

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

March 5, 2021

9:02 a.m.

MEMBERS PRESENT

Senator Roger Holland, Chair
Senator Gary Stevens, Vice Chair
Senator Shelley Hughes
Senator Peter Micciche
Senator Tom Begich

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 94

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

- HEARD & HELD

SENATE BILL NO. 58

"An Act relating to funding for correspondence programs; and providing for an effective date."

- HEARD & HELD

"ALASKA ACADEMIC IMPROVEMENT & MODERNIZATION ACT"

- PENDING INTRODUCTION & REFERRAL

PREVIOUS COMMITTEE ACTION

BILL: SB 94

SHORT TITLE: EDUCATION & SUPPLEMENTAL LOAN PROGRAMS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/24/21	(S)	READ THE FIRST TIME - REFERRALS
02/24/21	(S)	EDC, FIN
03/03/21	(S)	EDC WAIVED PUBLIC HEARING NOTICE, RULE 23

03/05/21 (S) EDC AT 9:00 AM BUTROVICH 205

BILL: SB 58

SHORT TITLE: FUNDING FOR CORRESPONDENCE PROGRAMS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/29/21 (S) READ THE FIRST TIME - REFERRALS

01/29/21 (S) EDC, FIN

03/03/21 (S) EDC WAIVED PUBLIC HEARING NOTICE, RULE
23

03/05/21 (S) EDC AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

SANA EFIRD, Executive Director
Alaska Commission on Postsecondary Education (ACPE)
Executive Officer
Alaska Student Loan Corporation (ASLC)
Juneau, Alaska

POSITION STATEMENT: Gave a presentation on SB 94 on behalf of the administration.

KERRY THOMAS, Director of Program Operations
Alaska Commission on Secondary Education
Juneau, Alaska

POSITION STATEMENT: Answered questions about SB 94.

MICHAEL JOHNSON, Ph.D., Commissioner
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Introduced SB 58 on behalf of the administration.

HIEDI TESHNER, Director
Finance and Support Services
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for SB 58.

ACTION NARRATIVE

9:02:40 AM

CHAIR ROGER HOLLAND called the Senate Education Standing Committee meeting to order at 9:02 a.m. Present at the call to order were Senators Hughes, Begich, and Chair Holland. Senators Micciche and Stevens arrived shortly thereafter.

SB 94-EDUCATION & SUPPLEMENTAL LOAN PROGRAMS

[9:03:12 AM](#)

CHAIR HOLLAND announced the consideration of SENATE BILL NO. 94 "An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date."

He stated his intent to have the administration introduce the bill and then hold it in committee. He asked Sana Efird to introduce the bill.

[9:03:40 AM](#)

SANA EFIRD, Executive Director, Alaska Commission on Postsecondary Education (ACPE), Executive Officer, Alaska Student Loan Corporation (ASLC), Juneau, Alaska, began by presenting the missions of Alaska Commission on Postsecondary Education (ACPE) and Alaska Student Loan Corporation (ASLC) on slide 2:

The Alaska Commission on Postsecondary Education supports Alaskans' access to and success in postsecondary education and career training after high school.

The Alaska Student Loan Corporation operates as an enterprise agency of the State of Alaska, funding and facilitating the Alaska Student Loan Program and the related work of the Alaska Commission on Postsecondary Education.

[9:06:40 AM](#)

MS. EFIRD said that SB 94 addresses requests from Alaska's higher education community and student loan borrowers by expanding eligibility for the Alaska refinance loan program, removing current loan limits from statute, and clarifying language to offer a loan program with immediate repayment to new borrowers. As tuition rates and overall costs to attend postsecondary education have risen nationally and in Alaska and with the growing need to establish a well-trained Alaskan workforce to fuel the state's economy, it is now crucial more than ever that Alaska's students have access to low cost education funding that meets their full financial needs to achieve career training and/or college credentials.

MS. EFIRD said federal loans no longer meet Alaska students' full financial needs. Those loans are not always less expensive than Alaska loans. Private loans generally cost more with lower

approval rates. Alaska state loan programs fill the gap with low-cost, high-quality loans. Current state loan limits, though, are becoming a barrier to Alaska students who may not be able to attain funding from private lenders due to strict underwriting criteria. Private loans are also on average subject to higher interest rates than those from the ASLC. SB 94 would remove loan limits from statute and provide the loan corporation with the authority to set loan limits to meet the changing financial needs of Alaska students. Furthermore, the other changes in the bill would expand eligibility for the ASLC refinanced loans and allow Alaska student loan borrowers the option to apply for a loan program with immediate repayment. These proposed changes would provide additional loan financing options with reduced interest rates and overall lower costs.

[9:09:22 AM](#)

MS. EFIRD presented the sectional analysis:

Section 1: Amends AS 14.43.122(b)

- Expands Eligibility for Alaska Refinance Loans
 - o Currently eligible: Alaska residents only
 - o Proposed: previous borrower, cosigner, or beneficiary of an Alaska loan
 - o Proposed: Alaska high schools and postsecondary institutions graduates

SENATOR BEGICH asked her to confirm that this isn't offering loans to anybody other than Alaskan residents. It is for those who may have been eligible for a loan and have moved out of state but still have the loan burden to Alaska. He asked what is driving the change.

MS. EFIRD replied the change is at the request of a number of student loan borrowers. They still have a nexus to Alaska; this is the reason for the inclusion of must be an Alaska high school graduate or graduate of a postsecondary education. It also includes current student loan borrowers or cosigners who have had a loan with the state of Alaska and moved out of state. Now they are asking to come back and refinance those Alaska loans into the new refinance program, which allows them to consolidate all their loans to a lower-interest rate loan, so it is a benefit to those student borrowers.

[9:12:32 AM](#)

SENATOR MICCICHE said he does not know what the default rate is, but he assumes the benefit to the state is reducing the default

rate for those who are no longer in Alaska but would like to meet their commitments.

MS. EFIRD answered that is part of it. She doesn't have the current default rate in front of her but can get that. This is really to respond to the requests from borrowers who say, the state gave them a loan originally and now the state has another program with a lower interest rate that they are not eligible for. It is responding to that need to help those borrowers.

SENATOR HUGHES offered her reading of the bill, which is that a person would not need to be an official resident. That person could be a resident of another state but if that person was a graduate of an Alaskan high school or postsecondary institution that person would qualify.

MS. EFIRD replied yes, a graduate of an Alaskan high school or postsecondary institution.

SENATOR HUGHES said that she wanted to make that clear because sometimes students go to school out of state and maintain their Alaska residency, but this is for those who are not residents. It is good if they can their repay loans. She noted that the person would have to be a graduate but people sometimes don't graduate from high school yet they go on to a postsecondary institution. Sometimes they do not graduate without a degree but they may have attended a few years and have a student loan. She asked if the term "graduated" should be replaced with the term "attended" high school or postsecondary institution.

MS. EFIRD responded that the administration would entertain that but she would need to do some research. The reason for saying graduate is that research and data show that a graduate is more likely to pay off loans and not go into default.

SENATOR HUGHES said that makes sense.

[9:15:52 AM](#)

SENATOR STEVENS said that he would be interested in knowing the impact that COVID-19 has had on students and the state default rate. So many people in the state are unemployed and having financial difficulties. This is a lost year for many students. He asked if she had any reflections on that.

MS. EFIRD replied that she has had three months in her new role and has a lot to learn. The committee should have received the current higher education almanac from ACPE. That has information

about what is known at this point in time about COVID. ACPE is still unraveling the ramifications of COVID, which are going to be long term and far reaching. The almanac does have COVID specific information. There has been a decrease in applications for postsecondary institutions. Students are postponing their plans to attend postsecondary programs. ACPE is trying to encourage Alaskans that now is the time to get on the road to getting a degree or certificate or training credentials, so they can get to work and get the economy on track.

SENATOR STEVENS observed this is an anomaly this year and perhaps next. Eventually things will get back to normal and young people will want to get a higher education.

9:18:56 AM

SENATOR BEGICH followed up on Senator Hughes's comment saying that only Alaska residents are eligible for the Alaska student loans. He asked if that was correct for the original loans.

MS. EFIRD answered that is correct; the program currently is only open to Alaska residents.

SENATOR BEGICH said that to reinforce what Senator Hughes said about whether someone is a graduate or not of high school or postsecondary institution located in the state, someone who received a loan in the first place was once a resident. He encouraged her to change that to "have attended" a high school or postsecondary institution physically located in the state. It is not changing the fact that someone out of state is not getting any benefits. He clarified that the only people who could have gotten these loans were Alaskan residents at the time they got the loans.

MS. EFIRD replied yes if they have a loan, but this would be expanded to include those who may not have a loan. The administration is asking to expand the refinance options to those who have graduated from an Alaska high school or postsecondary institution. They may not have current loans. The administration will expand the pool of eligibility for the refinance loans.

SENATOR BEGICH stated that is not making out-of-state residents eligible for a new loan. They would have had to have had a previous loan. He doesn't want to take the state's resources and give them through a loan process to out-of-state residents. If they were once residents, received a loan from the state, and time has passed, they come to the state and ask for help to

consolidate the loans they legitimately got with the state of Alaska even though they are no longer Alaska residents--that is what the administration is trying to.

MS. EFIRD responded yes, the proposed change is to allow previous borrowers or cosigners who are no longer Alaska residents to refinance the original loans, but the administration is asking to allow the refinance program to be used by others who have a nexus to Alaska through being a high school or postsecondary institution graduate.

9:22:25 AM

SENATOR BEGICH said that is a concern. He asked if she is saying if he had once attended and graduated high school in Alaska and had federal loans or loans from other institutions from out of state he could come with his loan package and the ACPE will help him refinance his entire package of loans that he might have gotten from Idaho or the U.S. government or is the administration asking for the ability to take multiple years of students loans that were given in Alaska and refinance them as a new package. The first thing is unacceptable to him. The second is extraordinarily acceptable to him.

MS. EFIRD asked Director Kerry Thomas to address this.

9:23:56 AM

KERRY THOMAS, Director of Program Operations, Alaska Commission on Secondary Education, Juneau, Alaska, said the request the administration is putting forth in legislation is to expand eligibility for the refinance program as Director Efird described. One of the primary reasons is to assist the Alaskans who took out loans and have left the state. It is also to expand the reach with the loan program to generate income to sustain Alaska's loan program into the future. It is an economy of scale issue. As the corporation's loan portfolio gets smaller, there are certain fixed costs spread across borrowers. It is a way to increase the size of the loan portfolio and generate income so the corporation can provide the loan program to Alaskans in the future.

SENATOR BEGICH said his concern is that the corporation is saying to people who were once residents of Alaska that whatever loans they have from Idaho, California, or the federal government, Alaska will buy and refinance their loans, and they will have only one payer, Alaska. Alaska is taking on the burden of their debt. That is what this bill is saying. He asked if that is correct.

MS. THOMAS replied that that is what the bill is putting forward.

CHAIR HOLLAND said he wants to know the default rates, but he can understand where the corporation is going with this as far as generating profits to keep the program going in the future.

[9:27:03 AM](#)

MS. EFIRD continued the sectional:

Sections 2, 3 & 4: Amends AS 14.43.173(a), (c) & (d)

- Removes annual loan limits from statute
- Removes lifetime maximums from statute
- Provides for the Corporation to set annual and lifetime limits for both half-time and full-time loans

MS. EFIRD said that the ASLC would be able to set the annual loan maximums to be more responsive to the needs of Alaska's students and Alaska's higher education institutions, especially as tuition costs change.

SENATOR MICCICHE said that he is concerned himself. Limits are being removed and the ASLC is being opened up to unlimited out-of-state exposure. He would like to see a stress test on that. Obviously, Alaska is a small pool, which is not efficient. This expands the pool. There must be some benefit that is perhaps not obvious to the committee, but this is a big change. There is a reason to include Alaska residents. It is easier to reach out and touch them than someone who has no interest in coming back to the state. He is a little worried, but he has a lot of respect for Ms. Pitney. He is sure that she has a document where she has stress tested what she is asking to do here, what the department is asking to do. He would like to see that. Without a limit, the corporation is potentially taking on hundreds of thousands of dollars per student. That is millions of dollars of additional exposure that may or may not have the same connectivity for collecting those dollars in the future. He said it would be nice to see the math.

[9:30:22 AM](#)

SENATOR BEGICH said he would agree if the issue is to make a more robust portfolio that provides some level of financial security. He needs evidence of that. He is not convinced, but he understands. Like Delaware attracted corporations by changing its laws, maybe this would make Alaska the student loan Delaware of America. Then there could be profit, but what is the evidence

to back that up before jumping into a perhaps high-risk strategy that may not have a benefit for Alaskans at all. It has no Finance Committee because it is a zero fiscal note. As a consequence, Senate Education may be the only committee that gets to have this discussion. The committee needs to know what the policy is.

CHAIR HOLLAND suggested that Ms. Efird could address that in the future.

SENATOR HUGHES pointed out that the bill has a referral to Finance.

MS. EFIRD addressed some of the concerns saying the refinance loan program has a high criteria for borrowers to meet. With that and some other provisions in the program, there is a lower possible default rate. She will be happy to provide some data about why the corporation feels this would be beneficial to Alaska student borrowers.

[9:33:02 AM](#)

SENATOR STEVENS commented that the organization has fixed costs that have to be spread across borrowers. He suggested the solution is to expand the reach and bring in more students, but what about reducing the fixed costs.

SENATOR HUGHES clarified that there is a higher, stricter criteria to refinance than for a basic loan.

MS. EFIRD answered that is correct. She will provide information on the interest rates for all of the loan programs.

SENATOR HUGHES asked her to also provide the criteria for the different loans.

MS. EFIRD answered yes.

SENATOR MICCICHE shared that he added the Finance referral because he had difficulty understanding that there would be no fiscal impact. Before he supports moving the bill out of committee, he wants a greater understanding of that.

[9:35:53 AM](#)

MS. EFIRD continued the sectional.

Section 5: Amends AS 14.43.175

- Adds clarifying language that ACPE can offer future student loan borrowers a loan program with immediate repayment

MS. EFIRD said such a loan would reduce costs for student borrowers because interest would not be deferred and capitalized. Such a loan would not impact current borrowers. Immediate repayment has been shown to be an option where in-school student borrowers would start repaying their loans to get in the habit of making loan payments, helping them to understand the obligation for the loan, and over the life of the loan reduces the amount because the interest is not accruing when they are in school.

MS. EFIRD said the bill has an effective date of July 1, 2021, the beginning of FY22.

MS. EFIRD said the ACPE did determine that the bill has a zero fiscal note. It is not anticipated to increase agency operating costs. All of loan operating costs are funded from receipts of the Alaska Student Loan Corporation.

[9:38:31 AM](#)

SENATOR HUGHES asked if there are any projections of additional applications and how much additional debt the corporation would take on in a year's time.

MS. THOMAS replied that the corporation has not projected that. It is challenging to project how many former Alaskans or additional borrowers the corporation would get and what amount of debt they would have. When the corporation originally rolled out the refinance program several years ago, the corporation set an amount in the budget for the first year without knowing what to anticipate. The corporation does have a history of controlling for an unexpected large number of applications. To address the discussion about loan limits, Sections 2-4 don't relate to the refinance loan program. They relate to in-school loans, the Alaska supplemental education loan. Those are only available to Alaskan residents or those attending postsecondary education in Alaska. The current maximum for those loan programs is for the annual costs that are unmet after grants, scholarships, and federal aid, and they are insufficient to meet a large number of student needs on an annual basis. The request to increase the maximum is not related to the refinance loan request. It is strictly for the annual loans made to Alaska residents or students attending postsecondary institutions in Alaska.

[9:41:31 AM](#)

SENATOR BEGICH said this is a good idea given that the cost of education continually changes, and it gives power to ACPE to adjust to those changes that are absolutely out of its control. The state has arbitrary limits that were set years ago. He appreciates these three sections.

SENATOR MICCICHE said for the analysis of exposure and benefits of expanding the program, what happens if this administration actually does forgive student loans. He asked if that would dramatically affect their interest income. He asked if that has that been analyzed. He doesn't need an answer now, and perhaps no one knows how that would work.

CHAIR HOLLAND asked if anyone had a comment on that. It sounds like a complicated subject.

MS. EFIRD said that the corporation is in conversations about how any loan forgiveness options may affect the corporation. That is on their minds.

[9:43:33 AM](#)

SENATOR BEGICH said that in the past forgiveness has been considered part of income that had to be reported. He read that a bill being considered would remove that stipulation.

SENATOR HUGHES asked regarding the immediate payback, if there is any research that shows those students are apt to do better academically and are more apt to graduate.

MS. EFIRD answered that in conversation with the Education Finance Council and other professional organizations, she has heard anecdotal reference to what Senator Hughes is talking about--that it does create that connection between working for something that a student is paying for. She is not sure about any specific data, but she will look for that.

MS. EFIRD thanked the committee for allowing the introduction of bill and thoughtful consideration. To address Senator Stevens comment, the ACPE over the past five years has reduced its operating footprint. It is down almost half of its positions from a few years ago. Everyone is working diligently on operating costs, doing due diligence to provide the best service at the lowest cost for Alaskans.

[9:46:26 AM](#)

CHAIR HOLLAND held SB 94 in committee.

SB 58-FUNDING FOR CORRESPONDENCE PROGRAMS

[9:46:33 AM](#)

CHAIR HOLLAND announced the consideration of SENATE BILL NO. 58 "An Act relating to funding for correspondence programs; and providing for an effective date."

He asked Commissioner Johnson to introduce the bill.

[9:46:52 AM](#)

MICHAEL JOHNSON, Ph.D., Commissioner, Department of Education and Early Development (DEED), Juneau, Alaska, said Alaska currently offers a multitude of public education options for families, including traditional brick and mortar schools, correspondence programs, and charter, vocational, alternative, residential schools. Offering this educational variety recognizes student learning needs, creates ways to diversify, enhances the vibrancy of communities, and is critical to the state's economic future. Currently, the state funds students differently based on how they choose to engage with a public school. Correspondence students are funded at 90 percent of the Base Student Allocation (BSA) without going through the formula. This means that under current law, the district does not receive the full value of an Average Daily Membership (ADM) for correspondence students, nor the extra funding that is part of the ADM multipliers, such as funding for special needs students and career and technical education (CTE). This school year, 2020-2021, the state saw a 92.3 percent increase in correspondence students from the previous year, largely due to the pandemic, but beyond that, over the last ten years, from FY11 to FY20, correspondence students counts have increased at an average rate of 3.6 percent every year.

[9:49:44 AM](#)

COMMISSIONER JOHNSON said some students will return to their neighborhood schools, but a significant number may not or may take a couple of years to do so. More likely, some families will want to explore hybrid models where students remain connected to their neighborhood schools and teachers yet have flexibility in scheduling, calendars, and content.

COMMISSIONER JOHNSON said the bill has three specific benefits. One is that it provides long-term stability for school districts. The best way to stabilize the impact of shifting enrollment that the state has seen this year and will probably continue is to recognize that the cost of educating a student remains no matter where a student is enrolled. This conversation

started before the pandemic as students began participating in online learning and remote learning in the last decade. Districts asked about how to count a student who took one or more classes online but also took courses at the local school. If students participate in a class remotely, is that home school or regular school for funding. SB 58 moves in the direction of recognizing all students and the cost of their education.

[9:51:14 AM](#)

COMMISSIONER JOHNSON said the second benefit is that it provides flexibility and funds innovation for educators. The formula uses multipliers to reflect the cost of education. The typical correspondence students in the past are different from today. There is no special ed factor for correspondence students, yet more and more special needs students participate in correspondence. There is no factor for vocational ed, which has a growing need for using distance and remote technology to expand opportunities for voc-ed. The funding allows educators to innovate outside of the traditional classroom walls. The third benefit is flexibility. This bill gives opportunity to school districts and schools without correspondence programs. It provides enough funding so that district can develop programs based on the needs and desires of families, even with only a few correspondence students. In addition to those benefits, this provides a pathway for families to remain connected to local neighborhood schools or districts. It will take a while for families to sort out how the pandemic has affected their lives and routines. Families value their local schools and want them to be funded. This bill gives them the assurance that they can remain connected to public educators and schools while also adjusting how they remain connected. It appears that telework and other changes in societal routines will remain for many families. That will likely result in families wanting more options and flexibility in education routines and funding that supports those opportunities for schools and districts.

[9:54:08 AM](#)

SENATOR BEGICH clarified that when the commissioner said there has been an increase of 3 percent a year in the number of correspondence students, but that does not mean an increase of 3 percent of the total student population.

COMMISSIONER JOHNSON responded yes. Director Teshner has the exact numbers. Before this year, about 10 percent of the students in the state were correspondence students, but that has been steadily growing.

SENATOR BEGICH asked why the funding was set at 90 percent. He asked if it was because correspondence schools do not provide some of the services provided within the schools, such as counseling services and the ability to work as readily with special ed students. He asked why that changed, if those were the reasons.

[9:55:56 AM](#)

COMMISSIONER JOHNSON said he not sure what the rationale was. It used to be 80 percent and then the legislature increased that to 90 percent. In the past a typical correspondence student got the packet, did the assignments, and put the coursework in the mail. A typical correspondence student 20 years ago is very different from today because of advances in technology, advances in society and the economy. Correspondence programs in the state are exciting. They offer all those services now and serve students with all needs, not just students who are high achievers. Some correspondence schools are serving students who didn't do well in traditional schools. The correspondence programs serve those students with counseling and extra academic support and connections to the local school district. The conversation to increase funding started several years ago because correspondence schools are now offering many, if not all, of the same services as traditional schools.

SENATOR BEGICH said that answer is what he perceived as true. The commissioner mentioned it will only affect 32 of 54 districts. He is wondering if the other 22 school districts are mostly rural or semiurban or urban. He asked how the state addresses those districts so as not to create more inequity.

[9:58:47 AM](#)

COMMISSIONER JOHNSON replied that he doesn't have a list of which districts don't have programs. This incentivizes districts because any district can have a correspondence program if it wants. Funding correspondence students at 90 percent of the BSA without going through the formula makes it financially difficult for districts to start a program for a few students in a way that will attract families, especially like the large programs. This bill provides districts the incentive and opportunity and resources to develop their own programs and connect with local families that may be considering the hybrid model of engagement with local schools. Even if a district had 10 students initially, it would be enough funding to develop the program and be innovative and enhance the existing programs.

[10:00:16 AM](#)

SENATOR HUGHES said she is aware of current correspondence programs because Mat-Su Central School, a correspondence program, is the largest school in the Mat-Su district. Mat-Su Central shares space with a Legislative Information Office. That is a busy parking spot with families coming and going. It might be helpful for the committee to perhaps hear from a school about different services. She doesn't know if they have a school nurse, organized field trips, access to libraries, etc. It would be helpful to understand how correspondence schools have evolved and what they offer because it is a growing trend. She has heard from some families who plan to continue with that after the pandemic because it did work for their children. Other families are eager to have their back children back in brick-and-mortar schools. The committee needs to understand what the programs are offering.

COMMISSIONER JOHNSON responded that Mat-Su Central Principal John Brown would be fantastic to have in front of the committee. He has suggested some programs to hear from to the chair. Mat-Su Central has a library, a study area, counseling, and many other services in the facility. That is great example of how correspondence programs have evolved because parents want some of those expanded opportunities, but they want to remain connected to public educators in their public schools. Principal John Brown would be a fantastic person to share that information.

[10:03:17 AM](#)

SENATOR MICCICHE asked whether home school is 1.9 students per ADM vs. the .9 for correspondence students.

COMMISSIONER JOHNSON answered that sometimes home school is used and sometimes correspondence, but they are the same thing. Correspondence or homeschool students are .9 of the BSA. The terms are used interchangeably and a better term is needed.

SENATOR MICCICHE said he must have misunderstood that they were double counted.

CHAIR HOLLAND said that is if districts lose 5 percent of their recruitment and get 75 percent because of hold harmless that winds up being about 1.6 for the first year. That is what Senator Micciche may be thinking of.

SENATOR HUGHES said that within a district, during the pandemic, if a student moves from a brick-and-mortar school and goes to correspondence, the districts are asking that they get paid as

though the child was in a brick-and-mortar school and also get the .9, so it is the 1 plus the .9.

CHAIR HOLLAND commented that with hold harmless, attendance has to drop five percent for that to kick in.

10:05:40 AM

HIEDI TESHNER, Director, Finance and Support Services, Department of Education and Early Development (DEED), Juneau, Alaska, presented the sectional analysis:

Section 1 amends AS 14.17.410(b)(1)(C), the public school funding, by moving the correspondence student ADM up in the foundation formula after the district cost factors and before the special needs and technical instruction funding multipliers. Section 1 further amends AS 14.17.410(b)(1)(D) by removing the correspondence student calculation from the end of the formula adjustments when determining basic need.

Section 2 amends AS 14.17.430, the state funding for correspondence study, by removing the 90 percent factor for a correspondence student and clarifying that the new funding allocation for a correspondence program is calculated by using the ADM report as recorded under AS 14.17.410(b)(1)(C), essentially counting a correspondence student as a full ADM.

Section 3 establishes the effective date of July 1, 2021, the start of FY2022.

10:07:45 AM

MS. TESHNER said the committee has three documents. The first document is labeled Foundation Funding Formula. The first page shows the steps of the current funding formula as set out in statute. The page shows the factors and the statewide totals for projected FY22 for each of the elements in the formula. The correspondence ADM is applied at the end of the formula, right before determining the district-adjusted ADM. As the commissioner noted, based on current law a district does not receive the full value of a correspondence student or the extra funding formula factors for special needs and vocational education.

10:09:02 AM

MS. TESHNER said page two of that documents shows the change under SB 58. The green box shows where correspondence would lie

in the formula. There are two changes to correspondence under this bill. The first is that a correspondence student will be one full ADM, not 90 percent, and the ADM for correspondence students would be included in the formula after the district cost factors and before the special education, vocation education, and special education intensives factors are applied.

MS. TESHNER said that through SB 58 more financial resources would be available to school districts to help cover the cost of provide special ed services to correspondence students and would provide more resources so that correspondence students would have a larger allotment to pursue career and technical education opportunities. Since the proposed change would provide more financial resources to districts, it could be assumed that the allotment provided to students for their education should go up, affording students more educational options and opportunities.

10:10:54 AM

SENATOR HUGHES observed that the document shows a difference of \$35 million. She asked if that is the estimated cost to the state for FY22 if SB 58 were to pass.

MS. TESHNER answered yes; it is about a \$35 million cost to the state under the proposed legislation.

10:11:25 AM

SENATOR BEGICH commented that this represents a \$35 million state investment in enhanced correspondence to meet the needs of students. He noted that the committee has had a number of conversations about SB 42 and SB 8, bills that enhance reading and prekindergarten. Those bills at best, over time, would offer an additional \$17 million to the formula funding. If the state is going to invest \$35 million, and he is supportive of full count for correspondence programs, the state should make sure it gets a return on its investment. If the state is going to do this level of investment, then it absolutely should do a level of investment in prekindergarten and the reading opportunities to ensure that the state is not just throwing \$35 million out into the wind. It is important to make sure the \$35 million is an investment in education because it has been backed up by a strong reading program and a strong prekindergarten program. He asked if his numbers are right, and if she believes that will make a difference in educating children in Alaska.

10:13:20 AM

MS. TESHNER stated that those two numbers are correct; \$35 million under SB 58 and \$17.1 million under SB 42 or SB 8.

COMMISSIONER JOHNSON said that regarding a return on money invested, the evidence is that money invested in correspondence programs have a great return. Those students compare well to students in brick-and-mortar schools. The administration has a high degree of confidence that the return will be great and the state will see innovation. The pandemic has had an impact and will continue to have an impact. The bills the committee are considering, reading bills, virtual education, this bill, all can work well in tandem to shape the public education system coming out of the pandemic and into the future in a way that meets families' needs.

[10:14:52 AM](#)

SENATOR HUGHES asked if there is any chance of using some federal COVID funds for the \$35 million if this were to pass, given that correspondence picked up during the pandemic and it is not totally eradicated.

COMMISSIONER JOHNSON said that federal money comes in different buckets. The largest bucket goes directly to school districts with wide discretion about how to use the money. They could choose to use it that way. The department cannot direct them about how to use the funds. Other buckets include the set aside that goes to the department. He looks forward to working with the committee on how to move the education bills forward and possibly using those funds with other projects the department is working on. That is a yes, it is possible, but it is a conversation to have with the committee.

CHAIR HOLLAND asked if DEED cannot direct the funds, is there any control over the districts to ensure this money would go to correspondence schools.

[10:17:04 AM](#)

COMMISSIONER JOHNSON replied that funding amount is based on student counts and locally elected school boards allocate that. A brick-and-mortar school, based on its student count, may generate more funding than it spends and the school board decides how to allocate that funding around the district. The school board may choose to have a more expensive program at one school and also balance out the money between elementary and high school. There is not a way to say the money could only go to the school that generates it based on the count, but that is usually how school districts allocate the money.

[10:18:28 AM](#)

SENATOR BEGICH said that is a wonderful clarification for Senator Hughes; the bill in the U.S. Senate today has a substantial amount of money for summer and other remedial programming for education directly, billions of dollars, and thanks to the state's Senate delegation, there is an increased amount of flexibility for small-population states, including a substantial amount of money for broadband and other issue like that. There should be a lot more resources coming into the state. For the last few years, the legislature has provided money outside of the BSA, \$20 or \$30 million or even more to schools. These various concepts, whether correspondence schools or prekindergarten or the reading program, actually target the money instead of just tossing it out there. A comprehensive package is here, combined with those federal resources as well, that could be useful for all of them.

COMMISSIONER JOHNSON said that he will work with the committee on funding sources.

[10:20:08 AM](#)

CHAIR HOLLAND held SB 58 in committee.

[10:20:17 AM](#)

There being no further business to come before the committee, Chair Holland adjourned the Senate Education Standing Committee meeting at 10:20 a.m.