Early Development and the commissioner of education and early development; relating to a virtual education consortium; relating to the minimum wage for bus drivers; relating to the investment, appropriation, and administration of the public school trust fund; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 87

SHORT TITLE: SCHOOL CONSTRUCTION ENERGY EFFICIENCY STD

SPONSOR(s): SENATOR(s) MACKINNON

03/10/17 (S) READ THE FIRST TIME - REFERRALS
03/10/17 (S) EDC, FIN
03/22/17 (S) EDC AT 8:00 AM BUTROVICH 205

BILL: SB 96

SHORT TITLE: EDUCATION: SCHOOLS/TEACHERS/FUNDING

SPONSOR(s): EDUCATION

03/20/17 (S) READ THE FIRST TIME - REFERRALS
03/20/17 (S) EDC, FIN
03/22/17 (S) EDC AT 8:00 AM BUTROVICH 205

WITNESS REGISTER

SENATOR ANNA MACKINNON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 87.

BRITTANY HUTCHISON, Staff
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis of SB 87.

JOSHUA BANKS, Staff
Senator Shelley Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 96 on behalf of the Senate Education Standing Committee, sponsor of the bill.

ACTION NARRATIVE

8:00:15 AM

CHAIR SHELLEY HUGHES called the Senate Education Standing Committee meeting to order at 8:00 a.m. Present at the call to order were Senators Begich, Giessel, Coghill, and Chair Hughes.

SB 87-SCHOOL CONSTRUCTION ENERGY EFFICIENCY STD

8:00:41 AM

CHAIR HUGHES announced that the first order of business would be SB 87. She said it is the first hearing of the bill.

8:01:21 AM

SENATOR ANNA MACKINNON, Alaska State Legislature, sponsor of SB 87. She related her experience on finance committees and her current role as the capital budget chair, during which time the finance committees advanced hundreds of millions of dollars for construction across the state. SB 87 provides a framework to advance some of the design work done for public buildings, specifically education facilities, to create energy efficiency standards greater than the state is currently applying to buildings.

She stated that the goal of SB 87 is to make schools more affordable and maintainable, and to extend the life of public school facilities. It provides for long-term operating cost savings. The School Capital Construction Debt Reimbursement Plan has been suspended and the bill is an opportunity for when that plan goes back into effect and investment dollars are utilized to create long-term savings through energy cost savings.

SENATOR MACKINNON spoke of small communities in the state where there are multiple facilities that could be co-located. A task force included in SB 87 could establish, together with the Department of Education and Early Development (DEED), which entities could be melded together. She provided an example of co-location of a library and a fire hall in the same building. Another possibility might be to co-locate health aides in a school facility.

She said she is starting a conversation about maintaining and controlling costs and extending the life of public school facilities, as well as prioritizing classroom infrastructure and functional design versus just looking good. She noted that her team has been reaching out to the Association of Alaska School Boards, to principals and superintendents, to classroom teachers, to DEED, and to contractors, engineers, and design firms. Everyone does not agree with everything in the bill.

She heard some districts say that the front of a school building consumes about 10 percent of design costs, which could be invested in the classroom instead. She did not want to take away local control, but would like to see the buildings be energy

efficient, have temperature control standards, and look at co-location.

[8:05:35 AM](#)

BRITTANY HUTCHISON, Staff, Alaska State Legislature, Juneau, presented the sectional analysis of SB 87. She began with Section 10:

Section 10 (pg. 8 Line 26 - pg. 11 line 2):

Establishes the Public School Energy Efficiency and Standardized Components Working Group. Established in the Department of Education and Early Development for the purpose of recommending energy efficiency standards and standardized options for energy efficient building and equipment components for public school facilities construction and major maintenance projects who receive a grant or reimbursement in an amount equal to 50% or more of the project costs.

a. The working group consists of nine members appointed by the Commissioner.

b. The working group shall select a chair and vice-chair. Majority establishes quorum. Decision are made on majority vote.

c. Develop recommendations appropriate to each climate zone in the state:

1. Establish energy efficiency standards consistent with relevant building, plumbing, and electrical codes.

2. Standardized options for energy efficient building and equipment components from which school districts may choose from.

3. Best practices for improving energy efficiency for existing and newly constructed school facilities in order to maximize the energy efficiency of buildings and equipment components.

4. The maximum cost standard for each square foot of construction of an energy efficient school facility that uses components identified in (2) of this subsection. The maximum cost must be appropriate for

designs that prioritize classroom infrastructure and functional design. The costs must be adjusted for different regions within each climate zone.

d. The standardized component options must:

1. Result in designs for buildings with a 30 year life for new construction and 20 years for renovations or energy efficiency upgrades

2. Achieve economic savings, as measured by a life cycle cost analysis through the use of standardized options and fuel cost reductions from energy efficiency upgrades.

3. Focus the state's investment in education facilities by prioritizing functional design and classroom infrastructure.

e. The working group shall complete a report summarizing their recommendations, and submit the report electronically.

f. The working group may meet by telephone or videoconference. They will not receive reimbursement, compensation or per diem.

g. The working group terminates on the date 18 months after the effective date of this section.

[8:07:07 AM](#)

MS. HUTCHISON continued with Section 9:

Section 9 (pg. 7 line 1 - pg. 8 line 25): Creates a new section in state law: AS 14.11.104. School Facility Design and Maintenance Standards. It requires DEED to:

1. Establish, by regulation, energy efficiency standards that include standardized options for building and equipment components, appropriate to each climate zone in the state for the construction and major maintenance of school facilities. The regulations must include:

a. Energy efficiency standards that are consistent and relevant to building, plumbing and electrical codes that will reduce long-term operating costs.

b. Provide standardized options for energy efficient building and equipment components from which a school district may choose when designing a school facility or renovating an existing facility.

c. Establish best practices for improving energy efficiency for existing and newly constructed school facilities.

d. Establish the maximum acceptable costs for each square foot for construction or major maintenance of an energy efficient school facility. The department shall:

i. Base the maximum costs on designs that prioritize classroom infrastructure and functional design.

ii. The maximum acceptable cost must be adjustable for different regions within each climate zone.

2. Create a maintenance manual for schools and maintenance crews that provides information about maintaining and repairing standardized options identified in the energy efficiency standards.

3. Consider establishing a statewide maintenance team to help schools in maintaining and repairing their standardized components. The department may enter into a contract with a regional or local organization, AEA, DOT, or another state agency to create this statewide maintenance team.

4. Requirements for a school district and a maintenance team, if established, to submit reports to the Department of Education and Early Development:

a. The date that maintenance was performed and what maintenance was performed

b. The condition of school facilities

c. Monitoring data: occupancy, electricity usage, fuel usage, temperature, etc.

5. Acquire ownership of the design for any school facility for which a grant or bond reimbursement is approved in an amount of 50% or more of the cost of construction.

6. DEED must assess, in consultation with the Department of Administration and the Department of Transportation, all state lease payments, state owned facilities and the use of school facilities in rural areas to determine whether other state or local services can be located in the same facility in order to reduce state funding needs. Any state or local service that may be co-located with a public school must have all their employees meet background check requirements equivalent to the requirements for teachers.

a. Rural is defined

b. State or local service is defined with the words or "similar entity"

[8:08:26 AM](#)

MS. HUTCHISON noted that 24 percent of schools in Alaska are under 50 percent full and 29 percent are under 75 percent full. This means that there is a possibility of co-location in 53 percent of Alaska schools.

She explained that Sections 1-7 relate to grant applications for school construction and Section 8 relates to bond reimbursement for school construction.

She continued:

Section 1 (pg. 2 Lines 3-11): Amends AS 14.11.011(b) by increasing the information needed in a school district's grant application. The district shall submit:

1. Information demonstrating that the project incorporates standardized options for building and equipment components and is in compliance with the recommendations made under Section 9 of the bill.

2. Documentation of the building commissioning process the district uses for both new construction and major maintenance projects.

Section 2 (pg. 3 Lines 11-12 and 22-25): Amends AS 14.11.013 by

a. Adding to the duties of the Capital Improvement Project grant schedule, the requirement for DEED to verify that the project follows the recommendations made in Section 9 and

b. Requiring that a capital improvement project grant request must achieve savings measured by a life-cycle cost analysis through the use of: standardized options, energy efficiency upgrades, and fuel cost reductions

[8:09:08 AM](#)

Section 3 (pg. 4 Line 10): Amends AS 14.11.013(d) which allows DEED to reduce a project budget by the cost of those portions of a project design that they determine does not meet the criteria set out by the Section 9 of the bill.

Section 4 (pg. 4 lines 13-17):

a. When a school district is applying for a grant, DEED shall consult with Alaska Energy Authority to make sure that the projects are in compliance with the criteria from Section 9.

b. Defines "life-cycle cost" as the meaning given in AS 46.11.900

- "life-cycle cost" means the total cost of owning, operating, and maintaining a building over its useful life, including its energy and fuel costs, determined on a basis of a systematic evaluation and comparison of alternative building systems, except that in the case of leased buildings the life-cycle cost shall be calculated over the effective remaining term of the lease;

Section 5 (pg. 4 Line 29 and pg. 5 Lines 4-5): Amends AS 14.11.014(b) Requiring the Bond Reimbursement and Grant Review Committee to, along with their other duties:

1. Analyze designs acquired by the Department, and
2. Set standards based on the standards adopted under Section 9.

Section 6 (pg. 5 Lines 13-14, 16-17, 30- line 6 on pg. 6): Amends AS 14.11.017(a)

1. Requires that a school district must include criteria developed in Section 9 when they are seeking a grant for school construction.
2. Requires that the school district not exceed the maximum cost standards established by Section 9.
3. Disallows any school districts, contractors, architects, or designers involved with the design and building of a school facility from applying for an architectural or design award, if the grant is an amount equal to or greater than 50% of the project. This does not exclude energy efficiency grants or innovative design grants.

[8:10:16 AM](#)

Section 7 (pg. 6 Lines 7-11): Amends AS 14.11.017 to state that if a cost of a project exceeds the maximum cost standards established by Section 9, then the municipality or REAA must pay for the excess cost of the building outside of state funds.

Section 8 (pg. 6 Lines 12-31): Amends AS 14.11.100 by adding three sections to. The commissioner of Education may not approve an application for bond reimbursement, unless the municipality, as a condition of reimbursement:

1. Agrees to construction of an appropriate size school facility that meets criteria developed by the Department and section 9 of this bill. In assessing this criteria, the Commissioner of DEED shall consult with AEA.
2. Provides reasonable assurance that the project costs will not exceed the maximum cost standard established by the Department under Section 9. If a school district does exceed the maximum cost standard,

the municipality or REAA will pay for the excess with funds from outside of state government.

3. If a project receives bond reimbursement of 50% or more of the cost of the project, the municipality, architects, engineers and designers are prohibited from submitting for an architectural design award.

[8:11:16 AM](#)

Section 11 (pg. 11 lines 3 - 9): Applicability

Section 12 (pg. 11 Lines 10 - 19):

a. DEED shall adopt regulations necessary to implement the changes made by this act.

b. The regulations required under section 9 must implement the recommendations of the public school energy efficiency and standardized components working group established in section 10.

c. The regulations take effect after 18 months of enactment of this legislation

Section 13 (pg. 11 Lines 20-21): Sections 1-9 and 11 take effect 24 months after the effective date of section 10

Section 14 (pg. 11 Line 22): Section 10 takes effect immediately.

Section 15 (pg. 11 Lines 23-24): Section 12 takes effect 18 months after the effective date of section 10 of this act.

[8:12:09 AM](#)

SENATOR COGHILL inquired if the legislature could review the regulations. He noted there is a push for Leadership in Energy and Environmental Design (LEED) standards.

MS. HUTCHISON said that has been discussed, but is not currently in the bill and would be a good idea.

[8:13:48 AM](#)

SENATOR BEGICH referred to Section 8, lines 19 and 20, and Section 4, lines 15 and 16, where the bill mentions consultations with the Alaska Energy Authority (AEA). He pointed

out that most of the state's sustainable energy and energy efficiency work is being done by the Department of Transportation and Public Facilities (DOTPF). He asked if the sponsor would consider changing consulting work to DOTPF.

MS. HUTCHISON said AEA brought up that consideration and she said she would discuss it with DOTPF.

[8:15:11 AM](#)

SENATOR MACKINNON stated that whoever can do the task most efficiently is where it will reside. She noted a new fiscal note from DEED and said AEA is a qualified entity, as are Alaska Housing Finance Corporation and Alaska Cold Climate. Also, DEED has many handbooks that talk about energy efficiency.

She opined that, given the climate situation and energy costs throughout Alaska, the legislature must take a look at energy efficiency. She was accepting of Senator Coghill's friendly amendment to review the task force conclusions. She said a previous challenge with this legislation was trying to get DEED to standardize design specifications instead of having unique designs.

She concluded that SB 87 is a work in process, however, the goal is to have efficient buildings in urban and rural Alaska. When state dollars are invested in a project, it is important that students are warm, schools have lights and backup energy sources and are used year round. It is important to take the time to do it right.

[8:17:58 AM](#)

SENATOR BEGICH said he really likes the concept of the bill. He recalled when he worked with the Division of Juvenile Justice they worked on template designs because they were more efficient. He noted that SB 87 provides for up to seven different template designs. He credited the sponsor for taking all the right steps.

SENATOR BEGICH suggested on page 7, lines 21 and 22, to tighten the language or come up with a clear definition as it applies to "different regions in each climate zone." He pointed out that a region within a climate zone is not clearly defined. He noted that in the Yukon Koyukuk area there are radically different climates within the same region. He suggested groupings of communities when building a new school.

[8:19:42 AM](#)

SENATOR MACKINNON reiterated that the bill is in process and she is happy to accept suggestions.

SENATOR BEGICH brought up the idea of considering design templates for buildings other than schools, such as for co-locating structures in the communities. He asked if the bill's standards would apply to co-located structures.

SENATOR MACKINNON said yes. She noted that she and Senator Hughes have talked about wanting SB 87 and SB 96 to fit together and to have structures throughout Alaska be treated equally.

[8:20:53 AM](#)

CHAIR HUGHES thanked Senator MacKinnon for bringing SB 87 forward, saying it is overdue. She asked if the bill's process would apply to a basic remodel and an addition to a school facility.

SENATOR MACKINNON said it would. The idea is that the state will probably reconstruct more buildings than build new ones in the near future. Many new schools are waiting to be built, particularly in rural Alaska. All of those school boards are concerned with energy efficiencies and may or may not have the resources available to understand construction materials and insulation choices. The state should be leading the way in providing that information. If there is a 50 percent investment of dollars by the state it would trigger the provisions in the bill.

[8:22:27 AM](#)

CHAIR HUGHES noted that the Denali Commission has provided funding for clinic facilities in the past. She asked if there are federal requirements that have to be met in order for clinics to co-locate with a school facility.

SENATOR MACKINNON said she would expect DEED to work within the task force with anything related to co-location. If the state is spending money on clinics, it should be looking at maximizing those dollars for the people in the region, the building that is being affected, and the state, for long-term investment.

She related that DOTPF is looking at several villages where they are building 3 airports and 3 schools within a 15-mile corridor. From DOTPF's perspective, it would cost less to maintain the 3 separate airports than the 15 miles of road. However, each of the three villages has to build three different buildings. She noted that the balance belongs to the people and the state;

local control and the state. The choice of local control is important. She suggested to look beyond educational investment to see other related needs in a community and seek co-location. She stressed that it should be a regional conversation.

[8:26:25 AM](#)

SENATOR BEGICH suggested another concept to consider in the bill; the use of Rural Educational Attendance Area (REAA) and Small Schools Funds for major maintenance in schools.

[8:27:28 AM](#)

SENATOR MACKINNON agreed to look at everything. She did not want to use one-time money for re-occurring expenses. She said she would have to research that funding source.

She said the bill has an admirable goal, but some people do not want to see change because change is hard, and it costs money sometimes. She stated that it is the people's money and we need to do what is best for the people and the students of Alaska. She added that she is not saying there won't be new construction, but rather that it is more likely that there will be re-construction or major maintenance, which would have to comply with the new standards in the bill.

[8:28:58 AM](#)

CHAIR HUGHES asked, when a school is going to be built, if there is an analysis of community size and potential for growth.

SENATOR MACKINNON said she thought there was. Sometimes people don't believe growth projections. She provided an example in Eagle River where she doubted the projections which turned out to be accurate. She concluded that you try to do what you think is best with the money you have. She noted that populations are relocating, such as to Mat-Su.

CHAIR HUGHES provided an example of long-lasting old buildings in Germany. She whether durability and extending the life of buildings are considerations.

[8:32:21 AM](#)

SENATOR MACKINNON said yes. She chose, as a measurement of durability, the life of a typical mortgage - 30 years. This is another reason for the state to own building designs - so that problems can be worked on for improved durability.

[8:33:20 AM](#)

MS. HUTCHISON referred to Section 10 where it states that new buildings must have a 30-year lifespan and renovations a 20-year lifespan. She said they are open to changing those numbers.

SENATOR COGHILL asked who owns the designs and what expertise is needed for applying the designs. He asked if it would mean a change in venue.

SENATOR MACKINNON said currently DEED believes everything needs to be unique and the state does not own the designs. She does not believe that everything needs to be unique; public buildings have a responsibility to be functional and efficient, before beautiful.

She shared an experience about a design center in Eagle River that saved \$1 million by using the same design and construction team. She pointed out that delivery costs of materials in rural Alaska are very high. She was open to those other than DEED handling design and construction of schools.

[8:36:43 AM](#)

SENATOR BEGICH supported that idea. He shared how Juvenile Justice buildings were built from the same template which simplified the process. The bill has 7 different templates which are adaptable to location.

SENATOR MACKINNON said the bill provides local flexibility to do what a community thinks is best and what an architect thinks is safe. The bill uses limited dollars to create energy efficient buildings that may need to be adaptable. She provided an example of co-locating a nurse to accommodate a community's need.

SENATOR BEGICH said in 1994 the Governor's Conference on Youth and Justice established that there would be health clinics in new school designs.

[8:39:55 AM](#)

CHAIR HUGHES mentioned public health facilities and the need for co-locations for their clinics due to budget reasons. The bill could address that need.

SENATOR GIESSEL agreed. She said sometimes there is no health clinic in a rural area, so public health nurses have to provide health care in classrooms. She provided an example in Anchorage of a private health entity that contracts for space in a middle school to provide more efficient services.

[8:42:15 AM](#)

SENATOR COGHILL thought a lot of current building standards are energy efficient and available and could be used and standardized. He suggested tightening up the timeline in order to get a working product sooner.

SENATOR BEGICH suggested looking at rapidly changing technology and the need for flexibility in schools.

CHAIR HUGHES summarized that she has received calls from several in the construction industry who have been building rural schools and they suggested change is needed.

CHAIR HUGHES held SB 87 in committee.

SB 96-EDUCATION: SCHOOLS/TEACHERS/FUNDING

[8:44:50 AM](#)

CHAIR HUGHES announced that the final order of business would be SB 96. She related that the committee has held several exploratory meetings intending to offer the best education possible to students in Alaska. Due to budget constraints, it is time for some "out of the box" thinking. The committee explored how to offer districts tools to do more with less and improve student offerings.

She related that a teacher shared with her that "we don't need to reform education, we need to transform it." She said the achievement gap is startling and troubling. There are excellent schools and struggling schools.

She said SB 96 attempts to improve education. She opined that every student matters and deserves the opportunity to access an excellent education. The bill provides new opportunities for instruction, but also ways to save money and be more efficient on the administrative end. She concluded that overall spending on education does not correlate with academic achievement, however, spending on classroom instructions does correlate with academic achievement.

[8:45:32 AM](#)

JOSHUA BANKS, Staff, Senator Shelley Hughes, Alaska State Legislature, presented SB 96 on behalf of the Senate Education Committee, sponsor of the bill. He noted that they were working on some changes in the bill that were requested by Legislative Legal. He presented the sectional analysis:

Section 1 (Pages 1-2): Creates uncodified law for legislative findings of the Alaska Education Transformation Act in regards to virtual education, education spending, and quality teachers and classroom instruction.

Sections 2-3 (Page 2): Makes technical amendments to AS 14.03.073 to add references to specific subsections within this section due to a new subsection added in Section 4 of this bill.

Section 4 (Pages 2-3): Adds a new subsection to AS 14.03.073 requiring school districts to allow credit for gym, music, or art classes for a student that participates in an activity that meets the educational or physical requirements of the course. Cultural activities may be used to obtain class credit.

Section 5 (Page 3): Amends AS 14.03.120(a) to add a requirement to the annual report school districts must submit to the Department of Education and Early Development (DEED). Districts will need to include categories of administrative employees and the ratio of the employees in each category compared to the number of students in the district.

MR. BANKS said a couple of changes proposed in Section 5 will require the district to post this report on their website or use alternative means in order to allow for the public to hold districts more accountable for administrative costs.

[8:50:57 AM](#)

MR. BANKS continued:

Section 6 (Page 3): Amends AS 14.09.030(b) to require DEED to conduct one inspection for each school bus rather than two each year.

Section 7 (Page 3-4): Amends AS 14.14.110(a) to allow school districts to partner with businesses, nonprofit organizations, and state or local government agencies. This section also adds to the definition of "administrative services" to include student nutrition, student transportation, and health insurance pooling with the State plan. This section also adds to the definition of "educational services" to include teacher training and the use of technology

to teach students such as the use of virtual education.

He said the purpose of insurance pooling in Section 7 is a conversation starter and may be a vehicle to help districts with high health insurance costs.

8:52:32 AM

Section 8 (Page 4): Amends AS 14.14.115(a) to allow school districts to partner with businesses, nonprofit organizations, and state or local government agencies to qualify for the one-time grant under this section. This section also increase the maximum grant amount and requires that the school district demonstrate how the grant will reduce costs for the district.

8:52:59 AM

CHAIR HUGHES noted the presence of Representative Parish.

8:53:17 AM

Section 9 (Page 4-5): Adds new subsections to AS 14.14.115 to give further directions for the cooperative grants under this section.

- Subsection (d) requires that if two school districts enter into a cooperative grant, one must be a rural district.
- Subsection (e) establishes that if a cooperative grant is used for health insurance pooling with the State, the grant can only be used to pay for the costs of transferring district employees to the State insurance plan.
- Subsection (f) allows a school district to carry forward the savings realized during the first three years after a grant is awarded. The savings will not be counted towards the fund balance limit established in AS 14.17.505(a).
- Subsection (g) defines "rural school district" as a regional educational attendance area or a small municipal school district defined in AS 14.11.025(c) as a district with less than 300 Average Daily Membership (ADM) and a district full value per ADM less than \$500,000.

[8:54:53 AM](#)

Section 10 (Page 5): Amends AS 14.17.450(a) to provide an exception to the School Size Adjustment (SSA) for schools that meet the qualifications in (g) of this section (Section 11).

Section 11 (Pages 5-6): Amends AS 14.17.450 by adding a new subsection establishing that a school may not use the SSA under (a) of this section if it is below 80% capacity and if it is within 25 miles by road of another school in the same district that is also below 80% capacity.

MR. BANKS added that they are working on adjusting this section due to unintended consequences. The intent is for schools to use their full capacity. For example, instead of having 10 schools at 60 percent capacity, the district would have 5 schools at full capacity in order to bring down fixed costs.

[8:56:29 AM](#)

CHAIR HUGHES requested that Mr. Banks explain the 3-year funding changes when a school merges with another school.

MR. BANKS explained that they are working on an additional change in the bill to phase in a reduction of the Average Daily Membership (ADM) over three years when schools merge.

[8:57:32 AM](#)

MR. BANKS continued:

Section 12 (Page 6): Amends AS 14.17.505(a) to increase the limit that a school district is allowed to retain in its unreserved fund balance from 10% to 25% of district expenditures. This section also allows for savings realized from a cooperative grant under AS 14.14.115 to not count towards the 25% limit.

Section 13 (Page 6): Amends AS 14.20.020(i) to require the State School Board to periodically adjust the minimum score needed to pass the Praxis exam so that Alaska has the highest testing standards for teacher certification.

He pointed out that the state looks at the Praxis scores annually now. Section 13 ensures that the state look at other states to see whether Alaska is falling behind.

[8:58:47 AM](#)

CHAIR HUGHES said in most areas of competency Praxis scores are comparable to other states except in a few courses, such as chemistry.

[8:59:25 AM](#)

MR. BANKS further explained a proposed change in the bill - if the State School Board changes regulations to increase Praxis scores, the changes will not go into effect for a year.

[8:59:59 AM](#)

He continued:

Section 14 (Page 6): Adds a new subsection to AS 14.20.380 to require DEED to provide administrative services to the Professional Teaching Practices Commission (PTPC).

He noted that this is already being done.

[9:00:26 AM](#)

MR. BANKS continued:

Section 15 (Page 6-7): Amends AS 14.20.460 to require the PTPC to use administrative support services provided by DEED.

Section 16 (Pages 7-9): Creates a new section under AS 14.30 titled Virtual education consortium which also creates a new article titled Article 15. Virtual Education. The subsections that AS 14.30.760 consists of are:

- Subsection (a) establishes the virtual education consortium under DEED. The consortium will have a database of virtual education courses available to all districts for students in grades 6-12. The consortium will also provide training for teachers instructing in virtual settings and professional development for all teachers in the state. A school district or third-party vendor may offer courses on the database if it is approved by DEED.
- Subsection (b) will require DEED to review each course to ensure it meets state standards and is appropriate for students in grades 6-12. This

subsection also requires that each course has the following information: the title, subject, and description of the course, the district providing the course, method of virtual education delivery, and samples of the course curriculum and teacher instruction provided in the course.

[9:02:58 AM](#)

Subsection (c) requires the consortium to provide training for teachers before they are allowed to teach a course that is included in the database. A waiver may be granted if the consortium finds that the teacher has the experience and skills necessary to teach in a virtual setting.

- Subsection (d) requires that the consortium provide professional development courses for all teachers in the state. Any district that has adequate broadband access to participate in the trainings shall require its teachers to participate in any necessary trainings. The consortium may also require participating districts to adopt the same in-service days for training.

- Subsection (e) sets a fee structure for students that take a course offered virtually by a school district that is not the student's home district. The student's district shall calculate the fee by multiplying the base student allocation by the proportion of classes that the student is taking in the district offering the virtual course. The student's district shall pay this fee to the district offering the course.

- In subsection (f), the consortium is allowed to charge a fee to any school district that offers a course in the database under (b) of this section. DEED will be able to set the fee in regulation and can adjust it as necessary annually. The fees must be set in such a manner that by June 30, 2020, the fees paid by districts will approximately equal any administrative costs of the consortium.

[9:05:12 AM](#)

CHAIR HUGHES requested that Mr. Banks discuss the proposed change to (f).

MR. BANKS said it is proposed that all participating districts pay a fee.

[9:05:44 AM](#)

He continued:

Subsection (g) allows the consortium to require districts that provide courses or have students taking courses through the consortium to adopt a shared calendar and a shared bell schedule for at least a portion of the school day.

He noted that it is optional. Copper River School District has adopted a common calendar and common bell which have resulted in efficiencies.

[9:06:42 AM](#)

He continued:

Subsection (h) creates definitions for the terms: "asynchronous", "base student allocation", "blended", "host district", "synchronous", and "virtual education" or "virtual instruction".

[9:06:57 AM](#)

MR. BANKS continued:

Section 17 (Pages 9-12): Deletes a reference to AS 23.10.065(b) in AS 23.10.055(a) (Alaska Wage and Hour Act) which is repealed in Section 23 of this bill.

Section 18 (Page 12): Deletes the reference to AS 37.14.110(c) which is repealed in Section 24 of this bill, and rearranges the reference to AS 37.14.160.

Section 19 (Page 12): Deletes language in AS 37.14.130 that requires the Public School Fund Advisory Board to prepare accounting specifically for the principal and income of the Public School Trust Fund.

Section 20 (Pages 12-13): Deletes language in AS 37.14.160 relating to separate accounting of the principal and income of the Public School Trust Fund. This section also requires the Department of Revenue (DOR) to determine each year the monthly average market value of fund for the last three fiscal years.

[9:08:23 AM](#)

MR. BANKS continued:

Section 21 (Page 13): Creates a new section in AS 37.14 to allow the Legislature to appropriate 4.75% of the market value established with the changes made in Section 20 of the bill. The funds may be used to support public education in Alaska and to cover the administrative costs of the fund.

He described a proposed change to Section 21. No more than 4.75 percent can be appropriated, and the legislature may not appropriate more than the income earned by the fund. The intent of the changes is to avoid any possibility of the legislature appropriating from the principal of the fund - a violation of Trust law.

Section 22 (Pages 13-14): Amends AS 37.14.170 to allow the commissioner of DOR to invest the Public School Trust Fund in order to provide increasing returns from capital appreciation.

Section 23 (Page 14): Repeals AS 14.20.470(a)(7) so that the PTPC is no longer able to appoint an executive secretary. This section also repeals AS 23.10.065(b) and (c) which requires an employer to pay a public school bus driver at a rate two times the Alaska minimum wage, and which allows for wage adjustments to only occur when a contract begins or is renewed.

[9:10:08 AM](#)

Section 24 (Page 14): Repeals AS 37.14.110(c) which sets how the commissioner of DOR will calculate the net income of the Public School Trust Fund and AS 37.14.140 which requires that net income from the fund only go towards funding public education.

MR. BANKS said they are looking at removing the repeal of AS 37.14.140(c) because the changes made in Section 21 regarding limiting how much the legislature can appropriate from the Trust Fund, will deal with any legal problems.

Section 25 (Page 14): Creates applicability language for the repeal of AS 23.10.065(b) and (c) so that this

bill will only effect contracts made on or after the effective date of this bill.

[9:11:20 AM](#)

MR. BANKS stated that they will be deleting Sections 26 and 27 because there is no longer litigation.

Section 26 (Page 14): Creates a conditional effect establishing that changes made to the Public School Trust Fund will only go into effect if a final judgment is made regarding combining the income and principal of the Public School Trust Fund and that such action will not violate trust law. The commissioner of DEED shall notify the Lieutenant Governor and the revisor of statutes when the final judgement has been entered.

Section 27 (Page 14): Creates an effective date for Sections 18-22 and 24 to be the day after the commissioner of DEED notifies the revisor of statutes that a final judgment has been made regarding the Public School Trust Fund.

Section 28 (Page 14): Creates an effective date for Sections 1-17, 23, and 25 to be June 30, 2017.

[9:12:42 AM](#)

MR. BANKS offered to answer questions. He noted several people were available for questions.

CHAIR HUGHES thanked him for his work.

[9:13:06 AM](#)

SENATOR BEGICH brought up a technical point on Section 28. He said the effective date and other references would have to be changed due to the proposed changes.

He thanked Mr. Banks for his hard work.

SENATOR BEGICH drew attention to Section 11 on page 6 and cautioned against three things: combining two schools that are under capacity resulting in one school over capacity; building one school for communities that have a right to their own schools, and lacking a clear definition of "road".

[9:15:39 AM](#)

SENATOR BEGICH asked whether there is a grandfather clause included with the Praxis exam change for teachers who are currently certified.

MR. BANKS said there would be a grandfather clause.

[9:16:19 AM](#)

SENATOR BEGICH asked for clarification on the fee on page 8 (e) and (f).

MR. BANKS said the intent is that a school district can choose not to take the full fee and there would be a ceiling for the fee.

CHAIR HUGHES added that the fee could be zero to the full amount.

SENATOR BEGICH suggested changing "shall" to "may" in line 22.

[9:17:28 AM](#)

SENATOR BEGICH suggested clarifying the issue of the double minimum wage bus driver repeal in AS 37.14.140. He thought there was ambiguity about that issue and how it relates to the use of the Trust Fund.

MR. BANKS replied that they have requested Legislative Legal to delete that portion.

SENATOR GIESSEL appreciated the sponsor's hard work.

[9:19:15 AM](#)

CHAIR HUGHES clarified that the repeal of AS 37.14.140 would not prohibit a district from continuing to pay twice the minimum wage.

SENATOR BEGICH asked about changing bus inspections from two times a year to one time a year. He wanted assurance that public safety was not at risk due to the change.

MR. BANKS explained that one inspection is required; two or more are optional.

[9:20:57 AM](#)

SENATOR BEGICH commented on the constitutional issue related to the Public Schools Trust and noted the Kasayulie litigation has been suspended and that issue is off the table.

9:21:34 AM

CHAIR HUGHES said they are open to further discussion on the bill. She asked when the new CS is expected.

MR. BANKS said he believes it will be ready tomorrow.

CHAIR HUGHES noted that DEED would have a chance to address the bill.

CHAIR HUGHES held SB 96 in committee.

9:22:47 AM

There being no further business to come before the committee, Chair Hughes adjourned the Senate Education Standing Committee at 9:22 p.m.