

**ALASKA STATE LEGISLATURE**  
**HOUSE EDUCATION STANDING COMMITTEE**

January 26, 2022

8:03 a.m.

**MEMBERS PRESENT**

Representative Harriet Drummond, Co-Chair  
Representative Andi Story, Co-Chair  
Representative Tiffany Zulkosky (via teleconference)  
Representative Grier Hopkins  
Representative Mike Prax  
Representative Mike Cronk  
Representative Ronald Gillham

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 18

"An Act relating to national board certification for public school teachers."

- HEARD & HELD

HOUSE BILL NO. 21

"An Act relating to the Board of Regents of the University of Alaska."

- MOVED HB 21 OUT OF COMMITTEE

HOUSE BILL NO. 114

"An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 18

SHORT TITLE: TEACHERS: NATIONAL BOARD CERTIFICATION

SPONSOR(S): REPRESENTATIVE(S) KREISS-TOMKINS

02/18/21 (H) PREFILE RELEASED 1/8/21

02/18/21 (H) READ THE FIRST TIME - REFERRALS  
 02/18/21 (H) STA, EDC  
 02/25/21 (H) STA AT 3:00 PM GRUENBERG 120  
 02/25/21 (H) -- MEETING CANCELED --  
 03/02/21 (H) STA AT 3:00 PM GRUENBERG 120  
 03/02/21 (H) Heard & Held  
 03/02/21 (H) MINUTE(STA)  
 03/04/21 (H) STA AT 3:00 PM GRUENBERG 120  
 03/04/21 (H) Heard & Held  
 03/04/21 (H) MINUTE(STA)  
 03/09/21 (H) STA AT 3:00 PM GRUENBERG 120  
 03/09/21 (H) Moved HB 18 Out of Committee  
 03/09/21 (H) MINUTE(STA)  
 03/10/21 (H) STA RPT 3DP 1DNP 1NR 2AM  
 03/10/21 (H) DP: CLAMAN, TARR, KREISS-TOMKINS  
 03/10/21 (H) DNP: EASTMAN  
 03/10/21 (H) NR: STORY  
 03/10/21 (H) AM: KAUFMAN, VANCE  
 04/30/21 (H) EDC AT 8:00 AM DAVIS 106  
 04/30/21 (H) Heard & Held  
 04/30/21 (H) MINUTE(EDC)  
 05/10/21 (H) EDC AT 8:00 AM DAVIS 106  
 05/10/21 (H) -- MEETING CANCELED --  
 01/21/22 (H) EDC AT 8:00 AM DAVIS 106  
 01/21/22 (H) Heard & Held  
 01/21/22 (H) MINUTE(EDC)  
 01/26/22 (H) EDC AT 8:00 AM DAVIS 106

BILL: HB 21

SHORT TITLE: ADD FACULTY MEMBER UNIV BOARD OF REGENTS  
 SPONSOR(S): REPRESENTATIVE(S) WOOL

02/18/21 (H) PREFILE RELEASED 1/8/21  
 02/18/21 (H) READ THE FIRST TIME - REFERRALS  
 02/18/21 (H) EDC, STA  
 04/26/21 (H) EDC AT 8:00 AM DAVIS 106  
 04/26/21 (H) Heard & Held  
 04/26/21 (H) MINUTE(EDC)  
 05/10/21 (H) EDC AT 8:00 AM DAVIS 106  
 05/10/21 (H) -- MEETING CANCELED --  
 01/21/22 (H) EDC AT 8:00 AM DAVIS 106  
 01/21/22 (H) Heard & Held  
 01/21/22 (H) MINUTE(EDC)  
 01/26/22 (H) EDC AT 8:00 AM DAVIS 106

BILL: HB 114

SHORT TITLE: EDUCATION & SUPPLEMENTAL LOAN PROGRAMS

SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

02/24/21	(H)	READ THE FIRST TIME - REFERRALS
02/24/21	(H)	EDC
04/23/21	(H)	EDC AT 8:00 AM DAVIS 106
04/23/21	(H)	Heard & Held
04/23/21	(H)	MINUTE (EDC)
05/10/21	(H)	EDC AT 8:00 AM DAVIS 106
05/10/21	(H)	-- MEETING CANCELED --
01/26/22	(H)	EDC AT 8:00 AM DAVIS 106

#### **WITNESS REGISTER**

REPRESENTATIVE JONATHON KREISS-TOMKINS

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, responded to a question during the hearing on HB 18.

SANA EFIRD, Executive Director

Alaska Commission on Postsecondary Education  
Executive Officer  
Alaska Student Loan Corporation  
Department of Education and Early Development  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 114 and answered questions on behalf of the sponsor, House Rules by request of the governor.

KERRY THOMAS, Director

Program Operations  
Alaska Commission on Postsecondary Education  
Department of Education and Early Development  
Juneau, Alaska

**POSITION STATEMENT:** Provided information during the hearing on HB 114.

LEE DONNER, Senior Managing Director

Hilltop Securities  
Clifton, Texas

**POSITION STATEMENT:** Testified in support of the three provisions of HB 114.

#### **ACTION NARRATIVE**

[8:03:35 AM](#)

**CO-CHAIR HARRIET DRUMMOND** called the House Education Standing Committee meeting to order at 8:03 a.m. Representatives Hopkins, Prax, Cronk, Gillham, Story, and Drummond were present at the call to order. Representative Zulkosky arrived (via teleconference) as the meeting was in progress.

**HB 18-TEACHERS: NATIONAL BOARD CERTIFICATION**

[8:04:30 AM](#)

CO-CHAIR DRUMMOND announced that the first order of business would be HOUSE BILL NO. 18, "An Act relating to national board certification for public school teachers."

[8:04:52 AM](#)

CO-CHAIR STORY moved to adopt Amendment 1 to HB 18, labeled 32-LS0168\A.8, Marx, 1/24/22, which read as follows:

Page 1, line 6:  
Delete "2025"  
Insert "2027"

Page 1, line 10:  
Delete "2026"  
Insert "2028"

[8:05:00 AM](#)

CO-CHAIR DRUMMOND objected for the purpose of discussion.

[8:05:06 AM](#)

CO-CHAIR STORY noted that during the committee's hearing on HB 18 on Monday, Lisa Parady, Executive Director of the Alaska Council of School Administrators, had suggested moving the date for the goal of 4 percent of Alaska teachers reaching National Board certification from 2025 to 2027, because the process is cyclical, and the windows of entry are limited for teachers. The change would give teachers time to enroll in [and complete] the three-year process. She said she spoke with the bill sponsor "to make sure that he was comfortable with this amendment."

[8:06:54 AM](#)

CO-CHAIR DRUMMOND removed her objection. There being no further objection Amendment 1 was adopted.

8:07:18 AM

REPRESENTATIVE PRAX asked whether "taking the standards from what is essentially a private organization" would violate [the last sentence of] Article 7, Section 1, which read:

No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.

8:07:55 AM

REPRESENTATIVE JONATHON KREISS-TOMKINS, Alaska State Legislature, as prime sponsor of HB 18, responded that in statute, a variety of private, nonprofit organizations are cited for various purposes, including: the Alaska Village Public Safety Officer program, the Alaska Federation of Natives, and others. He said these entities play a certain role others do not play, and he indicated this applies to this issue.

REPRESENTATIVE PRAX said it seems to him this is a different situation, and he suggested the bill sponsor "might want to check on that."

CO-CHAIR DRUMMOND pointed out that there have been National Board certified teachers for decades, and this issue has never arisen.

REPRESENTATIVE PRAX indicated that a teacher may want to get the certification, and that would be a good idea, but it is not the decision of the legislature.

8:10:18 AM

REPRESENTATIVE HOPKINS asked whether the proposed bill would require school districts to spend money.

REPRESENTATIVE KREISS-TOMKINS answered no.

8:10:52 AM

REPRESENTATIVE PRAX, in response to the bill sponsor, offered further detail regarding his concern, and he said it sounded

like the committee was leaning toward consideration of providing funds for teachers to get the certification.

[8:12:08 AM](#)

CO-CHAIR DRUMMOND emphasized that HB 18 has a zero fiscal note and does not propose the provision of scholarships.

[8:12:33 AM](#)

REPRESENTATIVE KREISS-TOMKINS confirmed there would be no money spent, and he said he had not looked into the constitutional issue voiced by Representative Prax because "it does not apply in this instance."

[8:13:17 AM](#)

CO-CHAIR STORY moved to report HB 18, as amended, out of committee with individual recommendations and the accompanying zero fiscal note.

[8:13:40 AM](#)

REPRESENTATIVE PRAX objected.

[8:13:45 AM](#)

The committee took an at-ease from 8:13 a.m. to 8:17 a.m.

[Due to technical difficulties, the audio at the call back to order was not recorded but was captured in the secretary's log notes. Just following the call back to order, Co-Chair Story withdrew her motion to report HB 18, as amended, out of committee with individual recommendations and the attached fiscal notes; therefore, HB 18, as amended, was once more before the committee.]

[8:17:51 AM](#)

CO-CHAIR DRUMMOND announced that HB 18 was held over.

**HB 21-ADD FACULTY MEMBER UNIV BOARD OF REGENTS**

[8:18:11 AM](#)

CO-CHAIR DRUMMOND announced that the next order of business would be HOUSE BILL NO. 21, "An Act relating to the Board of Regents of the University of Alaska."

[8:18:44 AM](#)

CO-CHAIR STORY moved to report HB 21 out of committee with individual recommendations and the accompanying fiscal notes.

[8:19:03 AM](#)

REPRESENTATIVE PRAX objected. He asked whether a conceptual amendment would be allowed on the House floor.

CO-CHAIR DRUMMOND said she would okay a conceptual amendment to a simple concept, but she prefers amendments be drafted by Legislative Legal Services to avoid confusion.

[8:19:53 AM](#)

REPRESENTATIVE PRAX [removed his objection]. There being no further objection, HB 21 was reported out of the House Education Standing Committee.

[8:20:15 AM](#)

The committee took an at-ease from 8:20 a.m. to 8:23 a.m.

#### **HB 114-EDUCATION & SUPPLEMENTAL LOAN PROGRAMS**

[8:23:22 AM](#)

CO-CHAIR DRUMMOND announced that the final order of business would be HOUSE BILL NO. 114, "An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date."

[8:23:43 AM](#)

SANA EFIRD, Executive Director, Alaska Commission on Postsecondary Education (ACPE); Executive Officer, Alaska Student Loan Corporation, Department of Education and Early Development (DEED), presented HB 114 and answered questions on behalf of the sponsor, House Rules by request of the governor. She said the proposed legislation addresses requests made by Alaska's higher education institutions and student loan borrowers. The bill provides for three changes to the current

loan program. Currently, the Alaska Refinance Loan program is offered only to Alaska residents. Under HB 114, this would be extended to previous borrowers of an Alaska loan - a cosigner or beneficiary - as well as extend eligibility for applications of refinance loans to a graduate of high school or post-secondary institution of Alaska. She noted that loan limits had not been lifted in some time, while tuition has increased as much as 20 percent in the last five years. The proposed legislation would give the Alaska Student Loan Corporation the ability to set loan limits as appropriate, with annual and lifetime limits being removed from statute. The third change would be to add clarifying language that a borrower's obligation to commit to repayment may begin immediately upon disbursement of a loan but not later than six months following the borrower's completion or termination of a post-secondary program.

[8:28:18 AM](#)

MS. EFIRD, in response to a question from Representative Hopkins, clarified that the Alaska Student Loan Corporation's loans are not from the higher education investment fund but backed by the corporation, whose investments provide the money for the loans. The higher education investment fund has, in the past, provided the funding for the Alaska performance scholarship and the education grants (indisc.). In response to another question from Representative Hopkins regarding possible cost to the state, she pointed out that the bill has a zero fiscal note and would provide some sustainability and financial revenue for the corporation by allowing the expansion of loans by increasing the revenue coming back to the corporation. She said, "We would not expand beyond what the loan corporation board would consider to be financially sustainable." She added that there are provisions for the loan corporation "to also go out for tax exempt bonds to fund the loans," and over the past two years the corporation has implemented some additional Federal Insurance Contributions Act (FICA) score requirements, for example, to ensure its borrowers can repay their debt. In response to a follow-up question, she noted that each year, at one of its quarterly meetings, the loan corporation reviews all loan programs and interest rates to make adjustments where appropriate. The goal is to provide the lowest interest rates and best terms possible.

[8:32:32 AM](#)

REPRESENTATIVE PRAX asked whether the board adheres to fiduciary guidelines.

MS. EFIRD answered yes. She talked about the makeup of the board. To another question regarding the default rate on student loans, she said she could provide that statistic to the committee once the information has been updated. To a question from Representative Prax regarding fiscal loss, she confirmed that the corporation had been losing money over some past years, because in 2010, the federal loan program was taken back by the federal government, which resulted in a drastic downturn of the corporate portfolio. The corporation has been working for the last 10 years to "shore up and ensure that we have a financially viable corporation to support our state alternative loans for students, and we have been turning the corner on that." She said that is part of the reason the corporation sought the changes [proposed under HB 114] for its loan program, to help make up the difference from what was being provided from federal loans and to expand eligibility, especially for refinance loans, which have seen an increase in interest. She deferred to Kerry Thomas to state the amount of the interest rate on refinance loans.

[8:38:02 AM](#)

KERRY THOMAS, Director, Program Operations, Alaska Commission on Postsecondary Education (ACPE), Department of Education and Early Development (DEED), stated that the lowest rate offered for the refinance loan is 3.55 percent.

REPRESENTATIVE PRAX offered his understanding that currently students can opt to pay back loans immediately but are required to do so six months post-graduation or "stopping school." He asked if that is correct.

MS. EFIRD responded by noting that the purpose of some of the language in HB 114 was for clarification. She said, "Our legal counsel has said that we could offer an immediate repayment, and so that's why we're clarifying." She explained that current borrowers "do not have that provision," thus must begin paying six months after completing their program or are no longer at least a half-time student. She further explained, "This would allow us, for new borrowers, to offer them that immediate repayment."

REPRESENTATIVE PRAX expressed concern about the fiscal health of the corporation and that a program not be set up that will result in a loss of funds. He asked about the tax exempt bonds.

MS. EFIRD said tax exempt bonds are not state obligated bonds, so "we do not have that authority." To a follow-up question, she confirmed there are no state general funds involved for the loan program.

[8:42:25 AM](#)

MS. EFIRD, in response to Co-Chair Story, reviewed that under statute, the following are on the board that oversees the loan program: the commissioner of the Department of Revenue or his/her designee; the commissioner of the Department of Commerce, Community & Economic Development or his/her designee; the commissioner of the Department of Administration or his/her designee; and two members from the commission.

[8:43:54 AM](#)

CO-CHAIR DRUMMOND opened public testimony on HB 114.

[8:44:08 AM](#)

LEE DONNER, Senior Managing Director, Hilltop Securities, explained that Hilltop Securities has served as the financial advisor to the Alaska Student Loan Corporation for over 10 years and was involved with the corporation board in evaluating the changes proposed under HB 114. He stated that all three proposed amendments "are positives for not only the corporation but for potential borrowers." He said the expansion of the eligibility criteria brings in additional borrowers without raising the risk profile for the loan program, because the credit-based eligibility criteria for loans is not being modified. He predicted the borrower pool would not be increased dramatically, and those borrowers would have to meet the same credit underwriting criteria as existing borrowers. The result, he explained, would be some expansion of the borrower pool and loan volume without any credit risk. Regarding loan size, he said Hilltop Securities serves as financial advisor to 10 or 11 state agency and 501(c)(3) student loan operations around the country. He conveyed that the only other entity that has the loan limits embedded in legislation is the State of Texas. The reason is because the student loan bonds issued are general obligations of the state. In Alaska, there are revenue bonds backed by student loans, and there is no obligation of the state; therefore, there is not a nexus reason to have the loan limits embedded in the law, which would create problems in terms of the corporation's ability to be responsive to changes in cost of education and borrowing needs. Regarding the provision that

would permit voluntary repayment during the in-school period, he said there have been numerous studies showing this results in lower delinquency, lower default, and better portfolio performance. He concluded, "We would recommend adopting all three of these changes to the enabling legislation."

[8:48:09 AM](#)

REPRESENTATIVE PRAX expressed fascination that it could be possible for the corporation to stay in business at such low interest rates, which he offered his understanding are essentially unsecured loans. He asked whether there is collateral for the loans.

MR. DONNER answered no. He said, "These are strictly signature loans." He said that inevitably, there are defaults. He characterized the aforementioned 3.55 percent as "the lowest interest rate for the highest credit quality [refinance] borrower" - the lowest interest rate the corporation offers. He said for in-school borrowers and those with less credit than it takes for a 3.55 refinance rate, the rates are significantly higher to reflect the risk - to reflect the fact that there is no collateral and that there are signature notes. He echoed Ms. Efird that since the suspension of the federal Family Education Loan program, the corporation has suffered some economic losses but has taken significant steps in recent years to make up for those losses and "is getting increasingly close to getting back to operating in the black."

MR. DONNER, in response to a follow-up question from Representative Prax, noted that the corporation offers both fixed rate and variable rate loan options. He said each year the corporation consults with Hilltop Securities and other sources on expectations regarding interest rate behaviors in the marketplace. Rates have been stable in the last few years, but now is an inflationary period. He said all this will be considered when the corporation sets interest rates in the next few months.

[8:52:22 AM](#)

REPRESENTATIVE HOPKINS asked whether a student could use parents as cosigner or underwriter to help lower [interest rates] on a loan.

[8:52:51 AM](#)

MS. EFIRD deferred to Ms. Thomas.

[8:53:01 AM](#)

MS. THOMAS confirmed that a student applicant can use anyone as a cosigner to get a lower interest rate. She explained that the interest rate is based on whoever has the highest FICA score, whether it be the borrower or the co-signer.

[8:54:36 AM](#)

CO-CHAIR DRUMMOND set an amendment deadline for HB 114.

[8:54:55 AM](#)

CO-CHAIR DRUMMOND announced HB 114 was held over.

[8:55:13 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 8:55 a.m.