

HOUSE FINANCE COMMITTEE
May 8, 2025
2:09 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:09 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Brodie Anderson, Staff, Representative Neal Foster; Emily Ricci, Deputy Director, Department of Health; Representative Andi Story, Sponsor.

PRESENT VIA TELECONFERENCE

Kerry Thomas, Acting Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development.

SUMMARY

HB 28 TEACHER/STATE EMPLOYEE STUDENT LOAN PRGRM

HB 28 was HEARD and HELD in committee for further consideration.

HB 73 COMPLEX CARE RESIDENTIAL HOMES

CSHB 73(FIN) was REPORTED out of committee with nine "do pass" recommendations, one "no recommendation" recommendation, and one "amend" recommendation and with one new indeterminate fiscal note from the Department of Family and Community Services; two previously published fiscal impact notes: FN1 (DOH) and FN2 (DOH); and one previously published zero note: FN3 (DOH).

Co-Chair Foster reviewed the meeting agenda.

#hb73

HOUSE BILL NO. 73

"An Act relating to complex care residential homes; and providing for an effective date."

2:10:32 PM

Co-Chair Foster asked his staff and the department to come to the table.

Co-Chair Schrage MOVED to ADOPT the proposed committee substitute (CS) for HB 73, Work Draft 34-GH1493\N (A. Radford, 5/8/25) (copy on file).

Co-Chair Foster OBJECTED for discussion.

Co-Chair Foster asked his staff to explain the CS.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, explained the changes in the CS located on page 3. He began on line 10 with the language: "provides 24-hour multidisciplinary care on a continuing basis to individuals with..." He explained that the previous version included a 15-bed limit associated with the language. The CS did not include the 15-bed limit. He moved to page 3, line 19 and explained that Section 6 of the bill read "this act takes effect July 1, 2026." He noted it reflected a change to the bill's effective date. He detailed that all of the conditional language had been deleted. He relayed that the Department of Health (DOH) would explain the reason for the

accompanying memo from Legislative Legal Services (copy on file) in regard to the conditional language and effective date and would explain why it was not a concern to the department.

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EMILY RICCI, DEPUTY DIRECTOR, DEPARTMENT OF HEALTH, explained that the bill created a licensure type that could exist independent of any certification from the Centers for Medicare and Medicaid Services (CMS). Section 5 of the CS provided DOH with the ability to apply for waivers as necessary to meet the needs of individuals in complex care residential homes. She expounded that for CMS to approve coverage for services in a home, it required that the home or residential facility or unit be certified. The certification was separate from the license type. She detailed that in the past, the department had put forward bills that include the conditional language, but it was not necessary for the actual license type to take effect. The department was focused on getting the service in place for populations in need. The department believed a clean effective date would allow it to move forward expeditiously and would not impact the result of the bill. She explained that Section 5 still gave DOH the flexibility to align Medicaid payments for individuals receiving services in complex care residential homes.

Representative Galvin assumed DOH needed to go through the process to get the waiver. She wondered if Ms. Ricci thought that it may not be necessary.

Ms. Ricci replied that depending on the type of individual and the care they needed, different funding mechanisms may be available through the Medicaid program. The department may be able to provide some of the services through existing payment means for individuals in complex care residential homes within some of the available waiver or state plan services. Whereas, for other types of individuals (e.g., individuals with dementia and severe mental illness), the department may need to look at a different type of waiver in order to have Medicaid support the services. She noted that the state may be able to amend the existing 1115 waiver for some populations. She remarked that it could get a bit complicated, which was the reason DOH wanted to ensure there was flexibility on the implementation date for the licensure type.

Representative Galvin asked if DOH was working toward completing the licensure type by the date specified in the bill or if DOH would begin working on the licensure type on the specific date.

Ms. Ricci answered that DOH would be prepared to have the licensure type ready by the date specified in the bill. The department would be working through the regulatory process to outline what the licensure type would look like for some of the populations. Simultaneously, DOH would be working with the Medicaid program to determine funding streams that would be available for some of the different populations.

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Representative Bynum observed that changing the effective date to July 1, 2026 would mean waiting until 2026 for the bill to go into effect. He asked for verification that it would give the department the time to prepare for the rollout on July 1.

Ms. Ricci agreed. She explained it was one reason the department wanted to remove some of the conditional language to make sure it was possible to move quickly. She elaborated that the department believed having the effective date in hand for the licensure type gave the department the ability to do so.

Representative Bynum asked if the changes in the bill would result in any changes to the fiscal notes.

Ms. Ricci answered, "No."

Co-Chair Foster WITHDREW the OBJECTION.

There being NO OBJECTION, Work Draft 34-GH1493\N was ADOPTED.

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Co-Chair Schrage MOVED to REPORT CSHB 73(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CSHB 73(FIN) was REPORTED out of committee with nine "do pass" recommendations, one "no recommendation" recommendation, and one "amend" recommendation and with one new indeterminate fiscal note from the Department of Family and Community Services; two previously published fiscal impact notes: FN1 (DOH) and FN2 (DOH); and one previously published zero note: FN3 (DOH).

Co-Chair Foster thanked the department.

#hb28

HOUSE BILL NO. 28

"An Act establishing a student loan repayment pilot program; and providing for an effective date."

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Co-Chair Foster stated that the committee had previously taken public testimony on the bill and had reviewed the fiscal notes. He asked the bill sponsor to provide a brief recap of the bill.

REPRESENTATIVE ANDI STORY, SPONSOR, reviewed the bill with prepared remarks:

We had our first hearing on House Bill 28, on April 28, 2025. As we know, Alaska is facing a workforce crisis. For the past 12 consecutive years, more residents have left the state than have arrived, and this outmigration has contributed to high vacancy rates in our state employee positions and in our teaching positions. This is impacting the quality of services Alaskans receive and disrupts our children's education.

This bill encourages in-migration of former Alaskans by establishing a student loan repayment program that aims to bring former Alaskans back to Alaska by offering student loan repayment assistance for those who return to work here as state of Alaska employees or as teachers. These employer-sponsored loan repayment programs are emerging as a top tool for recruiting and retaining workers by states. This program is for individuals who have student loan debt and are living out of state for a year or more. They have obtained postsecondary degrees or technical

certificates from our University of Alaska system and have moved out or they received their certificates from postsecondary institutions outside of Alaska. I have nicknamed this bill "Come back home." These are individuals with personal ties to Alaskan family, friends, and communities and our seasons here and; therefore, are more likely to stay once they return, especially when paired with a benefit like employer sponsored loan repayment. Employers have seen that individuals they hire with connections to our state and communities typically stay longer in their employment.

This program would provide \$8,000 per year for up to three years and \$24,000 total paid directly to a participant's student loan servicer after each year of completed service. It is capped at 120 participants. The pilot would be funded through the Alaska Higher Education Investment Fund (HEIF), which is currently managed by the Department of Revenue and supports the WWAMI Medical Education Program, the Alaska Performance Scholarship (APS), and the Alaska Education Grant (AEG). According to the March 6 letter from ACPE Acting Director Kerry Thomas, included in your packets and posted on BASIS, the health of the fund remains good. However, recent policy changes have increased expenditures from the HEIF:

- WWAMI program funding increased by 50% beginning in FY25 to support 30 students instead of 20.
- Legislative changes to APS in FY24 raised projected APS and AEG costs to \$25.5 million by FY26, roughly 20% higher than originally expected.

Combined, expenditures from the HEIF are projected to rise by about 30 percent between FY24 and FY26. Funding HB 28 would require an additional \$1 million per year for three years, a 3 percent increase in annual spending, further reducing the fund's value. While this does affect the fund's value, it does not significantly alter the long-term sustainability of the fund. ACPE notes that only one year of post-policy-change data is currently available, so long-term projections will improve with future cohorts.

Regarding concerns about long-term appropriations, I want to clarify, as Conor Bell from Legislative Finance noted: House Bill 28 is a policy bill and does not appropriate funds. If passed and the fiscal note is included in the operating budget, the funding would remain in the base budget through FY28. However, as with any appropriation, future legislatures or the Governor could modify or remove that funding. It will always be subject to appropriation and that would be made clear to the individuals applying for this program.

In closing, I believe this \$3 million pilot, spread over three years, is a strategic investment that could help us bring 120 skilled former Alaskans back into our workforce, stabilize essential public services, and help reduce long-term staffing shortages. This bill represents a smart, targeted investment in our workforce needs.

I am happy to answer any questions you may have.

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Representative Stapp asked about the concept of applying the bill only to teachers and state employees. He asked why the bill did not apply to everyone.

Representative Story responded that she knew residents had experienced long wait times at the Division of Motor Vehicles (DMV), for Supplemental Nutrition Assistance Program (SNAP), and at the Alaska Marine Highway System (AMHS) due to a high employee vacancy rate. She believed the overall vacancy rate was 16 percent, but it was 40 percent in payroll. She noted there were certain areas falling behind that needed state employees. She highlighted there were 600 teacher vacancies and first day shortages. She explained that she chose teaching and state employees to target high need areas.

Representative Stapp asked how the HEIF fund was capitalized.

Representative Story answered that the HEIF had some investment earnings. The legislature would have to make a special appropriation to the fund if it was reduced to a balance the legislature was concerned about.

Representative Stapp looked at page 2 of the bill pertaining to being outside the state at least 12 months before beginning full-time as a certified teacher in a public school or a full-time employee of the state. He asked why 12 months had been selected and not 8 or 9 months.

Representative Story replied that the bill targeted immigration. She wanted to bring people back home. She did not oppose the idea of an amendment where a person received their degree out of state and it was an incentive to get them to come back home and make their career in Alaska. She picked one year because she felt it was an adequate amount of time, but she certainly would welcome individuals back home who had been out of state for a longer period like five years.

Representative Stapp thought the intent of the bill was to bring people into the state to be teachers or work for state government. He looked at Section 1, page 1 of the bill and observed that the bill required that a person had lived in Alaska and then left for a period of 12 months and the program was aimed at getting them to return to Alaska. He wondered why the bill required individuals to have lived in Alaska previously if the objective was to get people to Alaska to be teachers. He wondered if Representative Story had considered offering the grant money to teachers or state employees who had moved to Alaska and worked for a year.

Representative Story answered that she had been struck by the number of individuals who moved out of Alaska. She explained that the bill aimed to incentivize people to move home. She believed people who left the state had a strong connection to Alaska. She knew from speaking to many superintendents that people hired from other states did not do as well as Alaskans or people who had been associated with Alaska previously.

Representative Stapp stated his understanding that a person could get the grant if they lived in Alaska, left for a year, and came back. He thought it appeared the person could get the grant and leave again, instead of being required to remain working in Alaska for another year.

Representative Story replied that a person would be required to work in Alaska for a year and on their one-year anniversary date, the \$8,000 would go to the individual's student loan institution. The individual would not touch the money.

Representative Stapp asked what would happen if a person did that and then left.

Representative Story replied that the money would then be available to someone else in the program. She explained that because it was a three-year program, a person received \$8,000 on their merit anniversary date at the year-one, two, and three mark. She detailed that if a person left after the first year, the money would remain in the pot for someone else. She relayed that Alaska Commission on Postsecondary Education (ACPE) would be developing the regulations for the program and if the funding from the person who left went to another individual, the incoming individual would only receive funding for two years. She noted it was a pilot program that the state would try for three years. If the program was successful, the state may decide it liked the student loan forgiveness programs.

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Representative Stapp looked at page 2 of the bill and stated his understanding that a person could get the \$8,000 for their student loan after their first year and could leave the next day. He suggested requiring individuals to stay another year after they received the money or they would have to pay the money back.

Representative Story shared her perspective that if the person left after one year, the state would have gotten one year of work out of the individual and the money would go directly to the student loan institution.

Representative Allard thought in theory the bill was a good idea. She explained that in the military a person had to serve their whole time if they got a bonus or they had to give the money back. She had hesitation associated with the bill. She stated her understanding the bill was a recruiting tool for teachers and government employees. She remarked that job opportunities were one reason people did not come back to Alaska, especially between the ages of 20 and 34. She asked what the rate of the return would be. She

highlighted that the state had no money in its budget. She remarked that the bill meant the state would pay people to come to Alaska and pay them to work, but the state was not receiving a rate of return. She remarked that the bill only pertained to government. She suggested that perhaps it could be broader for helping to grow the private sector. She asked how to justify a person only coming for one year.

Representative Story replied that under the bill, the person accepting the loan assistance program would have to work for one full year for the state before they would receive the \$8,000. She noted that the money would go directly to the loan institution. The bill would provide relief for individuals with significant student loan debt. She selected teachers and public employees due to high vacancy rates, which was resulting in Alaskans not getting the quality service delivery they deserve. She was concerned about the teacher vacancy rates and noted there were 600 open positions at the start of the year. She highlighted that the University of Alaska only graduated 153 teachers per year. She explained that many teachers were coming to Alaska from international locations on visas. She noted that reports were that the individuals were well-trained and doing well. She was hoping to target public employees to ensure residents received services they deserved.

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Representative Allard thanked Representative Story for her response. She stated that some of the things impacting recruitment for the state were job opportunities; however, there were so many government vacancies that she thought the lack of job opportunities were in the private industry. She highlighted other factors including the high cost of living, state budget issues, isolation and climate, lack of community for newcomers, education and family, demographics (elders leaving Alaska for warmer climates and medical needs), and jobs and infrastructure for individuals between the age of 20 and 34. She wondered if the legislature could work on something to target longevity of individuals coming up and spending the money more wisely than targeting a short-term of 12 to 36 months for government employees. She wanted to see some sort of incentive for anyone who wanted to come to Alaska. She noted the incentives would need to pertain to the factors she had listed. She appreciated the bill.

Representative Story believed that losing mid-aged professionals was something dear and close to "all of us." She thought targeting former Alaskans who had left the state helped them when they came back because they likely had connections with family members and communities and were more apt to remain in Alaska. The state was currently using bonuses for employees to ensure it was providing the current level of service.

Representative Tomaszewski remarked that not every state job requires a college degree. He asked if there was any provision for individuals who were coming back to Alaska to work that did not require a college education.

Representative Story answered that she had targeted people with degrees based on the job needs in state government and teaching. She stated that there were certainly people in state employment in maintenance where there were different occupational certificates that the state could attract. She reiterated that she targeted known job and skill set needs, whether it was occupational endorsements or certificates. She explained it would include some postsecondary and was career/technical. She remarked that programs had different costs that people would need different reimbursements for. She highlighted the example of a person leaving Alaska to get a commercial driver's license (CDL) as an example and remarked that it was expensive.

Representative Tomaszewski noted that some people left state to go to college, worked full-time, and did not incur any student loan debt. He asked how the bill did not discriminate against those individuals.

Representative Story answered that the program was not meant to discriminate against anyone. She spoke with Legislative Legal Services and had been told that as long as there was a clear intent for targeting a certain population and there was sound rationale, it was justifiable. The bill would have to target the high vacancy rates, and she would need to have the data to back up why the program could be offered to one person and not another.

Representative Tomaszewski understood that Representative Story had worked hard to ensure it did not happen, but he observed that it did not change the fact that some people received degrees out of state who graduated with no debt

for various reasons. He asked if there was a method to offer it as a bonus or some other way. He thought it seemed to discriminate against those individuals who worked hard to not accrue debt. He asked about private sector professionals including doctors and physical therapists who were desperately needed in Alaska.

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Representative Story replied by providing an example of AMHS. The state's overall vacancy rate was 16 percent, but AMHS had a 50 percent vacancy rate. She stressed that it was impeding ferry service in Southeast Alaska. She elaborated that the legislature had appropriated enough money to fund an extra ferry service because service had been very limited; however, there was not sufficient staff to run the ferries. The bill targeted public service areas due to a lack of service in those areas. She highlighted a document in members' packets [titled "Student Loan Debt by State" updated October 15, 2024] (copy on file) specifying that the average Alaskan had \$30,000 in student loan debt. She believed the individuals who had been able to work and pay for school did not likely have the stress levels that people with student loan debt had. She was glad for individuals who did not have to have student loan debt, and she understood Representative Tomaszewski's point. She stated that there was a lot of student loan debt and the bill targeted something other states found helpful. She added it was a loan incentive program that other states were moving to. She noted that members' bill packets contained a letter from ACPE about what other states were doing to fill employee vacancies [letter from Kerry Thomas, ACPE Acting Executive Director, dated March 6, 2025] (copy on file).

Representative Tomaszewski stated that they were talking about the bill like it would be a long-term solution for vacancies; however, it was only a three-year program. He asked if Representative Story envisioned the initial program as a steppingstone that would continue on after the first three years that would pay off someone's entire \$35,821 average student loan debt.

Representative Story replied that it was intended as a three-year pilot program to determine whether it was successful. She stated that after three years a legislature could decide if they wanted to continue it if the program

was successful. She stated that often times when starting programs, it was important to see how long they would last. She highlighted that information in members' packets specified that ACPE would provide the legislature with a report on how the program was going. She stressed the importance of evaluation components. She relayed that whether the program should be continued would be up to a future legislature.

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Representative Galvin thanked the sponsor for bringing the bill forward. She was always happy to see proposed solutions to ensure the state was delivering public services it intended to deliver. She noted that Representative Story had already cited AMHS and education as examples. She asked how much the state was currently spending on recruitment for things like signing bonuses and related items. She recalled that years back a commissioner from Commonwealth North had identified the amount of money the state was spending to recruit teachers. She wondered if Representative Story knew the current number.

Representative Story answered that she would follow up with the information.

Representative Galvin relayed that former Commissioner Johnson of the university system [Jim Johonsen served as University of Alaska president from 2015 to 2020] had shared that the state was spending \$21 million annually [on recruitment]. She thought there was a history of loan forgiveness programs, particularly for teachers. She shared that many teachers had asked her "why aren't you doing this?" She asked what programs the state offered historically and whether they were successful.

Representative Story answered that Alaska had a loan forgiveness program in the past. There had been invited testifiers in previous bill hearings including Rico Worl. She explained that the previous program had been different and ACPE Acting Director Kerry Thomas gave some information about the reason the loan forgiveness programs had been discontinued. She explained that many students did not pay off their loans to the State of Alaska and consequently, the state had to act like a loan institution and there had been a lot of defaulting on the loans. She explained that many states had moved away from those programs. She relayed

that some of the programs were successful. She highlighted a testifier in a prior committee, Terry Fagerstrom, who had worked for the state for 30 years with a loan forgiveness program. Overall, the state did not find the program successful because it was left with people not paying their loans. She explained that states had now gone to loan repayment programs that targeted people with degrees who were ready to work. She detailed that it had been much more successful and loan institutions were the ones dealing with any deferments or payments.

Co-Chair Foster noted that Kerry Thomas with ACPE was available online.

Representative Galvin stated her understanding that between all of the universities in Alaska, about 230 teachers graduated per year. She remarked on the possibility that the bill may bring in 120 teachers and stressed it was a significant number, given that Alaska could not grow as many teachers as it needed. She asked how Representative Story had selected the number. She wondered if it was based on fiscal reality. She added that it would be nice if the number could be even higher.

Representative Story replied that the \$1 million in the bill was a math number that worked out to be 120 employees over the three years. She noted that if people left early, some additional individuals could benefit from the program. The bill used the HEIF as the fund source because it pertained to education. She elaborated that HEIF had been used for other programs and it had been a policy call. She detailed that the HEIF did not have a set expenditure limit like the Permanent Fund, but it was important to be very careful how much was withdrawn from the fund. She explained that the bill contained a targeted program and \$1 million had been selected in order to keep the fund healthy.

Representative Bynum thanked Representative Story for coming up with a creative idea to encourage individuals to come back to Alaska. He believed there would be an opportunity through amendments to work with the bill sponsor on some different ideas as well. He looked at page 1, line 12 and observed that under the section an Alaskan who had attended college out of state could come back to Alaska and be eligible for the program.

Representative Story agreed that the bill aimed to encourage Alaskans who had left the state for a year to return to Alaska.

Representative Bynum looked at page 2, line 2 and thought the section applied to individuals who had graduated from the University of Alaska and had been working in another state for at least 12 months. He surmised the individuals would be eligible for the program if they moved back to Alaska.

Representative Story answered affirmatively. She noted the provision had been added in an amendment because the university felt strongly that it did not want to neglect University of Alaska graduates.

Representative Bynum asked if there was any student debt relief program for individuals who had graduated from the University of Alaska and had elected to remain in Alaska to teach. Alternately, he wondered if an individual would have to leave Alaska for one year to be eligible for the debt relief.

Representative Story deferred to Ms. Thomas with ACPE for information on any teacher loan programs that may exist. She noted there may be some innovative things done by different districts. She explained that it cost money to move out of Alaska and the bill intended to target individuals who had left the state.

Representative Bynum wanted to incentivize Alaska's kids attending college in Alaska to remain in the state to work. He looked at language on page 1, line 10, pertaining to full-time certified teachers in the public school system. He highlighted that during the Department of Education and Early Development subcommittee process there had been a lot of testimony about retention, not only pertaining to certified teachers, but many other fields within the education realm (e.g., career technical education instructors, reading specialists, literacy coaches, special education teachers, language programs, technical specialists, school nurses, health educators, and individuals working with mental health in schools). He understood all of the programs were very needed in Alaska's schools. He did not know that they would all qualify under the bill. He asked if the bill would extend to some of the

other positions such as a CTE technical person, principals, and superintendents.

Representative Story believed the individuals would be covered because superintendents and principals were certified teachers who had moved up the chain of command. Additionally, special education teachers and career technical teachers had teaching degrees that were full time in the district. She noted there may be some part-time employees with a type-M certificate or something else. The bill targeted full-time, certified teachers.

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Representative Bynum remarked that the bill currently required an individual to get their degree in order to qualify. He stated that a teaching degree was very related to the "field of much need." However, the bill seemed pretty wide open for individuals with a degree in other fields coming back to Alaska to work for the state. For example, there was not a limit based on highly needed state positions such as fish biologist or Department of Transportation and Public Facilities engineers. He asked if the intent was to get people to come back or to fill hard-to-fill positions requiring degrees. He considered whether the committee should think about tying the loan repayment to a job position requiring a degree.

Representative Story replied that ACPE would be responsible for crafting regulations for the program. She stated that there had been discussions about whether there would be 200 applications for the program and if applicants would be selected on a first come, first served basis or based on high need occupations. She deferred Ms. Thomas with ACPE to discuss the regulation aspect.

KERRY THOMAS, ACTING EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (VIA TELECONFERENCE), replied that ACPE would have to determine how to handle prioritization or allocation of funds between certified teachers and state employees in the regulation process. The agency would assess high need occupations and how much of the appropriation would be reserved for teachers or state employees or if it would be on a first come, first served basis. She highlighted that it was a three-year pilot program, and she envisioned putting together a relatively

simple model for the pilot program and looking at the outcomes after the first three years to inform whether it was a successful program model for Alaska to attract and retain talent in its workforce.

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Representative Bynum pointed to language on page 2, line 14 of the bill specifying that ACPE may require a person to refinance their outstanding student loan. He asked about the reasoning and believed it was a large step to take. He highlighted that loan structures changed when refinanced and interest rates could dramatically change. He explained that individuals may find that the benefit was not worth the process of refinancing.

Representative Story replied that Alaska had a student loan corporation and the state wanted to see the number of participants increase. She noted that she had previously been on the commission at ACPE and she had learned that the state's program had some of the best loan terms. For example, there was no fee if a borrower paid off their loan early. There were several things Alaska's student loan corporation did, which other lenders charged more money for. As a public institution, Alaska's corporation could not advertise its program; therefore, many times Alaskan students were getting loans through outside private institutions and paying more than they would if they financed through Alaska's student loan corporation. She deferred to Ms. Thomas for additional detail.

Ms. Thomas responded that she did not yet know whether ACPE would require a participant in the pilot program to refinance their loans. She explained that the decision would require financial analysis and coordination with the Alaska Student Loan Corporation board. She noted that it was highly unlikely a three-year pilot program would establish the requirement. She stated that if the program was extended into the future, the refinancing component may be worth looking at. She detailed that ACPE offered extremely competitive interest rates because it was a nonprofit lender not trying to make a profit. Almost all other student loan lenders Alaskan students were borrowing from were profit motivated. She stated that refinancing with ACPE would likely be a financially beneficial decision for a program participant. She noted that it would also bring the interest students were paying on their loans to

Alaska to support its higher education financial aid programs. She reiterated that no decision had been made on whether or not ACPE would require refinancing, but she believed it was more likely it would not be required for the pilot program. The pilot program would be used as a period to learn how the program operated, and it would inform ACPE's long-term strategy based on the outcome.

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Representative Bynum spoke to his concern about a scenario where an individual moved back to Alaska to teach and they were let go from their teaching position after some period of time because of a shortfall in a school district or some reason that was no fault of their own. He asked if there would be language in the program to protect the individual's ability to receive the benefit they returned to Alaska to receive.

Representative Story deferred the question to ACPE.

Ms. Thomas replied that there likely would not be protection for the individual because it was a benefit based on service provided. She explained that program participants would be required to work for a year to earn the \$8,000 benefit. For example, if a person worked for a school district or the state for a year and was not retained after that time, they would not be eligible to receive additional funds.

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Representative Stapp asked how to prevent people from abusing the program. He referenced language on page 1, line 12 of the bill: "complete a postsecondary degree from outside the state." He provided a scenario where an Alaskan kid took out student loans to attend a Western Undergraduate Exchange (WUE) program state to receive lower tuition. Under the scenario, the individual moved back to Alaska and the fund that paid for the Alaska Performance Scholarship (APS) paid back their student loans they already received a discount on for going out of state. He asked if there would be requirements in the regulations specifying that a person could not double dip on the APS and the student loan forgiveness. He provided another scenario of a high school kid who took advantage of the WUE program to go to an out of state university, who then paid

half their tuition and moved back to Alaska to make the state pay for their loan.

Ms. Thomas replied that it would not be an issue because APS funds did not leave the state. Any students attending school outside of the state could not receive their APS awards.

Representative Stapp restated the question. He looked at language on page 1, line 12 specifying that the bill applied to a person who had been an Alaska resident for at least 12 months prior to leaving to complete a postsecondary degree out of state. He provided a scenario where an individual graduated from high school in Alaska and entered into the WUE program, which gave a student discounted tuition for going to college out of state in western states. Under the scenario, the individual took out student loans and returned to Alaska to work for state government or as a teacher. He explained that the HEIF money paid for APS. He explained that under the bill it was possible for a person to take \$8,000 out of a student loan that they could have received through APS by attending college in state. Instead, the student had gone to school out of state at a discount rate and had returned.

Ms. Thomas asked for a repeat of the question.

Representative Stapp reiterated his question. He added that HEIF also funded the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program. He viewed the bill as creating an incentive for Alaskans to leave the state to get a degree.

Ms. Thomas answered that Representative Stapp was correct that the program would incentivize that Alaskan to return to Alaska. She shared that about 50 percent of Alaskan students attending college went out of state and only about one-third returned to Alaska. She believed the bill incentivized those students to return to Alaska.

Representative Stapp considered that the APS was available to pay for students' tuition who were attending the University of Alaska. He wondered why a person would not choose to go to college out of state (e.g., USC) if they could come back after they graduated and get a state job and have the state pay their tuition. He suggested that if he was a kid and could go to USC and Alaska would basically

pay him to go to USC when he returned after his degree, he did not know why he would go to his own university in Alaska.

Representative Story answered that a university like USC cost over \$50,000 per year to attend. She remarked that it was possible a person may do that and return to Alaska after a year to make \$8,000. She appreciated Ms. Thomas talking about how half of Alaska's graduating class left the state and only one-third came back. She explained that those were the individuals the bill was aiming to entice to return to Alaska. She hoped that the longer they remained in Alaska to work, the longer they would stay in Alaska. She appreciated the concern about the health of the HEIF. She understood that the APS could only be used at the university at the current time and top-tier students received a \$7,000 discount, meaning students should leave with much less student debt. She thought the bill would only be attractive to individuals with high student debt.

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Representative Stapp referenced the statistic provided by Ms. Thomas that one-third of the graduates who left the state came back. He asked how the bill would prevent people from merely taking the money when they returned.

Representative Story replied that people returning would use the \$8,000 to pay off any student loan debt and it would go directly to their loan institution. She stated they would have lived in Alaska for a year and given the state a year of service.

Representative Stapp stated that the one-third of Alaskans who graduate out of state and already return to Alaska could also receive the money. He wondered how to know the bill was reaching other people apart from individuals who already return.

Representative Story thought there would likely be some situations like that, but the intent was to incentivize people to return to Alaska because there was a shortage [of state workers and teachers]. She heard Representative Stapp's concern and replied that individuals were not coming back. The point of the bill was to try to encourage people to come back for state employment and make their careers in Alaska.

[3:15:29 PM](#)

Representative Johnson asked why not focus on individuals already in Alaska who hold the certificates and have a student loan to incentivize them to return to the teaching field or go to work for the state.

Representative Story replied that it was certainly something that could be done. She had chosen to target people who had left the state to incentivize them to return to Alaska. She noted that the state provided some incentive bonuses to keep people working in Alaska. The bill targeted the outmigration of people to get them to return.

Representative Johnson asked if the bill would also apply to international locations.

Representative Story answered it was her intention for the bill to only apply to the Lower 48.

Representative Johnson asked if a recipient would have to be a resident to be eligible for the funds. She wondered if the state may be paying people who were not Alaska residents.

Representative Story believed after one year the individuals would be residents. She deferred to Ms. Thomas for additional detail.

Ms. Thomas answered that ACPE could address the residency definition for the program in regulation. She stated that as the bill was written, there was no requirement for residency to receive the funds.

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Representative Johnson recalled that Representative Story was not in favor of teacher bonuses. She asked if her understanding was accurate.

Representative Story corrected that she was in favor of teacher bonuses, but she was in favor of an increase to the Base Student Allocation (BSA) first. She explained that when the BSA was increased, local districts could increase teacher contracts and when teachers went to apply for a loan for a house or vehicle, the lending institution knew

they had the income. She noted that lending institutions did not know about bonus income. She would like to see teacher bonuses if there was an increase in the BSA first.

Representative Johnson asked if Representative Story would be supportive of making the benefit in the bill an \$8,000 payment instead of a loan repayment.

Representative Story did not support the idea. She believed it was very important for the money to go to loan institutions to pay off an individual's student loan debt.

Representative Johnson stated that the concept put students who had been responsible and perhaps worked through college and had no student debt at a bit of a disadvantage.

Representative Story replied, "Yes."

Representative Johnson liked the idea of spending money on Alaskans; therefore, she was having some challenges with the bill. She underscored that the HEIF needed to be protected. She remarked that it was a pot of money that seemed to be attracting people to use the money for a multitude of things merely because it was there and capitalized. She read portions of how the fund had been set up in statute:

As soon as practicable, after July 1 of each year the commissioner of Revenue shall determine the market value of the fund established in this section. On June 30th of the immediately preceding fiscal year, the commissioner shall identify 7 percent of the amount, as available for appropriation as follows: one-third of the grant account established from which the Alaska Commission on Postsecondary Education may award grants and two-thirds for a scholarship account established under Alaska statute, from which the Alaska Commission on Postsecondary Education may award scholarships.

Representative Johnson elaborated that one statutory section was for the WWAMI program, and one section was for needs based education grants. She stated that the needs based education grants the state was putting out were \$4,000 to \$5,000 per year. She stressed that \$4,000 to \$5,000 per year was half of the amount offered in the bill to entice people to come home by paying money towards their student loans. She highlighted that the HEIF was a percent

of market value (POMV) style account and currently, between the House and Senate, the account was being overdrawn at 8 to 9 percent. She emphasized that the account had been established to create higher education programs in Alaska and to provide needs based grants for current residents trying to get their education in Alaska. She stated that the bill would overdraw the fund more than it had been to give funding to entice people who had left Alaska to return. She believed they needed to focus on residents. She was also concerned about the health of the fund. She remarked that there had been numerous bill proposals that identified the fund as a fund source. She had a challenge with spending money from the fund. She stated there was no restriction on the use of funds, but it was not the reason the fund was capitalized. She highlighted that at one point the state did not have enough doctors, which was the idea behind the WWAMI program. She was concerned the fund was being drawn down. She stated the [bill's] intention was to draw it down at double the rate of what was offered to low income students who stayed in Alaska. She had a challenge with spending money from an account that was not overcapitalized. She thought low-income residents should be the priority.

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Representative Story responded that she also wanted to ensure the HEIF remained healthy. She shared that when she began working on the bill, the APS had not yet been modernized and there had been much more money and less demand on the HEIF. She explained that one of the reasons for targeting \$1 million from the fund that had a current balance of ~\$400 million was that it was an amount the fund could absorb. She took Representative Johnson's comments to heart. She underscored the importance of protecting the fund.

Co-Chair Josephson asked if the bill could apply to graduate students as well.

Representative Story replied that it may be something that needed to be worked out in regulation, but she had not thought about the idea.

Co-Chair Josephson recalled that he had paid \$254.56 per month in student loans when he was 22 years old, which had seemed scary at the time. He paid the monthly cost for

about five years and was forgiven about \$15,000. He shared that it had made his college tuition about half of what it would have been at Whitman College in Washington. He highlighted there was a connection that the bill that individuals living out of state would have previously lived in Alaska and if they were enrolled at the University of Alaska Anchorage or the University of Alaska Fairbanks they lived in Alaska. He believed Representative Story's point was well taken that the pilot program would use \$1 million out of a \$400 million fund. He recognized that the [HEIF] fund had been tapped more for APS inflation adjustments. He recalled the bill sponsored by Representative Justin Ruffridge had been widely popular.

Co-Chair Josephson was struck by the fact that when he started college in 1982, tuition plus room and board at Whitman College was \$8,900. The cost currently exceeded \$60,000. He read online that tuition at USC started at \$68,000. He stated that the bill was a meaningful amount of money. He remarked that the inflation adjustment was a bit problematic. Fundamentally, he viewed HB 28 as a good bill because it was relatable and familiar to him. He likely would not have needed the incentive to return to Alaska because Alaska was all he knew. He added that it certainly did not hurt to receive savings from his bachelor's degree experience. The only difference was the bill focused on public employees and teachers, which were needed. He highlighted that the legislature did not know what would happen with the defined benefit bill. Additionally, the state had recruitment and vacancy factor problems. He liked the bill.

[3:28:41 PM](#)

Co-Chair Foster highlighted the May 13, 5:00 p.m. amendment deadline for HB 28 and HB 105.

Representative Story thanked the committee.

HB 28 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[3:29:53 PM](#)

The meeting was adjourned at 3:29 p.m.