

**SB**

**43**

<TARGET><BILL>SB 43</BILL><SUBJECT>SB  
43</SUBJECT><COMM>SEDC27</COMM></TARGET>

# STATE OF ALASKA

## Department of Education & Early Development

*Office of the Commissioner*

**SEAN PARNELL, GOVERNOR**

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January 20, 2011

The Honorable Joe Thomas  
Co-Chair, Senate Education Committee  
Alaska State Senate  
Capitol, Room 514  
Juneau, Alaska 99801

Dear Senator Thomas:

This letter serves as request for the Senate Education Committee to hold a hearing on Senate Bill 43 at the committee's earliest convenience. Senate Bill 43 is short-titled "An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits..."

Senate Bill 43 would rename the Alaska merit scholarship program, removing each reference to that name, and replacing them with Alaska performance scholarship. The bill would also create funding mechanisms for the Alaska performance scholarship that are in accordance with recommendations of the Alaska State Legislature's Joint Higher Education Scholarship Funding Task Force.

The Alaska Performance Scholarship encourages Alaska students to take a rigorous curriculum and earn scholarships for postsecondary and training in Alaska. Such students are more likely to remain in state, contributing their talents to Alaska's economy. Seven out of 10 alumni of the University of Alaska remain in state after graduation. The scholarship provides a strong incentive for families to become involved in their children's education.

If you have any questions or need information, please contact our Legislative Liaison, Marcy Herman at [marcy.herman@alaska.gov](mailto:marcy.herman@alaska.gov) or at 465-2803. Thank you for your consideration of this request and we look forward to presenting to the committee.

Sincerely,



Les Morse  
Acting Commissioner

**SENATE BILL NO. 43**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/11

Referred: Education, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act renaming the Alaska performance scholarship and relating to the scholarship  
2 and tax credits applicable to contributions to the scholarship; establishing the Alaska  
3 performance scholarship investment fund and the Alaska performance scholarship  
4 award fund and relating to the funds; making conforming amendments; and providing  
5 for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 ✓ \* **Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

8 **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
9 district shall determine whether a student who graduates from a high school in the  
10 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP  
11 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the  
12 district shall state in the student's permanent record the highest level of funding for  
13 which the student is eligible. A district shall provide a student with an opportunity to

1 request that the district correct an error in the eligibility determination.

2 \* **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

3 **Sec. 14.43.810. Alaska performance [MERIT] scholarship [PROGRAM]**  
 4 **established; regulations.** (a) The Alaska performance [MERIT] scholarship  
 5 [PROGRAM] is established to provide scholarships for high school graduates who are  
 6 Alaska residents to attend a qualified postsecondary institution in the state.

7 (b) The department shall, in consultation with the commission, adopt  
 8 regulations necessary to implement the scholarships [PROGRAM]. The commission  
 9 shall administer the daily operations of the scholarships [PROGRAM] and financing  
 10 of the scholarships [PROGRAM], including the procedures for applying for the  
 11 scholarships, establishing standards for and ensuring continuing compliance with  
 12 programmatic standards, and requiring students to apply for other nonloan financial  
 13 aid, consistent with federal law.

14 \* **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

15 (a) Subject to appropriation, the commission shall award an Alaska  
 16 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

17 (1) is a resident of the state as defined in AS 01.10.055;

18 (2) graduated or will graduate within six months from a high school in  
 19 the state;

20 (3) has completed a core academic curriculum in high school that  
 21 includes

22 (A) four years of mathematics, four years of language arts, four  
 23 years of science, and four years of social studies, one year of which may  
 24 include a foreign language, an Alaska Native language, fine arts, or cultural  
 25 heritage; or

26 (B) three years of mathematics, four years of language arts,  
 27 three years of science, four years of social studies, and two years of a foreign  
 28 language or an Alaska Native language;

29 (4) has a minimum grade-point average in high school of 2.5 or higher;  
 30 the department shall set by regulation minimum requirements based on a substantially  
 31 similar standard for districts that do not assign grades;

1 (5) has achieved a minimum score on a  
 2 (A) college entrance examination; or  
 3 (B) standardized examination designed to measure a student's  
 4 level of preparedness to make the transition to work, as selected by the  
 5 department; and

6 (6) is enrolled in good standing in a course of study at a qualified  
 7 postsecondary institution in this state that is intended to result in the award of a  
 8 certificate or degree.

9 ✓ \* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

10 (a) The maximum annual awards for the Alaska performance [MERIT  
 11 SCHOLARSHIP PROGRAM] scholarships are as follows:

12 (1) the first award level is \$4,755 and requires a 3.5 grade-point  
 13 average or above and a very high minimum score on a college entrance examination;

14 (2) the second award level is \$3,566 and requires a 3.0 grade-point  
 15 average or above and a high minimum score on a college entrance examination;

16 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
 17 average or above and a moderately high minimum score on a college entrance  
 18 examination.

19 \* **Sec. 5.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

20 *sect 7* **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following  
 21 institutions are qualified postsecondary institutions for purposes of awarding an  
 22 Alaska performance [MERIT SCHOLARSHIP PROGRAM] scholarship:

23 *adds requirements* (1) a university or college physically located in the state that is  
 24 *for counselly* (A) authorized to operate in the state under AS 14.48.020 or is  
 25 *and time* exempt from authorization under AS 14.48.030(b)(1); and

26 *frame* (B) accredited by a regional accreditation association;

27 (2) a career and technical school program physically located in the  
 28 state that has been included on a list of certified career and technical school programs  
 29 received from the Department of Labor and Workforce Development; the commission  
 30 shall publish the list on or before June 30 of the year preceding enrollment.

31 (b) The Department of Labor and Workforce Development shall, in

1 consultation with the Department of Education and Early Development, adopt  
 2 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
 3 which the Department of Labor and Workforce Development shall certify career and  
 4 technical school programs in the state as eligible to participate in the Alaska  
 5 performance [MERIT] scholarship [PROGRAM].

6 \* **Sec. 6.** AS 14.43.840, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

7 **Sec. 14.43.840. Report to the legislature.** (a) To the extent permitted under  
 8 law, the department, the commission, the University of Alaska, and the Department of  
 9 Labor and Workforce Development shall share data necessary to prepare public  
 10 reports regarding the scholarships [PROGRAM].

11 (b) Not more than 10 days after the convening of each regular legislative  
 12 session, the department, the commission, the University of Alaska, and the  
 13 Department of Labor and Workforce Development shall present an annual report to  
 14 the public, the governor, and the legislature containing information of public interest  
 15 regarding the scholarships [PROGRAM], including

16 (1) the number of applicants and number and types of scholarships  
 17 awarded;

18 (2) the dollar amount of scholarships awarded in past years and the  
 19 dollar amount expected to be awarded for the next year; and

20 (3) data and trends in the data regarding high school and postsecondary  
 21 student performance, programmatic changes, and retention and graduation rates over  
 22 time.

23 \* **Sec. 7.** AS 14.43 is amended by adding a new section to read:

24 **Sec. 14.43.845. Alaska performance scholarship award fund.** (a) The  
 25 Alaska performance scholarship award fund is established. The fund consists of  
 26 appropriations for Alaska performance scholarship awards under AS 37.14.750 -  
 27 37.14.790.

28 (b) The commission may use money in the fund to pay scholarships to  
 29 students under AS 14.43.810 - 14.43.849. Money appropriated to the fund may be  
 30 expended without further appropriation. Money appropriated to the fund does not  
 31 lapse. The money in the fund may be expended only in awarding scholarships under

1 AS 14.43.810 - 14.43.849.

2 \* **Sec. 8.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is further amended to  
3 read:

4 (a) A religious or other private school that elects to comply with AS 14.45.100  
5 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
6 physical examinations, standardized testing, academic achievement, courses taken at  
7 the school, and level of eligibility for an Alaska performance [MERIT  
8 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

9 \* **Sec. 9.** AS 37.14 is amended by adding new sections to read:

10 **Article 8A. Alaska Performance Scholarship Investment Fund.**

11 **Sec. 37.14.750. Alaska performance scholarship investment fund**  
12 **established.** (a) The Alaska performance scholarship investment fund is established as  
13 a fund of the state. The fund consists of

- 14 (1) appropriations to the fund;  
15 (2) donations to the fund; and  
16 (3) income earned on investments of fund assets.

17 (b) The commissioner of revenue shall manage the fund with the goal that the  
18 purchasing power of the fund will not diminish over time without regard to additional  
19 contributions that may be made to the fund. The commissioner shall invest the assets  
20 of the fund in a manner likely to yield at least a five percent real rate of return over  
21 time.

22 (c) Nothing in this section creates a dedicated fund.

23 **Sec. 37.14.755. Powers and duties of the commissioner of revenue.** In  
24 carrying out the investment duties under AS 37.14.750 - 37.14.790, the commissioner  
25 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall  
26 provide reports to the Department of Education and Early Development, the  
27 Department of Labor and Workforce Development, and the Alaska Commission on  
28 Postsecondary Education on the condition and investment performance of the fund.

29 **Sec. 37.14.760. Use of fund.** As soon as practicable after July 1 of each year,  
30 the commissioner of revenue shall determine the average month-end market value of  
31 the fund for the immediately preceding three fiscal years. The commissioner shall

1 identify five percent of that amount as available for appropriation by the legislature for  
 2 appropriation to the Alaska performance scholarship award fund created under  
 3 AS 14.43.845 from which the Alaska Commission on Postsecondary Education may  
 4 award scholarships under AS 14.43.810 - 14.43.849. The commissioner shall also  
 5 report as available for appropriation a running total of amounts previously identified  
 6 as available for appropriation to the Alaska performance scholarship award fund but  
 7 not appropriated.

8 **Sec. 37.14.790. Definitions.** In AS 37.14.750 - 37.14.790, unless the context  
 9 requires otherwise,

10 (1) "commissioner" means the commissioner of revenue;

11 (2) "fund" means the Alaska performance scholarship investment fund  
 12 established in AS 37.14.750(a).

13 \* **Sec. 10.** AS 43.20.014(a) is amended to read:

14 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
 15 cash contributions accepted

16 (1) for direct instruction, research, and educational support purposes,  
 17 including library and museum acquisitions, and contributions to endowment, by an  
 18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 19 four-year college accredited by a regional accreditation association;

20 (2) for secondary school level vocational education courses, programs,  
 21 and facilities by a school district in the state;

22 (3) for vocational education courses, programs, and facilities by a  
 23 state-operated vocational technical education and training school; [AND]

24 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
 25 four-year college accredited by a regional accreditation association; **and**

26 **(5) for the Alaska performance scholarship investment fund under**  
 27 **AS 37.14.750(a).**

28 \* **Sec. 11.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is further amended to  
 29 read:

30 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
 31 cash contributions accepted

1 (1) for direct instruction, research, and educational support purposes,  
 2 including library and museum acquisitions, and contributions to endowment, by an  
 3 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 4 four-year college accredited by a regional accreditation association;

5 (2) for secondary school level vocational education courses and  
 6 programs by a school district in the state; [AND]

7 (3) by a state-operated vocational technical education and training  
 8 school; and

9 (4) for the Alaska performance scholarship investment fund under  
 10 AS 37.14.750(a).

11 \* **Sec. 12.** AS 14.43.849(4), as enacted by sec. 5, ch. 14, SLA 2010, is repealed.

12 \* **Sec. 13.** Section 8, ch. 14, SLA 2010 is amended to read:

13 TRANSITION: SCHOLARSHIP [PROGRAM] STANDARDS AND  
 14 IMPLEMENTATION FOR INITIAL SCHOOL YEARS. Notwithstanding any  
 15 contrary provision of this Act, the Department of Education and Early Development  
 16 and the Department of Labor and Workforce Development, after consultation with the  
 17 Alaska Commission on Postsecondary Education, may adopt regulations under  
 18 AS 44.62 (Administrative Procedure Act) to implement their respective duties under  
 19 the Alaska performance [MERIT] scholarship [PROGRAM] established in  
 20 AS 14.43.810, enacted by sec. 5 of this Act, so that a student

21 (1) may be eligible for the Alaska performance scholarship  
 22 [PROGRAM] even though the student did not fully meet the required core academic  
 23 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

24 (2) who graduated from high school in this state after January 1, 2011,  
 25 and before July 1, 2011, and meets eligibility requirements for the Alaska  
 26 performance scholarship [PROGRAM] may apply for a scholarship on or after  
 27 January 1, 2011, for enrollment in a program of study beginning on or after July 1,  
 28 2011.

29 \* **Sec. 14.** The uncoded law of the State of Alaska is amended by adding a new section to  
 30 read:

31 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

1 heading of

2 (1) Article 12 of AS 14.43 from "Alaska Merit Scholarship Program" to  
3 "Alaska Performance Scholarship";

4 (2) AS 14.43.820 from "Alaska merit scholarship program; eligibility" to  
5 "Alaska performance scholarship; eligibility".

6 \* **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 TRANSITION: REGULATIONS. The Department of Education and Early  
9 Development, the Department of Labor and Workforce Development, the Department of  
10 Revenue, and the Alaska Commission on Postsecondary Education may proceed to adopt  
11 regulations necessary to implement changes made to their respective authorities by this Act.  
12 The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before  
13 July 1, 2011.

14 \* **Sec. 16.** Section 15 of this Act takes effect immediately under AS 01.10.070(c).

15 \* **Sec. 17.** Section 11 of this Act takes effect January 1, 2014.

16 \* **Sec. 18.** Except as provided in secs. 16 and 17 of this Act, this Act takes effect July 1,  
17 2011.

# Alaska State Legislature

## Senate Education Committee

**Senator Meyer, Co-Chair**

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[Senator\\_Joe\\_Thomas@legis.state.ak.us](mailto:Senator_Joe_Thomas@legis.state.ak.us)

### AGENDA

Wednesday, February 2, 2011

8:00 a.m. – 9:00 a.m.

Beltz Committee Room

1. SB 1: Board of Education/Early Development Annual Report
2. SB 43: Alaska Performance Scholarship

**Bills Previously Heard**

*Exploration for Sea Power*  
*to X credits*

*400 mil (100)*  
*Balance*

*→ I have 600 to*  
*Capitol Finance Rep's*  
*200 million*

*Anticipate that*  
*the deficit in 11*  
*yes. Foster may*  
*discuss the education*  
*in the 23000 when*  
*the President US*  
*calendar for the 22 -*  
*But I would expect*  
*that the 2011 yr. we*  
*would add a billion to*

## Meeting Script – February 2, 2011

### CHAIRMAN MEYER

This meeting of the Senate Education Committee is called to order.

Today is Wednesday, February 2, 2011 and the time is \_\_\_\_\_. In attendance today are:

Co-Chair Thomas, Vice-Chair Davis, Senator Stevens, Senator French, and myself, Co-Chair Meyer. We do have a quorum to conduct business.

Good morning everyone - thank you all for being here. We have 2 items on today's agenda, SB 1 from Senator Davis -- it's our 2<sup>nd</sup> look at this bill – and SB 43, the administration's Performance Scholarship bill.

We will go ahead and continue discussion on **for SB 1** at this time. This bill proposes to require the *Board of Education/Early Development to prepare an annual report, which describes the efforts made to develop, maintain, and continuously improve a comprehensive quality public school system, and present the report to the legislative education committees.*

**Public testimony was closed at our previous meeting.**

At the previous meeting, there was discussion on amending the bill to require the Board to “present a report” a more concise descriptor, specifically by inserting the words “*in person*” after “*present*” on line 6.)

**Senator Thomas?**

→ **SENATOR THOMAS**

Mr. Chair, I move that we amend

SB 1, Version \A, Page 1, Line 6 – inserting the words “*in person*” after “*present*” to read:

“...*the board shall prepare and present in person to the legislative committees...*”

## **SENATOR MEYER**

Is there any objection to the motion? Seeing none the bill is amended.

Are there any questions, comments, discussion from committee members?

**{Committee comments}**

Any further questions? Seeing none, **Senator Thomas?**

## **→ CO-CHAIR THOMAS**

Thank you, Mr. Chairman. I move **Senate Bill 1 as amended** from committee with individual recommendations and attached fiscal note.

## **CHAIRMAN MEYER**

Seeing no objection, **SB 1 as amended** is moved from Committee.

**AT EASE** (For signatures)

**We are back on the record.**

The next item of business before the committee is **SB 43, "Alaska Performance Scholarships."** We will hear a presentation from the administration and hold the bill over until Friday's meeting, when we will hear a presentation on the Legislature's Scholarship Funding Task Force report.

I see we have Eddy Jeans, Diane Barrans and Jerry Burnett in the audience, welcome. So if you're ready, please come forward, put yourself on the record and proceed.

**{SB 43 presentation}**

Are there any questions, comments, discussion from committee members, **Senator Thomas?**

**{Committee questions/comments/discussion}**

**CHECK TIME** – if there is time, continue with public testimony, if not wrap up.

*(IF TIME PERMITS)*

*We will now open it up to public testimony. I see a number of people here with us today in the audience, and I have a list of those who wish to testify via teleconference; let's start with \_\_\_\_\_.*

Please come forward, put yourself on the record, and proceed with your testimony.

**{Audience testimony}**

Thank you.

Are there any questions, comments, discussion from committee members, **Senator Thomas?**

**{Committee questions/comments}**

Is there anyone else in the audience wishing to testify?

Online we should have \_\_\_\_\_, are you there? Please put yourself on the record and proceed.

**{Teleconference testimony}**

Are there any questions, comments, discussion from committee members, **Senator Thomas?**

Is there anyone else wishing to testify?

Seeing no more questions or comments, I'd like to go ahead and close public testimony.

Are there any questions, comments, discussion from committee members, **Senator Thomas?**

**{Committee questions/comments}**

At this time I'd like to bring this meeting to a close.

We will hear a presentation from staff who worked on the Legislative Scholarship Funding Task Force over the interim on Friday, February 4<sup>th</sup> at 8:00 a.m., here in the Beltz Room.

We are adjourned at \_\_\_\_\_ a.m.

# Alaska State Legislature

## Senate Education Committee

### Senator Meyer, Co-Chair

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### Senator Thomas, Co-Chair

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## AGENDA

Monday, February 7, 2011

8:00 a.m. – 9:00 a.m.

Beltz Committee Room

1.            =+ SB 43: Alaska Performance Scholarship

Bills Previously Heard

- \* First Hearing
- = Previously Heard
- + Teleconferenced

Discussion/Possible Amendments to SB 43

- I.** Requiring schools to provide academic and career counseling for freshmen
- II.** Requiring schools to provide instruction which allows students to finish their degree or certificate in the agreed time period
- III.** Establishing the AlaskAdvantage/Performance Scholarship fund
- IV.** Allowing Amerada Hess/Alaska Capital Income fund to be deposited into the AlaskAdvantage/Performance scholarship fund
- V.** Pegging money spent on needs based scholarship to money spent on merit scholarship
- VI.** Requesting a report on Distance Delivery
- VII.** Expand education tax credit to include the groups covered in last year's SB 236
- VIII.** Extend sunset date to 1/1/2021

Testimony/Available for Questions

Jim Johnson, Doyon, Ltd.

Jerry Burnett, Deputy Commissioner, DOR

Mike Hanley, Commissioner, DEED

Eddy Jeans, Education Policy Advisor, DEED

Diane Barrans, Executive Director, ACPE

Elizabeth Nudelman, School Finance Director, DEED



## Alaska Performance Scholarship

*An invitation to excellence, extended to students, parents and educators alike.*

### SB43/HB104 Renaming the Alaska performance scholarship...and establishing scholarship investment and award funds

#### What does SB43/HB104 do?

1. The Governor's bill amends statutes to rename the statewide scholarship. The name "merit scholarship" currently in statute puts Alaska at risk of infringing on an existing copyright held by the National Merit Scholarship organization.
2. Further, the bill establishes both an award fund into which appropriations can be made and from which scholarship awards will be paid to students, and an investment fund into which the legislature may make appropriations and others may make donations. The bill specifies the Legislature may make appropriations from the investment fund into the award fund.
3. Finally, the bill permits Alaska taxpayers to make donations into the scholarship investment fund and qualify for a tax credit against the corporate income tax.

#### Why is SB43/HB104 necessary?

During the 2010 legislative session Governor Parnell proposed establishing a statewide scholarship for Alaska's students based on the principle that if our students: (1) take a curriculum which prepares them to succeed in postsecondary education, and (2) work hard and perform well in school, we should incent and reward them for pursuing postsecondary education and training in Alaska. This not only will benefit students but also the state as a whole by growing a skilled, local workforce and reducing the need for non-resident hires. The Alaska Legislature embraced this strategy and approved a merit scholarship which the Governor then signed into law.

The Governor has introduced this bill to avert the consequences of the copyright infringement noted above, and, more importantly, to propose establishment of a fund with characteristics consistent with the final recommendation of the Legislature's Joint Higher Education Scholarship Funding Task Force<sup>1</sup>.

#### Why is this funding structure being proposed?

Governor Parnell strongly believes the scholarship is a commitment to Alaska's students, and it is critical to the success of the program that these scholarship awards have a long-term, sustainable funding stream. Additionally, the Governor seeks to make it possible for any interested party to support the scholarship's workforce development objectives by donating to the fund. To the extent that there are Alaska taxpayers with an interest in donating, they are incented to do so through the corporate income tax credit for eligible donations.

Thank you for taking the time to discuss SB43/HB104. We are extremely appreciative of the support and valuable time and attention legislative leaders have given this matter and look forward to continuing our collaborative work to advance education and workforce development in Alaska.



<sup>1</sup> [http://hesf.aksenate.org/wp-content/uploads/2010/12/2010\\_Scholarship\\_Funding\\_Final\\_Report.pdf](http://hesf.aksenate.org/wp-content/uploads/2010/12/2010_Scholarship_Funding_Final_Report.pdf)

# SECTIONAL

## AMENDMENT A.1 – Education Tax Credits

Section	Change
Page 1, line 4 following “amendments;”	Insert language providing for an effective date – amends sunset date to 1/1/2011
Page 5, following line 8	Allows education tax credit on title insurance; allows education tax credit for insurers
Page 6, line 28 through page 7, line 10	Allows education tax credits for oil or gas producers, property owners, mining operations, fisheries businesses, and floating fisheries businesses
Page 7, following line 11	Extends education tax credit sunset date to 1/1/2021
Page 8, following line 13	Extends education tax credit sunset date to 1/1/2021

## AMENDMENT A.2 – Advisory/Counseling Program for Freshmen

SECTION	CHANGE
Page 3, following line 26	Requires an advisory program for freshmen (counseling)

## AMENDMENT A.3 – Timely Course Delivery for Timely Graduation

SECTION	CHANGE
Page 3, following line 26	Requires institution to provide courses and credits in expected time-frame

## AMENDMENT A.6 – Assessment/Report on Distance Delivery Capabilities

SECTION	CHANGE
Page 4, line 22, following “time”	Requires assessment and report on various distance delivery mechanisms as they pertain to the scholarship

## Amendment A.1

The original version of SB 43 extended the education tax credit to corporations only. Amendment A.1 expands the credit to include tax credits for cash contributions to:

- Producers of oil or gas
- Certain Property owners
- Mining operations
- Fisheries and floating fisheries businesses

The tax credit, when extended to the above groups, includes credits on the following tax types:

- Petroleum Production and Property Taxes
- Corporate Income Taxes
- Fisheries Business Taxes
- Fisheries Landing Taxes
- Mining License Taxes
- Insurance Taxes

### Background

SB 236 (2010), "An act relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes or facilities," increased the amount of credit allowable for contributions as follows:

<b>CREDIT UNDER PREVIOUS LAW</b>	<b>EFFECTIVE 1/1/2011 (SB 236)</b>
<b>50% up to \$100,000</b>	50% up to up to \$100,000
<b>100% between \$100,000 - \$200,000</b>	100% between \$100,000 and \$300,000
	50% for anything over \$300,000
<b>Maximum = \$150,000</b>	Maximum = \$5,000,000

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR MEYER

TO: SB 43

1 Page 1, line 4, following "amendments;":

2 Insert "providing for an effective date by amending the effective date in sec. 57,  
3 ch. 92, SLA 2010;"

4

5 Page 5, following line 8:

6 Insert a new bill section to read:

7 **"\* Sec. 9.** AS 21.96.070(a) is amended to read:

8 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or  
9 AS 21.66.110 for cash contributions accepted

10 (1) for direct instruction, research, and educational support purposes,  
11 including library and museum acquisitions, and contributions to endowment, by an  
12 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
13 four-year college accredited by a regional accreditation association;

14 (2) for secondary school level vocational education courses, programs,  
15 and facilities by a school district in the state;

16 (3) for vocational education courses, programs, and facilities by a  
17 state-operated vocational technical education and training school; [AND]

18 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
19 four-year college accredited by a regional accreditation association; **and**

20 **(5) for the Alaska performance scholarship investment fund under**  
21 **AS 37.14.750(a).**"

22

23 Renumber the following bill sections accordingly.

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Page 6, line 28, through page 7, line 10:

Delete all material and insert:

**\*\* Sec. 12.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association; **and**

**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).**

**\* Sec. 13.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association; **and**

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**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).**

\* Sec. 14. AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association; **and**

**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).**

\* Sec. 15. AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association; **and**

**(5) for the Alaska performance scholarship investment fund under**

1 AS 37.14.750(a).

2 \* **Sec. 16.** AS 43.77.045(a) is amended to read:

3 (a) In addition to the credit allowed under AS 43.77.040, a person engaged in  
4 a floating fisheries business is allowed a credit against the tax due under this chapter  
5 for cash contributions accepted

6 (1) for direct instruction, research, and educational support purposes,  
7 including library and museum acquisitions, and contributions to endowment, by an  
8 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
9 four-year college accredited by a regional accreditation association;

10 (2) for secondary school level vocational education courses, programs,  
11 and facilities by a school district in the state;

12 (3) for vocational education courses, programs, and facilities by a  
13 state-operated vocational technical education and training school; [AND]

14 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
15 four-year college accredited by a regional accreditation association; **and**

16 **(5) for the Alaska performance scholarship investment fund under**  
17 **AS 37.14.750(a).**"

18

19 Renumber the following bill sections accordingly.

20

21 Page 7, following line 11:

22 Insert a new bill section to read:

23 **\*\* Sec. 18.** AS 21.96.070(a)(5); AS 43.20.014(a)(5); AS 43.55.019(a)(5);  
24 AS 43.56.018(a)(5); AS 43.65.018(a)(5); AS 43.75.018(a)(5); and AS 43.77.045(a)(5) are  
25 repealed January 1, 2021."

26

27 Renumber the following bill sections accordingly.

28

29 Page 8, following line 13:

30 Insert a new bill section to read:

31 **\*\* Sec. 22.** Section 57, ch. 92, SLA 2010, is amended to read:

1                   Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect  
2                   January 1, 2021 [2014]."

3

4                   Renumber the following bill sections accordingly.

5

6                   Page 8, line 14:

7                   Delete "Section 15"

8                   Insert "Section 21"

9

10                  Page 8, line 15:

11                  Delete all material.

12

13                  Renumber the following bill section accordingly.

14

15                  Page 8, line 16:

16                  Delete "secs. 16 and 17"

17                  Insert "sec. 23"

## **Amendment A.2**

This amendment follows the recommendation of the Scholarship Funding Task Force to require qualified postsecondary institutions participating in the scholarship program to establish an advisory/counseling program for freshman.

The intention is to provide resources for students to determine which courses they'll need at which times to obtain their credential (degree/certificate) within the expected time frame (Bachelor Degree = 4 years, AA degree = 2 years, etc.).

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

- 1 Page 3, line 23:  
2 Delete "is"  
3 Insert "[IS]"  
4  
5 Page 3, line 24, following "(A)":  
6 Insert "is"  
7  
8 Page 3, line 25:  
9 Delete "and"  
10 Insert "[AND]"  
11  
12 Page 3, line 26:  
13 Following "(B)":  
14 Insert "is"  
15 Following "association":  
16 Insert "and"  
17  
18 Page 3, following line 26:  
19 Insert new material to read:  
20 "(C) has an advisory program established for incoming  
21 students that provides counseling related to course selection, career  
22 choice, and personal challenges:"

### **Amendment A.3**

This amendment follows the recommendation of the Scholarship Funding Task Force to require qualified postsecondary institutions participating in the scholarship program to provide courses and credits in a timely manner so that a degree or certificate may be obtained within an expected time frame (Bachelor Degree = 4 years, AA degree = 2 years, etc.)

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

1 Page 3, line 23:

2 Delete "is"

3 Insert "[IS]"

4

5 Page 3, line 24, following "(A)":

6 Insert "is"

7

8 Page 3, line 25:

9 Delete "and"

10 Insert "[AND]"

11

12 Page 3, line 26:

13 Following "(B)":

14 Insert "is"

15 Following "association":

16 Insert "and"

17

18 Page 3, following line 26:

19 Insert new material to read:

20 "(C) provides courses and credits that will result in the  
21 issuance of a degree or certificate available at the institution within a time  
22 frame expected for that degree or certificate;"

## **Amendment A.6**

This amendment follows the recommendation of the Scholarship Funding Task Force for the various entities to share data regarding the capability of the state to deliver distance education. These include:

- DEED
- University
- DOL/Workforce Development

The report shall include an assessment of the following:

- Statewide centralized correspondence study program as it relates to the scholarships
- Internet access capabilities
- Plans to upgrade quality and quantity of distance delivery education
- Availability by district of correspondence courses required for the performance scholarship

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

1 Page 4, line 19:

2 Delete "and"

3

4 Page 4, line 22, following "time":

5 Insert "and

6 (4) an assessment of the statewide centralized correspondence  
7 study program as it relates to the scholarships, including Internet access  
8 capabilities, plans to upgrade the quality and quantity of distance delivery of  
9 education, and the availability by district of correspondence courses required for  
10 the performance scholarship"

**AMENDMENT**

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR STEVENS

1 Page 1, line 2:

2 Delete "**and tax credits applicable to contributions to the scholarship**"

3 Insert "**; relating to education tax credits**"

4

5 Page 1, line 4, following "**amendments;**":

6 Insert "**providing for an effective date by amending the effective date in sec. 57,**  
7 **ch. 92, SLA 2010;**"

8

9 Page 5, following line 8:

10 Insert a new bill section to read:

11 "**\* Sec. 9.** AS 21.96.070(a) is amended to read:

12 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or  
13 AS 21.66.110 for cash contributions accepted

14 (1) for direct instruction, research, and educational support purposes,  
15 including library and museum acquisitions, and contributions to endowment, by an  
16 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
17 four-year college accredited by a regional accreditation association;

18 (2) for secondary school level vocational education courses, programs,  
19 and facilities by a school district in the state;

20 (3) for vocational education courses, programs, and facilities by a  
21 state-operated vocational technical education and training school; [AND]

22 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
23 four-year college accredited by a regional accreditation association;

1                   **(5) for the Alaska performance scholarship investment fund under**  
 2                   **AS 37.14.750(a); and**  
 3                   **(6) for education, research, rehabilitation, and facilities by an**  
 4                   **institution that is located in the state and that qualifies as a coastal ecosystem**  
 5                   **learning center under the Coastal America Partnership established by the federal**  
 6                   **government."**

7  
8    Renumber the following bill sections accordingly.

9  
10   Page 6, line 25:

11           Delete "**and**"

12  
13   Page 6, line 27, following "**AS 37.14.750(a)**":

14           Insert "**; and**"

15                   **(6) for education, research, rehabilitation, and facilities by an**  
 16                   **institution that is located in the state and that qualifies as a coastal ecosystem**  
 17                   **learning center under the Coastal America Partnership established by the federal**  
 18                   **government"**

19  
20   Page 6, line 28, through page 7, line 10:

21           Delete all material and insert:

22           **"\* Sec. 12.** AS 43.55.019(a) is amended to read:

23                   (a) A producer of oil or gas is allowed a credit against the tax due under this  
24                   chapter for cash contributions accepted

25                           (1) for direct instruction, research, and educational support purposes,  
26                   including library and museum acquisitions, and contributions to endowment, by an  
27                   Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
28                   four-year college accredited by a regional accreditation association;

29                           (2) for secondary school level vocational education courses, programs,  
30                   and facilities by a school district in the state;

31                           (3) for vocational education courses, programs, and facilities by a

1 state-operated vocational technical education and training school; [AND]

2 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
3 four-year college accredited by a regional accreditation association;

4 **(5) for the Alaska performance scholarship investment fund under**  
5 **AS 37.14.750(a); and**

6 **(6) for education, research, rehabilitation, and facilities by an**  
7 **institution that is located in the state and that qualifies as a coastal ecosystem**  
8 **learning center under the Coastal America Partnership established by the federal**  
9 **government.**

10 \* Sec. 13. AS 43.56.018(a) is amended to read:

11 (a) The owner of property taxable under this chapter is allowed a credit  
12 against the tax due under this chapter for cash contributions accepted

13 (1) for direct instruction, research, and educational support purposes,  
14 including library and museum acquisitions, and contributions to endowment, by an  
15 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
16 four-year college accredited by a regional accreditation association;

17 (2) for secondary school level vocational education courses, programs,  
18 and facilities by a school district in the state;

19 (3) for vocational education courses, programs, and facilities by a  
20 state-operated vocational technical education and training school; [AND]

21 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
22 four-year college accredited by a regional accreditation association;

23 **(5) for the Alaska performance scholarship investment fund under**  
24 **AS 37.14.750(a); and**

25 **(6) for education, research, rehabilitation, and facilities by an**  
26 **institution that is located in the state and that qualifies as a coastal ecosystem**  
27 **learning center under the Coastal America Partnership established by the federal**  
28 **government.**

29 \* Sec. 14. AS 43.65.018(a) is amended to read:

30 (a) A person engaged in the business of mining in the state is allowed a credit  
31 against the tax due under this chapter for cash contributions accepted

1 (1) for direct instruction, research, and educational support purposes,  
 2 including library and museum acquisitions, and contributions to endowment, by an  
 3 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 4 four-year college accredited by a regional accreditation association;

5 (2) for secondary school level vocational education courses, programs,  
 6 and facilities by a school district in the state;

7 (3) for vocational education courses, programs, and facilities by a  
 8 state-operated vocational technical education and training school; [AND]

9 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
 10 four-year college accredited by a regional accreditation association;

11 **(5) for the Alaska performance scholarship investment fund under**  
 12 **AS 37.14.750(a); and**

13 **(6) for education, research, rehabilitation, and facilities by an**  
 14 **institution that is located in the state and that qualifies as a coastal ecosystem**  
 15 **learning center under the Coastal America Partnership established by the federal**  
 16 **government.**

17 \* Sec. 15. AS 43.75.018(a) is amended to read:

18 (a) A person engaged in a fisheries business is allowed a credit against the tax  
 19 due under this chapter for cash contributions accepted

20 (1) for direct instruction, research, and educational support purposes,  
 21 including library and museum acquisitions, and contributions to endowment, by an  
 22 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 23 four-year college accredited by a regional accreditation association;

24 (2) for secondary school level vocational education courses, programs,  
 25 and facilities by a school district in the state;

26 (3) for vocational education courses, programs, and facilities by a  
 27 state-operated vocational technical education and training school; [AND]

28 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
 29 four-year college accredited by a regional accreditation association;

30 **(5) for the Alaska performance scholarship investment fund under**  
 31 **AS 37.14.750(a); and**

1                   **(6) for education, research, rehabilitation, and facilities by an**  
 2                   **institution that is located in the state and that qualifies as a coastal ecosystem**  
 3                   **learning center under the Coastal America Partnership established by the federal**  
 4                   **government.**

5 \* **Sec. 16.** AS 43.77.045(a) is amended to read:

6                   (a) In addition to the credit allowed under AS 43.77.040, a person engaged in  
 7                   a floating fisheries business is allowed a credit against the tax due under this chapter  
 8                   for cash contributions accepted

9                   (1) for direct instruction, research, and educational support purposes,  
 10                  including library and museum acquisitions, and contributions to endowment, by an  
 11                  Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 12                  four-year college accredited by a regional accreditation association;

13                  (2) for secondary school level vocational education courses, programs,  
 14                  and facilities by a school district in the state;

15                  (3) for vocational education courses, programs, and facilities by a  
 16                  state-operated vocational technical education and training school; [AND]

17                  (4) for a facility by a nonprofit, public or private, Alaska two-year or  
 18                  four-year college accredited by a regional accreditation association;

19                  **(5) for the Alaska performance scholarship investment fund under**  
 20                  **AS 37.14.750(a); and**

21                  **(6) for education, research, rehabilitation, and facilities by an**  
 22                  **institution that is located in the state and that qualifies as a coastal ecosystem**  
 23                  **learning center under the Coastal America Partnership established by the federal**  
 24                  **government."**

25  
 26 Renumber the following bill sections accordingly.

27  
 28 Page 7, following line 11:

29                  Insert a new bill section to read:

30                  "\* **Sec. 18.** AS 21.96.070(a)(5), 21.96.070(a)(6); AS 43.20.014(a)(5), 43.20.014(a)(6);  
 31                  AS 43.55.019(a)(5), 43.55.019(a)(6); AS 43.56.018(a)(5), 43.56.018(a)(6);

1 AS 43.65.018(a)(5), 43.65.018(a)(6); AS 43.75.018(a)(5), 43.75.018(a)(6);  
2 AS 43.77.045(a)(5), and 43.77.045(a)(6) are repealed January 1, 2021."  
3

4 Renumber the following bill sections accordingly.  
5

6 Page 8, following line 13:

7 Insert a new bill section to read:

8 **"\* Sec. 22.** Section 57, ch. 92, SLA 2010, is amended to read:

9 Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect  
10 January 1, 2021 [2014]."  
11

12 Renumber the following bill sections accordingly.  
13

14 Page 8, line 14:

15 Delete "Section 15"

16 Insert "Section 21"  
17

18 Page 8, line 15:

19 Delete all material.  
20

21 Renumber the following bill section accordingly.  
22

23 Page 8, line 16:

24 Delete "secs. 16 and 17"

25 Insert "sec. 23"

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version SB 43  
 () Publish Date \_\_\_\_\_

Identifier SB 43-EED-ESS-2-1-11 Dept. Affected Education & Early Development  
 Title An Act renaming the Alaska performance Scholarship and Appropriation Education Support Services  
relating to the scholarship and tax credits applicable to... Allocation Executive Administration  
 Sponsor Senate Rules  
 Requester Senate Education OMB Component Number 2736

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>		*	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>		*	*	*	*	*	*	*

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Eddy Jeans  
 Division Executive Administration  
 Approved by Les Morse  
Acting Commissioner

Phone 465-2825  
 Date/Time 2/1/11 1:15 PM  
 Date 2/1/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. SB 43

**Analysis**

This fiscal note is indeterminate to allow the discussion of the Funding and Finance section of the Scholarship Funding Task Force Report. The report recommends that the legislature create, in statute, a Scholarship Fund as a sub-account within the General Fund. The Task Force recommended that the Scholarship Fund have an account balance amount sufficient to sustain award distribution and inflation proofing replenishment. The Task Force report suggested the immediate capitalization of the Scholarship Fund and also offered other alternatives if that was not possible.

The administration looks forward to discussing the Task Force Funding recommendations and identifying a long term sustainable funding mechanism for the Alaska Performance Scholarship.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 1  
 Bill Version SB 43  
 (S) Publish Date 1/19/11

Identifier (file name) LL1893-DOR-TRS-1-14-11 Dept. Affected Revenue  
 Title The Alaska Performance Scholarship Fund Appropriation Treasury and Taxation  
 Allocation Treasury  
 Sponsor Rules Committee  
 Requester By Request of the Governor OMB Component Number 121

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services	60.0		60.0	60.0	60.0	60.0	60.0	60.0
Travel								
Contractual	55.0		55.0	55.0	55.0	55.0	55.0	55.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>115.0</b>	<b>0.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>								
---------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts	115.0		115.0	115.0	115.0	115.0	115.0	115.0
<b>TOTAL</b>	<b>115.0</b>	<b>0.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>	<b>115.0</b>

Estimate of any current year (FY2011) cost 2.8% 2.8% 3 6000 points 02804  
Management Fund 0028

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version**

first version of fiscal note

Prepared by Scott Jones, Asst. Comptroller  
 Division Treasury  
 Approved by Ginger Blaisdell, Director Administrative Services Division  
Department of Revenue

Phone (907) 465-2350  
 Date/Time 1/14/11; 10:40am  
 Date 1/14/11; 10:40am

FISCAL NOTE #1

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. SB 43

**Analysis**

The bill provides for a separate fund designated for performance scholarships. In order to generate enough revenue to fund the performance scholarships, the Department anticipates the need for a \$400 million capitalization.

It is anticipated the fund will be managed with asset allocation of 60% fixed income and 40% domestic equity in order to yield a real annual rate of return of 5%. These costs include investment management fees, audit, accounting and custody fees and are projected based on the assumptions provided by the division's investment advisor and the division's cost allocation plan.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 2  
 Bill Version SB 43  
 (S) Publish Date 1/19/11

Identifier (file name) LL1893-DOR-TAX-1-14-11 Dept. Affected Revenue  
 Title The Alaska Performance Scholarship Fund Appropriation Treasury and Taxation  
 Allocation Tax Division  
 Sponsor Rules Committee  
 Requester By Request of the Governor OMB Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>								
---------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version**

first version of fiscal note

Prepared by Johanna Bales, Deputy Director  
 Division Tax Division  
 Approved by Ginger Blaisdell, Director Administrative Services Division  
Department of Revenue

Phone (907) 269-6628  
 Date/Time 1/14/11; 1:22pm  
 Date 1/14/11; 1:22pm

FISCAL NOTE #2

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. SB 43

**Analysis**

**Bill Language:**

This bill expands the existing education credit allowed against the corporate income tax to include contributions made to the newly created Alaska Performance Scholarship Fund under AS 37.14.750.

**Revenues:**

This bill does not increase or decrease the amount of total education credits allowed against corporate income tax. Therefore, this bill has no affect on state revenues.

**Expenditures:**

The department can implement the provisions of the bill with existing resources.

# ALASKA STATE LEGISLATURE



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**Senator Gary Stevens**  
*President of the Senate*

## **SECTIONAL ANALYSIS** **Senate Bill 221**

### **SECTION 1:**

Establishes an advisory task force on higher education for the purpose of compiling data and advising the legislature on matters pertaining to college readiness of students who graduate from public secondary schools in Alaska.

It's composed of 13 members representing the Governor, the Alaska Commission on Postsecondary Education, the University of Alaska, the Alaska School Board Association, the National Education Association, Alaskan private colleges or universities, other public (non-UA) postsecondary institutions in Alaska, relevant faculty from around the UA system, and the chairpersons of the respective House and Senate Education Committees.

The respective entity that each task force member represents is expected to pay for their share of the expenses of participating in the task force.

The staff of the legislative members of the task force shall serve as staff for the task force.

The members of the task force shall elect a chair from among its members.

The task force shall compile research and summarize data regarding remediation, retention, and graduation rates in the state. There shall be developed a definition of remediation. The task force shall identify contributing causes for lack of college readiness, and best practices to reduce the need for remediation, and prepare a report to the legislature outlining strategies and recommendations to reduce remediation, improve college readiness, and increase college graduation rates. The report is to be submitted by March 1, 2011.

### **SECTION 2:**

Repeals the act and dissolves the task force on July 1, 2011.

### **SECTION 3:**

Makes the act take effect the day after the governor signs it.

AN ACT

1 Relating to the AlaskAdvantage education grant program; relating to professional student  
2 exchange program availability; establishing the Alaska merit scholarship program and relating  
3 to the program; relating to student records; making conforming amendments; establishing a  
4 Joint Legislative Higher Education Scholarship Funding Task Force; establishing an advisory  
5 task force on higher education and career readiness in the legislative branch of government;  
6 and providing for an effective date.

7

---

8 \* **Section 1.** AS 14.03 is amended by adding a new section to read:

9           **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
10 district shall determine whether a student who graduates from a high school in the  
11 district is eligible for an award of an Alaska merit scholarship program scholarship  
12 under AS 14.43.810 - 14.43.850. If a student is eligible, the district shall state in the  
13 student's permanent record the highest level of funding for which the student is

1 eligible. A district shall provide a student with an opportunity to request that the  
2 district correct an error in the eligibility determination.

3 \* **Sec. 2.** AS 14.42.030(e) is amended to read:

4 (e) The commission may

5 (1) adopt regulations under AS 44.62 (Administrative Procedure Act)

6 to

7 (A) carry out the purposes of

8 (i) AS 14.43.091 - 14.43.850 [AS 14.43.091 -  
9 14.43.750], 14.43.990, AS 14.44, and AS 14.48; and

10 (ii) AS 14.43.910 and 14.43.920 as they relate to the  
11 purposes of AS 14.43.091 - 14.43.850 [AS 14.43.091 - 14.43.750],  
12 14.43.990, AS 14.44, and AS 14.48;

13 (B) ensure compliance with the requirements imposed by state  
14 and federal statutes and regulations governing the guaranty, insurance,  
15 purchase, or other dealings in eligible loans by federal agencies,  
16 instrumentalities, or corporations; and

17 (C) establish standards for the

18 (i) administration of hearings conducted under  
19 AS 14.43.153; and

20 (ii) administrative enforcement of collection orders  
21 under AS 14.43.151 - 14.43.155;

22 (2) delegate to the executive director of the commission or a  
23 subcommittee of the commission any duty imposed on or power granted to the  
24 commission by this chapter, AS 14.43, AS 14.44, or AS 14.48, except its power to  
25 adopt regulations and its duty to consider appeals under AS 14.43.100(b) and  
26 AS 14.48.120;

27 (3) establish task forces, committees, or subcommittees, not  
28 necessarily consisting of commission members, to advise and assist the commission in  
29 carrying out its functions;

30 (4) contract with or use existing institutions of postsecondary  
31 education or other individuals or organizations to make studies, conduct surveys,

1 submit recommendations, or otherwise contribute to the work of the commission;

2 (5) establish fees for the review of an out-of-state institution that

3 (A) requests approval for participation in the programs under  
4 AS 14.43.091 - 14.43.750, 14.43.990, and AS 14.44; and

5 (B) is not accredited by a national or regional accreditation  
6 association recognized by the Council for Higher Education Accreditation; and

7 (6) collect all fees and costs incurred in collection of the amount owed  
8 on a loan or repayment obligation if the loan or repayment obligation becomes  
9 delinquent or in default; in this paragraph, fees and costs include attorney fees, court  
10 costs, and collection fees charged by a collection agency.

11 \* **Sec. 3.** AS 14.43.420(a) is amended to read:

12 (a) A grant made under AS 14.43.400 - 14.43.420 may not be in an amount  
13 less than \$500 nor more than \$3,000 [\$2,000] for each school year.

14 \* **Sec. 4.** AS 14.43.420(c) is amended to read:

15 (c) A student may receive not more than a total of \$12,000 [\$8,000] in grants  
16 awarded under AS 14.43.400 - 14.43.420.

17 \* **Sec. 5.** AS 14.43 is amended by adding new sections to read:

18 **Article 11A. Alaska Merit Scholarship Program.**

19 **Sec. 14.43.810. Alaska merit scholarship program established; regulations.**

20 (a) The Alaska merit scholarship program is established to provide scholarships for  
21 high school graduates who are Alaska residents to attend a qualified postsecondary  
22 institution in the state.

23 (b) The department shall, in consultation with the commission, adopt  
24 regulations necessary to implement the program. The commission shall administer the  
25 daily operations of the program and financing of the program, including the  
26 procedures for applying for the scholarships, establishing standards for and ensuring  
27 continuing compliance with programmatic standards, and requiring students to apply  
28 for other nonloan financial aid, consistent with federal law.

29 **Sec. 14.43.820. Alaska merit scholarship program; eligibility.** (a) Subject to  
30 appropriation, the commission shall award an Alaska merit scholarship program  
31 scholarship to an applicant who

- 1 (1) is a resident of the state as defined in AS 01.10.055;
- 2 (2) graduated or will graduate within six months from a high school in
- 3 the state;
- 4 (3) has completed a core academic curriculum in high school that
- 5 includes
  - 6 (A) four years of mathematics, four years of language arts, four
  - 7 years of science, and four years of social studies, one year of which may
  - 8 include a foreign language, an Alaska Native language, fine arts, or cultural
  - 9 heritage; or
  - 10 (B) three years of mathematics, four years of language arts,
  - 11 three years of science, four years of social studies, and two years of a foreign
  - 12 language or an Alaska Native language;
- 13 (4) has a minimum grade-point average in high school of 2.5 or higher;
- 14 the department shall set by regulation minimum requirements based on a substantially
- 15 similar standard for districts that do not assign grades;
- 16 (5) has achieved a minimum score on a
  - 17 (A) college entrance examination; or
  - 18 (B) standardized examination designed to measure a student's
  - 19 level of preparedness to make the transition to work, as selected by the
  - 20 department; and
- 21 (6) is enrolled in good standing in a course of study at a qualified
- 22 postsecondary institution in this state that is intended to result in the award of a
- 23 certificate or degree.

24 (b) The commission shall establish in regulation standards for continuing and  
25 regaining eligibility for a scholarship.

26 **Sec. 14.43.825. Maximum annual awards.** (a) The maximum annual awards  
27 for the Alaska merit scholarship program scholarships are as follows:

- 28 (1) the first award level is \$4,755 and requires a 3.5 grade-point
- 29 average or above and a very high minimum score on a college entrance examination;
- 30 (2) the second award level is \$3,566 and requires a 3.0 grade-point
- 31 average or above and a high minimum score on a college entrance examination;

1 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
2 average or above and a moderately high minimum score on a college entrance  
3 examination.

4 (b) A student's eligibility for a scholarship terminates six years after the date  
5 the student graduated from high school unless the student qualifies for an extension of  
6 time allowed by the department by regulation.

7 (c) Except as provided in (b) of this section, a student receiving a scholarship  
8 may remain eligible for up to eight semesters of enrollment in good standing at a  
9 qualified university or college, which may include graduate courses.

10 (d) Scholarships may be awarded to a full-time student or, if a student is  
11 enrolled part time, prorated based on the number of credits. In this subsection, "full  
12 time" means enrollment in a course of study that is not less than 12 credits, and "part  
13 time" means enrollment in a course of study that is not less than six credits but less  
14 than 12 credits.

15 (e) The amount of a scholarship award may not exceed the amount of the  
16 student's costs of attendance as certified by the postsecondary institution for the  
17 purposes of federal financial aid, less any other scholarships or nonloan financial aid  
18 awarded to the student.

19 (f) Payment of a scholarship is subject to appropriation. If insufficient funds  
20 are appropriated to pay all eligible scholarships, the commission shall pay existing  
21 awards on a pro rata basis.

22 **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following  
23 institutions are qualified postsecondary institutions for purposes of awarding an  
24 Alaska merit scholarship program scholarship:

25 (1) a university or college physically located in the state that is

26 (A) authorized to operate in the state under AS 14.48.020 or is  
27 exempt from authorization under AS 14.48.030(b)(1); and

28 (B) accredited by a regional accreditation association;

29 (2) a career and technical school program physically located in the  
30 state that has been included on a list of certified career and technical school programs  
31 received from the Department of Labor and Workforce Development; the commission

1 shall publish the list on or before June 30 of the year preceding enrollment.

2 (b) The Department of Labor and Workforce Development shall, in  
3 consultation with the Department of Education and Early Development, adopt  
4 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
5 which the Department of Labor and Workforce Development shall certify career and  
6 technical school programs in the state as eligible to participate in the Alaska merit  
7 scholarship program.

8 **Sec. 14.43.840. Report to the legislature.** (a) To the extent permitted under  
9 law, the department, the commission, the University of Alaska, and the Department of  
10 Labor and Workforce Development shall share data necessary to prepare public  
11 reports regarding the program.

12 (b) Not more than 10 days after the convening of each regular legislative  
13 session, the department, the commission, the University of Alaska, and the  
14 Department of Labor and Workforce Development shall present an annual report to  
15 the public, the governor, and the legislature containing information of public interest  
16 regarding the program, including

17 (1) the number of applicants and number and types of scholarships  
18 awarded;

19 (2) the dollar amount of scholarships awarded in past years and the  
20 dollar amount expected to be awarded for the next year; and

21 (3) data and trends in the data regarding high school and postsecondary  
22 student performance, programmatic changes, and retention and graduation rates over  
23 time.

24 **Sec. 14.43.850. Definitions.** In AS 14.43.810 - 14.43.850, unless the context  
25 requires otherwise,

26 (1) "department" means the Department of Education and Early  
27 Development;

28 (2) "grade-point average" means the average of all grades on a four-  
29 point scale, or five-point scale for advanced placement classes, obtained by the student  
30 in high school;

31 (3) "high school" means a public or accredited secondary school in the

1 state and a home school program that is approved by the department;

2 (4) "program" means the Alaska merit scholarship program established  
3 under AS 14.43.810 - 14.43.850;

4 (5) "school district" means a borough school district, a city school  
5 district, a regional educational attendance area, and a state boarding school.

6 \* **Sec. 6.** AS 14.44.025 is amended by adding a new subsection to read:

7 (b) Notwithstanding the funding priorities established under (a) of this section,  
8 the Alaska Commission on Postsecondary Education shall provide adequate funding  
9 for not fewer than five students each year to attend four-year programs in each of the  
10 following fields:

- 11 (1) dentistry;
- 12 (2) optometry; and
- 13 (3) pharmacy.

14 \* **Sec. 7.** AS 14.45.130(a) is amended to read:

15 (a) A religious or other private school that elects to comply with AS 14.45.100  
16 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
17 physical examinations, standardized testing, academic achievement, [AND] courses  
18 taken at the school, and level of eligibility for an Alaska merit scholarship  
19 program scholarship under AS 14.43.810 - 14.43.850.

20 \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 TRANSITION: PROGRAM STANDARDS AND IMPLEMENTATION FOR  
23 INITIAL SCHOOL YEARS. Notwithstanding any contrary provision of this Act, the  
24 Department of Education and Early Development and the Department of Labor and  
25 Workforce Development, after consultation with the Alaska Commission on Postsecondary  
26 Education, may adopt regulations under AS 44.62 (Administrative Procedure Act) to  
27 implement their respective duties under the Alaska merit scholarship program established in  
28 AS 14.43.810, enacted by sec. 5 of this Act, so that a student

29 (1) may be eligible for the program even though the student did not fully meet  
30 the required core academic curriculum for the school years beginning July 1, 2010, through  
31 June 30, 2014; and

1                   (2) who graduated from high school in this state after January 1, 2011, and  
2 before July 1, 2011, and meets eligibility requirements for the program may apply for a  
3 scholarship on or after January 1, 2011, for enrollment in a program of study beginning on or  
4 after July 1, 2011.

5       \* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7           TRANSITION: REGULATIONS. The Department of Education and Early  
8 Development, the Department of Labor and Workforce Development, and the Alaska  
9 Commission on Postsecondary Education may proceed to adopt regulations necessary to  
10 implement changes made to their respective authorities by secs. 1, 2, 5, 7, and 8 of this Act.  
11 The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before  
12 July 1, 2011, except that regulations pertaining to applications for scholarships may take  
13 effect on or after January 1, 2011.

14       \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16           JOINT LEGISLATIVE HIGHER EDUCATION SCHOLARSHIP FUNDING TASK  
17 FORCE. (a) The legislature finds that

18                   (1) there is a growing problem of students entering degree programs at  
19 postsecondary institutions in Alaska but not completing the degree programs;

20                   (2) at 22.4 percent, Alaska ranks last in the nation for first-time full-time  
21 bachelor degree-seeking students who complete their degrees within six years;

22                   (3) it is estimated that, by 2025, 50 percent of all jobs in the United States will  
23 require a college-level degree;

24                   (4) having an educated population is integral to economic development and  
25 promotion of lifetime success;

26                   (5) the cost of attending postsecondary institutions continues to rise while  
27 financial aid for students fails to alleviate their unmet financial need so that they may attend  
28 college;

29                   (6) improving financial aid opportunities for Alaska students would likely  
30 improve postsecondary graduation rates in the state; and

31                   (7) establishing a state scholarship program to improve access to student

1 financial aid requires a more thorough examination by the legislature.

2 (b) The Joint Legislative Higher Education Scholarship Funding Task Force is  
3 established in the legislative branch for the purpose of examining higher education costs and  
4 identifying the best approach in providing financial aid to assist students in the state.

5 (c) The duties of the task force established under this section include

6 (1) evaluating how best to provide long-term and sustainable funding for state-  
7 provided financial aid for postsecondary institutions in the state, including scholarship  
8 opportunities;

9 (2) evaluating proposals that are based on available facts and conclusions  
10 pertaining to financial aid opportunities at postsecondary institutions in the state;

11 (3) recommending improvements or additions to the laws providing for  
12 financial aid at postsecondary institutions; and

13 (4) taking public comments on financial aid opportunities in the state.

14 (d) The task force consists of 15 members, as follows:

15 (1) five members of the senate appointed by the president of the senate;

16 (2) five members of the house of representatives appointed by the speaker of  
17 the house of representatives; and

18 (3) five members appointed by the governor, as follows:

19 (A) the commissioner of education and early development or the  
20 commissioner's designee;

21 (B) the president of the University of Alaska or the president's  
22 designee;

23 (C) the director of the office of management and budget or the  
24 director's designee;

25 (D) a member of the state Board of Education and Early Development;

26 (E) the executive director of the Alaska Commission on Postsecondary  
27 Education.

28 (e) The president of the senate and the speaker of the house of representatives shall  
29 jointly appoint the chair and vice-chair of the task force.

30 (f) The task force shall meet during the interim between legislative sessions.

31 (g) The task force shall submit a report of its findings and proposed legislative

1 changes to the governor, the Alaska Commission on Postsecondary Education, the  
2 Department of Education and Early Development, and the legislature by December 1, 2010,  
3 and may make any additional reports it considers advisable.

4 (h) The Joint Legislative Higher Education Scholarship Funding Task Force is  
5 terminated on January 1, 2011.

6 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 ESTABLISHMENT OF ADVISORY TASK FORCE ON HIGHER EDUCATION  
9 AND CAREER READINESS; COMPOSITION. (a) An advisory task force on higher  
10 education and career readiness is established in the legislative branch of state government for  
11 the purpose of compiling data and advising the legislature on matters pertaining to college and  
12 career readiness of students who graduate from public secondary schools in the state and  
13 students who are nontraditional students.

14 (b) The task force established under this section consists of 20 members, as follows:

15 (1) the governor or the governor's designee;

16 (2) the executive director of the Alaska Commission on Postsecondary  
17 Education or the executive director's designee;

18 (3) the commissioner of education and early development or the  
19 commissioner's designee;

20 (4) one member appointed by the governor who represents vocational,  
21 technical training, or apprenticeship programs in the state;

22 (5) a student representative appointed by the state Board of Education and  
23 Early Development;

24 (6) the student member of the Board of Regents of the University of Alaska or  
25 the student's designee;

26 (7) the president of the University of Alaska or the president's designee;

27 (8) the executive director of the Association of Alaska School Boards or the  
28 executive director's designee;

29 (9) the executive director of the Alaska Association of School Administrators  
30 or the executive director's designee;

31 (10) the president of the National Education Association of Alaska or the

1 president's designee;

2 (11) the president of the Alaska Federation of Natives or the president's  
3 designee;

4 (12) two members of the house of representatives, appointed by the speaker of  
5 the house of representatives, one of whom shall be appointed co-chair;

6 (13) two members of the senate, appointed by the president of the senate, one  
7 of whom shall be appointed co-chair;

8 (14) one member appointed by the governor who represents private colleges  
9 or universities;

10 (15) one member appointed by the governor who represents public  
11 postsecondary institutions and who is not affiliated with the University of Alaska;

12 (16) three members appointed by the governor who have specialized  
13 knowledge, skill, or experience in education remediation and who are employed as faculty at  
14 postsecondary institutions located in separate major administrative units in the state, at least  
15 one of whom resides outside of Anchorage, Fairbanks, and Juneau.

16 (c) A majority of the members of the task force constitutes a quorum. A vacancy on  
17 the task force shall be filled in the same manner as the original selection or appointment.

18 (d) Members of the task force serve without compensation but are entitled to per diem  
19 and travel expenses authorized for boards and commissions under AS 39.20.180, except that  
20 per diem and travel expenses shall be paid from the budget of the agency or institution the  
21 member represents on the task force. The agency or institution may opt out of participating to  
22 avoid payment of per diem and travel expenses. The staff of the legislative members of the  
23 task force shall serve as staff for the task force.

24 (e) The task force shall meet at the call of the chair not less than once every three  
25 months. The co-chairs shall call the first meeting of the task force not later than 30 days after  
26 the effective date of this section. The members of the task force shall elect other officers as  
27 needed to conduct the business of the task force.

28 (f) The task force shall

29 (1) compile research conducted in the state and nationally on reducing  
30 remediation, improving retention, and increasing college and postsecondary vocational or  
31 technical program graduation rates;

- 1 (2) summarize data on
- 2 (A) types of testing used to determine college and career readiness;
- 3 (B) remediation rates;
- 4 (C) effectiveness of remediation for students entering college or
- 5 postsecondary vocational or technical training programs with skill deficits;
- 6 (D) characteristics of programs that are most effective in addressing
- 7 skill deficits;
- 8 (3) create a definition of remediation to ensure consistency in reporting of
- 9 remediation rates by postsecondary institutions in the state;
- 10 (4) identify the contributing causes of a lack of college and career readiness of
- 11 students who graduate from public secondary schools in the state and the course topics taken
- 12 in college or postsecondary vocational or technical training programs for which students
- 13 require remediation;
- 14 (5) identify best practices examples of school systems, colleges, and
- 15 postsecondary vocational or technical training programs that are succeeding in reducing the
- 16 need for remedial education;
- 17 (6) explore new approaches that may be effective in producing increased
- 18 levels of college and career readiness;
- 19 (7) determine the availability of broadband and Internet capabilities and the
- 20 effect of the use of electronic, Internet, and virtual instruction on student learning and success
- 21 in schools;
- 22 (8) determine the role various types of postsecondary institutions may play in
- 23 addressing the need for remediation;
- 24 (9) review graduation rates of colleges, universities, and postsecondary
- 25 vocational or technical training programs located in the state for the six years preceding the
- 26 effective date of this section;
- 27 (10) prepare for the legislature a set of written recommendations to improve
- 28 remediation, retention, and graduation rates at colleges, universities, and postsecondary
- 29 vocational or technical training programs in the state;
- 30 (11) review completion rates for career skill certificate programs,
- 31 disaggregated by program and postsecondary campus.

1           (g) The task force shall submit the assessment and recommendations developed under  
2 (f) of this section in a report to the legislature not later than April 1, 2011.

3       \* **Sec. 12.** Section 11 of this Act is repealed on July 1, 2011.

4       \* **Sec. 13.** Sections 3, 4, 6, and 8 - 11 of this Act take effect immediately under  
5 AS 01.10.070(c).

6       \* **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect July 1, 2011.

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
Bill Version: CSSB 221(EDC)  
(S) Publish Date: 2/1/10

Identifier (file name): SB221-EED-ACPE-01-25-10 Dept. Affected: Education  
Title An Act establishing an advisory task force on higher RDU ACPE  
education in the legislative branch of government;... Component Program Administration and  
Sponsor Senator Stevens Operations  
Requester (S)EDC Component Number 2738

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	Appropriation Required	Information					
	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>							
<b>CHANGE IN REVENUES ( )</b>							

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)  
Participation in higher education related working groups, advisory bodies, etc. are within the regular duties of ACPE's executive. As currently drafted, ACPE costs related to quarterly meetings would be diminimus and absorbed within existing budget authority.

Prepared by: Diane Barrans, Executive Director Phone 907-465-6740  
Division Alaska Commission on Postsecondary Education Date/Time 1/25/10 9:00 AM  
Approved by: Diane Barrans, Executive Director Date 1/25/2010  
Alaska Commission on Postsecondary Education

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 221(EDC)  
(S) Publish Date: 2/1/10

Identifier (file name): SB221-LEG-LOB-01-25-10 Dept. Affected: Legislature  
Title: "An Act establishing an advisory task force on higher education in education in the legislative branch of government;..." RDU: Legislative Operating Budget  
Sponsor: Senators Stevens, McGuire Component: Legislative Operating Budget  
Requester: Senate Education Committee Component Number: 796

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel	14.0						
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>14.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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## FUND SOURCE (Thousands of Dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts						
1003 GF Match						
1004 GF	14.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Interagency Receipts						
<b>TOTAL</b>	<b>14.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

### POSITIONS

Full-time						
Part-time						
Temporary						

### ANALYSIS: *(Attach a separate page if necessary)*

SB 221 establishes an Advisory Task Force on Higher Education in the Legislative Branch of government. The Task Force consists of 13 members from various education and government entities. Members serve without compensation but are entitled to per diem and travel expenses. The legislation provides that per diem and travel expenses shall be paid from the budget of the agency or institution the member represents on the Task Force. The agency or institution can opt out of participating to avoid payment of per diem and travel expenses. The Legislature has two members on the Task Force, the Chairs of the Senate and House Education Committees.

It is anticipated that the Task Force will hold six meetings. Travel costs for the Legislators and staff are included in this fiscal note for two meetings in Anchorage and two meetings in Fairbanks. The other two meetings will be teleconferenced. The costs for employees of the Education Committee Chairs to staff the Task Force, costs for teleconferencing meetings, and printing the final report which is due March 1, 2011 will be absorbed within existing budgets.

Prepared by: Karla Schofield, Deputy Director  
Division: Legislative Affairs Agency  
Approved by: Pamela Varni, Executive Director  
Legislative Affairs Agency

Phone 465-6626  
Date/Time 1/25/10 1:43 PM  
Date 1/25/2010

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3  
 Bill Version: CSSB 221(EDC)  
 (S) Publish Date: 2/1/10

Identifier (file name): SB221-EED-ESS-1-22-10 Dept. Affected: Education & Early Development  
 Title: "An Act establishing an advisory task force on higher education in the legislative branch of government..." RDU: Education Support Services  
 Component: Executive Administration  
 Sponsor: Senators Stevens & McGuire  
 Requester: Education, Finance Component Number: 2736

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

There is no fiscal impact on the Department of Education and Early Development

Prepared by: Eddy Jeans  
 Division: School Finance  
 Approved by: Larry LeDoux  
Commissioner

Phone 465-8679  
 Date/Time 1/22/10 12.00 AM  
 Date 1/22/2010

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSSB 221(EDC)  
 (S) Publish Date: 3/10/10

Identifier (file name): \_\_\_\_\_ Dept. Affected: Legislature  
 Title Legislative Task Force on Higher Education RDU Legislative Operating Budget  
 Component Legislative Operating Budget  
 Sponsor Stevens  
 Requester Senate Finance Committee Component Number 796

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

SB 221 establishes an Advisory Task Force on Higher Education in the Legislative Branch. The Task Force consists of 13 members from various entities. Members serve without compensation but are entitled to per diem and travel expenses paid from the budget of the agency or institution the member represents. It is anticipated that the Task Force will hold six meetings: two in Anchorage, two in Fairbanks and two via teleconference. The Legislature has two members on the Task Force, the Chairs of the Senate and House Education Committees. Travel and support costs for the Legislators and staff will be absorbed within the Legislature's existing budget.

Prepared by: Senate Finance Committee  
Co-Chair Bert Stedman

Phone 465-3873  
 Date/Time 3/5/10 12:50 PM

Approved by: \_\_\_\_\_  
 \_\_\_\_\_

Date 3/5/2010

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 5  
 Bill Version: HCS CSSB 221(FIN)  
 (H) Publish Date: 4/17/10

Identifier (file name): (H)CS(S)CSSB221(FIN)-EED-TLS-4-16-10  
 Title: An Act relating to the AlaskAdvantage education grant program; relating to professional student exchange...  
 Sponsor: Sen. Stevens  
 Requester: House Finance  
 Dept. Affected: Education  
 RDU: Teaching & Learning Support  
 Component: School & Student Achievement  
 Component Number: 2796

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>							
Personal Services	87.3		87.3	87.3	87.3	87.3	87.3
Travel							
Contractual							
Supplies	12.7						
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>100.0</b>	<b>0.0</b>	<b>87.3</b>	<b>87.3</b>	<b>87.3</b>	<b>87.3</b>	<b>87.3</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts						
1003 GF Match						
1004 GF	100.0	87.3	87.3	87.3	87.3	87.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Interagency Receipts						
<b>TOTAL</b>	<b>100.0</b>	<b>0.0</b>	<b>87.3</b>	<b>87.3</b>	<b>87.3</b>	<b>87.3</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Full-time	1.0	1.0	1.0	1.0	1.0	1.0
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Teaching and Learning Support will need to hire one staff member to oversee the promulgation and implementation of the department's regulations along coordination between EED, the University of Alaska, Department of Labor and Workforce Development and the Alaska Commission on Postsecondary Education (ACPE).

Education Specialist I at \$87,306 plus start-up office supplies (computer, etc.) at \$12,694 = \$100,000

Prepared by: Eddy Jeans, Director Phone 465-8679  
 Division: School Finance and Facilities Date/Time 4/16/2010  
 Approved by: Larry LeDoux Date 4/16/2010  
Commissioner

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 6  
 Bill Version: HCS CSSB 221(FIN)  
 (H) Publish Date: 4/17/10

Identifier (file name): (H)CS(S)CSSB221(FIN)-EED-ACPE-04-16-10  
 Title: An Act relating to the AlaskAdvantage education grant program; relating to professional student exchange...  
 Sponsor: Senator Stevens  
 Requester: (H)FIN  
 Dept. Affected: Education  
 RDU: ACPE  
 Component: Program Administration and Operations  
 Component Number: 2738

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual	250.0	250.0						
Supplies								
Equipment								
Land & Structures								
Grants & Claims	400.0	400.0	9,321.9	15,489.3	19,602.0	21,656.6	21,656.6	
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0	
<b>TOTAL OPERATING</b>	<b>650.0</b>	<b>650.0</b>	<b>9,321.9</b>	<b>15,489.3</b>	<b>19,602.0</b>	<b>21,656.6</b>	<b>21,656.6</b>	

<b>CAPITAL EXPENDITURES</b>							
<b>CHANGE IN REVENUES ( )</b>							

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	650.0	650.0	9,321.9	15,489.3	19,602.0	21,656.6	21,656.6
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>650.0</b>	<b>650.0</b>	<b>9,321.9</b>	<b>15,489.3</b>	<b>19,602.0</b>	<b>21,656.6</b>	<b>21,656.6</b>

Estimate of any current year (FY2010) cost: 0.0

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

Relative to ACPE this bill: 1) establishes an administrative role for the agency relative to managing the Alaska Merit Scholarship program, 2) amends the existing AlaskAdvantage Education Grant program by increasing the annual maximum grant award from \$2,000 to \$3,000 per recipient, and 3) modifies Alaska's participation in the Western Interstate Commission on Higher Education's (WICHE) Professional Student Exchange Program (PSEP) by setting an annual minimum number of loans to support Alaska participants in the pharmacy, dentistry, and optometry fields of study.

The contractual funds noted above represent the cost of implementation for scholarship management software.

Prepared by: Diane Barrans, Executive Director Phone 465-6740  
 Division: Alaska Commission on Postsecondary Education Date/Time 4/16/2010  
 Approved by: Diane Barrans, Executive Director Date 4/16/2010  
Alaska Commission on Postsecondary Education

FISCAL NOTE #6

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO. HCS CSSB 221(FIN)

**ANALYSIS CONTINUATION**

It is important to note the costs reflected in FY12 and subsequent years represent the administration's best estimate. However, given that the bill also establishes a Task Force, the recommendations of which could substantially alter related program costs, these estimates may be characterized as tentative pending the Task Force reports.

Assumptions:

- 1) Baseline count of high school graduates (8,008) based on 2009 data.
  - 2) Referenced utilization rate of 28.8% for similarly structured program in WY. While Alaska has lower college-going rates historically than WY, in recent years a higher percentage of students continuing to postsecondary education have attended Alaska institutions.
  - 3) Per student Alaska Merit Scholarship award amount is an average of all award levels.
  - 4) Scholar attrition rate is 25% per year based upon UA five-year graduation rate data.
- Participation numbers are assumed to be: Year 1=2,305; Year 2=4,034; Year 3=5,187; Year 4=5,763

In Wyoming, approximately 28.8% of graduates utilize the merit scholarship program. At the same utilization rate, an estimated 2,305 AK high school grads will earn a scholarship.

Per Education Trust, the graduation rate after 5 years for UAF is 25% and UAA is 16.5%. The four-year graduation rate is significantly lower.

Cohort: 2,305 students per year

	Participation rates	Number of Students	Average Scholarship	Est. annual cost	Year 1 Est. cost	Year 2 Est. cost	Year 3 Est. cost
Year 1	100%	2,305	\$3,567	\$ 8,221,935	\$8,221.9		
Year 2	75%	1,729	\$3,567	\$ 6,167,343		\$14,389.3	
Year 3	50%	1,153	\$3,567	\$ 4,112,751			\$18,502.0
<u>Year 4</u>	<u>25%</u>	<u>576</u>	<u>\$3,567</u>	<u>\$ 2,054,592</u>			
Est. merit-based cost (full implementation)		5,763		\$20,556,621			

As noted above, pending Task Force examination of the appropriate level of additional needs based aid, funding for the AlaskAdvantage Education Grant is requested at a continuation level relative to the annual average amounts paid out over the past four years--approximately \$1.05 million. The FY11 grant funding in the amount of \$400,000 will supplement the \$620,000 remaining from the FY09 capital budget appropriation of \$2.5 million. In FY12 and later years, \$1.1 million for program funding is included in the program costs noted herein.

There are no costs anticipated relative to the changes to the PSEP loan program.

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 7  
 Bill Version: HCS CSSB 221(FIN)  
 (H) Publish Date: 4/17/10

Identifier (file name): WD26-LS1309W-LEG-COU-4-16-10 Dept. Affected: Legislature  
 Title: "An Act relating to the Alaska Advantage education grant program; establishing the Alaska..." RDU: Legislative Council  
 Sponsor: House Finance Committee Component: Council and Subcommittees  
 Requester: House Finance Committee Component Number: 783

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel	92.0							
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>92.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	92.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>92.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

WD26-LS1309W, Sec.10 establishes a 15 member Joint Legislative Higher Education Task Force composed of 10 Legislators, 2 Executive Branch members and 3 public members. It is assumed the Task Force will meet six times with all meetings requiring travel. This fiscal note includes travel funding for the Legislators and public members in the amount of \$75.0. Travel costs for Executive Branch members will be absorbed in Executive Branch Budgets. Sec. 11 establishes a 20 member Advisory Task Force on Higher Education and Career Readiness. Members of this Task Force will meet not less than every 3 months. Members of this Task Force serve without compensation but are entitled to per diem and travel expenses paid from the budget of the agency or institution the member represents. Travel for the 4 Legislators on this Task Force and their employees who staff this Task Force is included in this fiscal note in the amount of \$ 17.0 for FY11. Costs to teleconference the meetings and to print reports will be absorbed within existing Legislative Budgets.

Prepared by: Karla Schofield, Deputy Director Phone 465-6626  
 Division: Legislative Affairs Agency Date/Time 4/16/10 9:09 AM  
 Approved by: Pamela Varni, Executive Director Date 4/16/2010  
Legislative Affairs Agency

## Seaton's changes

- 1) Adds requirements for
  - a. "advisory program established for incoming students that provides counseling"
  - b. Provides courses and credits that will result in "the issuance of degree or certificate available...within a time frame expected for that degree or certificate."
- 2) Establishes AlaskAdvantage education grant and Alaska performance scholarship award INCOME ACCOUNT, which pays out the awards.
- 3) Deposits proceeds from Amerada Hess into AlaskAdvantage and Alaska Performance funds.
- 4) AlaskAdvantage and Alaska Performance scholarship fund established
  - a. Legislature may deposit up to 15 percent of money received by the state.
  - b. Amount appropriated and deposited every year may not exceed
    - i. \$40,000,000 OR
    - ii. An amount that puts the fund at more than \$160M
  - c. \$40,000,000 may be distributed to the ACCOUNT
    - i. The lesser of one third of the amount in the FUND or \$40M may be deposited into the ACCOUNT
    - ii. If fund balance is less than \$80M payments may only be made to satisfy previous obligations
    - iii. Any amount may be appropriated to the fund notwithstanding the set limits.

Monday discuss products

- 1) Component of merit & needs
- 2) Order of needs
- 3) Consequence
- 4) Distance driving

ratio of student  
~~to 4/5~~  
not / needs

Tuesday Certification BS 11

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to 129 6th St. Rm 329

## MEMORANDUM

February 4, 2011

**SUBJECT:** Dedicated fund issue (SB 43; Work Order No. 27-GS1893A)

**TO:** Senator Kevin Meyer  
Co-Chair of the Senate Education Committee

**FROM:** Jean M. Mischel  
Legislative Counsel *JM*

The structure of the governor's performance scholarship fund set forth in 27-GS1893A is problematic. It includes income earned on investments of fund assets in the balance of the fund. If that income is not specifically appropriated to the fund by the legislature, its inclusion in the fund may violate the dedicated fund clause.<sup>1</sup> The Alaska Supreme Court recently mentioned this issue in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009):

First, there is a substantial question as to whether appropriating unrestricted funds into the ETF would in itself violate the dedicated funds clause. While the dedicated funds clause is not, of course, violated merely by the fact of an appropriation for a specific purpose, it would be of concern that the income generated by the appropriation would be dedicated. We think that there is sufficient doubt as to the constitutionality of an appropriation made for the purpose of generating dedicated income that the University's suggestion that this might be done cannot justify severance.

...

---

<sup>1</sup> Art. IX, sec. 7 of the Constitution of the State of Alaska provides:

**SECTION 7. Dedicated Funds.** The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

Senator Kevin Meyer

February 4, 2011

Page 3

So, although the court has not decided the issue, it has observed that there is "doubt as to the constitutionality of an appropriation made for the purpose of generating dedicated income." Generating dedicated income is precisely what the draft bill appears to anticipate in sec. 37.14.750.

If I may be of further assistance, please advise.

JMM:ljw

11-068.ljw

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
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State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 4, 2011

**SUBJECT:** Amendments to SB 43: Dedicated Funds Issue  
(Work Order Nos. 27-GS1893\A.4 and A.7)

**TO:** Senator Joe Thomas  
Co-Chair of the Senate Education Committee

**FROM:** Jean M. Mischel  
Legislative Counsel

The above amendments' attempt to limit the expenditure and appropriation of funds from the performance scholarship award fund created in sec. 7 of the bill raises constitutional issues. Some of these issues raised by the amendments are related to an underlying constitutional issue in the bill itself.

**The fund established in the bill may violate the dedicated fund clause.**

The structure of the governor's performance scholarship investment fund set forth in sec. 9 of SB 43 is problematic. It includes income earned on investments of fund assets in the balance of the fund. If that income is not specifically appropriated to the fund by the legislature, its inclusion in the fund may violate the dedicated fund clause.<sup>1</sup> The Alaska Supreme Court recently mentioned this issue in Southeast Alaska Conservation Council v. State, 202 P.3d 1162 (Alaska 2009):

First, there is a substantial question as to whether appropriating unrestricted funds into the [endowment trust fund] would in itself violate the dedicated funds clause. While the dedicated funds clause is not, of course, violated merely by the fact of an appropriation for a specific purpose, it would be of concern that the income generated by the appropriation would be dedicated. We think that there is sufficient doubt as to the constitutionality of an appropriation made for the purpose of

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<sup>1</sup> Art. IX, sec. 7 provides:

**SECTION 7. Dedicated Funds.** The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

generating dedicated income that the University's suggestion that this might be done cannot justify severance.

...

Our cases have not specifically addressed whether income earned by an agency from appropriated funds is covered by the dedicated funds clause. A 1982 attorney general opinion considered this question and concluded that such income likely would be covered. The opinion discusses policy reasons that would also apply to appropriating money to dedicated funds:

A difficulty that arises from the view that the dedicated funds prohibition is not applicable to interest or investment income on separate funds is that it permits steadily increasing amounts of money to be received and used by state departments and agencies without legislative control through the annual budget process. This is precisely the problem posed by the dedication of revenue sources which the drafters sought to avoid. For this reason, while we are not certain about the likely outcome, we doubt that a blanket exception for derivative income would be approved by the courts.

... Although not expressly addressed by them, the framers were very much aware of the boom-bust cycle of Alaska's economy. In fact, a driving force behind statehood was the desire of Alaskans themselves to be able to manage the income derived from those brief periods . . . when the state may receive enormous sums of money which are then immediately available for expenditure or placement, by appropriation, into a variety of funds and accounts for various permissible purposes. Depending on the number and size of those funds and accounts, the interest earned on the money placed in them could itself be substantial . . . [T]he significance of that interest income in properly managing the state's budget leads us to the conclusion that our framers would have considered it to be within the dedicated fund prohibition.

Southeast Alaska Conservation Council v. State, 202 P.3d 1162, 1175 and n. 71 (Alaska 2009), quoting 1982 Op. Alaska Att'y Gen. No. 13 at 16 - 17 (Nov. 26). See also Myers v. Alaska Housing Finance Corporation, 68 P.3d 386, 391 (Alaska 2003) ("the anti-dedication clause would prohibit the legislature from appropriating the tobacco settlement revenue stream for more than the immediately forthcoming fiscal year directly to secure a bond issue"). But see 1982 Op. Alaska Att'y Gen. (Nov. 30) ("[u]ntil the question is

ruled on by the courts, we will defend legislative action dedicating, by general law, derivative income to the funds which 'earned' them").

So, although the court has not decided the issue, it has observed that there is "doubt as to the constitutionality of an appropriation made for the purpose of generating dedicated income." Generating income is precisely what the draft bill appears to anticipate in sec. 37.14.750(a).

Of course, this problem could be remedied with a constitutional amendment establishing the performance scholarship fund as a dedicated fund, or removing the prohibition on dedicated funds altogether. If you choose this approach, then the fund provisions in the bill and the amendments should be made contingent on adoption of the constitutional amendment.

**Amendments A.4 and A.7 raise additional constitutional issues.**

Amendments A.4 and A.7 purport to limit the ability of the legislature to make future appropriations to the fund, by setting a maximum fund balance of \$160,000,000 in amendment A.4 and by requiring a one-third minimum amount for grant appropriations in A.7.<sup>2</sup> Both are contrary to the legislature's appropriation power under art. II, sec. 13 of the state constitution and annual budget process required under art. IX, sec. 12 of the state constitution (see quote from the AG Opinion, above), which are meant to give the legislature the flexibility to deal with budgetary needs on an annual basis as circumstances change. Art. IX, sec. 13 of the state constitution provides:

No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.

Article IX, sec. 12 of the state constitution provides:

The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

---

<sup>2</sup> It is worth noting here that the bill draft at p. 5, l. 22, asserts that "[n]othing in this section creates a dedicated fund." Given this, a court might choose to interpret the statute creating the fund as requiring that interest earned on investments of fund assets be appropriated into the fund at the discretion of the legislature, rather than automatically being incorporated into the fund's balance.

Senator Joe Thomas

February 4, 2011

Page 4

The amendments may violate both of these provisions. The Alaska Supreme Court has recognized that "[o]ne legislature may not bind future legislatures." Mount Juneau Enterprises, Inc. v. City and Borough of Juneau, 923 P.2d 768, 776 (Alaska 1996). Also, as a practical matter, a future legislature could further amend sec. 37.14.750, or perhaps simply ignore its provisions on the theory that an attempt to bind a future legislature is void.

If I may be of further assistance, please advise.

JMM:ljw

11-069.ljw

Enclosure

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
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## MEMORANDUM

February 4, 2011

**SUBJECT:** Amendment to SB 43: capital income fund repeal  
(Work Order No. 27-GS1893\A.5)

**TO:** Senator Joe Thomas  
Co-Chair of the Senate Education Committee

**FROM:** Jean M. Mischel  
Legislative Counsel

The enclosed amendment allows the Amerada Hess settlement funds to be deposited directly into a combined education grant and scholarship fund. In doing so, we have repealed the capital income fund (AS 37.05.565) since that was the purpose of that fund, and amended AS 37.13.145(d). We also have repealed the 1992 SLA pertaining to the handling and deposit of the Amerada Hess funds to avoid the possibility, however unlikely, that a court would issue an opinion triggering the repeal of AS 37.13.145(d).

Section 28, ch. 134, SLA 1992 provides:

AS 37.13.145(d), added by sec. 19 of this Act, is repealed on the day that the revisor of statutes certifies to the legislature that the Alaska Supreme Court has made a final determination that, in the absence of AS 43.23.045(c), repealed by sec. 29 of this Act, or AS 37.13.145(d), added by sec. 19 of this Act, no judge or juror is disqualified from serving as judge or juror solely because the judge or juror may qualify to receive a permanent fund dividend.

If I may be of further assistance, please advise.

JMM:ljw  
11-070.ljw

Enclosure

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

1 Page 1, lines 2 - 4:

2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"

4 Insert "relating to AlaskAdvantage education grant funding and to Alaska  
5 performance scholarship funding; establishing an account and funds for those  
6 purposes;"

7

8 Page 3, following line 18:

9 Insert a new bill section to read:

10 **\*\* Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
12 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
13 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

14

15 Renumber the following bill sections accordingly.

16

17 Page 4, line 24:

18 Delete "Sec. 14.43.845."

19 Insert "Sec. 14.43.915. AlaskAdvantage education grant and"

20

21 Page 4, line 24, following "The":

22 Insert "AlaskAdvantage education grant and"

23

24 Page 4, line 26, following "for":

1           Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

2

3   Page 4, line 28, following "pay":

4           Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

5

6   Page 4, line 31, following "awarding":

7           Insert "grants under AS 14.43.400 - 14.43.420 and"

8

9   Page 5, following line 1:

10          Insert new subsections to read:

11                   "(c) The amount appropriated and deposited to the fund may not exceed  
12                   \$160,000,000 to meet the costs of current commitments of the fund.

13                   (d) The commissioner may not award grants or scholarships from the fund to  
14                   an individual who did not receive a grant or scholarship in the previous fiscal year if

- 15                           (1) the fund balance on July 1 of each year is less than \$80,000,000; or  
16                           (2) the amount available for grants awarded under AS 14.43.400 -  
17                   14.43.420 on July 1 of each year is less than one-third of the amount available for  
18                   scholarships awarded under AS 14.43.810 - 14.43.849.

19                   (e) If insufficient funds are appropriated to pay all eligible grants and  
20                   scholarships, the commission shall divide the available fund balance to provide for not  
21                   less than one-third of the balance to be paid for grant awards and

22                           (1) if the fund balance is less than \$80,000,000, pay grant and  
23                   scholarship awards on a pro rata basis to individuals who received grants and  
24                   scholarships in the previous fiscal year;

25                           (2) if the fund balance is \$80,000,000 or more but less than  
26                   \$160,000,000, pay all eligible grant and scholarship awards on a pro rata basis."

27

28   Page 5, line 10, following "8A.":

29           Insert "**AlaskAdvantage Education Grant and**"

30

31   Page 5, line 11, following "Sec. 37.14.750.":

1           Insert "**AlaskAdvantage education grant and**"

2

3   Page 5, line 12, following "The":

4           Insert "AlaskAdvantage education grant and"

5

6   Page 6, line 2, following "the":

7           Insert "AlaskAdvantage education grant and"

8

9   Page 6, line 3:

10          Delete "AS 14.43.845"

11          Insert "AS 14.43.915"

12

13   Page 6, line 4, following "award":

14          Insert "grants under AS 14.43.400 - 14.43.420 and"

15

16   Page 6, line 6, following "the":

17          Insert "AlaskAdvantage education grant and"

18

19   Page 6, line 11, following "the":

20          Insert "AlaskAdvantage education grant and"

21

22   Page 6, line 26, following "**the**":

23          Insert "**AlaskAdvantage education grant and**"

24

25   Page 7, line 9, following "**the**":

26          Insert "**AlaskAdvantage education grant and**"

27

28   Page 8, line 14:

29          Delete "Section 15"

30          Insert "Section 16"

31

1 Page 8, line 15:

2 Delete "Section 11"

3 Insert "Section 12"

4

5 Page 8, line 16:

6 Delete "secs. 16 and 17"

7 Insert "secs. 17 and 18"

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

- 1 Page 1, lines 2 - 4:  
2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"  
4 Insert "relating to AlaskAdvantage education grant funding and to Alaska  
5 performance scholarship funding and establishing an account and funds for those  
6 purposes; repealing the Alaska capital income fund and a provision relating to the  
7 Alaska capital income fund;"  
8  
9 Page 4, line 24:  
10 Delete "Sec. 14.43.845."  
11 Insert "Sec. 14.43.915. AlaskAdvantage education grant and"  
12  
13 Page 4, line 24, following "The":  
14 Insert "AlaskAdvantage education grant and"  
15  
16 Page 4, line 26, following "for":  
17 Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"  
18  
19 Page 4, line 28, following "pay":  
20 Insert "grants awarded under AS 14.43.400 - 14.43.420 and"  
21  
22 Page 4, line 31, following "awarding":  
23 Insert "grants under AS 14.43.400 - 14.43.420 and"  
24

1 Page 5, following line 8:

2 Insert new bill sections to read:

3 **\*\* Sec. 9.** AS 37.07.020(b) is amended to read:

4 (b) In addition to the budget and bills submitted under (a) of this section, the  
5 governor shall submit a capital improvements program covering the succeeding six  
6 fiscal years. The governor shall also submit a fiscal plan with estimates of significant  
7 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

8 (1) must include sufficient details to identify

9 (A) significant sources of funds;

10 (B) significant uses of funds, including lump sum projections

11 of

12 (i) operating expenditures;

13 (ii) capital expenditures;

14 (iii) debt service expenditures;

15 (iv) fund capitalizations;

16 (v) appropriations of income of the Alaska permanent  
17 fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

18 (2) must balance sources and uses of funds held while providing for  
19 essential state services and protecting the economic stability of the state;

20 (3) must include projected balances of significant funds held in  
21 separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of  
22 the State of Alaska), the public education fund (AS 14.17.300), and the  
23 **AlaskAdvantage education grant and Alaska performance scholarship fund**  
24 **(AS 37.14.750)** [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];

25 (4) must set out significant assumptions used in the projections with  
26 sufficient detail to enable the legislature to rely on the fiscal plan in understanding,  
27 evaluating, and resolving issues of state budgeting, including information that supports  
28 major areas of operating increases, such as population demographics that affect the  
29 need for particular government services.

30 **\* Sec. 10.** AS 37.13.145(d) is amended to read:

31 (d) Notwithstanding (b) of this section, income earned on money awarded in

1 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior  
2 Court, First Judicial District), including settlement, summary judgment, or adjustment  
3 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned  
4 on the money, or on the earnings of the money shall be treated in the same manner as  
5 other income of the Alaska permanent fund, except that it is not available for  
6 distribution to the dividend fund or for transfers to the principal under (c) of this  
7 section, and shall be annually deposited into the AlaskAdvantage education grant  
8 and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL  
9 INCOME FUND (AS 37.05.565)]."

10

11 Renumber the following bill sections accordingly.

12

13 Page 5, line 10, following "8A.":

14 Insert "**AlaskAdvantage Education Grant and**"

15

16 Page 5, line 11, following "Sec. 37.14.750.":

17 Insert "**AlaskAdvantage education grant and**"

18

19 Page 5, line 12, following "The":

20 Insert "AlaskAdvantage education grant and"

21

22 Page 5, line 15:

23 Delete "and"

24

25 Page 5, line 16, following "assets":

26 Insert "; and

27 (4) money deposited to the fund under AS 37.13.145(d)"

28

29 Page 6, line 2, following "the":

30 Insert "AlaskAdvantage education grant and"

31

- 1 Page 6, line 3:  
2 Delete "AS 14.43.845"  
3 Insert "AS 14.43.915"  
4  
5 Page 6, line 4, following "award":  
6 Insert "grants under AS 14.43.400 - 14.43.420 and"  
7  
8 Page 6, line 6, following "the":  
9 Insert "AlaskAdvantage education grant and"  
10  
11 Page 6, line 11, following "the":  
12 Insert "AlaskAdvantage education grant and"  
13  
14 Page 6, line 26, following "the":  
15 Insert "AlaskAdvantage education grant and"  
16  
17 Page 7, line 9, following "the":  
18 Insert "AlaskAdvantage education grant and"  
19  
20 Page 7, line 11:  
21 Delete "is"  
22 Insert "and AS 37.05.565 are"  
23  
24 Page 7, following line 11:  
25 Insert a new bill section to read:  
26 "**\* Sec. 15.** Section 28, ch.134, SLA 1992, is repealed."  
27  
28 Renumber the following bill sections accordingly.  
29  
30 Page 8, following line 13:  
31 Insert a new bill section to read:

1       \*\* Sec. 19. The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3           TRANSITION: ALASKA PERFORMANCE SCHOLARSHIP INVESTMENT  
4 FUND. The money deposited in the Alaska capital income fund established under  
5 AS 37.05.565 shall be transferred to the Alaska performance scholarship investment fund  
6 established under AS 37.14.750 on July 1, 2011."  
7

8       Renumber the following bill sections accordingly.  
9

10       Page 8, line 14:

11           Delete "Section 15"

12           Insert "Section 18"

13

14       Page 8, line 15:

15           Delete "Section 11"

16           Insert "Section 13"

17

18       Page 8, line 16:

19           Delete "secs. 16 and 17"

20           Insert "secs. 20 and 21"

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

1 Page 1, lines 2 - 4:

2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"

4 Insert "relating to AlaskAdvantage education grant funding and to Alaska  
5 performance scholarship funding, and establishing an account and funds for those  
6 purposes;"

7

8 Page 3, following line 18:

9 Insert a new bill section to read:

10 **\*\* Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
12 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
13 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

14

15 Renumber the following bill sections accordingly.

16

17 Page 4, line 24:

18 Delete "Sec. 14.43.845."

19 Insert "Sec. 14.43.915. AlaskAdvantage education grant and"

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21 Page 4, line 24, following "The":

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1 Page 4, line 26, following "for":

2 Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

3

4 Page 4, line 28, following "pay":

5 Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

6

7 Page 4, line 31, following "awarding":

8 Insert "grants under AS 14.43.400 - 14.43.420 and"

9

10 Page 5, following line 1:

11 Insert new subsections to read:

12 "(c) The amount annually appropriated and deposited to the fund for payment  
13 of grants awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of  
14 the amount available for scholarships awarded under AS 14.43.810 - 14.43.849.

15 (d) If funds appropriated are insufficient to pay all eligible grants and  
16 scholarships, the commission shall divide the available fund balance to provide for not  
17 less than one-third of the balance to be paid for grant awards, and shall pay grant and  
18 scholarship awards on a pro rata basis to individuals who received grants and  
19 scholarships in the previous fiscal year.

20 (e) If funds appropriated are sufficient to pay all awards to individuals who  
21 received grants and loans in the previous fiscal year, but not sufficient to pay awards  
22 for all newly eligible individuals in a fiscal year, the commission shall pay awards to  
23 newly eligible individuals on a pro rata basis after dividing the available funds to  
24 ensure that not less than one-third of the awards are made to grant recipients."

25

26 Page 5, line 10, following "8A.":

27 Insert "**AlaskAdvantage Education Grant and**"

28

29 Page 5, line 11, following "Sec. 37.14.750.":

30 Insert "**AlaskAdvantage education grant and**"

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- 1 Page 5, line 12, following "The":
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- 1           Insert "Section 12"
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- 3   Page 8, line 16:
- 4           Delete "secs. 16 and 17"
- 5           Insert "secs. 17 and 18"

Murray

27-GS1893A.4

Mischel

2311

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR THOMAS

TO: SB 43

1 Page 1, lines 2 - 4:

2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"

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5 performance scholarship funding; establishing an ~~account and~~ funds for those  
6 purposes;"

7

8 Page 3, following line 18:

9 Insert a new bill section to read:

10 "\*\* Sec. 5. AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
12 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
13 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

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6 Page 4, line 31, following "awarding":

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8

9 Page 5, following line 1:

10 Insert new subsections to read:

11 ~~"(c) The amount appropriated and deposited to the fund may not exceed~~  
12 ~~\$160,000,000 to meet the costs of current commitments of the fund.~~

13 (d) The commissioner may not award grants or scholarships from the fund to  
14 an individual who did not receive a grant or scholarship in the previous fiscal year if

*Future Funding*

15 (1) the fund balance on July 1 of each year is less than \$80,000,000; or

16 (2) the amount available for grants awarded under AS 14.43.400 -  
17 14.43.420 on July 1 of each year is less than one-third of the amount available for  
18 scholarships awarded under AS 14.43.810 - 14.43.849.

*Preserving Needs based*

19 (e) If insufficient funds are appropriated to pay all eligible grants and  
20 scholarships, the commission shall divide the available fund balance to provide for not  
21 less than one-third of the balance to be paid for grant awards and

22 (1) if the fund balance is less than \$80,000,000, pay grant and  
23 scholarship awards on a pro rata basis to individuals who received grants and  
24 scholarships in the previous fiscal year;

25 (2) if the fund balance is \$80,000,000 or more but less than  
26 \$160,000,000, pay all eligible grant and scholarship awards on a pro rata basis."

27

28 Page 5, line 10, following "8A.":

29 Insert "AlaskAdvantage Education Grant and"

30

31 Page 5, line 11, following "Sec. 37.14.750.":

1           Insert "**AlaskAdvantage education grant and**"

2

3   Page 5, line 12, following "The":

4           Insert "AlaskAdvantage education grant and"

5

6   Page 6, line 2, following "the":

7           Insert "AlaskAdvantage education grant and"

8

9   Page 6, line 3:

10          Delete "AS 14.43.845"

11          Insert "AS 14.43.915"

12

13   Page 6, line 4, following "award":

14          Insert "grants under AS 14.43.400 - 14.43.420 and"

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25   Page 7, line 9, following "the":

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28   Page 8, line 14:

29          Delete "Section 15"

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1 Page 8, line 15:

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5 Page 8, line 16:

6 Delete "secs. 16 and 17"

7 Insert "secs. 17 and 18"

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR THOMAS

TO: SB 43

- 1 Page 5, line 16, following "assets":
- 2 Insert "and appropriated to the fund"

The Fund consists of:

- (3) income earned on investments of fund assets and appropriated to the fund.

**Amerada HESS Fund:**

Balance of the AmHess account = \$424,398,972.03 (this will never change under current law, as nothing is added to it anymore)

Prior year transfers (generally sent in the last week of July each year):

6/30/2010 = \$0

6/30/2009 = \$0

6/30/2008 = \$32,962,838.52

6/30/2007 = \$42,287,323.53

6/30/2006 = \$36,747,608.50

The zero transfer years are due to realized losses in the market crisis. In FY2009 there were \$33,343,373.41 in realized losses attributed to the Amerada Hess balance. In FY2010 \$20,830,076.96 was realized, and served to decrease ("pay back") that negative balance. Anything greater than \$12,513,296.45 (the remaining negative balance) in earnings this year will be transferred to the AK Capital Income Fund in July 2011.

**Capital Income Fund transfers from AmHESS:**

The balance of the Alaska Capital Income Fund was \$221,104,397.49 at 12/31/10.



## Alaska Performance Scholarship

### SB43/HB104 Renaming the Alaska performance scholarship...and establishing scholarship investment and award funds

#### **What does SB43/HB104 do?**

1. The Governor's bill amends statutes to rename the statewide scholarship. The name "merit scholarship" currently in statute puts Alaska at risk of infringing on an existing copyright held by the National Merit Scholarship organization.
2. Further, the bill establishes both an award fund into which appropriations can be made and from which scholarship awards will be paid to students and, an investment fund into which the legislature may make appropriations and others may make donations. The bill specifies the Legislature may make appropriations from this fund into the award fund.
3. Finally, the bill permits Alaska tax-payers to make donations into the scholarship investment fund and qualify for an education tax credit.

#### **Why is SB43/HB104 necessary?**

During the 2010 legislative session Governor Parnell proposed establishing a statewide scholarship for Alaska's students based on the principle that if our students: 1) take a curriculum which prepares them to succeed in postsecondary education, and 2) work hard and perform well in school, we should incent and reward them for pursuing postsecondary education and training in Alaska. This not only will benefit students but also the state as a whole by growing a skilled, local workforce and reduce the need for non-resident hires. The Alaska Legislature embraced this strategy and approved a merit scholarship which the Governor then signed into law.

The Governor has introduced this bill to avert the consequences of the copyright infringement noted above and more importantly, to propose establishment of a fund the characteristics of which are consistent with the final recommendation of the Legislature's Joint Higher Education Scholarship Funding Task Force<sup>1</sup>.

#### **Why is this funding structure being proposed?**

Governor Parnell strongly believes the scholarship is a commitment to Alaska's students and it is critical to the success of the program that these scholarship awards have a long-term and sustainable funding stream. Additionally, the Governor seeks to make it possible for any interested party to support the scholarship's workforce development objectives by donating to the fund. To the extent that there are Alaska tax-payers with an interest in donating, they are incented to do so through the education tax credit for which the donations would be eligible.

Thank you for taking the time to discuss SB43/HB104. We are extremely appreciative of the support and valuable time and attention legislative leaders have given this matter and look forward to continuing our collaborative work to advance education and workforce development in Alaska.

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<sup>1</sup> [http://hesf.aksenate.org/wp-content/uploads/2010/12/2010\\_Scholarship\\_Funding\\_Final\\_Report.pdf](http://hesf.aksenate.org/wp-content/uploads/2010/12/2010_Scholarship_Funding_Final_Report.pdf)  
Prepared by Diane Barrans, Alaska Commission on Postsecondary Education, January 29, 2011

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
SECTIONAL ANALYSIS  
HB104 EDC 1/28/11

Renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds; making confirming amendments; and providing for an effective date.

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	AGENCY IMPACTED
1	14.03.113 – District determination of scholarship eligibility.	1 2	7-13 1	Amended to rename scholarship Alaska performance scholarship (APS).	DEED - Public Schools Generally
2	14.43.810 – Alaska performance scholarship established; regulations.	2	2-13	Amended to rename scholarship Alaska performance scholarship; and to generally reference Alaska performance scholarship as scholarships, including section heading.	ACPE – Financial Aid Programs for Postsecondary Students
3	14.43.820(a) – Alaska performance scholarship; eligibility.	2 3	14-31 1-8	Amended to rename scholarship Alaska performance scholarship. (Section title changed through reviser’s instructions in Section 14)	Postsecondary Education Commission
4	14.43.825(a) – Maximum annual awards.	3	9-18	Amended to rename scholarship Alaska performance scholarship.	ACPE - Financial Aid Programs for Postsecondary Students
5	14.43.830 – Qualified postsecondary institutions.	3 4	19-31 1-5	Amended to rename scholarship Alaska performance scholarship	ACPE - Financial Aid Programs for Postsecondary Students
6	14.43.840 – Report to the legislature.	4	6-22	Amended to generally reference Alaska performance scholarship as scholarships.	ACPE - Financial Aid Programs for Postsecondary Students
7	14.43.845 – Alaska performance scholarship award fund.	4 5	23-31 1	Establishes an APS award fund, consisting of appropriations under AS 37.14.750 – 37.14.790. Monies in the fund may be used by the commission to pay APS awards and are non-lapsing.	ACPE - Financial Aid Programs for Postsecondary Students

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	AGENCY IMPACTED
8	14.45.130(a) – Records.	5	2-8	Amended to rename scholarship Alaska performance scholarship	ACPE - Financial Aid Programs for Postsecondary Students
9	Article 8A. Alaska Performance Scholarship Investment Fund added to Chapter 14. Trust Funds.				New Section
9	37.14.750 – Alaska performance scholarship investment fund established.	5	9-22	Establishes the APS investment fund consisting of appropriations, donations, and income earned on investments managed to retain the purchasing power of the fund and to earn at least 5% on invested assets. The fund is not dedicated.	Dept. of Revenue – Tax Division
9	37.14.755 – Powers and duties of the commissioner of revenue.	5	23-28	Provides that commissioner has powers and duties outlined in AS 37.10.071. Directs DOR commissioner to provide reports on the condition and investment performance of the fund to DEED, DOLWD, and ACPE.	Dept. of Revenue – Tax Division
9	37.14.760 – Use of fund.	5 6	29-31 1-7	Provides that DOR commissioner will determine amount of fund available for legislature to appropriate to the award fund as soon after July 1 each year as possible, and to report on previously available funds identified as available but not appropriated.	Dept. of Revenue – Tax Division
9	37.14.790 – Definitions.	6	8-12	Defines commissioner and fund.	Dept. of Revenue – Tax Division
10	43.20.014(a) – Income tax education credit.	6	13-27	Expands contributions eligible for the Alaska education credit against corporate income tax to include contributions made to the APS fund.	Dept. of Revenue – Tax Division
11	43.20.014(a) – Income tax education credit.	6 7	28-31 1-10	Deals with the sunset provision in the education tax credit program. In 2010, the maximum education tax credit to \$5 million. The increase sunsets 1/1/14 at which time the limit returns to \$150,000. This provision ensures, even though the amount of the credit is reduced, contributions to the APS fund remain eligible for a credit.	Dept. of Revenue – Tax Division
12	14.43.849(4) – Definitions.	7	11	Repealed. Deletes definition for program as that term in no longer incorporated.	ACPE – Financial Aid Programs for Postsecondary Students
13	Uncodified law	7	12-28	Transition language is amended to rename scholarship Alaska performance scholarship; and to generally reference Alaska performance scholarship as scholarships.	

BILL SECTION	AK STATUTE SECTION TITLE	PAGE	LINE	PURPOSE OF SECTION	AGENCY IMPACTED
14	Uncodified law	7	29-31 1-5	Instructs revisor to change title of Article 12 to Alaska Performance Scholarship and change title of 14.43.820 to Alaska performance scholarship; eligibility.	
15	Uncodified law	8	6-13	Transition language provides that state agencies may proceed to adopt regulations to implement Act, but regulations take effect no earlier than 7/1//2011.	
16	Effective date notice	8	14	Section 15 takes effect immediately	
17	Effective date notice	8	15	Section 11 takes effect January 1, 2014 Except as in Sec. 10, Act is effective 9/1/2010	
18	Effective date notice	8	16-17	Except as in Secs. 16 and 17, Act is effective 7/1/2011	

# ALASKA STATE SENATE

Sen. Kevin Meyer  
Alaska State Capitol  
Juneau, Alaska 99801  
Room 103  
Phone: 907-465-4945  
Fax: 907-465-3476



Sen. Joe Thomas  
Alaska State Capitol  
Juneau, Alaska 99801  
Room 514  
Phone: 907-465-2327  
Fax: 907-465-5241

SENATE EDUCATION COMMITTEE  
Senators Kevin Meyer & Joe Thomas, Co-Chairs

## February 9, 2011 Meeting Amendments to Senate Bill 43

**Amendment A.5** – concerning using the proceeds from the Amerada Hess Fund for scholarships and Grants

(Supporting documents: Letter from Ginger Blaisdell, Memo from Jean Mischel)

**Amendment A.9**—making the earnings of the fund subject to appropriation

**Amendment A.10**—allowing student to attend schools that are nationally accredited, but not regionally

(Supporting Memo)

**Amendment A.11**—Establishing a ratio between merit scholarships and AlaskAdvantage grants; establishing forward funding; and guaranteeing that cohorts will receive funding for the duration of their college enrollment

**Amendment A.12**—guaranteeing the fund does not lapse until four years of no appropriations

**State of Alaska**  
Department of Revenue  
*Administrative Services Division*



**SEAN PARNELL, GOVERNOR**

333 Willoughby Avenue, 11<sup>th</sup> Floor

P.O. Box 110410

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

February 4, 2011

Honorable Senator Thomas  
State Capitol Room 514  
Juneau, AK 99801

Dear Senator Thomas,

You requested the balance and transfer amounts of the Amerada HESS Fund. The Fund is managed by the Alaska Permanent Fund Corporation. The interest earnings that are transferred to the Capital Income Fund are managed by the Department of Revenue Treasury Division.

**Amerada HESS Fund:**

Balance of the AmHess account = \$424,398,972.03 (this will never change under current law, as nothing is added to it anymore)

Prior year transfers (generally sent in the last week of July each year):

6/30/2010 = \$0

6/30/2009 = \$0

6/30/2008 = \$32,962,838.52

6/30/2007 = \$42,287,323.53

6/30/2006 = \$36,747,608.50

The zero transfer years are due to realized losses in the market crisis. In FY2009 there were \$33,343,373.41 in realized losses attributed to the Amerada Hess balance. In FY2010 \$20,830,076.96 was realized, and served to decrease ("pay back") that negative balance. Anything greater than \$12,513,296.45 (the remaining negative balance) in earnings this year will be transferred to the AK Capital Income Fund in July 2011.

**Capital Income Fund transfers from AmHESS:**

The balance of the Alaska Capital Income Fund was \$221,104,397.49 at 12/31/10.

Please feel free to contact me if you have additional questions.

Sincerely,

Ginger Blaisdell  
Director, Administrative Services Division

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to 129 6th St., Rm. 329

## MEMORANDUM

February 4, 2011

**SUBJECT:** Amendment to SB 43: capital income fund repeal  
(Work Order No. 27-GS1893\A.5)

**TO:** Senator Joe Thomas  
Co-Chair of the Senate Education Committee

**FROM:** Jean M. Mischel  
Legislative Counsel

The enclosed amendment allows the Amerada Hess settlement funds to be deposited directly into a combined education grant and scholarship fund. In doing so, we have repealed the capital income fund (AS 37.05.565) since that was the purpose of that fund, and amended AS 37.13.145(d). We also have repealed the 1992 SLA pertaining to the handling and deposit of the Amerada Hess funds to avoid the possibility, however unlikely, that a court would issue an opinion triggering the repeal of AS 37.13.145(d).

Section 28, ch. 134, SLA 1992 provides:

AS 37.13.145(d), added by sec. 19 of this Act, is repealed on the day that the revisor of statutes certifies to the legislature that the Alaska Supreme Court has made a final determination that, in the absence of AS 43.23.045(c), repealed by sec. 29 of this Act, or AS 37.13.145(d), added by sec. 19 of this Act, no judge or juror is disqualified from serving as judge or juror solely because the judge or juror may qualify to receive a permanent fund dividend.

If I may be of further assistance, please advise.

JMM:ljw  
11-070.ljw

Enclosure

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

1 Page 1, lines 2 - 4:

2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"

4 Insert "relating to AlaskAdvantage education grant funding and to Alaska  
5 performance scholarship funding and establishing an account and funds for those  
6 purposes; repealing the Alaska capital income fund and a provision relating to the  
7 Alaska capital income fund;"

8

9 Page 4, line 24:

10 Delete "Sec. 14.43.845."

11 Insert "Sec. 14.43.915. AlaskAdvantage education grant and"

12

13 Page 4, line 24, following "The":

14 Insert "AlaskAdvantage education grant and"

15

16 Page 4, line 26, following "for":

17 Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

18

19 Page 4, line 28, following "pay":

20 Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

21

22 Page 4, line 31, following "awarding":

23 Insert "grants under AS 14.43.400 - 14.43.420 and"

24

1 Page 5, following line 8:

2 Insert new bill sections to read:

3 **\*\* Sec. 9.** AS 37.07.020(b) is amended to read:

4 (b) In addition to the budget and bills submitted under (a) of this section, the  
5 governor shall submit a capital improvements program covering the succeeding six  
6 fiscal years. The governor shall also submit a fiscal plan with estimates of significant  
7 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

8 (1) must include sufficient details to identify

9 (A) significant sources of funds;

10 (B) significant uses of funds, including lump sum projections

11 of

12 (i) operating expenditures;

13 (ii) capital expenditures;

14 (iii) debt service expenditures;

15 (iv) fund capitalizations;

16 (v) appropriations of income of the Alaska permanent  
17 fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

18 (2) must balance sources and uses of funds held while providing for  
19 essential state services and protecting the economic stability of the state;

20 (3) must include projected balances of significant funds held in  
21 separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of  
22 the State of Alaska), the public education fund (AS 14.17.300), and the  
23 **AlaskAdvantage education grant and Alaska performance scholarship fund**  
24 **(AS 37.14.750)** [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];

25 (4) must set out significant assumptions used in the projections with  
26 sufficient detail to enable the legislature to rely on the fiscal plan in understanding,  
27 evaluating, and resolving issues of state budgeting, including information that supports  
28 major areas of operating increases, such as population demographics that affect the  
29 need for particular government services.

30 **\* Sec. 10.** AS 37.13.145(d) is amended to read:

31 (d) Notwithstanding (b) of this section, income earned on money awarded in

1 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior  
2 Court, First Judicial District), including settlement, summary judgment, or adjustment  
3 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned  
4 on the money, or on the earnings of the money shall be treated in the same manner as  
5 other income of the Alaska permanent fund, except that it is not available for  
6 distribution to the dividend fund or for transfers to the principal under (c) of this  
7 section, and shall be annually deposited into the AlaskAdvantage education grant  
8 and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL  
9 INCOME FUND (AS 37.05.565)]."

10

11 Renumber the following bill sections accordingly.

12

13 Page 5, line 10, following "8A.":

14 Insert "AlaskAdvantage Education Grant and"

15

16 Page 5, line 11, following "Sec. 37.14.750.":

17 Insert "AlaskAdvantage education grant and"

18

19 Page 5, line 12, following "The":

20 Insert "AlaskAdvantage education grant and"

21

22 Page 5, line 15:

23 Delete "and"

24

25 Page 5, line 16, following "assets":

26 Insert "; and"

27 (4) money deposited to the fund under AS 37.13.145(d)"

28

29 Page 6, line 2, following "the":

30 Insert "AlaskAdvantage education grant and"

31

1 Page 6, line 3:

2 Delete "AS 14.43.845"

3 Insert "AS 14.43.915"

4

5 Page 6, line 4, following "award":

6 Insert "grants under AS 14.43.400 - 14.43.420 and"

7

8 Page 6, line 6, following "the":

9 Insert "AlaskAdvantage education grant and"

10

11 Page 6, line 11, following "the":

12 Insert "AlaskAdvantage education grant and"

13

14 Page 6, line 26, following "the":

15 Insert "AlaskAdvantage education grant and"

16

17 Page 7, line 9, following "the":

18 Insert "AlaskAdvantage education grant and"

19

20 Page 7, line 11:

21 Delete "is"

22 Insert "and AS 37.05.565 are"

23

24 Page 7, following line 11:

25 Insert a new bill section to read:

26 "\*\* Sec. 15. Section 28, ch.134, SLA 1992, is repealed."

27

28 Renumber the following bill sections accordingly.

29

30 Page 8, following line 13:

31 Insert a new bill section to read:

1       **"\* Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3               TRANSITION: ALASKA PERFORMANCE SCHOLARSHIP INVESTMENT  
4 FUND. The money deposited in the Alaska capital income fund established under  
5 AS 37.05.565 shall be transferred to the Alaska performance scholarship investment fund  
6 established under AS 37.14.750 on July 1, 2011."

7

8       Renumber the following bill sections accordingly.

9

10       Page 8, line 14:

11               Delete "Section 15"

12               Insert "Section 18"

13

14       Page 8, line 15:

15               Delete "Section 11"

16               Insert "Section 13"

17

18       Page 8, line 16:

19               Delete "secs. 16 and 17"

20               Insert "secs. 20 and 21"

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

- 1 Page 5, line 16, following "assets":
- 2       Insert "and appropriated to the fund"

**AMENDMENT**

OFFERED IN THE SENATE

TO: SB 43

- 1 Page 3, line 26, following "regional":
- 2       Insert "or national"

SB 43

AMENDMENT A.10

This amendment would give students more schooling options by adding to the list of “qualified postsecondary institutions” eligible to receive scholarship funds. Many schools, particularly “non-traditional” schools such as faith-based institutions, technical training schools, flight schools, and salon/beauty schools, cannot receive “regional” accreditation. Instead, such institutions typically pursue other specialized “national” accreditation. They are all officially recognized by the ACPE and are licensed to operate in Alaska. Similarly, such institutions are also recognized federally by the U.S. Dept. of Education and are authorized to receive federal financial aid. This would allow qualifying students who choose to pursue a non-traditional career path to apply their scholarships to a broader swath of legitimate institutions in Alaska.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR THOMAS

TO: SB 43

1 Page 1, lines 2 - 4:

2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"

4 Insert "relating to AlaskAdvantage education grant funding and to Alaska  
5 performance scholarship funding; establishing an account and funds for those  
6 purposes;"

7

8 Page 3, following line 18:

9 Insert a new bill section to read:

10 "\* **Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
12 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
13 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

14

15 Renumber the following bill sections accordingly.

16

17 Page 4, line 24:

18 Delete "Sec. 14.43.845."

19 Insert "Sec. 14.43.915. AlaskAdvantage education grant and"

20

21 Page 4, line 24, following "The":

22 Insert "AlaskAdvantage education grant and"

23

1 Page 4, line 26, following "for":

2 Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

3

4 Page 4, line 28, following "pay":

5 Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

6

7 Page 4, line 31, following "awarding":

8 Insert "grants under AS 14.43.400 - 14.43.420 and"

9

10 Page 5, following line 1:

11 Insert new subsections to read:

12 "(c) The amount annually awarded by the commission for payment of grants  
13 awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
14 awarded for scholarships under AS 14.43.810 - 14.43.849. *> 1/3 language*

15 (d) If insufficient funds are appropriated to pay all eligible grants and  
16 scholarships, the commissioner shall divide the available fund balance to provide for  
17 not less than one-third of the balance to be paid for grant awards and,

18 (1) if the fund balance on July 1 is less than \$80,000,000, pay grant  
19 and scholarship awards on a pro rata basis only to eligible individuals who received a  
20 grant or scholarship in the previous fiscal year;

21 (2) if the fund balance on July 1 is \$80,000,000 or more, pay eligible  
22 grant and scholarship awards to eligible individuals who received a grant or  
23 scholarship in the previous fiscal year and pay all other awards on a pro rata basis."

24

25 Page 5, line 10, following "8A.":

26 Insert "**AlaskAdvantage Education Grant and**"

*If there are insufficient  
grant*

27

28 Page 5, line 11, following "Sec. 37.14.750.":

29 Insert "**AlaskAdvantage education grant and**"

30

31 Page 5, line 12, following "The":

- 1           Insert "AlaskAdvantage education grant and"
- 2
- 3   Page 6, line 2, following "the":
- 4           Insert "AlaskAdvantage education grant and"
- 5
- 6   Page 6, line 3:
- 7           Delete "AS 14.43.845"
- 8           Insert "AS 14.43.915"
- 9
- 10   Page 6, line 4, following "award":
- 11          Insert "grants under AS 14.43.400 - 14.43.420 and"
- 12
- 13   Page 6, line 6, following "the":
- 14          Insert "AlaskAdvantage education grant and"
- 15
- 16   Page 6, line 11, following "the":
- 17          Insert "AlaskAdvantage education grant and"
- 18
- 19   Page 6, line 26, following "**the**":
- 20          Insert "**AlaskAdvantage education grant and**"
- 21
- 22   Page 7, line 9, following "**the**":
- 23          Insert "**AlaskAdvantage education grant and**"
- 24
- 25   Page 8, line 14:
- 26          Delete "Section 15"
- 27          Insert "Section 16"
- 28
- 29   Page 8, line 15:
- 30          Delete "Section 11"
- 31          Insert "Section 12"

1

2 Page 8, line 16:

3 Delete "secs. 16 and 17"

4 Insert "secs. 17 and 18"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR THOMAS

TO: SB 43

1 Page 4, lines 30 - 31:

2 Delete "Money appropriated to the fund does not lapse."  
3

4 Page 5, following line 1:

5 Insert a new subsection to read:

6 "(c) Money appropriated to the fund does not lapse except after the fourth  
7 consecutive fiscal year in which no appropriations have been made to the fund, or all  
8 awards have been paid to eligible recipients as provided in this chapter, whichever  
9 occurs last."

## A.5

Sec. 37.05.565. Alaska capital income fund.

(a) There is established in the general fund the Alaska capital income fund consisting of money deposited to the fund under AS 37.13.145(d) and of appropriations to the fund. The fund shall be invested by the Department of Revenue to yield competitive market rates as provided in AS 37.10.071. Income earned on money in the fund may be appropriated to the fund.

(b) Money may be appropriated from the Alaska capital income fund for any public purpose, including to cover annual debt service and reserves for debt service on bonds authorized by state law. Nothing in this subsection creates a dedicated fund.

## A.9

09 \* **Sec. 9.** AS 37.14 is amended by adding new sections to read:  
10 **Article 8A. Alaska Performance Scholarship Investment Fund.**  
11 **Sec. 37.14.750. Alaska performance scholarship investment fund**  
12 **established.** (a) The Alaska performance scholarship investment fund is  
established as  
13 a fund of the state. The fund consists of  
14 (1) appropriations to the fund;  
15 (2) donations to the fund; and  
16 (3) income earned on investments of fund assets.

## A.11

Establishes GRANT and SCHOLARSHIP fund

Page 1, line 10: issue dealt with later

Page 2, starting line10:

- 1) C: Establishes a 3:1 relationship between scholarship awards and grants
- 2) If insufficient funds are available, the relationship still exists
  - a. Defines insufficient funds as \$80M No new scholarships or grants awarded
  - b. If more more than \$80M, grants are made on a pro rata basis

The intent is that there enough to pay for freshman cohort to go through four years of college.

## A.12

If no grants are or awards are made, the funds are obligated but unused, which is not in the public interest. Suggested by Leg Legal.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

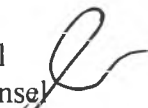
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 1, 2011

**SUBJECT:** Tax credit question (CSHB 104( ))  
(Work Order No. 27-GH1893\M)

**TO:** Representative Paul Seaton  
Attn: Katie Koester

**FROM:** Jean M. Mischel   
Legislative Counsel

The changes to the above governor's bill have been made as requested but there is an issue, perhaps unintentional, that exists with the governor's bill as originally drafted pertaining to education tax credits. The bill includes only the income tax credit for corporations under AS 43.20.014 for cash contributions made to the performance scholarship program. Various education tax credits appear in seven other locations in the statute with a combined cap of \$5,000,000. See the list in AS 43.20.014(d)(3). If you would like the other education tax credits to include scholarship contributions, let me know.

Also, do you want to repeal sec. 28, ch. 134, SLA 1992, which repeals AS 37.13.145(d), amended in sec. 12 of this Act?

JMM:ljw  
11-060.ljw

Enclosure

27-GH1893\M  
Mischel  
1/31/11

**CS FOR HOUSE BILL NO. 104( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY**

**Offered:  
Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act renaming the Alaska performance scholarship and relating to the scholarship**  
2 **and tax credits applicable to contributions to the scholarship; relating to**  
3 **AlaskAdvantage education grant funding and to Alaska performance scholarship**  
4 **funding; establishing an account and fund for those purposes; repealing the Alaska**  
5 **capital income fund; making conforming amendments; and providing for an effective**  
6 **date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 \* **Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

9 **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
10 district shall determine whether a student who graduates from a high school in the  
11 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP  
12 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the  
13 district shall state in the student's permanent record the highest level of funding for

1 which the student is eligible. A district shall provide a student with an opportunity to  
2 request that the district correct an error in the eligibility determination.

3 \* **Sec. 2.** AS 14.43.410 is amended by adding a new subsection to read:

4 (c) Notwithstanding the provisions of this section, payment of a grant is  
5 subject to appropriation and the availability of funds for expenditure under  
6 AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay  
7 all eligible grants, the commission may not award a grant to a new applicant, and the  
8 commission shall pay existing awards on a pro rata basis for that fiscal year.

9 \* **Sec. 3.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

10 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**  
11 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program  
12 is established to provide scholarships for high school graduates who are Alaska  
13 residents to attend a qualified postsecondary institution in the state.

14 (b) The department shall, in consultation with the commission, adopt  
15 regulations necessary to implement the scholarship program. The commission shall  
16 administer the daily operations of the scholarship program and financing of the  
17 scholarship program, including the procedures for applying for the scholarships,  
18 establishing standards for and ensuring continuing compliance with programmatic  
19 standards, and requiring students to apply for other nonloan financial aid, consistent  
20 with federal law.

21 \* **Sec. 4.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

22 (a) Subject to appropriation, the commission shall award an Alaska  
23 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

24 (1) is a resident of the state as defined in AS 01.10.055;

25 (2) graduated or will graduate within six months from a high school in  
26 the state;

27 (3) has completed a core academic curriculum in high school that  
28 includes

29 (A) four years of mathematics, four years of language arts, four  
30 years of science, and four years of social studies, one year of which may  
31 include a foreign language, an Alaska Native language, fine arts, or cultural

1 heritage; or

2 (B) three years of mathematics, four years of language arts,  
3 three years of science, four years of social studies, and two years of a foreign  
4 language or an Alaska Native language;

5 (4) has a minimum grade-point average in high school of 2.5 or higher;  
6 the department shall set by regulation minimum requirements based on a substantially  
7 similar standard for districts that do not assign grades;

8 (5) has achieved a minimum score on a

9 (A) college entrance examination; or

10 (B) standardized examination designed to measure a student's  
11 level of preparedness to make the transition to work, as selected by the  
12 department; and

13 (6) is enrolled in good standing in a course of study at a qualified  
14 postsecondary institution in this state that is intended to result in the award of a  
15 certificate or degree.

16 \* **Sec. 5.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

17 (a) The maximum annual awards for the Alaska performance [MERIT  
18 SCHOLARSHIP PROGRAM] scholarships are as follows:

19 (1) the first award level is \$4,755 and requires a 3.5 grade-point  
20 average or above and a very high minimum score on a college entrance examination;

21 (2) the second award level is \$3,566 and requires a 3.0 grade-point  
22 average or above and a high minimum score on a college entrance examination;

23 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
24 average or above and a moderately high minimum score on a college entrance  
25 examination.

26 \* **Sec. 6.** AS 14.43.825(f) is repealed and reenacted to read:

27 (f) Payment of a scholarship is subject to appropriation and the availability of  
28 funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or  
29 available in a fiscal year to pay all eligible scholarships, the commission may not  
30 award a scholarship to a new applicant, and the commission shall pay existing awards  
31 on a pro rata basis for that fiscal year.

1 \* **Sec. 7.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

2 **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following  
3 institutions are qualified postsecondary institutions for purposes of awarding an  
4 Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

5 (1) a university or college physically located in the state that [IS]

6 (A) **is** authorized to operate in the state under AS 14.48.020 or  
7 is exempt from authorization under AS 14.48.030(b)(1); [AND]

8 (B) **is** accredited by a regional accreditation association;

9 (C) **has an advisory program established for incoming**  
10 **students that provides counseling related to course selection, career**  
11 **choice, and personal challenges; and**

12 (D) **provides courses and credits that will result in the**  
13 **issuance of a degree or certificate available at the institution within a time**  
14 **frame expected for that degree or certificate;**

15 (2) a career and technical school program physically located in the  
16 state that **meets the standards established in (a)(1)(C) and (D) of this section and**  
17 **that** has been included on a list of certified career and technical school programs  
18 received from the Department of Labor and Workforce Development; the commission  
19 shall publish the list on or before June 30 of the year preceding enrollment.

20 (b) The Department of Labor and Workforce Development shall, in  
21 consultation with the Department of Education and Early Development, adopt  
22 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
23 which the Department of Labor and Workforce Development shall certify career and  
24 technical school programs in the state as eligible to participate in the Alaska  
25 **performance** [MERIT] scholarship program.

26 \* **Sec. 8.** AS 14.43.849, as enacted by sec. 2, ch. 14, SLA 2010, is amended to read:

27 **Sec. 14.43.849. Definitions.** In AS 14.43.810 - 14.43.849, unless the context  
28 requires otherwise,

29 (1) "department" means the Department of Education and Early  
30 Development;

31 (2) "grade-point average" means the average of all grades on a four-

1 point scale, or five-point scale for advanced placement classes, obtained by the student  
2 in high school;

3 (3) "high school" means a public or accredited secondary school in the  
4 state and a home school program that is approved by the department;

5 (4) "program" means the Alaska **performance** [MERIT] scholarship  
6 program established under AS 14.43.810 - 14.43.849;

7 (5) "school district" means a borough school district, a city school  
8 district, a regional educational attendance area, and a state boarding school.

9 \* **Sec. 9.** AS 14.43 is amended by adding a new section to read:

10 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**  
11 **scholarship award income account.** The AlaskAdvantage education grant and  
12 Alaska performance scholarship award income account is created as an account in the  
13 general fund. Money may be appropriated to the account from the AlaskAdvantage  
14 education grant and Alaska performance scholarship fund under AS 37.14.750 and  
15 from other sources. The commission may use the money in the account to pay grants  
16 awarded under AS 14.43.400 - 14.43.420 and scholarships awarded to students under  
17 AS 14.43.810 - 14.43.849. The amount determined under AS 37.14.750(d) each year  
18 and deposited into the account is the maximum amount that may be used to pay  
19 scholarships for the immediately succeeding fiscal year.

20 \* **Sec. 10.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is amended to read:

21 (a) A religious or other private school that elects to comply with AS 14.45.100  
22 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
23 physical examinations, standardized testing, academic achievement, courses taken at  
24 the school, and level of eligibility for an Alaska **performance** [MERIT  
25 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

26 \* **Sec. 11.** AS 37.07.020(b) is amended to read:

27 (b) In addition to the budget and bills submitted under (a) of this section, the  
28 governor shall submit a capital improvements program covering the succeeding six  
29 fiscal years. The governor shall also submit a fiscal plan with estimates of significant  
30 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

31 (1) must include sufficient details to identify

- 1 (A) significant sources of funds;  
 2 (B) significant uses of funds, including lump sum projections  
 3 of  
 4 (i) operating expenditures;  
 5 (ii) capital expenditures;  
 6 (iii) debt service expenditures;  
 7 (iv) fund capitalizations;  
 8 (v) appropriations of income of the Alaska permanent  
 9 fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;  
 10 (2) must balance sources and uses of funds held while providing for  
 11 essential state services and protecting the economic stability of the state;  
 12 (3) must include projected balances of significant funds held in  
 13 separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of  
 14 the State of Alaska), the public education fund (AS 14.17.300), and the  
 15 **AlaskAdvantage education grant and Alaska performance scholarship fund**  
 16 **(AS 37.14.750)** [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];  
 17 (4) must set out significant assumptions used in the projections with  
 18 sufficient detail to enable the legislature to rely on the fiscal plan in understanding,  
 19 evaluating, and resolving issues of state budgeting, including information that supports  
 20 major areas of operating increases, such as population demographics that affect the  
 21 need for particular government services.

22 \* **Sec. 12.** AS 37.13.145(d) is amended to read:

23 (d) Notwithstanding (b) of this section, income earned on money awarded in  
 24 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior  
 25 Court, First Judicial District), including settlement, summary judgment, or adjustment  
 26 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned  
 27 on the money, or on the earnings of the money shall be treated in the same manner as  
 28 other income of the Alaska permanent fund, except that it is not available for  
 29 distribution to the dividend fund or for transfers to the principal under (c) of this  
 30 section, and shall be annually deposited into the **AlaskAdvantage education grant**  
 31 **and Alaska performance scholarship fund (AS 37.14.750)** [ALASKA CAPITAL

1 INCOME FUND (AS 37.05.565)].

2 \* **Sec. 13.** AS 37.14 is amended by adding a new section to read:

3 **Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship**  
4 **Fund.**

5 **Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance**  
6 **scholarship fund established.** (a) The AlaskAdvantage education grant and Alaska  
7 performance scholarship fund is established in the general fund for the purpose of  
8 making grant payments under AS 14.43.400 - 14.43.420 and scholarship payments to  
9 qualified postsecondary institutions and students under AS 14.43.810 - 14.43.849 by  
10 appropriation to the income account established under AS 14.43.915. Money in the  
11 fund does not lapse. The fund consists of

- 12 (1) money appropriated to the fund;  
13 (2) income earned on investment of fund assets;  
14 (3) donations to the fund; and  
15 (4) money deposited to the fund under AS 37.13.145(d).

16 (b) Each fiscal year, the legislature may appropriate to the AlaskAdvantage  
17 education grant and Alaska performance scholarship fund an amount equal to 15  
18 percent of the money received by the state during the previous calendar year under  
19 AS 43.55.011(g).

20 (c) The amount annually appropriated and deposited to the fund may not  
21 exceed the greater of

- 22 (1) \$40,000,000; or  
23 (2) the amount that, when added to the fund balance on June 30 of the  
24 previous fiscal year, equals \$160,000,000.

25 (d) The balance in the AlaskAdvantage education grant and Alaska  
26 performance scholarship fund shall be determined on June 30 of each year. The  
27 department shall distribute one-third of that amount or \$40,000,000, whichever is less,  
28 for deposit into the account established in AS 14.43.915. If the fund balance is less  
29 than \$80,000,000 in a fiscal year, payments may be made only to satisfy obligations  
30 from previous fiscal years.

31 (e) Notwithstanding the limitation in (d) of this section, the legislature may

1 appropriate any amount to the AlaskAdvantage education grant and Alaska  
2 performance scholarship fund. Nothing in this section creates a dedicated fund.

3 (f) In this section, unless the context requires otherwise, "fund" means the  
4 AlaskAdvantage education grant and Alaska performance scholarship fund established  
5 in (a) of this section.

6 \* **Sec. 14.** AS 43.20.014(a) is amended to read:

7 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
8 cash contributions accepted **for**

9 (1) [FOR] direct instruction, research, and educational support  
10 purposes, including library and museum acquisitions, and contributions to endowment,  
11 by an Alaska university foundation or by a nonprofit, public or private, Alaska two-  
12 year or four-year college accredited by a regional accreditation association;

13 (2) [FOR] secondary school level vocational education courses,  
14 programs, and facilities by a school district in the state;

15 (3) [FOR] vocational education courses, programs, and facilities by a  
16 state-operated vocational technical education and training school; [AND]

17 (4) [FOR] a facility by a nonprofit, public or private, Alaska two-year  
18 or four-year college accredited by a regional accreditation association; **and**

19 **(5) the AlaskAdvantage grant and Alaska performance**  
20 **scholarship fund under AS 37.14.750(a).**

21 \* **Sec. 15.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

22 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
23 cash contributions accepted

24 (1) for direct instruction, research, and educational support purposes,  
25 including library and museum acquisitions, and contributions to endowment, by an  
26 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
27 four-year college accredited by a regional accreditation association;

28 (2) for secondary school level vocational education courses and  
29 programs by a school district in the state; [AND]

30 (3) by a state-operated vocational technical education and training  
31 school; **and**

1                                   **(4) for the AlaskAdvantage grant and Alaska performance**  
2                                   **scholarship fund under AS 37.14.750(a).**

3       \* **Sec. 16.** Section 8, ch. 14, SLA 2010 is amended to read:

4                                   TRANSITION:   **PERFORMANCE SCHOLARSHIP**   PROGRAM  
5                                   STANDARDS AND IMPLEMENTATION FOR INITIAL SCHOOL YEARS.  
6                                   Notwithstanding any contrary provision of this Act, the Department of Education and  
7                                   Early Development and the Department of Labor and Workforce Development, after  
8                                   consultation with the Alaska Commission on Postsecondary Education, may adopt  
9                                   regulations under AS 44.62 (Administrative Procedure Act) to implement their  
10                                  respective duties under the Alaska **performance** [MERIT] scholarship program  
11                                  established in AS 14.43.810, enacted by sec. 5 of this Act, so that a student

12                                  (1) may be eligible for the **Alaska performance scholarship**  
13                                  [PROGRAM] even though the student did not fully meet the required core academic  
14                                  curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

15                                  (2) who graduated from high school in this state after January 1, 2011,  
16                                  and before July 1, 2011, and meets eligibility requirements for the **Alaska**  
17                                  **performance scholarship** program may apply for a scholarship on or after January 1,  
18                                  2011, for enrollment in a program of study beginning on or after July 1, 2011.

19       \* **Sec. 17.** AS 37.05.565 is repealed.

20       \* **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22                                  TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
23                                  PERFORMANCE SCHOLARSHIP FUND BALANCE. (a) Notwithstanding the \$40,000,000  
24                                  limit in AS 37.14.750(d), the following amounts may be substituted for that amount as  
25                                  follows for

26   (1) fiscal year 2012, \$15,000,000;

27   (2) fiscal year 2013, \$30,000,000.

28                                  (b) The money deposited in the Alaska capital income fund established under  
29                                  AS 37.05.565 shall be transferred to the AlaskAdvantage education grant and Alaska  
30                                  performance scholarship fund established under AS 37.14.750 on the effective date of this  
31                                  section.

1     \* **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3           TRANSITION: REGULATIONS. The Department of Education and Early  
4 Development, the Department of Labor and Workforce Development, the Department of  
5 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations  
6 necessary to implement changes made to their respective authorities by this Act. The  
7 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,  
8 2011.

9     \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11           REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

12                 (1) heading of article 12 of AS 14.43 from "Alaska Merit Scholarship  
13 Program" to "Alaska Performance Scholarship Program";

14                 (2) catch line for AS 14.43.820 from "Alaska merit scholarship program;  
15 eligibility" to "Alaska performance scholarship program; eligibility."

16     \* **Sec. 21.** Section 19 of this Act takes effect immediately under AS 01.10.070(c).

17     \* **Sec. 22.** Section 15 of this Act takes effect January 1, 2014.

18     \* **Sec. 23.** Except as provided in secs. 21 and 22 of this Act, this Act takes effect July 1,  
19 2011.

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**CS FOR SENATE BILL NO. 43( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act renaming the Alaska performance scholarship and relating to the scholarship;**  
2 **relating to education tax credits; relating to AlaskAdvantage education grant funding**  
3 **and to Alaska performance scholarship funding and establishing an account and funds**  
4 **for those purposes; repealing the Alaska capital income fund and a provision relating to**  
5 **the Alaska capital income fund; making conforming amendments; providing for an**  
6 **effective date by amending the effective date in sec. 57, ch. 92, SLA 2010; and providing**  
7 **for an effective date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 **\* Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

10 **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
11 district shall determine whether a student who graduates from a high school in the  
12 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP  
13 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the

1 district shall state in the student's permanent record the highest level of funding for  
2 which the student is eligible. A district shall provide a student with an opportunity to  
3 request that the district correct an error in the eligibility determination.

4 \* **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

5 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**  
6 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program  
7 is established to provide scholarships for high school graduates who are Alaska  
8 residents to attend a qualified postsecondary institution in the state.

9 (b) The department shall, in consultation with the commission, adopt  
10 regulations necessary to implement the scholarship program. The commission shall  
11 administer the daily operations of the scholarship program and financing of the  
12 scholarship program, including the procedures for applying for the scholarships,  
13 establishing standards for and ensuring continuing compliance with programmatic  
14 standards, and requiring students to apply for other nonloan financial aid, consistent  
15 with federal law.

16 \* **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

17 (a) Subject to appropriation, the commission shall award an Alaska  
18 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

19 (1) is a resident of the state as defined in AS 01.10.055;

20 (2) graduated or will graduate within six months from a high school in  
21 the state;

22 (3) has completed a core academic curriculum in high school that  
23 includes

24 (A) four years of mathematics, four years of language arts, four  
25 years of science, and four years of social studies, one year of which may  
26 include a foreign language, an Alaska Native language, fine arts, or cultural  
27 heritage; or

28 (B) three years of mathematics, four years of language arts,  
29 three years of science, four years of social studies, and two years of a foreign  
30 language or an Alaska Native language;

31 (4) has a minimum grade-point average in high school of 2.5 or higher;

1 the department shall set by regulation minimum requirements based on a substantially  
2 similar standard for districts that do not assign grades;

3 (5) has achieved a minimum score on a

4 (A) college entrance examination; or

5 (B) standardized examination designed to measure a student's  
6 level of preparedness to make the transition to work, as selected by the  
7 department; and

8 (6) is enrolled in good standing in a course of study at a qualified  
9 postsecondary institution in this state that is intended to result in the award of a  
10 certificate or degree.

11 \* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

12 (a) The maximum annual awards for the Alaska performance [MERIT  
13 SCHOLARSHIP PROGRAM] scholarships are as follows:

14 (1) the first award level is \$4,755 and requires a 3.5 grade-point  
15 average or above and a very high minimum score on a college entrance examination;

16 (2) the second award level is \$3,566 and requires a 3.0 grade-point  
17 average or above and a high minimum score on a college entrance examination;

18 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
19 average or above and a moderately high minimum score on a college entrance  
20 examination.

21 \* **Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

22 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
23 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
24 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]

25 \* **Sec. 6.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

26 **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following  
27 institutions are qualified postsecondary institutions for purposes of awarding an  
28 Alaska performance [MERIT SCHOLARSHIP PROGRAM] scholarship:

29 (1) a university or college physically located in the state that [IS]

30 (A) is authorized to operate in the state under AS 14.48.020 or  
31 is exempt from authorization under AS 14.48.030(b)(1); [AND]

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Amendment 10

(B) is accredited by a regional or national accreditation association;

Amendment 2

(C) has an advisory program established for incoming students that provides counseling related to course selection, career choice, and personal challenges; and

Amendment 3

(D) provides courses and credits that will result in the issuance of a degree or certificate available at the institution within a time frame <sup>customary</sup> expected for that degree or certificate; *established by the institution Commission*

7/1/12

(2) a career and technical school program physically located in the state that has been included on a list of certified career and technical school programs received from the Department of Labor and Workforce Development; the commission shall publish the list on or before June 30 of the year preceding enrollment.

(b) The Department of Labor and Workforce Development shall, in consultation with the Department of Education and Early Development, adopt regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under which the Department of Labor and Workforce Development shall certify career and technical school programs in the state as eligible to participate in the Alaska performance [MERIT] scholarship program.

\* Sec. 7. AS 14.43.840, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

**Sec. 14.43.840. Report to the legislature.** (a) To the extent permitted under law, the department, the commission, the University of Alaska, and the Department of Labor and Workforce Development shall share data necessary to prepare public reports regarding the scholarship program.

(b) Not more than 10 days after the convening of each regular legislative session, the department, the commission, the University of Alaska, and the Department of Labor and Workforce Development shall present an annual report to the public, the governor, and the legislature containing information of public interest regarding the scholarship program, including

- (1) the number of applicants and number and types of scholarships awarded;
- (2) the dollar amount of scholarships awarded in past years and the

1 dollar amount expected to be awarded for the next year; [AND]

2 (3) data and trends in the data regarding high school and postsecondary  
3 student performance, programmatic changes, and retention and graduation rates over  
4 time; and

5 *Amendment C* (4) an assessment of the statewide centralized correspondence  
6 study program as it relates to the scholarships, including Internet access  
7 capabilities, plans to upgrade the quality and quantity of distance delivery of  
8 education, and the availability by district of correspondence courses required for  
9 the performance scholarship.

10 \* Sec. 8. AS 14.43 is amended by adding a new section to read:

11 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**  
12 **scholarship award fund.** (a) The AlaskAdvantage education grant and Alaska  
13 performance scholarship award fund is established. The fund consists of  
14 appropriations for AlaskAdvantage education grant awards under AS 14.43.400 -  
15 14.43.420 and Alaska performance scholarship awards under AS 37.14.750  
16 37.14.790. *and appropriated*

17 (b) The commission may use money in the fund to pay grants awarded under  
18 AS 14.43.400 - 14.43.420 and scholarships for students under AS 14.43.810 -  
19 14.43.849. Money appropriated to the fund may be expended without further  
20 appropriation. The money in the fund may be expended only in awarding grants under  
21 AS 14.43.400 - 14.43.420 and scholarships under AS 14.43.810 - 14.43.849.

22 *Amendment* (c) The amount annually <sup>*available to*</sup> ~~awarded by~~ the commission for payment of grants  
23 <sup>*14*</sup> ~~awarded~~ under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
24 <sup>*available*</sup> ~~awarded~~ for scholarships under AS 14.43.810 - 14.43.849, except to the extent that the  
25 total amount necessary to pay all eligible grant applicants in a fiscal year is less than  
26 that amount.

27 (d) If insufficient funds are appropriated to pay all eligible grants and  
28 scholarships, the commission shall allocate one-third of the balance of the fund  
29 established under this section for payment of grant awards based on the highest to  
30 lowest financial need and, if the balance of the fund established under AS 37.14.750  
31 on July 1 is

- 1 (1) less than \$80,000,000, pay only
- 2 (A) grants as provided in this subsection; and
- 3 (B) eligible previously obligated scholarship awards; the
- 4 awards may be made on a pro rata basis if necessary;
- 5 (2) \$80,000,000 or more, pay
- 6 (A) grants as provided in this subsection;
- 7 (B) eligible previously obligated scholarship awards; and
- 8 (C) all other scholarship awards on a pro rata basis to be paid
- 9 out within four years.

10 *Amendment* (e) Money appropriated to the fund does not lapse except after the fourth  
 11 <sup>12</sup> consecutive fiscal year in which no appropriations have been made to the fund, or all  
 12 awards have been paid to eligible recipients as provided in this chapter, whichever  
 13 occurs last.

14 \* **Sec. 9.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is further amended to  
 15 read:

16 (a) A religious or other private school that elects to comply with AS 14.45.100  
 17 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
 18 physical examinations, standardized testing, academic achievement, courses taken at  
 19 the school, and level of eligibility for an Alaska performance [MERIT  
 20 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

21 \* **Sec. 10.** AS 21.96.070(a) is amended to read:

22 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or  
 23 AS 21.66.110 for cash contributions accepted

24 (1) for direct instruction, research, and educational support purposes,  
 25 including library and museum acquisitions, and contributions to endowment, by an  
 26 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 27 four-year college accredited by a regional accreditation association;

28 (2) for secondary school level vocational education courses, programs,  
 29 and facilities by a school district in the state;

30 (3) for vocational education courses, programs, and facilities by a  
 31 state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a); and**

*Amendment 8* **(6) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.**

\* Sec. 11. AS 37.07.020(b) is amended to read:

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program covering the succeeding six fiscal years. The governor shall also submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

(1) must include sufficient details to identify

(A) significant sources of funds;

(B) significant uses of funds, including lump sum projections

of

(i) operating expenditures;

(ii) capital expenditures;

(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the **AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750)** [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];

(4) must set out significant assumptions used in the projections with

1 sufficient detail to enable the legislature to rely on the fiscal plan in understanding,  
 2 evaluating, and resolving issues of state budgeting, including information that supports  
 3 major areas of operating increases, such as population demographics that affect the  
 4 need for particular government services.

5 \* **Sec. 12.** AS 37.13.145(d) is amended to read:

6 *Amendment 5* (d) Notwithstanding (b) of this section, income earned on money awarded in  
 7 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior  
 8 Court, First Judicial District), including settlement, summary judgment, or adjustment  
 9 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned  
 10 on the money, or on the earnings of the money shall be treated in the same manner as  
 11 other income of the Alaska permanent fund, except that it is not available for  
 12 distribution to the dividend fund or for transfers to the principal under (c) of this  
 13 section, and shall be annually deposited into the AlaskAdvantage education grant  
 14 and Alaska performance scholarship investment fund (AS 37.14.750) [ALASKA  
 15 CAPITAL INCOME FUND (AS 37.05.565)].

16 \* **Sec. 13.** AS 37.14 is amended by adding new sections to read:

17 **Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship**  
 18 **Investment Fund.**

19 **Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance**  
 20 **scholarship investment fund established.** (a) The AlaskAdvantage education grant  
 21 and Alaska performance scholarship investment fund is established as a fund of the  
 22 state. The fund consists of

23 (1) appropriations to the fund;

24 (2) donations to the fund;

25 *Amendment 9* (3) income earned on investments of fund assets and appropriated to  
 26 the fund; and

27 *Amendment 5* (4) money deposited to the fund under AS 37.13.145(d).

28 (b) The commissioner of revenue shall manage the fund with the goal that the  
 29 purchasing power of the fund will not diminish over time without regard to additional  
 30 contributions that may be made to the fund. The commissioner shall invest the assets  
 31 of the fund in a manner likely to yield at least a five percent real rate of return over

1 time.

2 (c) Nothing in this section creates a dedicated fund.

3 **Sec. 37.14.755. Powers and duties of the commissioner of revenue.** In  
4 carrying out the investment duties under AS 37.14.750 - 37.14.790, the commissioner  
5 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall  
6 provide reports to the Department of Education and Early Development, the  
7 Department of Labor and Workforce Development, and the Alaska Commission on  
8 Postsecondary Education on the condition and investment performance of the fund.

9 **Sec. 37.14.760. Use of fund.** As soon as practicable after July 1 of each year,  
10 the commissioner of revenue shall determine the average month-end market value of  
11 the fund for the immediately preceding three fiscal years. The commissioner shall  
12 identify five percent of that amount as available for appropriation by the legislature for  
13 appropriation to the AlaskAdvantage education grant and Alaska performance  
14 scholarship award fund created under AS 14.43.915 from which the Alaska  
15 Commission on Postsecondary Education may award grants under AS 14.43.400 -  
16 14.43.420 and scholarships under AS 14.43.810 - 14.43.849. The commissioner shall  
17 also report as available for appropriation a running total of amounts previously  
18 identified as available for appropriation to the AlaskAdvantage education grant and  
19 Alaska performance scholarship award fund but not appropriated.

20 **Sec. 37.14.790. Definitions.** In AS 37.14.750 - 37.14.790, unless the context  
21 requires otherwise,

22 (1) "commissioner" means the commissioner of revenue;

23 (2) "fund" means the AlaskAdvantage education grant and Alaska  
24 performance scholarship investment fund established in AS 37.14.750(a).

25 \* **Sec. 14.** AS 43.20.014(a) is amended to read:

26 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
27 cash contributions accepted

28 (1) for direct instruction, research, and educational support purposes,  
29 including library and museum acquisitions, and contributions to endowment, by an  
30 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
31 four-year college accredited by a regional accreditation association;

1 (2) for secondary school level vocational education courses, programs,  
2 and facilities by a school district in the state;

3 (3) for vocational education courses, programs, and facilities by a  
4 state-operated vocational technical education and training school; [AND]

5 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
6 four-year college accredited by a regional accreditation association;

7 **(5) for the AlaskAdvantage education grant and Alaska**  
8 **performance scholarship investment fund under AS 37.14.750(a); and**

9 *Amendment 8* **(6) for education, research, rehabilitation, and facilities by an**  
10 **institution that is located in the state and that qualifies as a coastal ecosystem**  
11 **learning center under the Coastal America Partnership established by the federal**  
12 **government.**

13 \* Sec. 15. AS 43.55.019(a) is amended to read:

14 *Amendment 1* (a) A producer of oil or gas is allowed a credit against the tax due under this  
15 chapter for cash contributions accepted

16 (1) for direct instruction, research, and educational support purposes,  
17 including library and museum acquisitions, and contributions to endowment, by an  
18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
19 four-year college accredited by a regional accreditation association;

20 (2) for secondary school level vocational education courses, programs,  
21 and facilities by a school district in the state;

22 (3) for vocational education courses, programs, and facilities by a  
23 state-operated vocational technical education and training school; [AND]

24 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
25 four-year college accredited by a regional accreditation association;

26 **(5) for the Alaska performance scholarship investment fund under**  
27 **AS 37.14.750(a); and**

28 **(6) for education, research, rehabilitation, and facilities by an**  
29 **institution that is located in the state and that qualifies as a coastal ecosystem**  
30 **learning center under the Coastal America Partnership established by the federal**  
31 **government.**

1 \* Sec. 16. AS 43.56.018(a) is amended to read:

2 *Amendment 1* (a) The owner of property taxable under this chapter is allowed a credit  
3 against the tax due under this chapter for cash contributions accepted

4 (1) for direct instruction, research, and educational support purposes,  
5 including library and museum acquisitions, and contributions to endowment, by an  
6 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
7 four-year college accredited by a regional accreditation association;

8 (2) for secondary school level vocational education courses, programs,  
9 and facilities by a school district in the state;

10 (3) for vocational education courses, programs, and facilities by a  
11 state-operated vocational technical education and training school; [AND]

12 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
13 four-year college accredited by a regional accreditation association;

14 **(5) for the Alaska performance scholarship investment fund under**  
15 **AS 37.14.750(a); and**

16 **(6) for education, research, rehabilitation, and facilities by an**  
17 **institution that is located in the state and that qualifies as a coastal ecosystem**  
18 **learning center under the Coastal America Partnership established by the federal**  
19 **government.**

20 \* Sec. 17. AS 43.65.018(a) is amended to read:

21 *Amendment 1* (a) A person engaged in the business of mining in the state is allowed a credit  
22 against the tax due under this chapter for cash contributions accepted

23 (1) for direct instruction, research, and educational support purposes,  
24 including library and museum acquisitions, and contributions to endowment, by an  
25 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
26 four-year college accredited by a regional accreditation association;

27 (2) for secondary school level vocational education courses, programs,  
28 and facilities by a school district in the state;

29 (3) for vocational education courses, programs, and facilities by a  
30 state-operated vocational technical education and training school; [AND]

31 (4) for a facility by a nonprofit, public or private, Alaska two-year or

four-year college accredited by a regional accreditation association;

**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a); and**

**(6) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.**

\* Sec. 18. AS 43.75.018(a) is amended to read:

*Amendment 1* (a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a); and**

**(6) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.**

\* Sec. 19. AS 43.77.045(a) is amended to read:

*Amendment 1* (a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes,

1 including library and museum acquisitions, and contributions to endowment, by an  
2 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
3 four-year college accredited by a regional accreditation association;

4 (2) for secondary school level vocational education courses, programs,  
5 and facilities by a school district in the state;

6 (3) for vocational education courses, programs, and facilities by a  
7 state-operated vocational technical education and training school; [AND]

8 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
9 four-year college accredited by a regional accreditation association;

10 **(5) for the Alaska performance scholarship investment fund under**  
11 **AS 37.14.750(a); and**

12 **(6) for education, research, rehabilitation, and facilities by an**  
13 **institution that is located in the state and that qualifies as a coastal ecosystem**  
14 **learning center under the Coastal America Partnership established by the federal**  
15 **government.**

16 \* **Sec. 20.** Section 8, ch. 14, SLA 2010, is amended to read:

17 TRANSITION: **SCHOLARSHIP** [PROGRAM] STANDARDS AND  
18 IMPLEMENTATION FOR INITIAL SCHOOL YEARS. Notwithstanding any  
19 contrary provision of this Act, the Department of Education and Early Development  
20 and the Department of Labor and Workforce Development, after consultation with the  
21 Alaska Commission on Postsecondary Education, may adopt regulations under  
22 AS 44.62 (Administrative Procedure Act) to implement their respective duties under  
23 the Alaska **performance** [MERIT] scholarship program established in AS 14.43.810,  
24 enacted by sec. 5 of this Act, so that a student

25 (1) may be eligible for the **Alaska performance scholarship**  
26 [PROGRAM] even though the student did not fully meet the required core academic  
27 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

28 (2) who graduated from high school in this state after January 1, 2011,  
29 and before July 1, 2011, and meets eligibility requirements for the **Alaska**  
30 **performance scholarship** [PROGRAM] may apply for a scholarship on or after  
31 January 1, 2011, for enrollment in a program of study beginning on or after July 1,

1 2011.

2 \* **Sec. 21.** AS 37.05.565 is repealed.

3 \* **Sec. 22.** AS 21.96.070(a)(5), 21.96.070(a)(6); AS 43.20.014(a)(5), 43.20.014(a)(6);  
4 AS 43.55.019(a)(5), 43.55.019(a)(6); AS 43.56.018(a)(5), 43.56.018(a)(6);  
5 AS 43.65.018(a)(5), 43.65.018(a)(6); AS 43.75.018(a)(5), 43.75.018(a)(6);  
6 AS 43.77.045(a)(5), and 43.77.045(a)(6) are repealed January 1, 2021.

7 \* **Sec. 23.** Section 28, ch. 134, SLA 1992, is repealed.

8 \* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10 TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
11 PERFORMANCE SCHOLARSHIP INVESTMENT FUND. The money deposited in the  
12 Alaska capital income fund established under AS 37.05.565 shall be transferred to the  
13 AlaskAdvantage education grant and Alaska performance scholarship investment fund  
14 established under AS 37.14.750 on July 1, 2011.

15 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 TRANSITION: REGULATIONS. The Department of Education and Early  
18 Development, the Department of Labor and Workforce Development, the Department of  
19 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations  
20 necessary to implement changes made to their respective authorities by this Act. The  
21 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,  
22 2011.

23 \* **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the  
26 heading of

27 (1) Article 12 of AS 14.43 from "Alaska Merit Scholarship Program" to  
28 "Alaska Performance Scholarship";

29 (2) AS 14.43.820 from "Alaska merit scholarship program; eligibility" to  
30 "Alaska performance scholarship; eligibility".

31 \* **Sec. 27.** Section 57, ch. 92, SLA 2010, is amended to read:

1                   Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect  
2                   January 1, 2021 [2014].

3                   \* **Sec. 28.** Section 24 of this Act takes effect immediately under AS 01.10.070(c).

4                   \* **Sec. 29.** Except as provided in sec. 28 of this Act, this Act takes effect July 1, 2011.

## CSSB 43 \M

Adopted	Short Description	Where in CS
A1	Allowing Tax Credits	Page 7, Lines 3,4; Page 9, Line 26; page 10, Line 14; Page 11, Line 2; Page 11, Line 21; Page 12, Line 9; Page 11, Lines 28,29
A2	Requiring Advising Program	Page 4, Lines 3-5
A3	Requiring Graduation in Timely Manner	Page 4, Lines 6-8
A5	Amerada Hess	Page 8, Lines 6-14
A6	Distance Delivery Report	Page 5, Lines 5-9
A8	Expanding Tax Credits to Sea Life Center	Page 7, Lines 5-8; Page 9, Line 26; page 10, Line 14; Page 11, Line 2; Page 11, Line 21; Page 12, Line 9; Page 11, Lines 28,29
A9	Appropriating Interest to the Fund	Page 8, Lines 25-26
A10	Allowing Nationally Accredited Institutions	Page 4, Line 1
A12	Four-year Lapse Period	Page 6, Lines 10-13
A14	Funding Ratio and Wind Down Provisions	Page 5, Line 22 - Page 6 Line 9

Amendments 4 and 7 were subsumed into Amendment 11, which was revised before presentation as amendments 13, and presented as Amendment 14.

### Section 8 (Amendment 14)

If the commission were to pay to \$9M in performance scholarships, then they would need to appropriate at least \$3M in AlaskAdvantage grants, (unless all applicants for AlaskAdvantage requested less than \$3M in total).

For example, \$9M divided by 3 equals \$3M

\$12M divided by 3 equals \$4M

AMENDMENT

OFFERED IN THE SENATE  
TO: SB 43

BY SENATOR THOMAS

1 Page 1, lines 2 - 4:

2 Delete "establishing the Alaska performance scholarship investment fund and the  
3 Alaska performance scholarship award fund and relating to the funds;"

4 Insert "relating to AlaskAdvantage education grant funding and to Alaska  
5 performance scholarship funding; establishing an account and funds for those  
6 purposes;"

7

8 Page 3, following line 18:

9 Insert a new bill section to read:

10 "\*\* Sec. 5. AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
12 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
13 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

14

15 Renumber the following bill sections accordingly.

16

17 Page 4, line 24:

18 Delete "Sec. 14.43.845."

19 Insert "Sec. 14.43.915. AlaskAdvantage education grant and"

20

21 Page 4, line 24, following "The":

22 Insert "AlaskAdvantage education grant and"

23

1 Page 4, line 26, following "for":

2 Insert "AlaskAdvantage education grant awards under AS 14.43.400 - 14.43.420 and"

3

4 Page 4, line 28, following "pay":

5 Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

6

7 Page 4, line 31, following "awarding":

8 Insert "grants under AS 14.43.400 - 14.43.420 and"

9

10 Page 5, following line 1:

11 Insert new subsections to read:

12 "(c) The amount annually <sup>available to</sup> [awarded by] the commission for payment of grants  
13 awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
14 <sup>available</sup> (awarded) for scholarships under AS 14.43.810 - 14.43.849, except to the extent the <sup>total</sup>  
15 amount ~~requested by and paid for~~ eligible grant applicants in a fiscal year is <sup>less</sup>  
16 insufficient to meet that requirement. <sup>necessary to pay to all eligible</sup> <sup>than that amount.</sup>

17 (d) If insufficient funds are appropriated to pay all eligible grants and  
18 scholarships, the commission shall <sup>allocate one third of the</sup> ~~divide the~~ balance of the fund established under  
19 this section to <sup>for payment of grant awards based on a highest to lowest</sup> ~~provide for not less than one-third of the balance~~ to be paid for grant  
20 awards <sup>based on</sup> ~~on a pro rata~~ basis and, if the balance of the fund established under <sup>financial</sup>  
21 AS 37.14.750 on July 1 is <sup>need</sup>  
<sup>basis.</sup>

22 (1) less than \$80,000,000, pay only

23 (A) grants as provided in this subsection; and <sup>and, if needed</sup>

24 (B) eligible previously obligated scholarship awards, on a pro

25 rata basis;

26 (2) \$80,000,000 or more, pay

27 (A) grants as provided in this subsection;

28 (B) eligible previously obligated scholarship awards; and

29 (C) all other scholarship awards on a pro rata basis."

30

31 Page 5, line 10, following "8A.":

1           Insert "**AlaskAdvantage Education Grant and**"

2

3   Page 5, line 11, following "**Sec. 37.14.750.**":

4           Insert "**AlaskAdvantage education grant and**"

5

6   Page 5, line 12, following "The":

7           Insert "AlaskAdvantage education grant and"

8

9   Page 6, line 2, following "the":

10          Insert "AlaskAdvantage education grant and"

11

12   Page 6, line 3:

13          Delete "AS 14.43.845"

14          Insert "AS 14.43.915"

15

16   Page 6, line 4, following "award":

17          Insert "grants under AS 14.43.400 - 14.43.420 and"

18

19   Page 6, line 6, following "the":

20          Insert "AlaskAdvantage education grant and"

21

22   Page 6, line 11, following "the":

23          Insert "AlaskAdvantage education grant and"

24

25   Page 6, line 26, following "**the**":

26          Insert "**AlaskAdvantage education grant and**"

27

28   Page 7, line 9, following "**the**":

29          Insert "**AlaskAdvantage education grant and**"

30

31   Page 8, line 14:

1 Delete "Section 15"

2 Insert "Section 16"

3

4 Page 8, line 15:

5 Delete "Section 11"

6 Insert "Section 12"

7

8 Page 8, line 16:

9 Delete "secs. 16 and 17"

10 Insert "secs. 17 and 18"

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR THOMAS

TO: SB 43

1 Page 1, lines 2 - 4:

2 Delete "**establishing the Alaska performance scholarship investment fund and the**  
3 **Alaska performance scholarship award fund and relating to the funds;**"

4 Insert "**relating to AlaskAdvantage education grant funding and to Alaska**  
5 **performance scholarship funding; establishing an account and funds for those**  
6 **purposes;**"

7

8 Page 3, following line 18:

9 Insert a new bill section to read:

10 "**\* Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
12 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
13 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]"

14

15 Renumber the following bill sections accordingly.

16

17 Page 4, line 24:

18 Delete "**Sec. 14.43.845.**"

19 Insert "**Sec. 14.43.915. AlaskAdvantage education grant and**"

20 Following "The":

21 Insert "AlaskAdvantage education grant and"

22

23 Page 4, line 26, following "for":

1 Insert "Alaska Advantage education grant awards under AS 14.43.400 - 14.43.420 and"

2

3 Page 4, line 28, following "pay":

4 Insert "grants awarded under AS 14.43.400 - 14.43.420 and"

5

6 Page 4, line 31, following "awarding":

7 Insert "grants under AS 14.43.400 - 14.43.420 and"

8

9 Page 5, following line 1:

10 Insert new subsections to read:

11 "(c) The amount annually awarded by the commission for payment of grants  
12 awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
13 awarded for scholarships under AS 14.43.810 - 14.43.849, except to the extent that the  
14 total amount necessary to pay all eligible grant applicants in a fiscal year is less than  
15 that amount.

16 (d) If insufficient funds are appropriated to pay all eligible grants and  
17 scholarships, the commission shall allocate one-third of the balance of the fund  
18 established under this section for payment of grant awards based on the highest to  
19 lowest financial need and, if the balance of the fund established under AS 37.14.750  
20 on July 1 is

21 (1) less than \$80,000,000, pay only

22 (A) grants as provided in this subsection; and

23 (B) eligible previously obligated scholarship awards; the  
24 awards may be made on a pro rata basis if necessary;

25 (2) \$80,000,000 or more, pay

26 (A) grants as provided in this subsection;

27 (B) eligible previously obligated scholarship awards; and

28 (C) all other scholarship awards on a pro rata basis to be paid  
29 out within four years."

30

31 Page 5, line 10, following "8A.":

- 1           Insert "**AlaskAdvantage Education Grant and**"
- 2
- 3   Page 5, line 11, following "Sec. 37.14.750.":
- 4           Insert "**AlaskAdvantage education grant and**"
- 5
- 6   Page 5, line 12, following "The":
- 7           Insert "AlaskAdvantage education grant and"
- 8
- 9   Page 6, line 2, following "the":
- 10          Insert "AlaskAdvantage education grant and"
- 11
- 12   Page 6, line 3:
- 13          Delete "AS 14.43.845"
- 14          Insert "AS 14.43.915"
- 15
- 16   Page 6, line 4, following "award":
- 17          Insert "grants under AS 14.43.400 - 14.43.420 and"
- 18
- 19   Page 6, line 6, following "the":
- 20          Insert "AlaskAdvantage education grant and"
- 21
- 22   Page 6, line 11, following "the":
- 23          Insert "AlaskAdvantage education grant and"
- 24
- 25   Page 6, line 26, following "**the**":
- 26          Insert "**AlaskAdvantage education grant and**"
- 27
- 28   Page 7, line 9, following "**the**":
- 29          Insert "**AlaskAdvantage education grant and**"
- 30
- 31   Page 8, line 14:

- 1 Delete "Section 15"
- 2 Insert "Section 16"
- 3
- 4 Page 8, line 15:
  - 5 Delete "Section 11"
  - 6 Insert "Section 12"
  - 7
- 8 Page 8, line 16:
  - 9 Delete "secs. 16 and 17"
  - 10 Insert "secs. 17 and 18"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR STEVENS

TO: CSSB 43( ), Draft Version "M"

1 Page 3, line 25, through page 4, line 18:

2 Delete all material and insert:

3 **"\* Sec. 6.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is repealed and reenacted  
4 to read:

5 **Sec. 14.43.830. Qualified postsecondary institution.** (a) A university,  
6 college, or career and technical school that is physically located in the state is a  
7 qualified postsecondary institution for purposes of awarding an Alaska performance  
8 scholarship if the institution

9 (1) is either

10 (A) authorized to operate in the state under AS 14.48.020 or is  
11 exempt from authorization under AS 14.48.030(b)(1); or

12 (B) included on a list of certified career and technical school  
13 programs received from the Department of Labor and Workforce  
14 Development; the commission shall publish the list on or before June 30 of the  
15 year preceding enrollment;

16 (2) is accredited by a regional or national accreditation association;

17 (3) has an advisory program established for incoming students that  
18 provides counseling related to course selection, career choice, and personal  
19 challenges; and

20 (4) provides courses and credits that will result in the issuance of a  
21 degree or certificate available at the institution within a time frame customary for that  
22 degree or certificate.

23 (b) The Department of Labor and Workforce Development shall, in

1           consultation with the Department of Education and Early Development, adopt  
2           regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
3           which the Department of Labor and Workforce Development shall certify career and  
4           technical school programs in the state as eligible to participate in the Alaska  
5           performance scholarship program."

# LEGAL SERVICES

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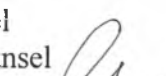
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Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 11, 2011

**SUBJECT:** Ambiguities and constitutional questions (CSSB 43(EDC))  
(Work Order No. 27-GS1893B)

**TO:** Senator Joe Thomas  
Senator Kevin Meyer  
Co-Chairs of the Senate Education Committee

**FROM:** Jean M. Mischel  
Legislative Counsel 

The above-referenced CS is enclosed with the changes requested by the committee. However, the substitution of the word "available" for "award" made by the committee at the request of the director of postsecondary education pertaining to the awarding of grants and scholarships on a ratio of 1:3 to AS 14.43.915(c) creates both an ambiguity and possible unlawful dedication or expenditure of funds. The substitution alters the effect of subsection (c), which was intended to limit the award of funds by the Postsecondary Education Commission to the ratio provided except when the eligible grant application amounts didn't meet the ratio. Instead, the substitution now appears to direct the commissioner of revenue or some unnamed entity to make the funds available to the postsecondary education commission in that ratio. If that is the new intent, the substituted language appears in the wrong fund, the award fund accessible to the commission for expenditure under AS 14.43.915, rather than the investment fund from which award funds become "available" and appropriated under AS 37.14.760.

In addition to the problems created by using the ambiguous term "available," the dedication issue is compounded in sec. 12 of this bill by the request to move the automatic annual deposits of the income generated by the Amerada Hess principal to the grant and scholarship award fund from which the postsecondary education commission makes expenditures.<sup>1</sup> The dedicated fund issue was the subject of a prior opinion. It is also unclear to me how the money appropriated from the investment fund established in sec. 13 of the bill and the money automatically deposited from sec. 12 will be handled by the postsecondary education commission for purposes of awarding grants and scholarships or by the legislature for purposes of making an annual appropriation. The bill as originally structured avoided the dedication of the Amerada Hess income deposits by requiring an appropriation from the investment fund into the award fund. As

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<sup>1</sup> Note that the change in sec. 12 required conforming changes to AS 14.43.915 in sec. 8 and AS 37.14.750(a) in sec. 13.

Senator Joe Thomas  
Senator Kevin Meyer  
February 11, 2011  
Page 2

proposed, the CS would unconstitutionally dedicate the funds for awarding grants and scholarships and allow the Amerada Hess income to be spent without ever being appropriated. Although I have attempted to require an additional appropriation within the award fund to authorize expenditures from the deposited amounts (page 5, line 21), I am skeptical that this will work at all or that the constitutional prohibition on dedicated funds is avoided. The legislature should instead annually appropriate the deposited money from the investment fund as provided for in the previous CS.

There are two other problems with this CS that occurred as a result of the Amerada Hess income diversion in the amendment that in retrospect should be addressed by the education or the finance committee before transmittal to the second house. The revisor has concluded that since the Alaska capital income fund established under AS 37.05.565 and repealed by the CS has "other appropriations" authorized as sources to the fund, the bill may, as currently drafted, suffer from a single subject problem. The Alaska capital income fund was not established to fund education. We recommend, then, retaining the Alaska capital income fund while diverting the Amerada Hess income stream and amending, not repealing, AS 37.05.565. That would also necessitate a title change from "repealing the Alaska capital income fund" to "amending funding for" that fund.

The last issue has to do with the date of the transfer of the Alaska capital income fund balance in sec. 24. In order to avoid the possibility of a sweep to the reserve fund, the date of the transfer should occur on June 30 rather than on July 1 and sec. 25 should be given an immediate or retroactive effective date. That can, of course, be addressed in the finance committee if you prefer.

If I may be of further assistance, please advise.

JMM:ljw  
11-095.ljw

Enclosure

**Our view: Higher ed*****Lawmakers should find way to fund merit, needs program***

(02/09/11 19:39:12)

This is no time to lose ground.

Alaska has made some tremendous progress in building its university system in the last dozen years, not least with the UA Scholars Program that offers \$11,000 scholarships to all students who finish in the top 10 percent of their high-school graduating classes.

Ask the vast majority of students, and they'll tell you that's real money.

But here's the kicker. When the scholars program began in 1999, its \$10,800 covered four years of tuition, books and fees at a UA campus. Today, the \$11,000 barely covers two years.

That's why efforts from Juneau to create a more comprehensive Alaska scholarship program have been welcome in the last several years. Both lawmakers like Sen. Johnny Ellis and Gov. Sean Parnell have proposed programs that reward achievement -- make higher grades, receive more aid.

Lawmakers are likely to add a needs-based element, as other states have. The idea is to reward hard work while recognizing that some students need more help than others. And the purpose is simple: Give any student who qualifies for college or other post-secondary education and training the chance to get that education.

This is an investment in Alaska's future, a chance to keep more of Alaska's young talent working at home, and a way to lighten the student-loan burden that puts so many students deep in debt from the get-go of their working lives. Alaska has enriched its campuses in recent years. Alaska still lags behind the rest of the country in help for its students.

How to pay for it? The governor has suggested a \$400 million endowment that would cover scholarships from earnings. Lacking that, he'd like an \$8.2 million appropriation to get the program started this year.

Legislators are caught between wariness of setting up such a large endowment when Alaska's fiscal future looks uncertain, and a desire not to have to revisit funding for the program every year.

The wariness is understandable. But fiscal uncertainty is a fact of Alaska life -- neither the price of oil nor the volume in our pipeline nor the prospects for a gas line are writ in anything like stone.

At the same time, our need for an educated work force with a wide range of talents and skills is a certainty.

This is an investment Alaska should make. And an endowment is a good idea -- whether from a royalty oil settlement fund or current surplus, and in what amount, lawmakers can work out.

Alaska has a framework for a good program. But the program won't send anyone to school without the money.

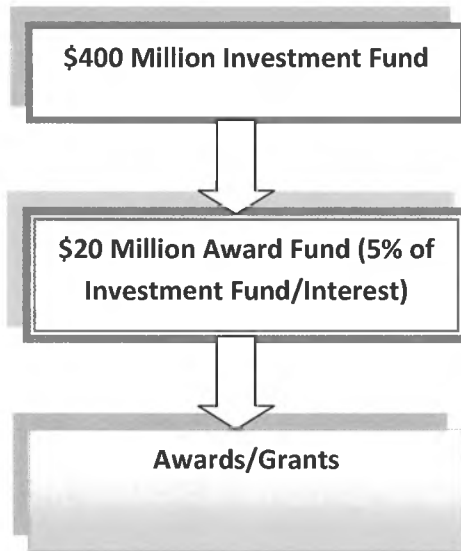
**BOTTOM LINE:** Merit and needs scholarships are a solid investment in a smarter, more prosperous Alaska.

Print Page

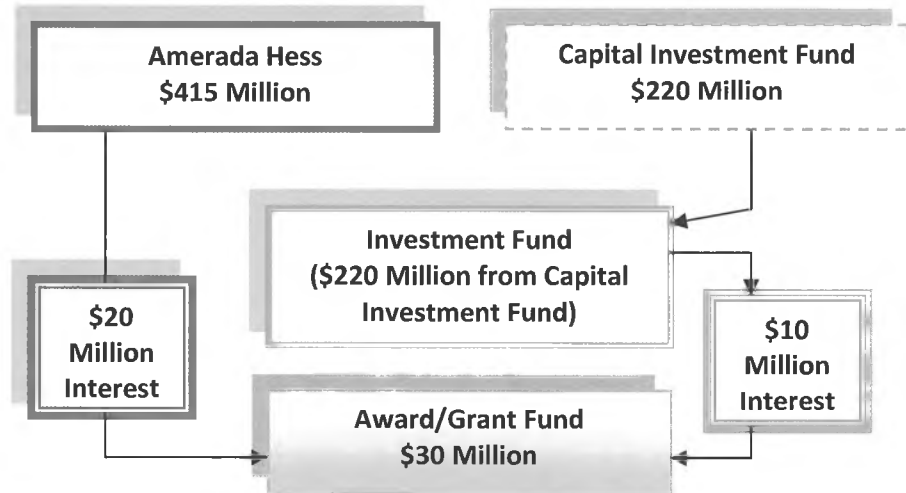
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GOVERNOR'S BILL -- SB 43



COMMITTEE SUBSTITUTE -- CSSB43



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Mischel  
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**CS FOR SENATE BILL NO. 43( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act renaming the Alaska performance scholarship and relating to the scholarship;  
2 relating to education tax credits; relating to AlaskAdvantage education grant funding  
3 and to Alaska performance scholarship funding and establishing an account and funds  
4 for those purposes; amending funding for the Alaska capital income fund; making  
5 conforming amendments; providing for an effective date by amending the effective date  
6 in sec. 57, ch. 92, SLA 2010; and providing for an effective date."

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 \* **Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

9       **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
10 district shall determine whether a student who graduates from a high school in the  
11 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP  
12 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the  
13 district shall state in the student's permanent record the highest level of funding for

1 which the student is eligible. A district shall provide a student with an opportunity to  
2 request that the district correct an error in the eligibility determination.

3 \* **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

4 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**  
5 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program  
6 is established to provide scholarships for high school graduates who are Alaska  
7 residents to attend a qualified postsecondary institution in the state.

8 (b) The department shall, in consultation with the commission, adopt  
9 regulations necessary to implement the scholarship program. The commission shall  
10 administer the daily operations of the scholarship program and financing of the  
11 scholarship program, including the procedures for applying for the scholarships,  
12 establishing standards for and ensuring continuing compliance with programmatic  
13 standards, and requiring students to apply for other nonloan financial aid, consistent  
14 with federal law.

15 \* **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

16 (a) Subject to appropriation, the commission shall award an Alaska  
17 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

18 (1) is a resident of the state as defined in AS 01.10.055;

19 (2) graduated or will graduate within six months from a high school in  
20 the state;

21 (3) has completed a core academic curriculum in high school that  
22 includes

23 (A) four years of mathematics, four years of language arts, four  
24 years of science, and four years of social studies, one year of which may  
25 include a foreign language, an Alaska Native language, fine arts, or cultural  
26 heritage; or

27 (B) three years of mathematics, four years of language arts,  
28 three years of science, four years of social studies, and two years of a foreign  
29 language or an Alaska Native language;

30 (4) has a minimum grade-point average in high school of 2.5 or higher;  
31 the department shall set by regulation minimum requirements based on a substantially

1 similar standard for districts that do not assign grades;

2 (5) has achieved a minimum score on a

3 (A) college entrance examination; or

4 (B) standardized examination designed to measure a student's  
5 level of preparedness to make the transition to work, as selected by the  
6 department; and

7 (6) is enrolled in good standing in a course of study at a qualified  
8 postsecondary institution in this state that is intended to result in the award of a  
9 certificate or degree.

10 \* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (a) The maximum annual awards for the Alaska **performance** [MERIT  
12 SCHOLARSHIP PROGRAM] scholarships are as follows:

13 (1) the first award level is \$4,755 and requires a 3.5 grade-point  
14 average or above and a very high minimum score on a college entrance examination;

15 (2) the second award level is \$3,566 and requires a 3.0 grade-point  
16 average or above and a high minimum score on a college entrance examination;

17 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
18 average or above and a moderately high minimum score on a college entrance  
19 examination.

20 \* **Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

21 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
22 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
23 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]

24 \* **Sec. 6.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

25 **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following  
26 institutions are qualified postsecondary institutions for purposes of awarding an  
27 Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

28 (1) a university or college physically located in the state that [IS]

29 (A) **is** authorized to operate in the state under AS 14.48.020 or  
30 is exempt from authorization under AS 14.48.030(b)(1); [AND]

31 (B) **is** accredited by a regional **or national** accreditation

1 association;

2 (C) has an advisory program established for incoming  
3 students that provides counseling related to course selection, career  
4 choice, and personal challenges; and

5 (D) provides courses and credits that will result in the  
6 issuance of a degree or certificate available at the institution within a time  
7 frame customary for that degree or certificate;

8 (2) a career and technical school program physically located in the  
9 state that

10 (A) is accredited by a regional or national accreditation  
11 association; and

12 (B) has been included on a list of certified career and technical  
13 school programs received from the Department of Labor and Workforce  
14 Development; the commission shall publish the list on or before June 30 of the  
15 year preceding enrollment.

16 (b) The Department of Labor and Workforce Development shall, in  
17 consultation with the Department of Education and Early Development, adopt  
18 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
19 which the Department of Labor and Workforce Development shall certify career and  
20 technical school programs in the state as eligible to participate in the Alaska  
21 performance [MERIT] scholarship program.

22 \* **Sec. 7.** AS 14.43.840, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

23 **Sec. 14.43.840. Report to the legislature.** (a) To the extent permitted under  
24 law, the department, the commission, the University of Alaska, and the Department of  
25 Labor and Workforce Development shall share data necessary to prepare public  
26 reports regarding the scholarship program.

27 (b) Not more than 10 days after the convening of each regular legislative  
28 session, the department, the commission, the University of Alaska, and the  
29 Department of Labor and Workforce Development shall present an annual report to  
30 the public, the governor, and the legislature containing information of public interest  
31 regarding the scholarship program, including

1 (1) the number of applicants and number and types of scholarships  
2 awarded;

3 (2) the dollar amount of scholarships awarded in past years and the  
4 dollar amount expected to be awarded for the next year; [AND]

5 (3) data and trends in the data regarding high school and postsecondary  
6 student performance, programmatic changes, and retention and graduation rates over  
7 time; and

8 (4) an assessment of the statewide centralized correspondence  
9 study program as it relates to the scholarships, including Internet access  
10 capabilities, plans to upgrade the quality and quantity of distance delivery of  
11 education, and the availability by district of correspondence courses required for  
12 the performance scholarship.

13 \* **Sec. 8.** AS 14.43 is amended by adding a new section to read:

14 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**  
15 **scholarship award fund.** (a) The AlaskAdvantage education grant and Alaska  
16 performance scholarship award fund is established. The fund consists of

17 (1) appropriations for AlaskAdvantage education grant awards under  
18 AS 14.43.400 - 14.43.420 and Alaska performance scholarship awards under  
19 AS 37.14.750 - 37.14.790;

20 (2) money appropriated to the fund under AS 37.13.145(d); and

21 (3) income earned on the fund and appropriated to the fund.

22 (b) The commission may use money in the fund appropriated to pay grants  
23 awarded under AS 14.43.400 - 14.43.420 and scholarships for students under  
24 AS 14.43.810 - 14.43.849. Money appropriated to the fund may be expended without  
25 further appropriation. The money in the fund may be expended only in awarding  
26 grants under AS 14.43.400 - 14.43.420 and scholarships under AS 14.43.810 -  
27 14.43.849.

28 (c) The amount annually awarded to the commission for payment of grants  
29 awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
30 awarded for scholarships under AS 14.43.810 - 14.43.849, except to the extent that the  
31 total amount necessary to pay all eligible grant applicants in a fiscal year is less than

1 that amount.

2 (d) If insufficient funds are appropriated to pay all eligible grants and  
3 scholarships, the commission shall allocate one-third of the balance of the fund  
4 established under this section for payment of grant awards based on the highest to  
5 lowest financial need and, if the balance of the fund established under AS 37.14.750  
6 on July 1 is

7 (1) less than \$80,000,000, pay only

8 (A) grants as provided in this subsection; and

9 (B) eligible previously obligated scholarship awards; the  
10 awards may be made on a pro rata basis if necessary;

11 (2) \$80,000,000 or more, pay

12 (A) grants as provided in this subsection;

13 (B) eligible previously obligated scholarship awards; and

14 (C) all other scholarship awards on a pro rata basis to be paid  
15 out within four years.

16 (e) Money appropriated to the fund does not lapse except after the fourth  
17 consecutive fiscal year in which no appropriations have been made to the fund, or all  
18 awards have been paid to eligible recipients as provided in this chapter, whichever  
19 occurs last.

20 \* **Sec. 9.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is further amended to  
21 read:

22 (a) A religious or other private school that elects to comply with AS 14.45.100  
23 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
24 physical examinations, standardized testing, academic achievement, courses taken at  
25 the school, and level of eligibility for an Alaska performance [MERIT  
26 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

27 \* **Sec. 10.** AS 21.96.070(a) is amended to read:

28 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or  
29 AS 21.66.110 for cash contributions accepted

30 (1) for direct instruction, research, and educational support purposes,  
31 including library and museum acquisitions, and contributions to endowment, by an

Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

**(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a); and**

**(6) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.**

\* Sec. 11. AS 37.05.565(a) is amended to read:

(a) There is established in the general fund the Alaska capital income fund consisting [OF MONEY DEPOSITED TO THE FUND UNDER AS 37.13.145(d) AND] of appropriations to the fund. The fund shall be invested by the Department of Revenue to yield competitive market rates as provided in AS 37.10.071. Income earned on money in the fund may be appropriated to the fund.

\* Sec. 12. AS 37.07.020(b) is amended to read:

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program covering the succeeding six fiscal years. The governor shall also submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

(1) must include sufficient details to identify

(A) significant sources of funds;

(B) significant uses of funds, including lump sum projections

of

(i) operating expenditures;

(ii) capital expenditures;

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- (iii) debt service expenditures;
- (iv) fund capitalizations;
- (v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;
- (2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;
- (3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), the AlaskAdvantage education grant and Alaska performance scholarship investment fund (AS 37.14.750), and the Alaska capital income fund (AS 37.05.565);
- (4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services.

\* **Sec. 13.** AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund or for transfers to the principal under (c) of this section, and may [SHALL] be annually appropriated to [DEPOSITED INTO] the AlaskAdvantage education grant and Alaska performance scholarship award fund (AS 14.43.915). Nothing in this subsection creates a dedicated fund [ALASKA CAPITAL INCOME FUND (AS 37.05.565)].

\* **Sec. 14.** AS 37.14 is amended by adding new sections to read:

**Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship Investment Fund.**

1                   **Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance**  
2 **scholarship investment fund established.** (a) The AlaskAdvantage education grant  
3 and Alaska performance scholarship investment fund is established as a fund of the  
4 state. The fund consists of

5                               (1) appropriations to the fund;  
6                               (2) donations to the fund; and  
7                               (3) income earned on investments of fund assets and appropriated to  
8 the fund.

9                   (b) The commissioner of revenue shall manage the fund with the goal that the  
10 purchasing power of the fund will not diminish over time without regard to additional  
11 contributions that may be made to the fund. The commissioner shall invest the assets  
12 of the fund in a manner likely to yield at least a five percent real rate of return over  
13 time.

14                   (c) Nothing in this section creates a dedicated fund.

15                   **Sec. 37.14.755. Powers and duties of the commissioner of revenue.** In  
16 carrying out the investment duties under AS 37.14.750 - 37.14.790, the commissioner  
17 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall  
18 provide reports to the Department of Education and Early Development, the  
19 Department of Labor and Workforce Development, and the Alaska Commission on  
20 Postsecondary Education on the condition and investment performance of the fund.

21                   **Sec. 37.14.760. Use of fund.** As soon as practicable after July 1 of each year,  
22 the commissioner of revenue shall determine the average month-end market value of  
23 the fund for the immediately preceding three fiscal years. The commissioner shall  
24 identify five percent of that amount as available for appropriation by the legislature for  
25 appropriation to the AlaskAdvantage education grant and Alaska performance  
26 scholarship award fund created under AS 14.43.915 from which the Alaska  
27 Commission on Postsecondary Education may award grants under AS 14.43.400 -  
28 14.43.420 and scholarships under AS 14.43.810 - 14.43.849. The commissioner shall  
29 also report as available for appropriation a running total of amounts previously  
30 identified as available for appropriation to the AlaskAdvantage education grant and  
31 Alaska performance scholarship award fund but not appropriated.

1                   **Sec. 37.14.790. Definitions.** In AS 37.14.750 - 37.14.790, unless the context  
2 requires otherwise,

3                   (1) "commissioner" means the commissioner of revenue;

4                   (2) "fund" means the AlaskAdvantage education grant and Alaska  
5 performance scholarship investment fund established in AS 37.14.750(a).

6 \* **Sec. 15.** AS 43.20.014(a) is amended to read:

7                   (a) A taxpayer is allowed a credit against the tax due under this chapter for  
8 cash contributions accepted

9                   (1) for direct instruction, research, and educational support purposes,  
10 including library and museum acquisitions, and contributions to endowment, by an  
11 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
12 four-year college accredited by a regional accreditation association;

13                   (2) for secondary school level vocational education courses, programs,  
14 and facilities by a school district in the state;

15                   (3) for vocational education courses, programs, and facilities by a  
16 state-operated vocational technical education and training school; [AND]

17                   (4) for a facility by a nonprofit, public or private, Alaska two-year or  
18 four-year college accredited by a regional accreditation association;

19                   **(5) for the AlaskAdvantage education grant and Alaska**  
20 **performance scholarship investment fund under AS 37.14.750(a); and**

21                   **(6) for education, research, rehabilitation, and facilities by an**  
22 **institution that is located in the state and that qualifies as a coastal ecosystem**  
23 **learning center under the Coastal America Partnership established by the federal**  
24 **government.**

25 \* **Sec. 16.** AS 43.55.019(a) is amended to read:

26                   (a) A producer of oil or gas is allowed a credit against the tax due under this  
27 chapter for cash contributions accepted

28                   (1) for direct instruction, research, and educational support purposes,  
29 including library and museum acquisitions, and contributions to endowment, by an  
30 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
31 four-year college accredited by a regional accreditation association;

1 (2) for secondary school level vocational education courses, programs,  
2 and facilities by a school district in the state;

3 (3) for vocational education courses, programs, and facilities by a  
4 state-operated vocational technical education and training school; [AND]

5 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
6 four-year college accredited by a regional accreditation association;

7 **(5) for the Alaska performance scholarship investment fund under**  
8 **AS 37.14.750(a); and**

9 **(6) for education, research, rehabilitation, and facilities by an**  
10 **institution that is located in the state and that qualifies as a coastal ecosystem**  
11 **learning center under the Coastal America Partnership established by the federal**  
12 **government.**

13 \* Sec. 17. AS 43.56.018(a) is amended to read:

14 (a) The owner of property taxable under this chapter is allowed a credit  
15 against the tax due under this chapter for cash contributions accepted

16 (1) for direct instruction, research, and educational support purposes,  
17 including library and museum acquisitions, and contributions to endowment, by an  
18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
19 four-year college accredited by a regional accreditation association;

20 (2) for secondary school level vocational education courses, programs,  
21 and facilities by a school district in the state;

22 (3) for vocational education courses, programs, and facilities by a  
23 state-operated vocational technical education and training school; [AND]

24 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
25 four-year college accredited by a regional accreditation association;

26 **(5) for the Alaska performance scholarship investment fund under**  
27 **AS 37.14.750(a); and**

28 **(6) for education, research, rehabilitation, and facilities by an**  
29 **institution that is located in the state and that qualifies as a coastal ecosystem**  
30 **learning center under the Coastal America Partnership established by the federal**  
31 **government.**

1 \* **Sec. 18.** AS 43.65.018(a) is amended to read:

2 (a) A person engaged in the business of mining in the state is allowed a credit  
3 against the tax due under this chapter for cash contributions accepted

4 (1) for direct instruction, research, and educational support purposes,  
5 including library and museum acquisitions, and contributions to endowment, by an  
6 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
7 four-year college accredited by a regional accreditation association;

8 (2) for secondary school level vocational education courses, programs,  
9 and facilities by a school district in the state;

10 (3) for vocational education courses, programs, and facilities by a  
11 state-operated vocational technical education and training school; [AND]

12 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
13 four-year college accredited by a regional accreditation association;

14 **(5) for the Alaska performance scholarship investment fund under**  
15 **AS 37.14.750(a); and**

16 **(6) for education, research, rehabilitation, and facilities by an**  
17 **institution that is located in the state and that qualifies as a coastal ecosystem**  
18 **learning center under the Coastal America Partnership established by the federal**  
19 **government.**

20 \* **Sec. 19.** AS 43.75.018(a) is amended to read:

21 (a) A person engaged in a fisheries business is allowed a credit against the tax  
22 due under this chapter for cash contributions accepted

23 (1) for direct instruction, research, and educational support purposes,  
24 including library and museum acquisitions, and contributions to endowment, by an  
25 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
26 four-year college accredited by a regional accreditation association;

27 (2) for secondary school level vocational education courses, programs,  
28 and facilities by a school district in the state;

29 (3) for vocational education courses, programs, and facilities by a  
30 state-operated vocational technical education and training school; [AND]

31 (4) for a facility by a nonprofit, public or private, Alaska two-year or

1 four-year college accredited by a regional accreditation association;

2 **(5) for the Alaska performance scholarship investment fund under**  
3 **AS 37.14.750(a); and**

4 **(6) for education, research, rehabilitation, and facilities by an**  
5 **institution that is located in the state and that qualifies as a coastal ecosystem**  
6 **learning center under the Coastal America Partnership established by the federal**  
7 **government.**

8 \* Sec. 20. AS 43.77.045(a) is amended to read:

9 (a) In addition to the credit allowed under AS 43.77.040, a person engaged in  
10 a floating fisheries business is allowed a credit against the tax due under this chapter  
11 for cash contributions accepted

12 (1) for direct instruction, research, and educational support purposes,  
13 including library and museum acquisitions, and contributions to endowment, by an  
14 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
15 four-year college accredited by a regional accreditation association;

16 (2) for secondary school level vocational education courses, programs,  
17 and facilities by a school district in the state;

18 (3) for vocational education courses, programs, and facilities by a  
19 state-operated vocational technical education and training school; [AND]

20 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
21 four-year college accredited by a regional accreditation association;

22 **(5) for the Alaska performance scholarship investment fund under**  
23 **AS 37.14.750(a); and**

24 **(6) for education, research, rehabilitation, and facilities by an**  
25 **institution that is located in the state and that qualifies as a coastal ecosystem**  
26 **learning center under the Coastal America Partnership established by the federal**  
27 **government.**

28 \* Sec. 21. Section 8, ch. 14, SLA 2010, is amended to read:

29 TRANSITION: **SCHOLARSHIP** [PROGRAM] STANDARDS AND  
30 IMPLEMENTATION FOR INITIAL SCHOOL YEARS. Notwithstanding any  
31 contrary provision of this Act, the Department of Education and Early Development

1 and the Department of Labor and Workforce Development, after consultation with the  
2 Alaska Commission on Postsecondary Education, may adopt regulations under  
3 AS 44.62 (Administrative Procedure Act) to implement their respective duties under  
4 the Alaska performance [MERIT] scholarship program established in AS 14.43.810,  
5 enacted by sec. 5 of this Act, so that a student

6 (1) may be eligible for the Alaska performance scholarship  
7 [PROGRAM] even though the student did not fully meet the required core academic  
8 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

9 (2) who graduated from high school in this state after January 1, 2011,  
10 and before July 1, 2011, and meets eligibility requirements for the Alaska  
11 performance scholarship [PROGRAM] may apply for a scholarship on or after  
12 January 1, 2011, for enrollment in a program of study beginning on or after July 1,  
13 2011.

14 \* **Sec. 22.** AS 21.96.070(a)(5), 21.96.070(a)(6); AS 43.20.014(a)(5), 43.20.014(a)(6);  
15 AS 43.55.019(a)(5), 43.55.019(a)(6); AS 43.56.018(a)(5), 43.56.018(a)(6);  
16 AS 43.65.018(a)(5), 43.65.018(a)(6); AS 43.75.018(a)(5), 43.75.018(a)(6);  
17 AS 43.77.045(a)(5), and 43.77.045(a)(6) are repealed January 1, 2021.

18 \* **Sec. 23.** Section 28, ch. 134, SLA 1992, is repealed.

19 \* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
22 PERFORMANCE SCHOLARSHIP INVESTMENT FUND. (a) The unobligated balance of  
23 the Alaska capital income fund established under AS 37.05.565 shall be transferred to the  
24 AlaskAdvantage education grant and Alaska performance scholarship investment fund  
25 established under AS 37.14.750 on June 30, 2011.

26 (b) Notwithstanding the required calculation to be made by the commissioner of  
27 revenue under AS 37.14.760, enacted by sec. 14 of this Act, for fiscal years 2013 and 2014, as  
28 soon as practicable after July 1 of each year, the commissioner of revenue shall determine the  
29 average month-end market value of the AlaskAdvantage education grant and Alaska  
30 performance scholarship investment fund established under AS 37.14.750, enacted by sec. 14  
31 of this Act, for the immediately preceding fiscal year and identify five percent of that amount

1 as available for appropriation by the legislature to the AlaskAdvantage education grant and  
2 Alaska performance scholarship award fund created under AS 14.43.915.

3 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 TRANSITION: REGULATIONS. The Department of Education and Early  
6 Development, the Department of Labor and Workforce Development, the Department of  
7 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations  
8 necessary to implement changes made to their respective authorities by this Act. The  
9 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,  
10 2011.

11 \* **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the  
14 heading of

15 (1) Article 12 of AS 14.43 from "Alaska Merit Scholarship Program" to  
16 "Alaska Performance Scholarship";

17 (2) AS 14.43.820 from "Alaska merit scholarship program; eligibility" to  
18 "Alaska performance scholarship; eligibility."

19 \* **Sec. 27.** Section 57, ch. 92, SLA 2010, is amended to read:

20 Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect  
21 January 1, 2021 [2014].

22 \* **Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 RETROACTIVITY. If sec. 24(a) of this Act takes effect after June 30, 2011, sec.  
25 24(a) of this Act is retroactive to June 30, 2011.

26 \* **Sec. 29.** Sections 24, 25, and 28 of this Act take effect immediately under  
27 AS 01.10.070(c).

28 \* **Sec. 30.** AS 14.43.830(a)(1)(C) and (D), added by sec. 6 of this Act, take effect July 1,  
29 2012.

30 \* **Sec. 31.** Except as provided in secs. 29 and 30 of this Act, this Act takes effect July 1,  
31 2011.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEVENS

TO: CSSB 43( ), Draft Version "M"

1 Page 3, line 25, through page 4, line 18: 21

2 Delete all material and insert:

3 **"\* Sec. 6.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is repealed and reenacted  
4 to read:

5 **Sec. 14.43.830. Qualified postsecondary institution.** (a) A university,  
6 college, or career and technical school that is physically located in the state is a  
7 qualified postsecondary institution for purposes of awarding an Alaska performance  
8 scholarship if the institution

9 (1) is either

10 (A) authorized to operate in the state under AS 14.48.020 or is  
11 exempt from authorization under AS 14.48.030(b)(1); or

12 (B) included on a list of certified career and technical school  
13 programs received from the Department of Labor and Workforce  
14 Development; the commission shall publish the list on or before June 30 of the  
15 year preceding enrollment;

16 (2) is accredited by a regional or national accreditation association;

17 (3) has an advisory program established for incoming students that  
18 provides counseling related to course selection, career choice, and personal  
19 challenges; and

20 (4) provides courses and credits that will result in the issuance of a  
21 degree or certificate available at the institution within a time frame customary for that  
22 degree or certificate.

23 (b) The Department of Labor and Workforce Development shall, in

1           consultation with the Department of Education and Early Development, adopt  
2           regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
3           which the Department of Labor and Workforce Development shall certify career and  
4           technical school programs in the state as eligible to participate in the Alaska  
5           performance scholarship program."

**CS FOR SENATE BILL NO. 43(EDC)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY THE SENATE EDUCATION COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act renaming the Alaska performance scholarship and relating to the scholarship;**  
 2 **relating to education tax credits; relating to AlaskAdvantage education grant funding**  
 3 **and to Alaska performance scholarship funding and establishing an account and funds**  
 4 **for those purposes; amending funding for the Alaska capital income fund; making**  
 5 **conforming amendments; providing for an effective date by amending the effective date**  
 6 **in sec. 57, ch. 92, SLA 2010; and providing for an effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 \* **Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

9 **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
 10 district shall determine whether a student who graduates from a high school in the  
 11 district is eligible for an award of an Alaska **performance** [MERIT SCHOLARSHIP  
 12 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the  
 13 district shall state in the student's permanent record the highest level of funding for

1 which the student is eligible. A district shall provide a student with an opportunity to  
2 request that the district correct an error in the eligibility determination.

3 \* **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

4 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**  
5 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program  
6 is established to provide scholarships for high school graduates who are Alaska  
7 residents to attend a qualified postsecondary institution in the state.

8 (b) The department shall, in consultation with the commission, adopt  
9 regulations necessary to implement the scholarship program. The commission shall  
10 administer the daily operations of the scholarship program and financing of the  
11 scholarship program, including the procedures for applying for the scholarships,  
12 establishing standards for and ensuring continuing compliance with programmatic  
13 standards, and requiring students to apply for other nonloan financial aid, consistent  
14 with federal law.

15 \* **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

16 (a) Subject to appropriation, the commission shall award an Alaska  
17 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

18 (1) is a resident of the state as defined in AS 01.10.055;

19 (2) graduated or will graduate within six months from a high school in  
20 the state;

21 (3) has completed a core academic curriculum in high school that  
22 includes

23 (A) four years of mathematics, four years of language arts, four  
24 years of science, and four years of social studies, one year of which may  
25 include a foreign language, an Alaska Native language, fine arts, or cultural  
26 heritage; or

27 (B) three years of mathematics, four years of language arts,  
28 three years of science, four years of social studies, and two years of a foreign  
29 language or an Alaska Native language;

30 (4) has a minimum grade-point average in high school of 2.5 or higher;  
31 the department shall set by regulation minimum requirements based on a substantially

1 similar standard for districts that do not assign grades;

2 (5) has achieved a minimum score on a

3 (A) college entrance examination; or

4 (B) standardized examination designed to measure a student's  
5 level of preparedness to make the transition to work, as selected by the  
6 department; and

7 (6) is enrolled in good standing in a course of study at a qualified  
8 postsecondary institution in this state that is intended to result in the award of a  
9 certificate or degree.

10 \* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (a) The maximum annual awards for the Alaska performance [MERIT  
12 SCHOLARSHIP PROGRAM] scholarships are as follows:

13 (1) the first award level is \$4,755 and requires a 3.5 grade-point  
14 average or above and a very high minimum score on a college entrance examination;

15 (2) the second award level is \$3,566 and requires a 3.0 grade-point  
16 average or above and a high minimum score on a college entrance examination;

17 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
18 average or above and a moderately high minimum score on a college entrance  
19 examination.

20 \* **Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

21 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
22 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
23 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]

24 \* **Sec. 6.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is repealed and reenacted to  
25 read:

26 **Sec. 14.43.830. Qualified postsecondary institution.** (a) A university,  
27 college, or career and technical school that is physically located in the state is a  
28 qualified postsecondary institution for purposes of awarding an Alaska performance  
29 scholarship if the institution

30 (1) is either

31 (A) a college or university that is

1 (i) authorized to operate in the state under AS 14.48.020  
2 or is exempt from authorization under AS 14.48.030(b)(1); and

3 (ii) accredited by a regional or national accreditation  
4 association; or

5 (B) included on a list of certified career and technical school  
6 programs received from the Department of Labor and Workforce  
7 Development; the commission shall publish the list on or before June 30 of the  
8 year preceding enrollment;

9 (2) has an advisory program established for incoming students that  
10 provides counseling related to course selection and career choice; and

11 (3) provides courses and credits that will result in the issuance of a  
12 degree or certificate available at the institution within a period of time customary for  
13 that degree or certificate.

14 (b) The Department of Labor and Workforce Development shall, in  
15 consultation with the Department of Education and Early Development, adopt  
16 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
17 which the Department of Labor and Workforce Development shall certify career and  
18 technical school programs in the state as eligible to participate in the Alaska  
19 performance scholarship program.

20 \* **Sec. 7.** AS 14.43.840, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

21 **Sec. 14.43.840. Report to the legislature.** (a) To the extent permitted under  
22 law, the department, the commission, the University of Alaska, and the Department of  
23 Labor and Workforce Development shall share data necessary to prepare public  
24 reports regarding the scholarship program.

25 (b) Not more than 10 days after the convening of each regular legislative  
26 session, the department, the commission, the University of Alaska, and the  
27 Department of Labor and Workforce Development shall present an annual report to  
28 the public, the governor, and the legislature containing information of public interest  
29 regarding the scholarship program, including

30 (1) the number of applicants and number and types of scholarships  
31 awarded;

1 (2) the dollar amount of scholarships awarded in past years and the  
2 dollar amount expected to be awarded for the next year; [AND]

3 (3) data and trends in the data regarding high school and postsecondary  
4 student performance, programmatic changes, and retention and graduation rates over  
5 time; and

6 (4) an assessment of the statewide centralized correspondence  
7 study program as it relates to the scholarships, including Internet access  
8 capabilities, plans to upgrade the quality and quantity of distance delivery of  
9 education, and the availability by district of correspondence courses required for  
10 the performance scholarship.

11 \* **Sec. 8.** AS 14.43 is amended by adding a new section to read:

12 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**  
13 **scholarship award fund.** (a) The AlaskAdvantage education grant and Alaska  
14 performance scholarship award fund is established. The fund consists of

15 (1) appropriations for AlaskAdvantage education grant awards under  
16 AS 14.43.400 - 14.43.420 and Alaska performance scholarship awards under  
17 AS 14.43.810 - 14.43.849;

18 (2) appropriations from the AlaskAdvantage education grant and  
19 Alaska performance scholarship investment fund under AS 37.14.750 - 37.14.790;

20 (3) money appropriated to the fund under AS 37.13.145(d); and

21 (4) income earned on the fund and appropriated to the fund.

22 (b) The commission may use money in the fund appropriated to pay grants  
23 awarded under AS 14.43.400 - 14.43.420 and scholarships for students under  
24 AS 14.43.810 - 14.43.849. Money appropriated to the fund may be expended without  
25 further appropriation. The money in the fund may be expended only in awarding  
26 grants under AS 14.43.400 - 14.43.420 and scholarships under AS 14.43.810 -  
27 14.43.849.

28 (c) The amount annually available to the commission for payment of grants  
29 awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
30 awarded for scholarships under AS 14.43.810 - 14.43.849, except to the extent that the  
31 total amount necessary to pay all eligible grant applicants in a fiscal year is less than

1 that amount.

2 (d) If insufficient funds are appropriated to pay all eligible grants and  
3 scholarships, the commission shall allocate one-third of the balance of the fund  
4 established under this section for payment of grant awards based on the highest to  
5 lowest financial need and, if the balance of the fund established under AS 37.14.750  
6 on July 1 is

7 (1) less than \$80,000,000, pay only

8 (A) grants as provided in this subsection; and

9 (B) eligible previously obligated scholarship awards; the  
10 awards may be made on a pro rata basis if necessary;

11 (2) \$80,000,000 or more, pay

12 (A) grants as provided in this subsection;

13 (B) eligible previously obligated scholarship awards; and

14 (C) all other scholarship awards on a pro rata basis to be paid  
15 out within four years.

16 (e) Money appropriated to the fund does not lapse except after the fourth  
17 consecutive fiscal year in which no appropriations have been made to the fund, or all  
18 awards have been paid to eligible recipients as provided in this chapter, whichever  
19 occurs last.

20 \* **Sec. 9.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is further amended to  
21 read:

22 (a) A religious or other private school that elects to comply with AS 14.45.100  
23 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
24 physical examinations, standardized testing, academic achievement, courses taken at  
25 the school, and level of eligibility for an Alaska performance [MERIT  
26 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

27 \* **Sec. 10.** AS 21.96.070(a) is amended to read:

28 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or  
29 AS 21.66.110 for cash contributions accepted

30 (1) for direct instruction, research, and educational support purposes,  
31 including library and museum acquisitions, and contributions to endowment, by an

1 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
2 four-year college accredited by a regional accreditation association;

3 (2) for secondary school level vocational education courses, programs,  
4 and facilities by a school district in the state;

5 (3) for vocational education courses, programs, and facilities by a  
6 state-operated vocational technical education and training school; [AND]

7 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
8 four-year college accredited by a regional accreditation association;

9 **(5) for the Alaska performance scholarship investment fund under**  
10 **AS 37.14.750(a); and**

11 **(6) for education, research, rehabilitation, and facilities by an**  
12 **institution that is located in the state and that qualifies as a coastal ecosystem**  
13 **learning center under the Coastal America Partnership established by the federal**  
14 **government.**

15 \* **Sec. 11.** AS 37.05.565(a) is amended to read:

16 (a) There is established in the general fund the Alaska capital income fund  
17 consisting [OF MONEY DEPOSITED TO THE FUND UNDER AS 37.13.145(d)  
18 AND] of appropriations to the fund. The fund shall be invested by the Department of  
19 Revenue to yield competitive market rates as provided in AS 37.10.071. Income  
20 earned on money in the fund may be appropriated to the fund.

21 \* **Sec. 12.** AS 37.07.020(b) is amended to read:

22 (b) In addition to the budget and bills submitted under (a) of this section, the  
23 governor shall submit a capital improvements program covering the succeeding six  
24 fiscal years. The governor shall also submit a fiscal plan with estimates of significant  
25 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

26 (1) must include sufficient details to identify

27 (A) significant sources of funds;

28 (B) significant uses of funds, including lump sum projections

29 of

30 (i) operating expenditures;

31 (ii) capital expenditures;

1 (iii) debt service expenditures;

2 (iv) fund capitalizations;

3 (v) appropriations of income of the Alaska permanent  
4 fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

5 (2) must balance sources and uses of funds held while providing for  
6 essential state services and protecting the economic stability of the state;

7 (3) must include projected balances of significant funds held in  
8 separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of  
9 the State of Alaska), the public education fund (AS 14.17.300), **the AlaskAdvantage**  
10 **education grant and Alaska performance scholarship investment fund**  
11 **(AS 37.14.750)**, and the Alaska capital income fund (AS 37.05.565);

12 (4) must set out significant assumptions used in the projections with  
13 sufficient detail to enable the legislature to rely on the fiscal plan in understanding,  
14 evaluating, and resolving issues of state budgeting, including information that supports  
15 major areas of operating increases, such as population demographics that affect the  
16 need for particular government services.

17 \* **Sec. 13.** AS 37.13.145(d) is amended to read:

18 (d) Notwithstanding (b) of this section, income earned on money awarded in or  
19 received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court,  
20 First Judicial District), including settlement, summary judgment, or adjustment to a  
21 royalty-in-kind contract that is tied to the outcome of this case, or interest earned on  
22 the money, or on the earnings of the money shall be treated in the same manner as  
23 other income of the Alaska permanent fund, except that it is not available for  
24 distribution to the dividend fund or for transfers to the principal under (c) of this  
25 section, and **may** [SHALL] be annually **appropriated to** [DEPOSITED INTO] the  
26 **AlaskAdvantage education grant and Alaska performance scholarship award**  
27 **fund (AS 14.43.915). Nothing in this subsection creates a dedicated fund**  
28 [ALASKA CAPITAL INCOME FUND (AS 37.05.565)].

29 \* **Sec. 14.** AS 37.14 is amended by adding new sections to read:

30 **Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship**  
31 **Investment Fund.**

1                   **Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance**  
 2 **scholarship investment fund established.** (a) The AlaskAdvantage education grant  
 3 and Alaska performance scholarship investment fund is established as a fund of the  
 4 state. The fund consists of

5                               (1) appropriations to the fund;  
 6                               (2) donations to the fund; and  
 7                               (3) income earned on investments of fund assets and appropriated to  
 8 the fund.

9                   (b) The commissioner of revenue shall manage the fund with the goal that the  
 10 purchasing power of the fund will not diminish over time without regard to additional  
 11 contributions that may be made to the fund. The commissioner shall invest the assets  
 12 of the fund in a manner likely to yield at least a five percent real rate of return over  
 13 time.

14                   (c) Nothing in this section creates a dedicated fund.

15                   **Sec. 37.14.755. Powers and duties of the commissioner of revenue.** In  
 16 carrying out the investment duties under AS 37.14.750 - 37.14.790, the commissioner  
 17 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall  
 18 provide reports to the Department of Education and Early Development, the  
 19 Department of Labor and Workforce Development, and the Alaska Commission on  
 20 Postsecondary Education on the condition and investment performance of the fund.

21                   **Sec. 37.14.760. Use of fund.** As soon as practicable after July 1 of each year,  
 22 the commissioner of revenue shall determine the average month-end market value of  
 23 the fund for the immediately preceding three fiscal years. The commissioner shall  
 24 identify five percent of that amount as available for appropriation by the legislature for  
 25 appropriation to the AlaskAdvantage education grant and Alaska performance  
 26 scholarship award fund created under AS 14.43.915 from which the Alaska  
 27 Commission on Postsecondary Education may award grants under AS 14.43.400 -  
 28 14.43.420 and scholarships under AS 14.43.810 - 14.43.849. The commissioner shall  
 29 also report as available for appropriation a running total of amounts previously  
 30 identified as available for appropriation to the AlaskAdvantage education grant and  
 31 Alaska performance scholarship award fund but not appropriated.

1           **Sec. 37.14.790. Definitions.** In AS 37.14.750 - 37.14.790, unless the context  
2 requires otherwise,

3                   (1) "commissioner" means the commissioner of revenue;

4                   (2) "fund" means the AlaskAdvantage education grant and Alaska  
5 performance scholarship investment fund established in AS 37.14.750(a).

6 \* **Sec. 15.** AS 43.20.014(a) is amended to read:

7           (a) A taxpayer is allowed a credit against the tax due under this chapter for  
8 cash contributions accepted

9                   (1) for direct instruction, research, and educational support purposes,  
10 including library and museum acquisitions, and contributions to endowment, by an  
11 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
12 four-year college accredited by a regional accreditation association;

13                   (2) for secondary school level vocational education courses, programs,  
14 and facilities by a school district in the state;

15                   (3) for vocational education courses, programs, and facilities by a  
16 state-operated vocational technical education and training school; [AND]

17                   (4) for a facility by a nonprofit, public or private, Alaska two-year or  
18 four-year college accredited by a regional accreditation association;

19                   **(5) for the AlaskAdvantage education grant and Alaska**  
20 **performance scholarship investment fund under AS 37.14.750(a); and**

21                   **(6) for education, research, rehabilitation, and facilities by an**  
22 **institution that is located in the state and that qualifies as a coastal ecosystem**  
23 **learning center under the Coastal America Partnership established by the federal**  
24 **government.**

25 \* **Sec. 16.** AS 43.55.019(a) is amended to read:

26           (a) A producer of oil or gas is allowed a credit against the tax due under this  
27 chapter for cash contributions accepted

28                   (1) for direct instruction, research, and educational support purposes,  
29 including library and museum acquisitions, and contributions to endowment, by an  
30 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
31 four-year college accredited by a regional accreditation association;

1 (2) for secondary school level vocational education courses, programs,  
2 and facilities by a school district in the state;

3 (3) for vocational education courses, programs, and facilities by a  
4 state-operated vocational technical education and training school; [AND]

5 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
6 four-year college accredited by a regional accreditation association;

7 **(5) for the Alaska performance scholarship investment fund under**  
8 **AS 37.14.750(a); and**

9 **(6) for education, research, rehabilitation, and facilities by an**  
10 **institution that is located in the state and that qualifies as a coastal ecosystem**  
11 **learning center under the Coastal America Partnership established by the federal**  
12 **government.**

13 \* Sec. 17. AS 43.56.018(a) is amended to read:

14 (a) The owner of property taxable under this chapter is allowed a credit  
15 against the tax due under this chapter for cash contributions accepted

16 (1) for direct instruction, research, and educational support purposes,  
17 including library and museum acquisitions, and contributions to endowment, by an  
18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
19 four-year college accredited by a regional accreditation association;

20 (2) for secondary school level vocational education courses, programs,  
21 and facilities by a school district in the state;

22 (3) for vocational education courses, programs, and facilities by a  
23 state-operated vocational technical education and training school; [AND]

24 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
25 four-year college accredited by a regional accreditation association;

26 **(5) for the Alaska performance scholarship investment fund under**  
27 **AS 37.14.750(a); and**

28 **(6) for education, research, rehabilitation, and facilities by an**  
29 **institution that is located in the state and that qualifies as a coastal ecosystem**  
30 **learning center under the Coastal America Partnership established by the federal**  
31 **government.**

1 \* **Sec. 18.** AS 43.65.018(a) is amended to read:

2 (a) A person engaged in the business of mining in the state is allowed a credit  
3 against the tax due under this chapter for cash contributions accepted

4 (1) for direct instruction, research, and educational support purposes,  
5 including library and museum acquisitions, and contributions to endowment, by an  
6 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
7 four-year college accredited by a regional accreditation association;

8 (2) for secondary school level vocational education courses, programs,  
9 and facilities by a school district in the state;

10 (3) for vocational education courses, programs, and facilities by a  
11 state-operated vocational technical education and training school; [AND]

12 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
13 four-year college accredited by a regional accreditation association;

14 **(5) for the Alaska performance scholarship investment fund under**  
15 **AS 37.14.750(a); and**

16 **(6) for education, research, rehabilitation, and facilities by an**  
17 **institution that is located in the state and that qualifies as a coastal ecosystem**  
18 **learning center under the Coastal America Partnership established by the federal**  
19 **government.**

20 \* **Sec. 19.** AS 43.75.018(a) is amended to read:

21 (a) A person engaged in a fisheries business is allowed a credit against the tax  
22 due under this chapter for cash contributions accepted

23 (1) for direct instruction, research, and educational support purposes,  
24 including library and museum acquisitions, and contributions to endowment, by an  
25 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
26 four-year college accredited by a regional accreditation association;

27 (2) for secondary school level vocational education courses, programs,  
28 and facilities by a school district in the state;

29 (3) for vocational education courses, programs, and facilities by a  
30 state-operated vocational technical education and training school; [AND]

31 (4) for a facility by a nonprofit, public or private, Alaska two-year or

1 four-year college accredited by a regional accreditation association;

2 **(5) for the Alaska performance scholarship investment fund under**  
 3 **AS 37.14.750(a); and**

4 **(6) for education, research, rehabilitation, and facilities by an**  
 5 **institution that is located in the state and that qualifies as a coastal ecosystem**  
 6 **learning center under the Coastal America Partnership established by the federal**  
 7 **government.**

8 \* **Sec. 20.** AS 43.77.045(a) is amended to read:

9 (a) In addition to the credit allowed under AS 43.77.040, a person engaged in  
 10 a floating fisheries business is allowed a credit against the tax due under this chapter  
 11 for cash contributions accepted

12 (1) for direct instruction, research, and educational support purposes,  
 13 including library and museum acquisitions, and contributions to endowment, by an  
 14 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
 15 four-year college accredited by a regional accreditation association;

16 (2) for secondary school level vocational education courses, programs,  
 17 and facilities by a school district in the state;

18 (3) for vocational education courses, programs, and facilities by a  
 19 state-operated vocational technical education and training school; [AND]

20 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
 21 four-year college accredited by a regional accreditation association;

22 **(5) for the Alaska performance scholarship investment fund under**  
 23 **AS 37.14.750(a); and**

24 **(6) for education, research, rehabilitation, and facilities by an**  
 25 **institution that is located in the state and that qualifies as a coastal ecosystem**  
 26 **learning center under the Coastal America Partnership established by the federal**  
 27 **government.**

28 \* **Sec. 21.** Section 8, ch. 14, SLA 2010, is amended to read:

29 TRANSITION: **SCHOLARSHIP** [PROGRAM] STANDARDS AND  
 30 IMPLEMENTATION FOR INITIAL SCHOOL YEARS. Notwithstanding any  
 31 contrary provision of this Act, the Department of Education and Early Development

1 and the Department of Labor and Workforce Development, after consultation with the  
 2 Alaska Commission on Postsecondary Education, may adopt regulations under  
 3 AS 44.62 (Administrative Procedure Act) to implement their respective duties under  
 4 the Alaska performance [MERIT] scholarship program established in AS 14.43.810,  
 5 enacted by sec. 5 of this Act, so that a student

6 (1) may be eligible for the Alaska performance scholarship  
 7 [PROGRAM] even though the student did not fully meet the required core academic  
 8 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

9 (2) who graduated from high school in this state after January 1, 2011,  
 10 and before July 1, 2011, and meets eligibility requirements for the Alaska  
 11 performance scholarship [PROGRAM] may apply for a scholarship on or after  
 12 January 1, 2011, for enrollment in a program of study beginning on or after July 1,  
 13 2011.

14 \* **Sec. 22.** AS 21.96.070(a)(5), 21.96.070(a)(6); AS 43.20.014(a)(5), 43.20.014(a)(6);  
 15 AS 43.55.019(a)(5), 43.55.019(a)(6); AS 43.56.018(a)(5), 43.56.018(a)(6);  
 16 AS 43.65.018(a)(5), 43.65.018(a)(6); AS 43.75.018(a)(5), 43.75.018(a)(6);  
 17 AS 43.77.045(a)(5), and 43.77.045(a)(6) are repealed January 1, 2021.

18 \* **Sec. 23.** Section 28, ch. 134, SLA 1992, is repealed.

19 \* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
 20 read:

21 TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
 22 PERFORMANCE SCHOLARSHIP INVESTMENT FUND. (a) The unobligated balance of  
 23 the Alaska capital income fund established under AS 37.05.565 shall be transferred to the  
 24 AlaskAdvantage education grant and Alaska performance scholarship investment fund  
 25 established under AS 37.14.750 on June 30, 2011.

26 (b) Notwithstanding the required calculation to be made by the commissioner of  
 27 revenue under AS 37.14.760, enacted by sec. 14 of this Act, for fiscal years 2013 and 2014, as  
 28 soon as practicable after July 1 of each year, the commissioner of revenue shall determine the  
 29 average month-end market value of the AlaskAdvantage education grant and Alaska  
 30 performance scholarship investment fund established under AS 37.14.750, enacted by sec. 14  
 31 of this Act, for the immediately preceding fiscal year and identify five percent of that amount

1 as available for appropriation by the legislature to the AlaskAdvantage education grant and  
2 Alaska performance scholarship award fund created under AS 14.43.915.

3 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 TRANSITION: REGULATIONS. The Department of Education and Early  
6 Development, the Department of Labor and Workforce Development, the Department of  
7 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations  
8 necessary to implement changes made to their respective authorities by this Act. The  
9 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,  
10 2011.

11 \* **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the  
14 heading of

15 (1) Article 12 of AS 14.43 from "Alaska Merit Scholarship Program" to  
16 "Alaska Performance Scholarship";

17 (2) AS 14.43.820 from "Alaska merit scholarship program; eligibility" to  
18 "Alaska performance scholarship; eligibility."

19 \* **Sec. 27.** Section 57, ch. 92, SLA 2010, is amended to read:

20 Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect  
21 January 1, 2021 [2014].

22 \* **Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 RETROACTIVITY. If sec. 24(a) of this Act takes effect after June 30, 2011, sec.  
25 24(a) of this Act is retroactive to June 30, 2011.

26 \* **Sec. 29.** Sections 24, 25, and 28 of this Act take effect immediately under  
27 AS 01.10.070(c).

28 \* **Sec. 30.** AS 14.43.830(a)(2) and (3) take effect July 1, 2012.

29 \* **Sec. 31.** Except as provided in secs. 29 and 30 of this Act, this Act takes effect July 1,  
30 2011.

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**CS FOR SENATE BILL NO. 43( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act renaming the Alaska performance scholarship and relating to the scholarship;**  
2 **relating to education tax credits; relating to AlaskAdvantage education grant funding**  
3 **and to Alaska performance scholarship funding and establishing an account and funds**  
4 **for those purposes; amending funding for the Alaska capital income fund; making**  
5 **conforming amendments; providing for an effective date by amending the effective date**  
6 **in sec. 57, ch. 92, SLA 2010; and providing for an effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 **\* Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

9 **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
10 district shall determine whether a student who graduates from a high school in the  
11 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP  
12 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the  
13 district shall state in the student's permanent record the highest level of funding for

1 which the student is eligible. A district shall provide a student with an opportunity to  
2 request that the district correct an error in the eligibility determination.

3 \* **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

4 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**  
5 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program  
6 is established to provide scholarships for high school graduates who are Alaska  
7 residents to attend a qualified postsecondary institution in the state.

8 (b) The department shall, in consultation with the commission, adopt  
9 regulations necessary to implement the scholarship program. The commission shall  
10 administer the daily operations of the scholarship program and financing of the  
11 scholarship program, including the procedures for applying for the scholarships,  
12 establishing standards for and ensuring continuing compliance with programmatic  
13 standards, and requiring students to apply for other nonloan financial aid, consistent  
14 with federal law.

15 \* **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

16 (a) Subject to appropriation, the commission shall award an Alaska  
17 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

18 (1) is a resident of the state as defined in AS 01.10.055;

19 (2) graduated or will graduate within six months from a high school in  
20 the state;

21 (3) has completed a core academic curriculum in high school that  
22 includes

23 (A) four years of mathematics, four years of language arts, four  
24 years of science, and four years of social studies, one year of which may  
25 include a foreign language, an Alaska Native language, fine arts, or cultural  
26 heritage; or

27 (B) three years of mathematics, four years of language arts,  
28 three years of science, four years of social studies, and two years of a foreign  
29 language or an Alaska Native language;

30 (4) has a minimum grade-point average in high school of 2.5 or higher;  
31 the department shall set by regulation minimum requirements based on a substantially

- 1 similar standard for districts that do not assign grades;
- 2 (5) has achieved a minimum score on a
- 3 (A) college entrance examination; or
- 4 (B) standardized examination designed to measure a student's
- 5 level of preparedness to make the transition to work, as selected by the
- 6 department; and
- 7 (6) is enrolled in good standing in a course of study at a qualified
- 8 postsecondary institution in this state that is intended to result in the award of a
- 9 certificate or degree.

10 \* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

11 (a) The maximum annual awards for the Alaska **performance** [MERIT  
12 SCHOLARSHIP PROGRAM] scholarships are as follows:

- 13 (1) the first award level is \$4,755 and requires a 3.5 grade-point
- 14 average or above and a very high minimum score on a college entrance examination;
- 15 (2) the second award level is \$3,566 and requires a 3.0 grade-point
- 16 average or above and a high minimum score on a college entrance examination;
- 17 (3) the third award level is \$2,378 and requires a 2.5 grade-point
- 18 average or above and a moderately high minimum score on a college entrance
- 19 examination.

20 \* **Sec. 5.** AS 14.43.825(f), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

21 (f) Payment of a scholarship is subject to appropriation. [IF INSUFFICIENT  
22 FUNDS ARE APPROPRIATED TO PAY ALL ELIGIBLE SCHOLARSHIPS, THE  
23 COMMISSION SHALL PAY EXISTING AWARDS ON A PRO RATA BASIS.]

24 \* **Sec. 6.** AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is repealed and reenacted to  
25 read:

26 **Sec. 14.43.830. Qualified postsecondary institution.** (a) A university,  
27 college, or career and technical school that is physically located in the state is a  
28 qualified postsecondary institution for purposes of awarding an Alaska performance  
29 scholarship if the institution

- 30 (1) is either
- 31 (A) a college or university that is

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(i) authorized to operate in the state under AS 14.48.020 or is exempt from authorization under AS 14.48.030(b)(1); and

(ii) accredited by a regional or national accreditation association; or

(B) included on a list of certified career and technical school programs received from the Department of Labor and Workforce Development; the commission shall publish the list on or before June 30 of the year preceding enrollment;

(2) has an advisory program established for incoming students that provides counseling related to course selection and career choice; and

(3) provides courses and credits that will result in the issuance of a degree or certificate available at the institution within a period of time customary for that degree or certificate.

(b) The Department of Labor and Workforce Development shall, in consultation with the Department of Education and Early Development, adopt regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under which the Department of Labor and Workforce Development shall certify career and technical school programs in the state as eligible to participate in the Alaska performance scholarship program.

\* Sec. 7. AS 14.43.840, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

**Sec. 14.43.840. Report to the legislature.** (a) To the extent permitted under law, the department, the commission, the University of Alaska, and the Department of Labor and Workforce Development shall share data necessary to prepare public reports regarding the scholarship program.

(b) Not more than 10 days after the convening of each regular legislative session, the department, the commission, the University of Alaska, and the Department of Labor and Workforce Development shall present an annual report to the public, the governor, and the legislature containing information of public interest regarding the scholarship program, including

(1) the number of applicants and number and types of scholarships awarded;

1 (2) the dollar amount of scholarships awarded in past years and the  
2 dollar amount expected to be awarded for the next year; [AND]

3 (3) data and trends in the data regarding high school and postsecondary  
4 student performance, programmatic changes, and retention and graduation rates over  
5 time; and

6 (4) an assessment of the statewide centralized correspondence  
7 study program as it relates to the scholarships, including Internet access  
8 capabilities, plans to upgrade the quality and quantity of distance delivery of  
9 education, and the availability by district of correspondence courses required for  
10 the performance scholarship.

11 \* **Sec. 8.** AS 14.43 is amended by adding a new section to read:

12 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**  
13 **scholarship award fund.** (a) The AlaskAdvantage education grant and Alaska  
14 performance scholarship award fund is established. The fund consists of

15 (1) appropriations for AlaskAdvantage education grant awards under  
16 AS 14.43.400 - 14.43.420 and Alaska performance scholarship awards under  
17 AS 14.43.810 - 14.43.849;

18 (2) appropriations from the AlaskAdvantage education grant and  
19 Alaska performance scholarship investment fund under AS 37.14.750 - 37.14.790;

20 (3) money appropriated to the fund under AS 37.13.145(d); and

21 (4) income earned on the fund and appropriated to the fund.

22 (b) The commission may use money in the fund appropriated to pay grants  
23 awarded under AS 14.43.400 - 14.43.420 and scholarships for students under  
24 AS 14.43.810 - 14.43.849. Money appropriated to the fund may be expended without  
25 further appropriation. The money in the fund may be expended only in awarding  
26 grants under AS 14.43.400 - 14.43.420 and scholarships under AS 14.43.810 -  
27 14.43.849.

28 (c) The amount annually available to the commission for payment of grants  
29 awarded under AS 14.43.400 - 14.43.420 may not be less than one-third of the amount  
30 awarded for scholarships under AS 14.43.810 - 14.43.849, except to the extent that the  
31 total amount necessary to pay all eligible grant applicants in a fiscal year is less than

1 that amount.

2 (d) If insufficient funds are appropriated to pay all eligible grants and  
3 scholarships, the commission shall allocate one-third of the balance of the fund  
4 established under this section for payment of grant awards based on the highest to  
5 lowest financial need and, if the balance of the fund established under AS 37.14.750  
6 on July 1 is

7 (1) less than \$80,000,000, pay only

8 (A) grants as provided in this subsection; and

9 (B) eligible previously obligated scholarship awards; the  
10 awards may be made on a pro rata basis if necessary;

11 (2) \$80,000,000 or more, pay

12 (A) grants as provided in this subsection;

13 (B) eligible previously obligated scholarship awards; and

14 (C) all other scholarship awards on a pro rata basis to be paid  
15 out within four years.

16 (e) Money appropriated to the fund does not lapse except after the fourth  
17 consecutive fiscal year in which no appropriations have been made to the fund, or all  
18 awards have been paid to eligible recipients as provided in this chapter, whichever  
19 occurs last.

20 \* **Sec. 9.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is further amended to  
21 read:

22 (a) A religious or other private school that elects to comply with AS 14.45.100  
23 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
24 physical examinations, standardized testing, academic achievement, courses taken at  
25 the school, and level of eligibility for an Alaska performance [MERIT  
26 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

27 \* **Sec. 10.** AS 21.96.070(a) is amended to read:

28 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or  
29 AS 21.66.110 for cash contributions accepted

30 (1) for direct instruction, research, and educational support purposes,  
31 including library and museum acquisitions, and contributions to endowment, by an

1 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
2 four-year college accredited by a regional accreditation association;

3 (2) for secondary school level vocational education courses, programs,  
4 and facilities by a school district in the state;

5 (3) for vocational education courses, programs, and facilities by a  
6 state-operated vocational technical education and training school; [AND]

7 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
8 four-year college accredited by a regional accreditation association;

9 **(5) for the Alaska performance scholarship investment fund under**  
10 **AS 37.14.750(a); and**

11 **(6) for education, research, rehabilitation, and facilities by an**  
12 **institution that is located in the state and that qualifies as a coastal ecosystem**  
13 **learning center under the Coastal America Partnership established by the federal**  
14 **government.**

15 \* **Sec. 11.** AS 37.05.565(a) is amended to read:

16 (a) There is established in the general fund the Alaska capital income fund  
17 consisting [OF MONEY DEPOSITED TO THE FUND UNDER AS 37.13.145(d)  
18 AND] of appropriations to the fund. The fund shall be invested by the Department of  
19 Revenue to yield competitive market rates as provided in AS 37.10.071. Income  
20 earned on money in the fund may be appropriated to the fund.

21 \* **Sec. 12.** AS 37.07.020(b) is amended to read:

22 (b) In addition to the budget and bills submitted under (a) of this section, the  
23 governor shall submit a capital improvements program covering the succeeding six  
24 fiscal years. The governor shall also submit a fiscal plan with estimates of significant  
25 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

26 (1) must include sufficient details to identify

27 (A) significant sources of funds;

28 (B) significant uses of funds, including lump sum projections

29 of

30 (i) operating expenditures;

31 (ii) capital expenditures;

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- (iii) debt service expenditures;
- (iv) fund capitalizations;
- (v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), the AlaskAdvantage education grant and Alaska performance scholarship investment fund (AS 37.14.750), and the Alaska capital income fund (AS 37.05.565);

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services.

**\* Sec. 13.** AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund or for transfers to the principal under (c) of this section, and may [SHALL] be annually appropriated to [DEPOSITED INTO] the AlaskAdvantage education grant and Alaska performance scholarship award fund (AS 14.43.915). Nothing in this subsection creates a dedicated fund [ALASKA CAPITAL INCOME FUND (AS 37.05.565)].

**\* Sec. 14.** AS 37.14 is amended by adding new sections to read:

**Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship Investment Fund.**

1           **Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance**  
2 **scholarship investment fund established.** (a) The AlaskAdvantage education grant  
3 and Alaska performance scholarship investment fund is established as a fund of the  
4 state. The fund consists of

5                   (1) appropriations to the fund;

6                   (2) donations to the fund; and

7                   (3) income earned on investments of fund assets **and appropriated to**  
8 **the fund.**

9           (b) The commissioner of revenue shall manage the fund with the goal that the  
10 purchasing power of the fund will not diminish over time without regard to additional  
11 contributions that may be made to the fund. The commissioner shall invest the assets  
12 of the fund in a manner likely to yield at least a five percent real rate of return over  
13 time.

14           (c) Nothing in this section creates a dedicated fund.

15           **Sec. 37.14.755. Powers and duties of the commissioner of revenue.** In  
16 carrying out the investment duties under AS 37.14.750 - 37.14.790, the commissioner  
17 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall  
18 provide reports to the Department of Education and Early Development, the  
19 Department of Labor and Workforce Development, and the Alaska Commission on  
20 Postsecondary Education on the condition and investment performance of the fund.

21           **Sec. 37.14.760. Use of fund.** As soon as practicable after July 1 of each year,  
22 the commissioner of revenue shall determine the average month-end market value of  
23 the fund for the immediately preceding three fiscal years. The commissioner shall  
24 identify five percent of that amount as available for appropriation by the legislature for  
25 appropriation to the AlaskAdvantage education grant and Alaska performance  
26 scholarship award fund created under AS 14.43.915 from which the Alaska  
27 Commission on Postsecondary Education may award grants under AS 14.43.400 -  
28 14.43.420 and scholarships under AS 14.43.810 - 14.43.849. The commissioner shall  
29 also report as available for appropriation a running total of amounts previously  
30 identified as available for appropriation to the AlaskAdvantage education grant and  
31 Alaska performance scholarship award fund but not appropriated.

1           **Sec. 37.14.790. Definitions.** In AS 37.14.750 - 37.14.790, unless the context  
2 requires otherwise,

3                   (1) "commissioner" means the commissioner of revenue;

4                   (2) "fund" means the AlaskAdvantage education grant and Alaska  
5 performance scholarship investment fund established in AS 37.14.750(a).

6 \* **Sec. 15.** AS 43.20.014(a) is amended to read:

7           (a) A taxpayer is allowed a credit against the tax due under this chapter for  
8 cash contributions accepted

9                   (1) for direct instruction, research, and educational support purposes,  
10 including library and museum acquisitions, and contributions to endowment, by an  
11 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
12 four-year college accredited by a regional accreditation association;

13                   (2) for secondary school level vocational education courses, programs,  
14 and facilities by a school district in the state;

15                   (3) for vocational education courses, programs, and facilities by a  
16 state-operated vocational technical education and training school; [AND]

17                   (4) for a facility by a nonprofit, public or private, Alaska two-year or  
18 four-year college accredited by a regional accreditation association;

19                   **(5) for the AlaskAdvantage education grant and Alaska**  
20 **performance scholarship investment fund under AS 37.14.750(a); and**

21                   **(6) for education, research, rehabilitation, and facilities by an**  
22 **institution that is located in the state and that qualifies as a coastal ecosystem**  
23 **learning center under the Coastal America Partnership established by the federal**  
24 **government.**

25 \* **Sec. 16.** AS 43.55.019(a) is amended to read:

26           (a) A producer of oil or gas is allowed a credit against the tax due under this  
27 chapter for cash contributions accepted

28                   (1) for direct instruction, research, and educational support purposes,  
29 including library and museum acquisitions, and contributions to endowment, by an  
30 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
31 four-year college accredited by a regional accreditation association;

1 (2) for secondary school level vocational education courses, programs,  
2 and facilities by a school district in the state;

3 (3) for vocational education courses, programs, and facilities by a  
4 state-operated vocational technical education and training school; [AND]

5 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
6 four-year college accredited by a regional accreditation association;

7 **(5) for the Alaska performance scholarship investment fund under**  
8 **AS 37.14.750(a); and**

9 **(6) for education, research, rehabilitation, and facilities by an**  
10 **institution that is located in the state and that qualifies as a coastal ecosystem**  
11 **learning center under the Coastal America Partnership established by the federal**  
12 **government.**

13 \* Sec. 17. AS 43.56.018(a) is amended to read:

14 (a) The owner of property taxable under this chapter is allowed a credit  
15 against the tax due under this chapter for cash contributions accepted

16 (1) for direct instruction, research, and educational support purposes,  
17 including library and museum acquisitions, and contributions to endowment, by an  
18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
19 four-year college accredited by a regional accreditation association;

20 (2) for secondary school level vocational education courses, programs,  
21 and facilities by a school district in the state;

22 (3) for vocational education courses, programs, and facilities by a  
23 state-operated vocational technical education and training school; [AND]

24 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
25 four-year college accredited by a regional accreditation association;

26 **(5) for the Alaska performance scholarship investment fund under**  
27 **AS 37.14.750(a); and**

28 **(6) for education, research, rehabilitation, and facilities by an**  
29 **institution that is located in the state and that qualifies as a coastal ecosystem**  
30 **learning center under the Coastal America Partnership established by the federal**  
31 **government.**

1 \* **Sec. 18.** AS 43.65.018(a) is amended to read:

2 (a) A person engaged in the business of mining in the state is allowed a credit  
3 against the tax due under this chapter for cash contributions accepted

4 (1) for direct instruction, research, and educational support purposes,  
5 including library and museum acquisitions, and contributions to endowment, by an  
6 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
7 four-year college accredited by a regional accreditation association;

8 (2) for secondary school level vocational education courses, programs,  
9 and facilities by a school district in the state;

10 (3) for vocational education courses, programs, and facilities by a  
11 state-operated vocational technical education and training school; [AND]

12 (4) for a facility by a nonprofit, public or private, Alaska two-year or  
13 four-year college accredited by a regional accreditation association;

14 **(5) for the Alaska performance scholarship investment fund under**  
15 **AS 37.14.750(a); and**

16 **(6) for education, research, rehabilitation, and facilities by an**  
17 **institution that is located in the state and that qualifies as a coastal ecosystem**  
18 **learning center under the Coastal America Partnership established by the federal**  
19 **government.**

20 \* **Sec. 19.** AS 43.75.018(a) is amended to read:

21 (a) A person engaged in a fisheries business is allowed a credit against the tax  
22 due under this chapter for cash contributions accepted

23 (1) for direct instruction, research, and educational support purposes,  
24 including library and museum acquisitions, and contributions to endowment, by an  
25 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
26 four-year college accredited by a regional accreditation association;

27 (2) for secondary school level vocational education courses, programs,  
28 and facilities by a school district in the state;

29 (3) for vocational education courses, programs, and facilities by a  
30 state-operated vocational technical education and training school; [AND]

31 (4) for a facility by a nonprofit, public or private, Alaska two-year or

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four-year college accredited by a regional accreditation association;

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a); and

(6) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

\* Sec. 20. AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a); and

(6) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

\* Sec. 21. Section 8, ch. 14, SLA 2010, is amended to read:

TRANSITION: SCHOLARSHIP [PROGRAM] STANDARDS AND IMPLEMENTATION FOR INITIAL SCHOOL YEARS. Notwithstanding any contrary provision of this Act, the Department of Education and Early Development

L

1 and the Department of Labor and Workforce Development, after consultation with the  
2 Alaska Commission on Postsecondary Education, may adopt regulations under  
3 AS 44.62 (Administrative Procedure Act) to implement their respective duties under  
4 the Alaska performance [MERIT] scholarship program established in AS 14.43.810,  
5 enacted by sec. 5 of this Act, so that a student

6 (1) may be eligible for the Alaska performance scholarship  
7 [PROGRAM] even though the student did not fully meet the required core academic  
8 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

9 (2) who graduated from high school in this state after January 1, 2011,  
10 and before July 1, 2011, and meets eligibility requirements for the Alaska  
11 performance scholarship [PROGRAM] may apply for a scholarship on or after  
12 January 1, 2011, for enrollment in a program of study beginning on or after July 1,  
13 2011.

14 \* **Sec. 22.** AS 21.96.070(a)(5), 21.96.070(a)(6); AS 43.20.014(a)(5), 43.20.014(a)(6);  
15 AS 43.55.019(a)(5), 43.55.019(a)(6); AS 43.56.018(a)(5), 43.56.018(a)(6);  
16 AS 43.65.018(a)(5), 43.65.018(a)(6); AS 43.75.018(a)(5), 43.75.018(a)(6);  
17 AS 43.77.045(a)(5), and 43.77.045(a)(6) are repealed January 1, 2021.

18 \* **Sec. 23.** Section 28, ch. 134, SLA 1992, is repealed.

19 \* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
22 PERFORMANCE SCHOLARSHIP INVESTMENT FUND. (a) The unobligated balance of  
23 the Alaska capital income fund established under AS 37.05.565 shall be transferred to the  
24 AlaskAdvantage education grant and Alaska performance scholarship investment fund  
25 established under AS 37.14.750 on June 30, 2011.

26 (b) Notwithstanding the required calculation to be made by the commissioner of  
27 revenue under AS 37.14.760, enacted by sec. 14 of this Act, for fiscal years 2013 and 2014, as  
28 soon as practicable after July 1 of each year, the commissioner of revenue shall determine the  
29 average month-end market value of the AlaskAdvantage education grant and Alaska  
30 performance scholarship investment fund established under AS 37.14.750, enacted by sec. 14  
31 of this Act, for the immediately preceding fiscal year and identify five percent of that amount

1 as available for appropriation by the legislature to the Alaska Advantage education grant and  
2 Alaska performance scholarship award fund created under AS 14.43.915.

3 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 TRANSITION: REGULATIONS. The Department of Education and Early  
6 Development, the Department of Labor and Workforce Development, the Department of  
7 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations  
8 necessary to implement changes made to their respective authorities by this Act. The  
9 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,  
10 2011.

11 \* **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the  
14 heading of

15 (1) Article 12 of AS 14.43 from "Alaska Merit Scholarship Program" to  
16 "Alaska Performance Scholarship";

17 (2) AS 14.43.820 from "Alaska merit scholarship program; eligibility" to  
18 "Alaska performance scholarship; eligibility."

19 \* **Sec. 27.** Section 57, ch. 92, SLA 2010, is amended to read:

20 Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect  
21 January 1, 2021 [2014].

22 \* **Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 RETROACTIVITY. If sec. 24(a) of this Act takes effect after June 30, 2011, sec.  
25 24(a) of this Act is retroactive to June 30, 2011.

26 \* **Sec. 29.** Sections 24, 25, and 28 of this Act take effect immediately under  
27 AS 01.10.070(c).

28 \* **Sec. 30.** AS 14.43.830(a)(2) and (3) take effect July 1, 2012.

29 \* **Sec. 31.** Except as provided in secs. 29 and 30 of this Act, this Act takes effect July 1,  
30 2011.

## Alaska State Legislature

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### REPRESENTATIVE Paul Seaton

District 35

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#### MEMORANDUM

**TO:** Representative Alan Dick  
Chair, House Education Committee

**FROM:** Representative Paul Seaton

**DATE:** February 11, 2011

**RE:** Back up documents for CSHB104

I would like to submit the information below for consideration by the House Education Committee on CSHB104v.I, amending the governor's scholarship bill to incorporate a needs based component to APS, require institutions provide student support, fund AlaskaAdvantage, and create a funding mechanism with a steady revenue stream and ability to phase down scholarship obligations.

Attached please find: Sponsor Statement for CSHB104v.I: ACPE Sectional CSHB 104v.I; Excerpts from Scholarship Funding Task Force Report to the Legislature; diagram to explain funding mechanism in CSHB104; and Alaska Capital Income Fund chart from Leg Finance.

Staff contact, Katie Koester 465-2028

27-GH1893\I  
Mischel  
2/8/11

**CS FOR HOUSE BILL NO. 104( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act renaming the Alaska performance scholarship and relating to the scholarship**  
2 **and tax credits applicable to contributions to the scholarship; relating to**  
3 **AlaskAdvantage education grant funding and to Alaska performance scholarship**  
4 **funding; establishing an account and fund for those purposes; relating to an unmet need**  
5 **scholarship supplement for Alaska performance scholarship recipients; repealing the**  
6 **Alaska capital income fund; making conforming amendments; and providing for an**  
7 **effective date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 **\* Section 1.** AS 14.03.113, as enacted by sec. 1, ch. 14, SLA 2010, is amended to read:

10 **Sec. 14.03.113. District determination of scholarship eligibility.** A school  
11 district shall determine whether a student who graduates from a high school in the  
12 district is eligible for an award of an Alaska performance [MERIT SCHOLARSHIP  
13 PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the

1 district shall state in the student's permanent record the highest level of funding for  
2 which the student is eligible. A district shall provide a student with an opportunity to  
3 request that the district correct an error in the eligibility determination.

4 \* **Sec. 2.** AS 14.43.810, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

5 **Sec. 14.43.810. Alaska performance [MERIT] scholarship program**  
6 **established; regulations.** (a) The Alaska performance [MERIT] scholarship program  
7 is established to provide scholarships for high school graduates who are Alaska  
8 residents to attend a qualified postsecondary institution in the state.

9 (b) The department shall, in consultation with the commission, adopt  
10 regulations necessary to implement the scholarship program. The commission shall  
11 administer the daily operations of the scholarship program and financing of the  
12 scholarship program, including the procedures for applying for the scholarships,  
13 establishing standards for and ensuring continuing compliance with programmatic  
14 standards, and requiring students to apply for other nonloan financial aid, consistent  
15 with federal law.

16 \* **Sec. 3.** AS 14.43.820(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

17 (a) Subject to appropriation, the commission shall award an Alaska  
18 performance [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

19 (1) is a resident of the state as defined in AS 01.10.055;

20 (2) graduated or will graduate within six months from a high school in  
21 the state;

22 (3) has completed a core academic curriculum in high school that  
23 includes

24 (A) four years of mathematics, four years of language arts, four  
25 years of science, and four years of social studies, one year of which may  
26 include a foreign language, an Alaska Native language, fine arts, or cultural  
27 heritage; or

28 (B) three years of mathematics, four years of language arts,  
29 three years of science, four years of social studies, and two years of a foreign  
30 language or an Alaska Native language;

31 (4) has a minimum grade-point average in high school of 2.5 or higher;

1 the department shall set by regulation minimum requirements based on a substantially  
2 similar standard for districts that do not assign grades;

3 (5) has achieved a minimum score on a

4 (A) college entrance examination; or

5 (B) standardized examination designed to measure a student's  
6 level of preparedness to make the transition to work, as selected by the  
7 department; and

8 (6) is enrolled in good standing in a course of study at a qualified  
9 postsecondary institution in this state that is intended to result in the award of a  
10 certificate or degree.

11 \* **Sec. 4.** AS 14.43.825(a), as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

12 (a) The maximum annual awards for the Alaska performance [MERIT  
13 SCHOLARSHIP PROGRAM] scholarships are as follows:

14 (1) the first award level is \$4,755 and requires a 3.5 grade-point  
15 average or above and a very high minimum score on a college entrance examination;

16 (2) the second award level is \$3,566 and requires a 3.0 grade-point  
17 average or above and a high minimum score on a college entrance examination;

18 (3) the third award level is \$2,378 and requires a 2.5 grade-point  
19 average or above and a moderately high minimum score on a college entrance  
20 examination.

21 \* **Sec. 5.** AS 14.43.825(f) is repealed and reenacted to read:

22 (f) Payment of a scholarship is subject to appropriation and the availability of  
23 funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or  
24 available in a fiscal year to pay all eligible scholarships, the commission may not  
25 award a scholarship to a new applicant, and the commission shall pay existing awards  
26 on a pro rata basis for that fiscal year.

27 \* **Sec. 6.** AS 14.43 is amended by adding a new section to read:

28 **Sec. 14.43.828. Eligibility for a scholarship supplement based on unmet**  
29 **need; minimum and maximum awards.** (a) Subject to appropriation, the  
30 commission shall award a scholarship supplement based on unmet need to a student  
31 who meets the eligibility criteria for the award under this section.

1 (b) A student is eligible to receive a scholarship supplement based on unmet  
2 need if the student

3 (1) is eligible for an Alaska performance scholarship; and

4 (2) can demonstrate, in a year in which the student receives a  
5 scholarship, that the student has unmet financial need greater than \$2,000.

6 (c) The annual maximum of a scholarship supplement based on unmet need is  
7 the lesser of

8 (1) 50 percent of the unmet financial need that exceeds \$2,000; and

9 (2) \$4,000.

10 (d) The commission shall determine unmet financial need by

11 (1) requiring the postsecondary institution attended by the student to  
12 verify all nonloan sources of financial support, including an expected family  
13 contribution and all federal, state, and private scholarships received by the student;  
14 and

15 (2) subtracting all nonloan sources of financial support from the  
16 student's allowable standard costs of attendance at the institution, as determined by the  
17 commission.

18 (e) Notwithstanding any other provision of this section, the minimum annual  
19 scholarship supplement for a student eligible under (b) of this section is \$500.

20 (f) In this section,

21 (1) "allowable standard costs of attendance" means the lesser of the

22 (A) standard costs of attendance at the University of Alaska, as  
23 determined by the commission; or

24 (B) actual costs of attendance at the qualified postsecondary  
25 institution that the student attends or plans to attend, as determined by the  
26 commission;

27 (2) "expected family contribution" means the amount a student or the  
28 student's family is expected to pay toward the student's cost of attendance, as  
29 determined by completion of the most recent federal Free Application for Federal  
30 Student Aid.

31 \* Sec. 7. AS 14.43.830, as enacted by sec. 5, ch. 14, SLA 2010, is amended to read:

1           **Sec. 14.43.830. Qualified postsecondary institutions.** (a) The following  
2 institutions are qualified postsecondary institutions for purposes of awarding an  
3 Alaska performance [MERIT SCHOLARSHIP PROGRAM] scholarship:

4                   (1) a university or college physically located in the state that [IS]

5                           (A) is authorized to operate in the state under AS 14.48.020 or  
6 is exempt from authorization under AS 14.48.030(b)(1); [AND]

7                           (B) is accredited by a regional accreditation association;

8                           (C) has an advisory program established for incoming  
9 students that provides counseling related to course selection, career  
10 choice, and personal challenges; and

11                           (D) provides courses and credits that can result in the  
12 issuance of a degree or certificate available at the institution within a time  
13 frame expected for that degree or certificate;

14                   (2) a career and technical school program physically located in the  
15 state that meets the standards established in (a)(1)(C) and (D) of this section and  
16 that has been included on a list of certified career and technical school programs  
17 received from the Department of Labor and Workforce Development; the commission  
18 shall publish the list on or before June 30 of the year preceding enrollment.

19                   (b) The Department of Labor and Workforce Development shall, in  
20 consultation with the Department of Education and Early Development, adopt  
21 regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under  
22 which the Department of Labor and Workforce Development shall certify career and  
23 technical school programs in the state as eligible to participate in the Alaska  
24 performance [MERIT] scholarship program.

25 \* **Sec. 8.** AS 14.43.849, as enacted by sec. 2, ch. 14, SLA 2010, is amended to read:

26                   **Sec. 14.43.849. Definitions.** In AS 14.43.810 - 14.43.849, unless the context  
27 requires otherwise,

28                           (1) "department" means the Department of Education and Early  
29 Development;

30                           (2) "grade-point average" means the average of all grades on a four-  
31 point scale, or five-point scale for advanced placement classes, obtained by the student

1 in high school;

2 (3) "high school" means a public or accredited secondary school in the  
3 state and a home school program that is approved by the department;

4 (4) "program" means the Alaska performance [MERIT] scholarship  
5 program established under AS 14.43.810 - 14.43.849;

6 (5) "school district" means a borough school district, a city school  
7 district, a regional educational attendance area, and a state boarding school.

8 \* **Sec. 9.** AS 14.43 is amended by adding a new section to read:

9 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska performance**  
10 **scholarship award income account.** The AlaskAdvantage education grant and  
11 Alaska performance scholarship award income account is created as an account in the  
12 general fund. Money may be appropriated to the account from the AlaskAdvantage  
13 education grant and Alaska performance scholarship fund under AS 37.14.750 and  
14 from other sources. The commission may use the money in the account to pay grants  
15 awarded under AS 14.43.400 - 14.43.420 and scholarships awarded to students under  
16 AS 14.43.810 - 14.43.849. The amount determined under AS 37.14.750(d) each year  
17 and deposited into the account is the maximum amount that may be used to pay  
18 scholarships for the immediately succeeding fiscal year.

19 \* **Sec. 10.** AS 14.45.130(a), as amended by sec. 7, ch. 14, SLA 2010, is amended to read:

20 (a) A religious or other private school that elects to comply with AS 14.45.100  
21 - 14.45.130 shall maintain permanent student records reflecting immunizations,  
22 physical examinations, standardized testing, academic achievement, courses taken at  
23 the school, and level of eligibility for an Alaska performance [MERIT  
24 SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

25 \* **Sec. 11.** AS 37.07.020(b) is amended to read:

26 (b) In addition to the budget and bills submitted under (a) of this section, the  
27 governor shall submit a capital improvements program covering the succeeding six  
28 fiscal years. The governor shall also submit a fiscal plan with estimates of significant  
29 sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

30 (l) must include sufficient details to identify

31 (A) significant sources of funds;

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(B) significant uses of funds, including lump sum projections

of

(i) operating expenditures;

(ii) capital expenditures;

(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL INCOME FUND (AS 37.05.565)];

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services.

\* Sec. 12. AS 37.13.145(d) is amended to read:

(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund or for transfers to the principal under (c) of this section, and shall be annually deposited into the AlaskAdvantage education grant and Alaska performance scholarship fund (AS 37.14.750) [ALASKA CAPITAL INCOME FUND (AS 37.05.565)].

1 \* **Sec. 13.** AS 37.14 is amended by adding a new section to read:

2 **Article 8A. AlaskAdvantage Education Grant and Alaska Performance Scholarship**  
3 **Fund.**

4 **Sec. 37.14.750. AlaskAdvantage education grant and Alaska performance**  
5 **scholarship fund established.** (a) The AlaskAdvantage education grant and Alaska  
6 performance scholarship fund is established in the general fund for the purpose of  
7 making grant payments under AS 14.43.400 - 14.43.420 and scholarship payments to  
8 qualified postsecondary institutions for students under AS 14.43.810 - 14.43.849 by  
9 appropriation to the income account established under AS 14.43.915. Money in the  
10 fund does not lapse. The fund consists of

- 11 (1) money appropriated to the fund;  
12 (2) income earned on investment of fund assets;  
13 (3) donations to the fund; and  
14 (4) money deposited to the fund under AS 37.13.145(d).

15 (b) Each fiscal year, the legislature may appropriate to the AlaskAdvantage  
16 education grant and Alaska performance scholarship fund an amount equal to 15  
17 percent of the money received by the state during the previous calendar year under  
18 AS 43.55.011(g).

19 (c) The amount annually appropriated and deposited to the fund may not  
20 exceed the greater of

- 21 (1) \$40,000,000; or  
22 (2) the amount that, when added to the fund balance on June 30 of the  
23 previous fiscal year, equals \$160,000,000.

24 (d) The balance in the AlaskAdvantage education grant and Alaska  
25 performance scholarship fund shall be determined on June 30 of each year. The  
26 department shall distribute one-third of that amount or \$40,000,000, whichever is less,  
27 for deposit into the account established in AS 14.43.915.

28 (e) Notwithstanding the limitation in (d) of this section, the legislature may  
29 appropriate any amount to the AlaskAdvantage education grant and Alaska  
30 performance scholarship fund. Nothing in this section creates a dedicated fund.

31 (f) In this section, unless the context requires otherwise, "fund" means the

1 AlaskAdvantage education grant and Alaska performance scholarship fund established  
2 in (a) of this section.

3 \* **Sec. 14.** AS 43.20.014(a) is amended to read:

4 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
5 cash contributions accepted for

6 (1) [FOR] direct instruction, research, and educational support  
7 purposes, including library and museum acquisitions, and contributions to endowment,  
8 by an Alaska university foundation or by a nonprofit, public or private, Alaska two-  
9 year or four-year college accredited by a regional accreditation association;

10 (2) [FOR] secondary school level vocational education courses,  
11 programs, and facilities by a school district in the state;

12 (3) [FOR] vocational education courses, programs, and facilities by a  
13 state-operated vocational technical education and training school; [AND]

14 (4) [FOR] a facility by a nonprofit, public or private, Alaska two-year  
15 or four-year college accredited by a regional accreditation association; and

16 (5) the AlaskAdvantage grant and Alaska performance  
17 scholarship fund under AS 37.14.750(a).

18 \* **Sec. 15.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

19 (a) A taxpayer is allowed a credit against the tax due under this chapter for  
20 cash contributions accepted

21 (1) for direct instruction, research, and educational support purposes,  
22 including library and museum acquisitions, and contributions to endowment, by an  
23 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or  
24 four-year college accredited by a regional accreditation association;

25 (2) for secondary school level vocational education courses and  
26 programs by a school district in the state; [AND]

27 (3) by a state-operated vocational technical education and training  
28 school; and

29 (4) for the AlaskAdvantage grant and Alaska performance  
30 scholarship fund under AS 37.14.750(a).

31 \* **Sec. 16.** Section 8, ch. 14, SLA 2010, is amended to read:

1                   TRANSITION: PERFORMANCE SCHOLARSHIP PROGRAM  
2 STANDARDS AND IMPLEMENTATION FOR INITIAL SCHOOL YEARS.

3 Notwithstanding any contrary provision of this Act, the Department of Education and  
4 Early Development and the Department of Labor and Workforce Development, after  
5 consultation with the Alaska Commission on Postsecondary Education, may adopt  
6 regulations under AS 44.62 (Administrative Procedure Act) to implement their  
7 respective duties under the Alaska performance [MERIT] scholarship program  
8 established in AS 14.43.810, enacted by sec. 5 of this Act, so that a student

9                   (1) may be eligible for the Alaska performance scholarship  
10 [PROGRAM] even though the student did not fully meet the required core academic  
11 curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

12                   (2) who graduated from high school in this state after January 1, 2011,  
13 and before July 1, 2011, and meets eligibility requirements for the Alaska  
14 performance scholarship program may apply for a scholarship on or after January 1,  
15 2011, for enrollment in a program of study beginning on or after July 1, 2011.

16 \* Sec. 17. AS 37.05.565 is repealed.

17 \* Sec. 18. The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19                   TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
20 PERFORMANCE SCHOLARSHIP FUND BALANCE. (a) Notwithstanding the \$40,000,000  
21 limit in AS 37.14.750(d), the following amounts may be substituted for that amount as  
22 follows for

23                   (1) fiscal year 2012, \$20,000,000;

24                   (2) fiscal year 2013, \$30,000,000.

25                   (b) The money deposited in the Alaska capital income fund established under  
26 AS 37.05.565 shall be transferred to the AlaskAdvantage education grant and Alaska  
27 performance scholarship fund established under AS 37.14.750 on the effective date of this  
28 section.

29 \* Sec. 19. The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31                   TRANSITION: REGULATIONS. The Department of Education and Early

1 Development, the Department of Labor and Workforce Development, the Department of  
2 Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations  
3 necessary to implement changes made to their respective authorities by this Act. The  
4 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1,  
5 2011.

6 \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

9 (1) heading of article 12 of AS 14.43 from "Alaska Merit Scholarship  
10 Program" to "Alaska Performance Scholarship Program";

11 (2) catch line for AS 14.43.820 from "Alaska merit scholarship program;  
12 eligibility" to "Alaska performance scholarship program; eligibility."

13 \* **Sec. 21.** Section 19 of this Act takes effect immediately under AS 01.10.070(c).

14 \* **Sec. 22.** Section 6 of this Act, AS 14.43.830(a)(1)(C) and (D), added by sec. 7 of this Act,  
15 and the amendment to AS 14.43.830(a)(2) made by sec. 7 of this Act take effect July 1, 2012.

16 \* **Sec. 23.** Section 15 of this Act takes effect January 1, 2014.

17 \* **Sec. 24.** Except as provided in secs. 21 - 23 of this Act, this Act takes effect July 1, 2011.

	A	B	C	D	E	F	G	K	L	M	N	O
1	<b>Alaska Capital Income Fund (ACIF) (1197)</b>											
2	(thousands)											
3												
4		<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY11</b>	<b>FY12</b>	<b>FY12</b>
5									<b>GOV</b>	<b>House</b>	<b>Senate</b>	<b>CC</b>
6	<b>Revenue</b>	<b>26,750.6</b>	<b>6,698.2</b>	<b>297,656.3</b>	<b>351,267.7</b>	<b>227,417.7</b>	<b>36,466.9</b>	<b>31,266.9</b>	<b>53,266.9</b>	<b>53,266.9</b>	<b>53,266.9</b>	<b>53,266.9</b>
7	Carryforward balance	0.0	(30,049.4)	5,998.2	266,056.3	227,417.7	36,466.9	28,266.9	31,266.9	31,266.9	31,266.9	31,266.9
8	Amerada Hess Income	26,750.6	36,747.6	42,287.3	33,000.0	0.0	0.0	3,000.0	22,000.0	22,000.0	22,000.0	22,000.0
9	Other Capitalization (AHFC, ASLC, AIDEA Dividends)	0.0	0.0	0.0	50,080.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	FY07 GF Capital Vetoes Sweep; FY08 ACIF Vetoes	0.0	0.0	95,080.0	2,130.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Remaining GF Surplus Sweep	0.0	0.0	154,290.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12												
13	<b>Appropriations</b>	<b>56,800.0</b>	<b>700.0</b>	<b>31,600.0</b>	<b>123,850.0</b>	<b>190,950.8</b>	<b>8,200.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
14	Approps from ACIF	56,800.0	700.0	31,600.0	123,850.0	179,734.4	8,200.0	0.0	0.0	0.0	0.0	0.0
15	Supplemental					6,894.4						
16	Capital Budget											
17	Operating					4,322.0						
18												
19												
20												
21												
22	<b>Yr-End Available Balance</b>	<b>(30,049.4)</b>	<b>5,998.2</b>	<b>266,056.3</b>	<b>227,417.7</b>	<b>36,466.9</b>	<b>28,266.9</b>	<b>31,266.9</b>	<b>53,266.9</b>	<b>53,266.9</b>	<b>53,266.9</b>	<b>53,266.9</b>

## Sponsor Statement

### House Education Committee Substitute for HB 104

The Education Committee Substitute for HB 104 makes changes to the governor's bill funding the Alaska Performance Scholarship (APS) program to correspond with recommendations from the Joint Legislative Higher Education Scholarship Funding Task Force that met over the interim. The CS incorporates a needs based component to APS, requires institutions provide student support, funds AlaskaAdvantage, and creates a funding mechanism with a steady revenue stream and ability to phase down scholarship obligations.

The Task Force felt it was important to give those students who had worked hard and received the merit scholarship the real possibility for higher education even if their families could not afford it. The needs based component in the CS awards 50% of the total unmet need for attending school after all other funding sources and the \$2,000 student work commitment have been subtracted. The award is capped at the 2010 UAF level of \$4,000.

The House Education CS also requires institutions that accept scholarship funds to provide the support and structure these new adults need to succeed. A school must institute an advisory program to provide students with career counseling, course planning and help with personal challenges. Institutions are also required to offer the necessary classes for students to complete their degree in a timely manner.

The bill varies from the governor's proposed endowment account for the structure of the AlaskaAdvantage education grant and Alaska performance scholarship award income account (AEG-APS). In order to identify a steady revenue stream for the AlaskaAdvantage grants and Alaska performance scholarships the CS directs the earnings of the Amerada Hess fund to the newly created AEG-APS fund and repeals the capital income fund where Amerada Hess earnings were previously held. This represents approximately 22 million a year in potential revenue assuming a 7% rate of return. Fifteen percent of progressivity, the increase in net oil tax revenue when oil goes over \$30 a barrel profit, would make up the annual difference while capping AEG - APS fund at \$160 million.

The AEG-APS fund is modeled after community revenue sharing with a built in step down mechanism. If another legislature decides not to transfer Amerada Hess earnings, oil tax revenue or general fund money into the AEG-APS fund, there will be enough in the account to fulfill the state's obligations to the current scholarship recipients.

The House Education CS for HB 104 translates the hard work of the Scholarship Funding Task Force into improvements to the governor's bill.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION  
 WORK DRAFT SECTIONAL ANALYSIS  
 CSHB104 EDC 2/8/11 (27-GH1893\I Mischel)

Renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to **AlaskAdvantage education grant funding and to the Alaska performance scholarship funding**; establishing an account and fund for those purposes; **relating to an unmet need scholarship supplement for Alaska performance scholarship recipients; repealing the Alaska capital income fund**; making confirming amendments; and providing for an effective date.

BILL SEC.	AK STATUTE SECTION TITLE	Pg	LINE	PURPOSE OF SECTION <b>NEW OR SUBSTANTIVELY CHANGED SECTIONS SET OUT IN BOLD FONT.</b>	AGENCY/EFF. Date
1	14.03.113 – District determination of scholarship eligibility.	1 2	9-13 1-3	Amended to rename scholarship Alaska performance scholarship (APS).	DEED - Public Schools Generally; 7/1/2011 eff.
2	14.43.810 – Alaska performance scholarship established; regulations.	2	4-15	Amended to rename Alaska performance scholarship program; and to generally reference Alaska performance scholarship as scholarships, including section heading.	ACPE – Financial Aid Programs for Postsecondary Students 7/1/2011 eff.
3	14.43.820(a) – Alaska performance scholarship; eligibility.	2 3	16-31 1-10	Amended to rename scholarship Alaska performance scholarship. (Section title changed through reviser’s instructions in Section 14).	ACPE – Financial Aid Programs for Postsecondary Students; 7/1/2011 eff.
4	14.43.825(a) – Maximum annual awards.	3	11-20	Amended to rename scholarship Alaska performance scholarship.	ACPE - Financial Aid Programs for Postsecondary Students; 7/1/2011 eff.
5	14.43.825(f) – Maximum annual awards	3	21-26	<b>Clarifies that in the event of a funding shortfall no “new” APS applications will be awarded.</b>	<b>ACPE - Financial Aid Programs for Postsecondary Students 7/1/2011 eff.</b>
6	14.43.727 – Eligibility for a scholarship supplement based on unmet need; minimum and maximum awards.	3 4	27-31 1-30	<b>Creates needs-based supplemental aid for otherwise eligible scholarship recipients. ACPE will determine eligibility by calculating a student’s unmet need relative to a standard cost of attendance. Each student/family must annually contribute a minimum of \$2,000 toward their costs of attendance. Annual minimum supplemental award is \$500 and maximum is \$4,000.</b>	<b>ACPE - Financial Aid Programs for Postsecondary Students 7/1/2012 eff.</b>
7	14.43.830 – Qualified	4	31	Amended to rename scholarship Alaska performance scholarship and adds	ACPE - Financial Aid Programs for

BILL SEC.	AK STATUTE SECTION TITLE	Pg	LINE	PURPOSE OF SECTION	AGENCY/EFF. Date
	postsecondary institutions.	5	1-24	requirements applicable to postsecondary institutions seeking to participate in APS that they 1) have counseling services; and, 2) provide to students the courses needed for on-time degree completion.	Postsecondary Students 7/1/2012 eff.
8	14.43.849 – Definitions.	5 6	25-31 1-7	Amends “program” definition for new program name.	ACPE - Financial Aid Programs for Postsecondary Students; 7/1/2011 eff.
9	14.43.915 – General Section.	6	8-18	Establishes an AEG and APS award income account in the general fund. Permits appropriations under 37.14.750 and from other sources. Monies used to pay AEG and APS awards. Amount determined annually under 37.14.750(d) [lesser of 1/3 fund balance or \$40 million].	ACPE - Financial Aid Programs for Postsecondary Students 7/1/2011 eff.
10	14.45.130(a) – Records	6	19-24	Amended to rename scholarship Alaska performance scholarship.	Education – Exempt Religious and Other Private Schools; 7/1/2011 eff.
11	37.07.020(b) – Responsibilities of the Governor.	6 7	25-31 1-20	Amends Executive Budget Act to replace the Alaska Capital Income Fund with the AEG and APS fund re: requiring a report of the annual balance of significant funds... including the new AEG and APS fund.	OMB 7/1/2011 eff.
12	37.13.145(d) – Disposition of income.	7	21-31	Amends Alaska Permanent Fund statutes to replace the Alaska Capital Income Fund with the AEG and APS fund re: mandating the deposit of Amerada Hess income into the AEG and APS fund.	Alaska Permanent Fund 7/1/2011 eff.
13	37.14.750 – Alaska performance scholarship investment fund established.	8 9	1-31 1-2	Establishes the AEG and APS fund consisting of appropriations, income earned on fund asset investments, donations, and money deposited to the fund under AS 37.13.145(b). Permits legislature to deposit into the fund 15% of money the state receives under 43.55.011(g). Caps annual appropriation at the greater of \$40 million or amount needed to raise AEG and APS fund balance to \$160 million. On or about 7/1 of each year the department will deposit the lesser of 1/3 the account balance or \$40 million into the AEG and APS account (14.43.915). This is not a dedicated fund.	Dept. of Revenue – Tax Division 7/1/2011 eff.
14	43.20.014(a) – Income tax education credit.	9	3-17	Expands contributions eligible for the Alaska education credit against corporate income tax to include contributions made to the APS fund.	Dept. of Revenue – Tax Division; 7/1/2011 eff.
15	43.20.014(a) – Income tax education credit.	9	18-30	Deals with the sunset provision in the education tax credit program. In 2010, the annual maximum education tax credit was increased to \$5 million. The increase sunsets 1/1/14 at which time the limit returns to \$150,000. This provision ensures, even though the amount of the credit is reduced, contributions to the	Dept. of Revenue – Tax Division 7/1/2011 eff.

BILL SEC.	AK STATUTE SECTION TITLE	Pg	LINE	PURPOSE OF SECTION	AGENCY/EFF. Date
				APS fund remain eligible for a credit.	
16	Sec. 8, ch. 14, SLA 2010	9 10	31 1-15	Transition language is amended to rename scholarship Alaska performance scholarship; and to generally reference Alaska performance scholarship as scholarships.	7/1/2011 eff.
17	37.05.565 – Special Funds.	10	16	<b>Repeals Alaska Capital Income Fund.</b>	7/1/2011 eff.
18	Uncodified law	10	17-28	<b>Transition language permitting the appropriation of smaller sums (\$20 million and \$30 million) into the AEG and APS Fund for FY12 and FY13, respectively; and, transferring money in the Alaska capital income fund to the AEG and APS fund under 37.14.750.</b>	7/1/2011 eff.
19	Uncodified law	10 11	29-31 1-5	Transition language provides that state agencies may proceed to adopt regulations to implement Act, but regulations take effect no earlier than 7/1/2011.	DOLWD, DEED, DOR and ACPE; Effective immediately
20	Uncodified law	11	6-12	Instructs revisor to change title of Article 12 to Alaska Performance Scholarship Program and change title of 14.43.820 to Alaska performance scholarship program; eligibility.	7/1/2011 eff.
21	Effective date notice	11	13	Section 19 takes effect immediately.	
22	<b>Effective date notice</b>	11	14-15	<b>Section 6, and new postsecondary institution requirements in Section 7, take effect 7/1/2012.</b>	
23	Effective date notice	11	16	Section 15 takes effect 7/1/2014.	
24	Effective date notice	11	17	Except as in Secs. 21 - 23, Act is effective 7/1/2011.	

Alaska State Legislature Joint Legislative Higher Education

# Scholarship Funding Task Force



## Report to the Legislature

Task Force Recommendations on

The Alaska Scholarship Program and

State-supported Educational Financial Assistance

Fall 2010

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## Funding and Finance

The first duty and priority for the Task Force was to “evaluate how best to provide long-term and sustainable funding for state provided financial aid for postsecondary institutions in the state” with particular emphasis being given to the performance-based Alaska Scholarship.

The Task Force analyzed – as representative examples – a number of funding and financing structures which were submitted to the Task Force. Those structures included: heavily capitalized, constitutionally protected endowment funds; heavily capitalized, statutorily created General Fund sub-accounts; moderately capitalized rolling-fund accounts; and, as a control group, the pay-as-you-go default case of annual General Fund appropriations. The Task Force also considered both the numerous revenue sources which could be tapped to provide monies for scholarships and the appropriation mechanisms available for directing such monies to specific programs, as well as the opportunities and challenges associated with each approach.

Relatively speaking, the ideal structure for ensuring a secure, long-term, sustainable funding source for the Scholarship would be a constitutional account, not unlike the Permanent Fund or Constitutional Budget Reserve, specific to the Scholarship and capitalized at a level where revenues generated from investment of the corpus would be sufficient to not only fully fund annual scholarship awards but also sufficient to inflation-proof the fund itself through reinvestment. Though subject to market volatility, such a mechanism (essentially a constitutionally protected endowment) would be highly durable, self-sustaining, more able to attract private donations through the newly augmented education tax-credit system and more likely to provide an adequate, predictable funding stream for the program.

However, such a constitutionally protected endowment account, due to the need for overwhelming legislative support and a further vote of the people, would be difficult and time consuming to create. Another substantial challenge would be capitalizing the account – identifying and appropriating the hundreds of millions of dollars in initial investment necessary to place the fund on the desired self-financing and self-sustaining footing.

One alternative to the constitutionally protected account was reflected in the Governor’s original Scholarship proposal. Senate Bill 224 and House Bill 297 each called for the establishment of a “scholarship fund” - a statutorily created sub-account of the General Fund, to hold appropriations, donations and income earned on investments of fund assets. Such a statutory account would have offered, though to a lesser degree, many of the same benefits as its constitutionally protected counterpart yet, because it could be created through a purely legislative process, would have been far easier to make and could have been established on a timeline as compressed as a single legislative session.

This option, however, suffered from the same fund capitalization shortcomings (both in immediacy and scale) as its counterpart. As described in Fiscal Note 2 of SB 224, the purely

statutory endowment would still have required an initial, immediate, investment of no less than \$400 million to approach fund self-sustainability.

Attempts to mitigate these capitalization challenges resulted in proposals which functionally resembled the revised School Bond Debt Reimbursement program. Under these designs, termed rolling-fund accounts by the Task Force, the fund capitalization threshold was reduced and the investment timeline extended. Under draft legislation requested for the Task Force (Attachments 15 and 16), the Scholarship Fund would be incrementally capitalized up to \$160 million over a series of years as monies were deposited into the fund in excess of those required for distribution as scholarship awards. Such a system would represent a moderate continuing strain on the State's finances but would allow the Legislature to capitalize the fund without the budgetary shock of a large, one-time appropriation. Also, though a smaller account balance would not afford the fail-safe, in perpetuity funding security of a heavily capitalized endowment, the corpus of a rolling-fund would provide a reasonable level of mid-term programmatic funding assurance; allowing the State the potential of a program wind-down while still having sufficient funds to meet its obligations to Scholarship awardees already in the training/education pipeline.

The Task Force considered all of these account options to be preferable to the pay-as-you-go default case of making no specific accommodation for the Scholarship and simply allowing the Administration to submit yearly funding requests for legislative consideration.

Therefore, *it is the recommendation of the Task Force that the Legislature immediately create, through statute, a Scholarship Fund as a sub-account within the General Fund.* As an account capitalization goal, *the Task Force recommends the Scholarship Fund account balance to be an amount sufficient to allow the Scholarship Fund to be wholly self-sustaining both for award distribution and inflation-proofing replenishment.* As an optimal capitalization strategy, *the Task Force would prefer, should sufficient funds be available, immediate account capitalization.* However, recognizing this may not be possible, *the Task Force recommends, as an alternative, incremental capitalization of the Scholarship Fund to a minimum balance of \$160 million,* or whatever amount the Legislature deems sufficient for it to act as a surety account for already obligated awards.

Possible funding sources for the Scholarship are many since the State has multiple sources from which it collects revenue (like severance taxes and corporate income taxes), multiple ways it generates income (like investment returns, dividends and program receipts) and dozens of existing accounts in which it is already holding money. Much of this income flows into the General Fund and is as available for appropriation to the Scholarship as it is for any other state program.

However, relying primarily on General Funds for support of a program is to subject it to the uncertainty of the budgetary process by placing it in competition with all other programs for yearly legislative prioritization and appropriation. This is a situation the Task Force, with an

overarching interest in assuring an adequate, secure and predictable funding stream to the Scholarship, would hope to avoid. Therefore, the Task Force advocates a funding regime which would require General Funds as supplemental funds only, if at all.

In general, and as much as is practicable, ***the Task Force recommends that sources of funding for the Scholarship by positively identified, "funds-in" revenue be affirmatively designated*** and General Funds be used as necessary and in supplement only. In order of preference, from "first place to go" to last, the Task Force advises the Legislature to fund the Scholarship Fund as follows:

1. Designating Interest from Specific, Existing Accounts
2. Designating Program Receipts and Dividends
3. Designating Revenues from Specific, External Sources
4. Re-appropriated Assets from Liquidated Accounts
5. General Funds

## Needs-Based Component

The original scholarship proposal (SB 224/HB297), as submitted, provided only for merit-based financial assistance but was later amended to include a needs-based component that was supplemental to the merit-based Scholarship. By supplemental, it is meant that the needs-based component was integrated within the merit-based Scholarship, creating a single program whereby a student would have to be a Scholarship recipient to be eligible to receive needs-based assistance. The goal of integrating a needs-based component into the merit scholarship was to ensure that the lesser socio-economically advantaged students who qualified for the merit scholarship would have the ability to use their merit-based award.

However, the statute that created the Scholarship (SB 221) used the AlaskAdvantage education grant program – an existing, stand alone program which, as a function of historic funding levels, had only been able to provide grants to those students demonstrating the highest level of financial need based on the methodology used in the Free Application for Federal Student Aid: primarily non-traditional, older students - to address the possible necessity for added assistance by Scholarship awardees specifically and the acknowledged insufficiency of state-funded needs-based financial assistance in Alaska generally.

This was not a perfect fit as these programs were not designed to work in concert and generally target groups which are not aligned. The AlaskAdvantage grant program has much broader eligibility standards than the Scholarship. Seeking to make the Scholarship's qualifications the same as for AlaskAdvantage would greatly impair, or even eliminate, its efficacy related to its broad-based programmatic goals just as seeking to amend AlaskAdvantage education grant's qualifications to mirror those of the Scholarship would render it unavailable to many of the groups it currently serves. However, the Task Force recognizes the value of the programs, their complementary natures and the statewide benefit of maintaining them both.

Therefore, *the Task Force recommends the creation of a second needs-based assistance program: a needs-based component, similar or identical to the one proposed in Education Committee versions of SB224/HB297, to be reintegrated into the Scholarship.* Such a supplement will allow the Scholarship to more fully serve its high achieving, traditional student population. However, recognizing the indeterminate funding liability potential of the need-based supplement, *the Task Force recommends the integrated needs-based component be capped*, either at a 2010 amount of \$4,755 (as the merit-based portion of the Scholarship award has been capped at the 2010 UA tuition amount) or some other reasonable figure. *The Task Force further recommends continued funding, at a level commensurate with its full functioning, of the AlaskAdvantage grant program*, allowing it to serve the non-traditional, General Education Development (GED), and older students as prioritized for grants under the program's current criteria. Finally, though they are to be programmatically separate, *the Task*

## Task Force Recommendations

## Needs-Based Component



Force recommends the supplemented Scholarship and AlaskAdvantage grant programs be funded through the same mechanism, perhaps, though not necessarily, under a funding formula which will ensure adequate support for both.

# Attachment 8

## Alaska's state financial aid policy goals

By *combining strategies* of needs-based and performance-based financial aid opportunities, Alaska's governor and legislature are utilizing two components that are each critical to Alaskans' access to and success in postsecondary education—academic and financial capacity.

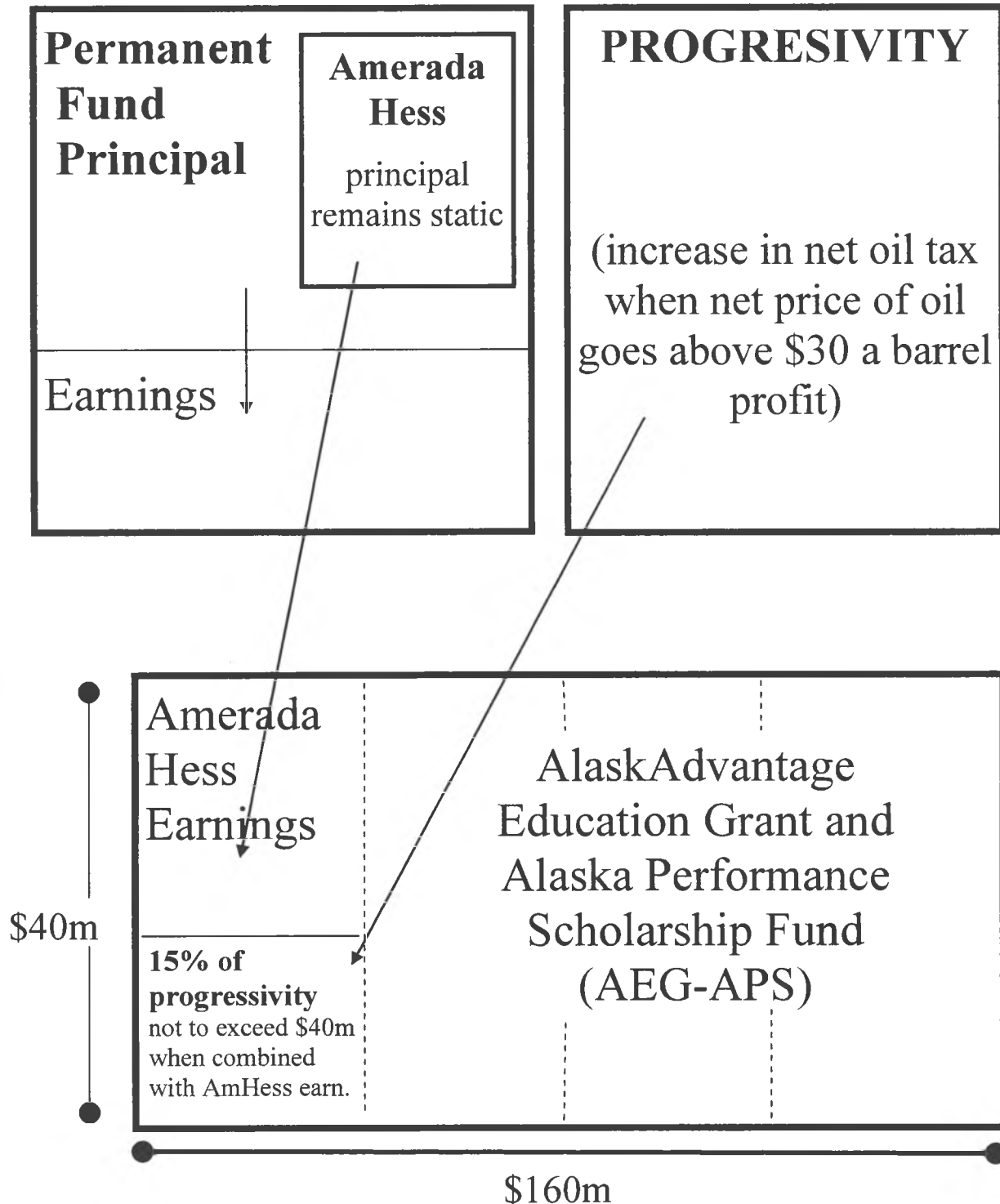
## 2010 Legislative models

HB297(EDC)/SB224(EDC) entitled scholarship recipients to an additional 50% of unmet cost of attendance (COA) > \$2,000

B-level Award Distribution by Family Income Level

Family AGI	\$25,000	\$50,000	\$75,000	\$100,000
Cost of attendance	\$18,500	\$18,500	\$18,500	\$18,500
Less Pell grant	-\$5,550	-\$0	-\$0	-\$0
Remaining costs	\$12,950	\$18,500	\$18,500	\$18,500
Less APS award	-\$3,566	-\$3,566	-\$3,566	-\$3,566
Remaining costs	\$9,385	\$14,934	\$14,934	\$14,934
Less EFC+\$2,000	-\$2,000	-\$6,772	-\$14,157	-\$15,401
Unmet need	\$7,384	\$8,212	\$777	\$0
Less needs award @ 50%	-\$3,692	-\$4,106	-\$388	\$0
Remaining family costs	\$3,692	\$4,106	\$389	\$0
Total State aid	\$7,258	\$7,672	\$3,954	\$3,566
Total student & family paid costs	\$5,692	\$10,878	\$14,546	\$15,401

# How AEG-APS Fund Works



There were no earnings directed from AmHess to the Capital Income Account in 2009 & 2010 due to realized losses in market crisis. Fiscal year 2011 earnings were used to pay back the AmHess principal until losses to the corpus are replaced. It is projected that under a "normal" income environment Am Hess will earn approximately 7%, or 22m a year. The year end balance of the fund was \$53.3m.

## State and Federal Scholarship and Grant Programs Information

**Alaska Advantage Education Grant (AEG):** The AEG is a state-funded need-based grant to Alaska students to promote access to postsecondary education. Annual grant awards range from \$500 to \$3,000 based upon: unmet cost of attendance less the student's expected family contribution and any non-loan aid, level of enrollment, and whether a student meets the requirements of one of the priority award categories. Priority categories are: having demonstrated college-readiness by scoring in the top quartile on either the SAT or ACT assessment; or, being enrolled in certain workforce shortage programs of study: education, protective and social services, allied health, and process and resource extraction industries. The AEG is available to students enrolled in a first undergraduate degree and attending at least half time at a Title IV-approved postsecondary institution in Alaska. The maximum amount a single student may receive under this program is \$12,000. The application for the AEG is the Free Application for Federal Student Aid (FAFSA).

**Alaska Performance Scholarship (APS):** The APS is a merit-based scholarship designed to incent and reward Alaska high school students who (1) take a curriculum which prepares them to succeed in postsecondary education, and (2) work hard and perform well in school to continue on and pursue postsecondary education and training in Alaska. Annual awards for full-time enrollment range from \$2,378 to \$4,755. The amount a student is eligible to receive is determined by a combination of the high school grade point average and score on the SAT, ACT or WorkKeys assessment. Recipients must attend a participating postsecondary education institution in Alaska and may use the scholarship for up to eight semesters over the six years following graduation from high school. The maximum amount a student may receive under this program is \$19,020. The application for the APS is the FAFSA.

**University of Alaska Scholars:** The UA Scholars program is a merit-based scholarship designed to reward student achievement and promote postsecondary attendance at the University of Alaska. This program was established by the University of Alaska and is funded by UA's Land Grant Trust Fund. An award is available to Alaska high school graduates identified by their school as being in the top 10% of their class. Recipients are awarded \$11,000 to be spread across eight semesters of attendance and must be used within six years of graduation from high school. The annual award is \$2,750.

**Federal Pell Grant:** The Federal Pell Grant Program provides need-based grants to low-income undergraduate students to promote access to postsecondary education. Grant amounts are dependent on: the student's expected family contribution (EFC); the cost of attendance; the student's enrollment status; and whether the student attends for a full academic year or less. For the 2010-11 award year (July 1, 2010 to June 30, 2011), the maximum award is \$5,550 and minimum is approximately \$1,180. The maximum amount can change each award year and depends on program funding. The application for the federal Pell grant is the FAFSA.

**Federal Supplemental Educational Opportunity Grants (FSEOG)** are for undergraduates with exceptional financial need. Pell Grant recipients with the lowest EFCs are first to receive these

federal supplemental grants. These annual awards range between \$100 and \$4000, depending on the time of application, financial need, and available funding at the school. FSEOGs are awarded only to first-time undergraduate students.

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Pell-eligibility is the cross-cutting qualification for each of the grants described above. Following are *generally* applicable annual gross family income ranges within which a full-time student may expect to receive a Pell grant, assuming one family member in college.

Net Assets	Income/3 in family	Income/4 in family	Income/5 in family	Income/6 in family
\$25,000	\$30k -- \$55k	\$30k -- \$65k	\$40k -- \$70k	\$50k -- \$75k
\$50,000	\$30k -- \$55k	\$30k -- \$65k	\$40k -- \$70k	\$40k -- \$75k
\$100,000	\$20k -- \$45k	\$20k -- \$55k	\$30k -- \$60k	\$40k -- \$65k

U.S. DOE has developed an online tool to assist families in estimating their precise EFC at [www.fafsa4caster.ed.gov](http://www.fafsa4caster.ed.gov). A general rule of thumb is that if the family's EFC is at or above \$4600, they will not be Pell-eligible.



### UA Scholars Program Highlights

- Started by UA in 1999 to attract students from high schools in every corner of the state
  - Funded by UA
- 5,266 students have benefited
- 1,873 degrees awarded
- 79% pursuing bachelor's degrees and 14% associate degrees or certificates
- 90% remain in Alaska after graduation
- 66% receive additional financial aid including loans



**UNIVERSITY  
of ALASKA**

*Many Traditions One Alaska*

## UA Scholars Program and APS – a comparison

### **Different Programs, Multiple Objectives, One Goal: Alaska Student Success**

The UA Scholars program and the Alaska Performance Scholarship are both merit-based scholarships designed to reward student achievement and promote post-secondary attendance in Alaska.

#### **UA Scholars Program**

The UA Scholars Program was established in 1999 by the University of Alaska to attract the top 10 percent of students from every graduating high school class in the state. The program keeps top performers in Alaska and increases student diversity.

The \$11,000 cash scholarship is not reduced if other aid is received. Funding for the scholarship comes from the university's own Land Grant Trust Fund.

#### **Alaska Performance Scholarship (APS)**

The Alaska Performance Scholarship (APS) was established in 2010 as an invitation to excellence for high school students. It rewards students who complete a rigorous high school curriculum, earn good grades and score well on achievement tests.

The goal of APS is to better prepare students for post-secondary education and to incent them to continue their education in Alaska.

The amount of the APS can be reduced when other scholarships or grants the student receives decreases his or her cost of attendance. APS funding proposals are currently under legislative consideration.

#### **Receiving Both Scholarships**

More scholarships mean greater opportunity for Alaska's students. While some students may receive both scholarships; others will receive only one. And some college-bound students will not receive either one.

The criteria for each scholarship are different and the goals of each scholarship are different.

A student receiving both scholarships would have considerable help paying for post-secondary education or workforce training if they attend the University of Alaska.

Please see the back of this page for a side-by-side comparison.

*For information contact: Saichi Oba, Associate Vice President,  
Student & Enrollment Services, 907/450-8146*

	<b>UA SCHOLARS PROGRAM</b>	<b>ALASKA PERFORMANCE SCHOLARSHIP</b>
<b>OBJECTIVE</b>	To incent top students from every community in Alaska to attend the University of Alaska	To incent students to be well prepared for higher education and career success and to pursue those in Alaska
<b>TYPE OF SCHOLARSHIP</b>	Merit-based: class standing	Merit-based: curriculum, GPA and college/career test scores
<b>NEED-BASED COMPONENT</b>	None	None
<b>FUNDED BY</b>	University of Alaska	State of Alaska
<b>IMPLEMENTED</b>	1999	2011 subject to appropriation
<b>ELIGIBILITY</b>	Graduate in the top 10% from qualified high school Scholars are designated from virtually every community in Alaska	Complete rigorous curriculum Achieve minimum 2.5 GPA Earn at least moderate scores on ACT, SAT or Work Keys
<b>WHO DETERMINES ELIGIBILITY</b>	Designated by qualified high schools based on class standing	School districts determine initial eligibility according to APS statutes and regulations
<b>TERM OF SCHOLARSHIP</b>	8 semesters over 5 years	From 2-8 semesters over 6 years
<b>AWARD AMOUNT</b>	\$1,375 per semester for \$11,000 total award	\$1,189 - \$2,378 based on award level per semester Lifetime \$9,512-\$19,020 based on award level
<b>CONTINUING ELIGIBILITY REQUIREMENTS</b>	Satisfactory Academic Progress and GPA	Annual Credits and GPA based on class standing
<b>FINANCIAL RESTRICTIONS</b>	The award is not tied to cost of attendance and not limited by other scholarships or financial aid received by student	"Last Dollar" award that cannot exceed the cost of attendance after all other scholarships and grants have been paid (including UA Scholars)
<b>APS/UA SCHOLARS ELIGIBILITY OVERLAP</b>	Scholar may be eligible for APS based on curriculum, test scores and GPA	APS recipient may be eligible for UA Scholars Award based on class rank
<b>FUNDING</b>	Provided by earnings of UA's Land Grant Trust Fund which is comprised of revenue generated by UA natural resource development.  No State appropriation	Concepts Under Consideration Annual Direct Appropriation Renewable Funding Source
<b>COST OF PROGRAM</b>	Approx \$3.5 million annually	Est. \$8.5 to \$20 million annually
<b>OUTCOMES</b>	UA Scholars Have High Retention Rates 85% return for a second year  UA Scholars Have High Graduation Rates more than 50% graduate within 6 years 1,873 degrees  UA Scholars Stay In-State 90% remain in Alaska today  UA Scholars Increase Diversity in fall 2009 nearly 20% were Alaska Natives	Anticipated Outcomes:  Increase in higher education readiness  Increase in post-secondary education enrollment  Increase in post-secondary graduation rates  Increase in qualified local hire, Alaska workforce



# **Current grant criteria**

- **Alaska resident enrolled in state at a regionally or nationally accredited school, be in a cert. or degree program and attending at least half time**
- **Meet institution's satisfactory acad. progress requirements**
- **Demonstrate financial need based on the methodology used in the Free Application for Federal Student Aid**
- **Meet other criteria to receive federal financial aid (not already have an undergraduate degree, registered for the draft, no drug convictions while receiving aid, etc.)**
- **Have a high school diploma or GED**
- **Have unmet need of at least \$500 after all other non-self-help financial aid considered**





# Current award process

- **Applicant pool is all otherwise eligible students who file a FAFSA on or before April 15**
- **Applicant information is made available to schools students have listed on their FAFSAs; schools provide information about other financial aid awarded and verify enrollment**
- **Using a set standard cost of attendance (based on current year UA COA), ACPE reduces the COA by each student's other non-loan aid and the Estimated Family Contribution (EFC)**

## Standard Cost of Attendance

- Other non-loan aid
- Estimated family contribution
- = **Unmet need**





# **Current award process**

**Applicants are then sorted, by unmet need amounts, in a descending order;**

**ACPE makes awards until the available funds are exhausted**

**In the event of equivalent unmet need amounts, two additional ordering criteria are:**


- 1) lowest adjusted gross income; and,**
- 2) closest to program completion**





# **Current grant structure**

## **Alaska Advantage priority awards**

- **Program rules provide for priority awards, in the form of higher grant amounts, for students in two categories:**
    1. Those enrolled in severe workforce shortage area programs, or
    2. Those whose secondary school performances demonstrate high likelihood for postsecondary education success
  - **For category one, the Commission annually determines qualifying shortage programs and they are:**
    1. education,
    2. social and protective services,
    3. allied health, and
    4. process and resource extraction industries
  - **For category two, by regulation, eligibility is based on having scored in the top quartile of test takers on either the SAT or ACT (1740/24)**
- 



# Current grant amounts

<b>Award type</b>	<b>Full-time student</b>	<b>Half-time student</b>
<b>Standard Award</b>	<b>\$1,500</b>	<b>\$750</b>
<b>Workforce Shortage Award</b>	<b>\$3,000</b>	<b>\$1,500</b>
<b>Top quartile of SAT/ACT test takers scores</b>	<b>\$3,000</b>	<b>\$1,500</b>

**(All amounts shown for full academic years)**





# **Program funding history**

**Grant funding source since current program inception in 2005-06: federal LEAP funds, ASLC Ofee account interest, FY09 Capital appropriation**

**Until FY09 annually funded at approximately \$650,000**

**Most recent 3-year average total awarded is \$1.161 million**

**Over five years number of AK FAFSA filers is up 70% with greater increases in the number of grant-eligible applicants**

**Because demand has outstripped funding, only applicants with very high need have been funded**





## Population served in 2009-2010

Population characteristics	Alaska FAFSAs	Eligible population	Awarded	Certified & disbursed
# of students	17,284	4,960	1,543	870
Average Age	27.8	27.7	30.3	32.6
Average AGI	\$53,954	\$34,994	\$18,527	\$16,617
Average unmet need	\$8,333	\$10,966	\$14,965	\$14,538

**Alaska FAFSAs – number of Alaska resident filers for attendance at Alaska schools**

**Eligible population – a total population subset having filed by the April 15 deadline, indicating enrollment at a participating school and w/unmet need of \$500 or greater**

**Awarded – the portion of the population with unmet need in excess of \$14,000**

**Certified & disbursed – enrolled and eligible as certified by school officials**

**AGI – adjusted gross income**



## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/19/11

FURTHER: Finance

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/16/11

Education Committee considered SENATE BILL NO. 43

### SB 43 ALASKA PERFORMANCE SCHOLARSHIPS

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds; making conforming amendments; and providing for an effective date."

and recommends:

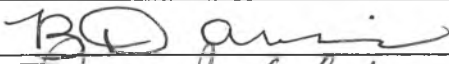

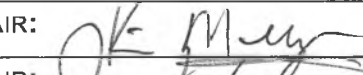

- be replaced with CS SB 43 (EDC) [ ] Same Title [ ] New Title
- adopt previous CS \_\_\_\_\_ SCS/CS- Forthcoming \_\_\_\_\_) [ ] Same Title [ ] New Title
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV			✓	
REV	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	DAVIS	X			
	Fresh	X			
CO-CHAIR: 	Meyer	✓			
CO-CHAIR: 	Thomas	✓			

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# Amerada Hess Royalty Oil Dispute and Settlement

## **FY 06 Capital Projects Financing**

The Administration proposes to use the earnings from the Amerada Hess settlement to pay the debt service on bonds to be issued by Alaska Housing Finance Corporation. The estimated \$30 million in annual interest earnings from the settlement is expected to support a \$343 million bond package. The proposal is to use these bond proceeds to fund capital projects that range from road construction to deferred maintenance to a new University science building.

In addition to the legislation necessary to authorize sale of the bonds, other legislation will be introduced to create the "Legacy Capital Fund" into which the earnings of the Amerada Hess principal will be transferred and accumulate until they are appropriated.

The following is background regarding the Amerada Hess settlement.

## **Settlement's History**

The fight with North Slope oil producers started in 1977, almost as soon as oil began to flow through the Trans-Alaska pipeline. That year the state filed a lawsuit accusing oil companies of undervaluing their oil and gas and thus denying the state the full value of its 12.5% royalty share. In 1989, the state filed claims against 15 companies for \$902 million. The dispute became known as the Amerada Hess case, named after the first company listed alphabetically in the lawsuit.<sup>1</sup>

Royalty oil is the state's ownership share of the crude coming out of the ground. The state takes its royalty share in two ways: in-kind, which is sold to Railbelt refineries and a Fairbanks electrical utility; and in value, which is sold back to the producers and priced at the wellhead net of transportation costs. The problem came in figuring out how to value the royalty oil. The state claimed that the companies used "bookkeeping fictions and intracorporate transactions" to under value the oil at market and overstate transportation costs, which combined to artificially lower

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<sup>1</sup> The Amerada Hess company was actually a very minor player in the case and settled out of court with the state in 1989 for \$319,000.

the wellhead value.<sup>2</sup> The production at issue occurred between 1977 and 1986 from the Kuparuk River and Prudhoe Bay oilfields.

The case became the longest running legal battle between the state and North Slope producers, lasting 18 years. One issue that came up early in the course of the litigation was that since 25% of royalty payments are dedicated to the Permanent Fund, earnings from settlement payments would eventually trickle into annual dividends paid out to Alaska residents. This issue was first raised in 1987 when three oil company defendants filed a lawsuit in federal district court to enjoin the Amerada Hess case from proceeding to trial in any court in Alaska. They claimed they could not receive a fair trial in Alaska because every judge and juror had a financial interest in the outcome of the case by reason of their respective annual Permanent Fund Dividends, which would be increased by any earnings derived from damages awarded to the state in Amerada Hess.<sup>3</sup>

In June 1988, the federal district court dismissed the action, ruling that the due process issue must be addressed in the state court before being asserted in the federal court. The companies appealed. In 1989, the Ninth Circuit Court of Appeals encouraged the parties to seek a legislative solution. Governor Cowper immediately introduced corrective legislation. This was ultimately passed into law (Ch 38, SLA 1989) in May 1989. Codified as AS 43.23.045 (b) Dividend Fund, it provided that:

*income earned on money awarded after trial in State v. Amerada Hess, et al, 1JU-77-847 Civ. (Superior Court, First Judicial District) shall be treated in the same manner as the Alaska permanent fund except that it is not available for distribution to the (dividend) fund, and shall be annually deposited into the principal of the Alaska permanent fund.*

Independently, in April of the same year the Ninth Circuit affirmed the district court's disposition, requiring the oil companies to raise the issue of disqualification in state Superior Court. The companies sought review by the U.S. Supreme Court but their petition was denied.

In October 1990, the companies filed a motion to disqualify the Alaska courts. In March 1991, Judge Carpeneti ruled that AS 43.23.045(b) removes most, but not all, of the sources of revenue flowing to the

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<sup>2</sup> "State Settles Oil Fight - \$100 Million Ends 18-Year Battle," Ralph Thomas, *Anchorage Daily News*, April 7, 1995.

<sup>3</sup> Transmittal from Governor Hickel for SB 213, March 18, 1991.

Permanent Fund dividend that created the bias. He also found that the statute failed to prevent additional monies from going to the dividend fund as a result of the so-called Amerada Hess price adjustment clauses in royalty-in-kind (RIK) contracts. He agreed with claims by the oil companies that if the state prevailed, it would result in a \$300 million judgement against refineries and the Fairbanks utility for in-kind purchases. Part of any judgement then would flow to the Permanent Fund and increase Permanent Fund Dividends (by \$81 over the next 15 years).

According to Judge Carpeneti, this failure to deal with RIK recoveries would require the Alaska court to disqualify itself. The result was another piece of legislation introduced by Governor Hickel in March of 1991 that became part of a more comprehensive rewrite of Permanent Fund statutes (19 Ch 134 SLA 1992) that included repealing AS 43.23.045(b) above. A new section was added to AS 37.13.145 Disposition of Income statute:

*(d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess et al, 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgement, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available to the dividend fund, and shall be annually deposited to the principal of the Alaska permanent fund.*

One final note on the legal history: 19 Ch. 134 SLA 1992 contained a conditional repealer stating that if the Alaska Supreme Court made a final determination that “no judge or juror is disqualified from serving as a judge or juror solely because the judge or juror may qualify to receive a permanent fund dividend,” subsection (d) would be repealed, i.e., earnings on the Amerada Hess principal would be added into the annual dividend calculation.

Eventually, almost all of the state’s claims were settled out of court. The final piece fell into place in 1995, when the state settled an assortment of gas royalty claims against three companies—BP, Exxon, and Mobil—for the last \$100 million of about \$1 billion in total settlements. Altogether the state spent nearly \$100 million in building its legal case. Over the course of the litigation, the share of settlements deposited into the Permanent Fund totaled \$194.1 million. Realized earnings on the Amerada Hess settlement money since the first deposit in FY 92 have added another \$230.3 million to the settlement principal, which totaled \$424.4 million at the end of FY 04.

**Amerada Hess as a subset of the Permanent Fund Principal**

The Amerada Hess portion of Permanent Fund principal is tracked separately in accounting records solely because its earnings cannot be included in the dividend calculation as previously discussed. Otherwise it is invested and managed exactly like the rest of the Permanent Fund. Realized earnings are deposited into the principal of the Permanent Fund, with the amount of realized earnings for inflation proofing accounted for separately. The inflation proofing piece is primarily informational to show how much the Amerada Hess earnings contributes to overall inflation proofing of the Amerada Hess portion of principal of the Permanent Fund.

## Amerada Hess Settlement

	Principal			Realized Earnings (over inflation)			Inflation-proofing			Total Settlement Principal
	<u>Beginning</u>	<u>Contributions</u>	<u>Ending</u>	<u>Beginning</u>	<u>Additions</u>	<u>Ending</u>	<u>Beginning</u>	<u>Additions</u>	<u>Ending</u>	
FY 1992	Inception	82,099,000	<b>82,099,000</b>	0	0	0	0	2,005,000	2,005,000	<b>84,104,000</b>
FY 1993		16,411,000	<b>98,510,000</b>	0	4,641,000	<b>4,641,000</b>	2,005,000	4,541,000	<b>6,546,000</b>	<b>109,697,000</b>
FY 1994		98,510,000	<b>111,723,000</b>	4,641,000	5,620,000	<b>10,261,000</b>	6,546,000	3,615,000	<b>10,161,000</b>	<b>132,145,000</b>
FY 1995		111,723,000	<b>173,440,000</b>	10,261,000	6,145,000	<b>16,406,000</b>	10,161,000	5,060,000	<b>15,221,000</b>	<b>205,067,000</b>
FY 1996		173,440,000	<b>176,300,000</b>	16,406,000	18,441,000	<b>34,847,000</b>	15,221,000	5,864,000	<b>21,085,000</b>	<b>232,232,000</b>
FY 1997		176,300,000	<b>184,147,000</b>	34,847,000	21,377,000	<b>56,224,000</b>	21,085,000	7,058,000	<b>28,143,000</b>	<b>268,514,000</b>
FY 1998		184,147,000	<b>208,769,000</b>	56,224,000	31,254,000	<b>87,478,000</b>	28,143,000	6,853,000	<b>34,996,000</b>	<b>331,243,000</b>
FY 1999		208,769,000	<b>208,769,000</b>	87,478,000	36,086,000	<b>123,564,000</b>	34,996,000	5,102,000	<b>40,098,000</b>	<b>372,431,000</b>
FY 2000		208,769,000	<b>215,655,000</b>	123,564,000	30,331,000	<b>153,895,000</b>	40,098,000	8,307,000	<b>48,405,000</b>	<b>417,955,000</b>
FY 2001		215,655,000	<b>229,242,000</b>	153,895,000	7,687,000	<b>161,582,000</b>	48,405,000	14,543,000	<b>62,948,000</b>	<b>453,772,000</b>
FY 2002		229,242,000	<b>194,083,000</b>	161,582,000	(23,384,000)	<b>138,198,000</b>	62,948,000	(5,154,000)	<b>62,112,000</b>	<b>394,393,000</b>
FY 2002		194,083,000	<b>194,083,000</b>	138,198,000	0	<b>138,198,000</b>	62,112,000	4,318,000	<b>62,112,000</b>	<b>394,393,000</b>
FY 2003		194,083,000	<b>194,083,000</b>	138,198,000	0	<b>138,198,000</b>	62,112,000	6,160,000	<b>68,272,000</b>	<b>400,553,000</b>
FY 2004		194,083,000	<b>194,083,000</b>	138,198,000	14,713,000	<b>152,911,000</b>	68,272,000	9,133,000	<b>77,405,000</b>	<b>424,399,000</b>
	<b>Total</b>	<b>194,083,000</b>		<b>Total</b>	<b>152,911,000</b>		<b>Total</b>	<b>77,405,000</b>		

Note: FY2002 reductions are the result of an audit correction of an over deposit of settlement principal and related earnings.

## Legacy Capital Fund's Ability to Support Capital Projects

### ASSUMPTIONS

Realized Return on AMHES	7.00%
Realized Return on LCF	7.00%

Cumulative Capital Project Amount	\$343,000,000
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Year	Fiscal Year Project Amount *	Cumulative Balance in Legacy Capital Fund	Fiscal Year Debt Payments	Year Realized Return Posted 6/30	Net increase (Decrease) for Fiscal Year	LCF coverage on Debt Service	Year Cumulative Balance in
2004							
2005		0	0	29,707,930	29,707,930		29,707,930
2006	100,000,000	29,707,930	0	29,707,930	31,787,485		61,495,415
2007	110,000,000	61,495,415	8,730,000	29,707,930	24,671,509	7.0	86,166,924
2008	75,000,000	86,166,924	18,333,000	29,707,930	16,123,305	4.7	102,290,229
2009	58,000,000	102,290,229	24,918,000	29,707,930	10,205,986	4.1	112,496,215
2010		112,496,215	30,010,400	29,707,930	5,471,537	3.7	117,967,752
2011		117,967,752	30,010,400	29,707,930	5,854,545	3.9	123,822,297
2012		123,822,297	30,010,400	29,707,930	6,264,363	4.1	130,086,659
2013		130,086,659	30,010,400	29,707,930	6,702,868	4.3	136,789,527
2014		136,789,527	30,010,400	29,707,930	7,172,069	4.6	143,961,596
2015		143,961,596	30,010,400	29,707,930	7,674,114	4.8	151,635,710
2016		151,635,710	30,010,400	29,707,930	8,211,302	5.1	159,847,012
2017		159,847,012	30,010,400	29,707,930	8,786,093	5.3	168,633,105
2018		168,633,105	30,010,400	29,707,930	9,401,119	5.6	178,034,224
2019		178,034,224	30,010,400	29,707,930	10,059,198	5.9	188,093,422
2020		188,093,422	30,010,400	29,707,930	10,763,342	6.3	198,856,763
2021		198,856,763	30,010,400	29,707,930	11,516,775	6.6	210,373,539
2022		210,373,539	30,010,400	29,707,930	12,322,950	7.0	222,696,488
2023		222,696,488	30,010,400	29,707,930	13,185,556	7.4	235,882,044
2024		235,882,044	30,010,400	29,707,930	14,108,545	7.9	249,990,590
2025		249,990,590	30,010,400	29,707,930	15,096,143	8.3	265,086,733
2026		265,086,733	30,010,400	29,707,930	16,152,873	8.8	281,239,606
2027		281,239,606	21,280,400	29,707,930	26,624,674	13.2	307,864,281
2028		307,864,281	11,677,400	29,707,930	38,763,612	26.4	346,627,892
2029		346,627,892	5,092,400	29,707,930	48,523,014	68.1	395,150,907

\* 20 year term 5.06 and 6.06 TIC

**Alaska State Legislature**  
**Joint Legislative Higher Education Scholarship Funding Task Force**

**Senate**

**Senator Kevin Meyer, Chair**

Senator Johnny Ellis  
Senator Lyman Hoffman  
Senator Gary Stevens  
Senator Joe Thomas



**House**

**Representative Paul Seaton, Vice-chair**

Representative Peggy Wilson  
Representative Wes Keller  
Representative Anna Fairclough  
Representative Chris Tuck

**Administration**

ACPE: Diane Barrans, Director  
OMB: Karen Rehfeld, Director  
AK State Board of Education: Esther Cox, Chair  
University of Alaska: Saichi Oba, Associate Vice President  
Department of Education: Eddy Jeans, Education Policy Coordinator

December 1, 2010

Senate President Gary Stevens  
State Capitol Room 111  
Juneau, AK 99801-1182

Speaker of the House Mike Chenault  
State Capitol Room 208  
Juneau, AK 99801-1182

Dear President Stevens and Speaker Chenault,

This report is submitted to the Legislature by the Joint Legislative Higher Education Scholarship Funding Task Force, established by the 26<sup>th</sup> Alaska State Legislature under Senate Bill 221 to "examine higher education costs and identify the best approach in providing financial aid to assist students in the state".

Pursuant to this purpose, the Task Force has spent the interim performing three of the duties outlined in SB 221. These included evaluating how best to provide long-term and sustainable funding for state provided financial aid, evaluating proposals pertaining to financial aid opportunities and taking public comments on financial aid opportunities in the state.

Having completed all these assigned duties, the Task Force now respectfully submits the attached report in fulfillment of its fourth and final duty: "recommend improvements or additions to the laws providing for financial aid at postsecondary institutions." Those recommendations, along with supporting justifications and documentation, as included herein.

Respectfully,

A handwritten signature in cursive script that reads "Kevin Meyer".

Senator Kevin Meyer,  
Chairman, Joint Legislative Higher Education Scholarship Funding Task Force

Alaska State Legislature Joint Legislative Higher Education

# Scholarship Funding Task Force



## Report to the Legislature

Task Force Recommendations on

The Alaska Scholarship Program and

State-supported Educational Financial Assistance

Fall 2010

# Executive Summary

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Throughout the fall of 2010, the Scholarship Funding Task Force, established by Senate Bill 221 during the 26<sup>th</sup> Alaska State Legislature, performed an analysis of higher education financial aid policy in an effort to arrive at a set of recommendations for providing financial assistance for the post-high school education and training of Alaska students.

Specifically, the Task Force had been asked to consider options to ensure a long-term and sustainable funding stream for the newly created Alaska Scholarship program (Scholarship) and other state-provided financial aid. To do this, the Task Force solicited input from professionals with knowledge and expertise in education, administration, financial aid and governmental budgeting. It also took public testimony from groups and individuals (including current postsecondary students) who would benefit from or be impacted by the new program. The Task Force performed an in-depth analysis of the existing and potential components of the Scholarship and then, finally, reviewed the budgetary means and mechanisms available to the State to sustain programs like the Scholarship.

In a series of meetings, the Task Force reviewed the legislative history of the Scholarship, from inception to passage into law, and examined the form and function of the merit-based scholarship program created in statute with passage of SB 221. The Task Force also considered needs-based financial aid and examined the State's existing needs-based education assistance program – the AlaskAdvantage education grant program. Finally, the Task Force reviewed the budgetary tools available for supporting state-sponsored programs and analyzed structures the State might use to fund and finance the Scholarship.

Within the context of these reviews, evaluations and analyses, the Task Force formulated a consensus opinion on the funding strategy members agreed would be most efficient and effective in placing the Scholarship on a firm and enduring financial footing. It also considered numerous structural conditions and modifications through which the State's scholarship and financial aid systems might be strengthened to support the optimal functioning of the Scholarship.

This work of the Task Force formed the basis for the following recommendations to the Legislature and the State.

Implementation of these recommendations is expected to provide the structure necessary for the Scholarship to meet its two great promises: Its promise to Alaska that it can raise student academic performance by raising expectations, and its promise to students that, if they challenge themselves and achieve academic success under a highly rigorous curriculum, the State will reward them with a Scholarship.

# Summary of Recommendations

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## **Funding and Finance**

- The Legislature should immediately create a Scholarship Fund for the Scholarship program.
- If possible, the Scholarship Fund should be immediately capitalized to the point where it can be both self-sufficient and self-sustaining.
- Otherwise, the Scholarship Fund should be incrementally capitalized to a minimum balance of \$160 million using sources which have been positively identified and with revenues that have been affirmatively designated.

## **Merit-Based Component**

### Curriculum:

- No immediate amendment should be made to the Scholarship curriculum until its yearly reporting can provide the data to serve as a factual basis for such alterations.
- The Department of Education & Early Development should specify the “required courses” not specifically delineated in statute for each curricular subject area and define the content requirements and standards for those courses.

### Distance Delivery:

- The Legislature should do an assessment of the State’s existing distance delivery capacity and, should it be necessary, develop a plan (including cost estimates) for upgrading the Department of Education & Early Development’s capacity to provide virtual program or distance-delivered secondary courses.

## **Needs-Based Component**

- To directly support Scholarship awardees, a capped needs-based supplement should be reintegrated into the Scholarship.
- To assist all students, however, the Legislature should continue its support of the AlaskAdvantage grant program but do so at higher than historic levels.
- The supplemented Scholarship and AlaskAdvantage grant programs should be programmatically separate but should be funded through the same mechanism, under a funding formula which ensures adequate support for both.

## **Other Policy Recommendations**

- Any institution which accepts Scholarship awards should integrate an advisor/advocate program to assist Scholarship awardees in expediting the students’ time to education program completion.

# Summary of Recommendations

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- Institutions accepting Scholarship awardees should make their best effort to provide course delivery structures that allow for two and/or four year certificate/degree completion timelines.

# Introduction

Throughout the fall of 2010, the Joint Legislative Higher Education Scholarship Funding Task Force (hereafter referred to as the “Task Force”), established by Senate Bill 221 during the 26<sup>th</sup> Alaska State Legislature and in accordance with the Purpose and Duties described therein (Attachment 1), performed an examination of higher education financial aid policy options relative to student success in its effort to arrive at a set of recommendations for providing state financial assistance to Alaska students for post-high school education and training. Specifically, the Task Force was asked to consider options for securing a long-term and sustainable funding stream for the Alaska Scholarship (hereafter referred to as the “Scholarship”), and other state-provided financial aid meant to assist students in attending postsecondary institutions within the State, and to offer guidance to the Legislature on how it might best achieve that goal.

In furtherance of its statutory mandate, the Task Force solicited input from professionals with knowledge and expertise in education, administration, financial aid and governmental budgeting, and took public testimony from impacted groups and individuals, as it performed an in-depth analysis of the existing and potential components of the Scholarship and the means and mechanisms available to the State to sustain it.

The Task Force reviewed the legislative history of the Scholarship (Attachments 2 – 6):

- the Taylor Plan, which served as its preliminary model
- the proposal submitted by the Governor
- the versions created by the House and Senate Education Committees
- the Alaska Performance Scholarship codified in statute today

The Task Force discussed the merit-based component of the Scholarship:

- how students become eligible
- how they apply and the level of awards they can achieve
- where and how recipients can use their scholarships
- how many students are likely to apply for and receive awards
- how much it is likely to cost the State to provide those awards (Attachment 7)

The Task Force discussed the needs-based complement to the Scholarship (Attachment 8):

- the rationale for needs-based assistance
- the proposals on the issue vetted by the Legislature
- the vehicle the Legislature used to mitigate the Scholarship’s lack of an integrated needs-based assistance component - the AlaskAdvantage education grant program
- an estimate of the annual full cost of funding the current AlaskAdvantage grant program to serve as the state’s needs-based assistance component

- potential modification of the AlaskAdvantage grant program to better align it with the student performance goals of the Scholarship

The Task Force discussed the budgetary tools available to the State for funding and financing the Scholarship (Attachment 9):

- the revenues available for appropriation for its support
- the fund and account structures the State can create or maintain to securely hold those funds
- the methods available to the State of ensuring the directed distribution of monies
- the advantages and disadvantages relative to each budgetary structure in relation to the goals of the Task Force

The Task Force analyzed, as representative examples, funding and financing structures submitted to the Task Force (Attachments 10 - 14):

- Two forms of Endowments
- Two Rolling-Account proposals
- the default, annual General Fund appropriation option

Finally, The Task Force discussed ideas for possible “improvements and additions” to the Scholarship, in areas including:

- mandatory curriculum
- assessment alternatives
- access to education programs through distance delivery
- the postsecondary educational system

Having concluded its fact finding and subsequent deliberations, and in accordance with its statutory mandate, the Task Force has generated a list of consensus recommendations regarding the State’s postsecondary financial aid system in general and the Scholarship in particular. Those recommendations, and their supporting rationales, are included in the following report under their corresponding subject heading.

## Funding and Finance

The first duty and priority for the Task Force was to “evaluate how best to provide long-term and sustainable funding for state provided financial aid for postsecondary institutions in the state” with particular emphasis being given to the performance-based Alaska Scholarship.

The Task Force analyzed – as representative examples – a number of funding and financing structures which were submitted to the Task Force. Those structures included: heavily capitalized, constitutionally protected endowment funds; heavily capitalized, statutorily created General Fund sub-accounts; moderately capitalized rolling-fund accounts; and, as a control group, the pay-as-you-go default case of annual General Fund appropriations. The Task Force also considered both the numerous revenue sources which could be tapped to provide monies for scholarships and the appropriation mechanisms available for directing such monies to specific programs, as well as the opportunities and challenges associated with each approach.

Relatively speaking, the ideal structure for ensuring a secure, long-term, sustainable funding source for the Scholarship would be a constitutional account, not unlike the Permanent Fund or Constitutional Budget Reserve, specific to the Scholarship and capitalized at a level where revenues generated from investment of the corpus would be sufficient to not only fully fund annual scholarship awards but also sufficient to inflation-proof the fund itself through reinvestment. Though subject to market volatility, such a mechanism (essentially a constitutionally protected endowment) would be highly durable, self-sustaining, more able to attract private donations through the newly augmented education tax-credit system and more likely to provide an adequate, predictable funding stream for the program.

However, such a constitutionally protected endowment account, due to the need for overwhelming legislative support and a further vote of the people, would be difficult and time consuming to create. Another substantial challenge would be capitalizing the account – identifying and appropriating the hundreds of millions of dollars in initial investment necessary to place the fund on the desired self-financing and self-sustaining footing.

One alternative to the constitutionally protected account was reflected in the Governor’s original Scholarship proposal. Senate Bill 224 and House Bill 297 each called for the establishment of a “scholarship fund” - a statutorily created sub-account of the General Fund, to hold appropriations, donations and income earned on investments of fund assets. Such a statutory account would have offered, though to a lesser degree, many of the same benefits as its constitutionally protected counterpart yet, because it could be created through a purely legislative process, would have been far easier to make and could have been established on a timeline as compressed as a single legislative session.

This option, however, suffered from the same fund capitalization shortcomings (both in immediacy and scale) as its counterpart. As described in Fiscal Note 2 of SB 224, the purely

statutory endowment would still have required an initial, immediate, investment of no less than \$400 million to approach fund self-sustainability.

Attempts to mitigate these capitalization challenges resulted in proposals which functionally resembled the revised School Bond Debt Reimbursement program. Under these designs, termed rolling-fund accounts by the Task Force, the fund capitalization threshold was reduced and the investment timeline extended. Under draft legislation requested for the Task Force (Attachments 15 and 16), the Scholarship Fund would be incrementally capitalized up to \$160 million over a series of years as monies were deposited into the fund in excess of those required for distribution as scholarship awards. Such a system would represent a moderate continuing strain on the State's finances but would allow the Legislature to capitalize the fund without the budgetary shock of a large, one-time appropriation. Also, though a smaller account balance would not afford the fail-safe, in perpetuity funding security of a heavily capitalized endowment, the corpus of a rolling-fund would provide a reasonable level of mid-term programmatic funding assurance; allowing the State the potential of a program wind-down while still having sufficient funds to meet its obligations to Scholarship awardees already in the training/education pipeline.

The Task Force considered all of these account options to be preferable to the pay-as-you-go default case of making no specific accommodation for the Scholarship and simply allowing the Administration to submit yearly funding requests for legislative consideration.

Therefore, ***it is the recommendation of the Task Force that the Legislature immediately create, through statute, a Scholarship Fund as a sub-account within the General Fund.*** As an account capitalization goal, ***the Task Force recommends the Scholarship Fund account balance to be an amount sufficient to allow the Scholarship Fund to be wholly self-sustaining both for award distribution and inflation-proofing replenishment.*** As an optimal capitalization strategy, ***the Task Force would prefer, should sufficient funds be available, immediate account capitalization.*** However, recognizing this may not be possible, ***the Task Force recommends, as an alternative, incremental capitalization of the Scholarship Fund to a minimum balance of \$160 million,*** or whatever amount the Legislature deems sufficient for it to act as a surety account for already obligated awards.

Possible funding sources for the Scholarship are many since the State has multiple sources from which it collects revenue (like severance taxes and corporate income taxes), multiple ways it generates income (like investment returns, dividends and program receipts) and dozens of existing accounts in which it is already holding money. Much of this income flows into the General Fund and is as available for appropriation to the Scholarship as it is for any other state program.

However, relying primarily on General Funds for support of a program is to subject it to the uncertainty of the budgetary process by placing it in competition with all other programs for yearly legislative prioritization and appropriation. This is a situation the Task Force, with an

overarching interest in assuring an adequate, secure and predictable funding stream to the Scholarship, would hope to avoid. Therefore, the Task Force advocates a funding regime which would require General Funds as supplemental funds only, if at all.

In general, and as much as is practicable, ***the Task Force recommends that sources of funding for the Scholarship by positively identified, "funds-in" revenue be affirmatively designated*** and General Funds be used as necessary and in supplement only. In order of preference, from "first place to go" to last, the Task Force advises the Legislature to fund the Scholarship Fund as follows:

1. Designating Interest from Specific, Existing Accounts
2. Designating Program Receipts and Dividends
3. Designating Revenues from Specific, External Sources
4. Re-appropriated Assets from Liquidated Accounts
5. General Funds

# Merit-based Component

## Curriculum

It is the intent of the Scholarship (Attachment 17), through “increased academic rigor”, to improve the academic performance of Alaska students in grades kindergarten through 12 and thereby improve preparedness for postsecondary education and successful performance at postsecondary educational institutions. As such, many Task Force discussions focused on the dual curricular offerings embedded in the codified Scholarship.

To some, the inclusion of a “liberal arts” option, allowing for the taking of three years of mathematics, four years of language arts, three years of science, four years of social studies, and two years of a foreign language or Alaska Native language, represented a diminishment of programmatic rigor, and it was argued that the State should return to the single curricular option described in House Bill 297. To others, the inclusion of the two curricular options better reflected the reality of individual scholastic propensity and represented no such diminishment.

Recognizing that other states, with longer established Taylor Plan-based scholarship programs, have wrestled with this issue, and that future adjustments regarding these broad curricular categories are always within the State’s power, ***the Task Force recommends making no immediate amendment to the curricula of the Scholarship until its yearly reporting can provide the data to serve as a factual basis for alteration.***

The Task Force does, however, further recognize that broad statements regarding years of required schooling by discipline are relatively meaningless, and the State’s goal of increasing academic proficiency is less likely to achieve success, without a clearer definition of precisely what courses are to be taken and what content is expected to be taught and learned. Succinctly, course rigor is dependent on content not course titles. Therefore, to ensure the quality and uniformity of statewide Scholarship curricular offerings, ***the Task Force recommends the Legislature direct, and statutorily allow, the Alaska State Department of Education & Early Development, in consultation with the Alaska State School Board and any other public or private parties deemed necessary or beneficial, to specify the required courses not specifically delineated in statute for each educational category*** (Ex. 4yrs Math = Algebra 1, Algebra 2, Geometry and Trigonometry, etc.) ***and define the content requirements and standards for those courses in regulation.*** Although the State might experience resistance to such a move, the voluntary nature of the Scholarship vis-à-vis student curricular choices, coupled with the size of the State’s required investment and the customary ability of scholarship sponsors to set whatever requirements it feels most likely to achieve its desired ends, are compelling justifications for such a move.

### **Distance Delivery**

There is concern the State, due to a lack of physical infrastructure and/or virtual secondary-level educational content, may currently be unable to deliver, on a consistent basis, all facets of the rigorous curriculum required by the Scholarship to all students in all locations throughout Alaska. Therefore, recognizing that a robust, reliable distance delivery system is essential to ensuring all students will have a reasonable opportunity to compete for Scholarship awards, and to ensure equity in the Scholarship Program, ***the Task Force recommends the Legislature, in partnership with the State Department of Education and Early Development, the University of Alaska, and any other public or private parties deemed necessary or beneficial, do an assessment of the State's existing distance delivery capacity and, should it be necessary, develop a plan (including cost estimates) for upgrading the Department's capacity to provide virtual program or distance-delivered secondary courses.***

## Needs-Based Component

The original scholarship proposal (SB 224/HB297), as submitted, provided only for merit-based financial assistance but was later amended to include a needs-based component that was supplemental to the merit-based Scholarship. By supplemental, it is meant that the needs-based component was integrated within the merit-based Scholarship, creating a single program whereby a student would have to be a Scholarship recipient to be eligible to receive needs-based assistance. The goal of integrating a needs-based component into the merit scholarship was to ensure that the lesser socio-economically advantaged students who qualified for the merit scholarship would have the ability to use their merit-based award.

However, the statute that created the Scholarship (SB 221) used the AlaskAdvantage education grant program – an existing, stand alone program which, as a function of historic funding levels, had only been able to provide grants to those students demonstrating the highest level of financial need based on the methodology used in the Free Application for Federal Student Aid: primarily non-traditional, older students - to address the possible necessity for added assistance by Scholarship awardees specifically and the acknowledged insufficiency of state-funded needs-based financial assistance in Alaska generally.

This was not a perfect fit as these programs were not designed to work in concert and generally target groups which are not aligned. The AlaskAdvantage grant program has much broader eligibility standards than the Scholarship. Seeking to make the Scholarship's qualifications the same as for AlaskAdvantage would greatly impair, or even eliminate, its efficacy related to its broad-based programmatic goals just as seeking to amend AlaskAdvantage education grant's qualifications to mirror those of the Scholarship would render it unavailable to many of the groups it currently serves. However, the Task Force recognizes the value of the programs, their complementary natures and the statewide benefit of maintaining them both.

Therefore, ***the Task Force recommends the creation of a second needs-based assistance program: a needs-based component, similar or identical to the one proposed in Education Committee versions of SB224/HB297, to be reintegrated into the Scholarship.*** Such a supplement will allow the Scholarship to more fully serve its high achieving, traditional student population. However, recognizing the indeterminate funding liability potential of the need-based supplement, ***the Task Force recommends the integrated needs-based component be capped***, either at a 2010 amount of \$4,755 (as the merit-based portion of the Scholarship award has been capped at the 2010 UA tuition amount) or some other reasonable figure. ***The Task Force further recommends continued funding, at a level commensurate with its full functioning, of the AlaskAdvantage grant program***, allowing it to serve the non-traditional, General Education Development (GED), and older students as prioritized for grants under the program's current criteria. Finally, though they are to be programmatically separate, ***the Task***

*Force recommends the supplemented Scholarship and AlaskAdvantage grant programs be funded through the same mechanism, perhaps, though not necessarily, under a funding formula which will ensure adequate support for both.*

## Other Policy Recommendations Regarding Scholarship Investments

It is recognized that remedial courses delivered at the postsecondary level may entail public and/or private expense but do not count for degree credit. Also, by delaying progress toward completion, the need for remediation substantially reduces the probability a student will ever complete a degree/certificate program. Therefore, a goal of the Legislature in establishing a merit scholarship program was to create a source of transformational pressure on Alaska's K-12 system - a renewed impetus for it to adequately prepare students for successful entry into college and career/tech - and, in so doing, ensure scholarship awardees will not need to expend time or personal capital on developmental education (remedial) courses.

Degree/certificate completion – not simply attendance – is the investment objective of the State. It should therefore look at factors that produce delay in progress or otherwise contribute significantly to non-completion. What other policies should be instituted in the scholarship program to stimulate postsecondary education changes to incentivize completion and make our money count? On-time completion will also become vital to Alaska institutions as a scholarship program becomes fully implemented because the anticipated growth in student enrollment may well overwhelm available capacity if students do not progress more rapidly. The following suggestions are programmatic recommendations to advance that goal:

***The Task Force recommends that any institution which accepts Scholarship awards should integrate an advisor/advocate program to assist Scholarship awardees.***

Evidence shows that advisor/advocate programs work at all education levels. Many designs are in use across the nation. Private institutions with traditionally high completion rates almost always incorporate a rigorous advising model. The University of Nevada even aids students through a Course Concierge program (Attachment 18). Some initiatives such as Complete College America presume advising programs as evidenced in discussion of retention rate metrics by the statement that colleges “can actively work to better engage those students during their first year....” The Task Force heard testimony that University of Alaska Fairbanks (UAF), with mandatory advising for all degree seekers, has a five-year completion rate which is 50% higher than University of Alaska Anchorage (UAA) with optional advising for degree candidates. As the State will be making a significant investment in the scholarship student, it is reasonable for the State to request that institutions receiving those funds advise that student on how to remain on track toward graduation.

***The Task Force recommends that institutions accepting Scholarship awardees should assist them in maximizing the value of their awards by providing timely course offerings (or courses***

***of study) that allow for completion of certificate and/or degree programs within a two- or four-year course of study.***

This would not guarantee that all students would progress perfectly but would mean that those who desire to move forward would be provided that opportunity. The diversity of methods for providing access to courses for on-time completion has never been more available to Alaska institutions. Programs such as the Western Interstate Commission for Higher Education's Internet Course Exchange (WICHE ICE) or other programs through participating institutions permit students to take courses not otherwise available to them. It will be important for all programs requiring more than 60 units for an AA certificate and more than 120 credits for a BA/BS degree to provide students the estimation of time for completion so they can reasonably assess the probability of their Scholarship funding their education through completion and make further arrangements as appropriate or necessary.

# Scholarship Funding Task Force Report to the Legislature

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# Attachment 1

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## Joint Legislative Higher Education Scholarship Funding Task Force

### Membership:

Chair: Senator Meyer  
Vice-chair: Representative Seaton

#### Senate

Senator Johnny Ellis  
Senator Lyman Hoffman  
Senator Gary Stevens  
Senator Joe Thomas

#### House

Representative Peggy Wilson  
Representative Wes Keller  
Representative Anna Fairclough  
Representative Chris Tuck

#### Administration

Department of Education: Eddy Jeans, Education Policy Coordinator  
University of Alaska: Saichi Oba, Associate Vice President  
OMB: Karen Rehfeld, Director  
ACPE: Diane Barrans, Director  
AK State Board of Education: Esther Cox, Chair

**Purpose:** Examine higher education costs and identify the best approach in providing financial aid to assist students in the state.

- Duties:**
- Evaluate how best to provide long-term and sustainable funding for state provided financial aid for postsecondary institutions in the state, including scholarship opportunities
  - Evaluate proposals that are based on available facts and conclusions pertaining to financial aid opportunities at postsecondary institutions in the state.
  - Recommend improvements or additions to the laws providing for financial aid at postsecondary institutions.
  - Take public comments on financial aid opportunities in the state.

# Attachment 2

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## **TAYLOR PLAN – Louisiana (2014 Graduates)**

### *CURRICULUM\**

Four (4) years of math

Four (4) years of Language Arts

Four (4) years of Science

Four (4) years of Social Studies

One (1) year Fine Arts

Two (2) years Foreign Language

\*Specific required courses spelled out in publications

### *MINIMUM ACHIEVEMENT*

- 2.5 or higher cumulative GPA
- Composite ACT of 20 or above

### *STANDARD AWARD*

State-paid tuition at any public two- or four-year college, university or vocational/technical school or equivalent award at any in-state private institution.

### *ADDITIONAL AWARDS*

- \$400 for students with a GPA of 3.5 or better, and ACT of 23 or higher
- \$800 for students with a GPA of 3.5 or better, and ACT of 27 or higher

# Attachment 3

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## GOVERNOR'S PERFORMANCE SCHOLARSHIP

### *QUALIFICATIONS OF APPLICANTS*

- Alaska Residents who have applied, or will apply, no more than six (6) months before or after date of graduation.
- Will use the scholarship at a qualified (Alaskan) post secondary institution no later than 6 years after the beginning of the first school year after graduation.

### *ELIGIBILITY*

- Completed Core Curriculum
- Met minimum grade-point average threshold
- Met minimum career-skills assessment or college entrance examination threshold
- Be enrolled in a certificate or degree-seeking program

### *CURRICULUM\**

Four (4) years of math

Four (4) years of Language Arts

Four (4) years of Science

Three (3) years of Social Studies

\*Specifics TBA

### *AWARD LEVELS\* \*\**

- 3.5 and up - 100% of qualified tuition
- 3.0-3.49 - 75% of qualified tuition
- 2.5-2.99 - 50% of qualified tuition

\*Minimum test scores per tier, and how they would impact awards, TBA

\*\*Career Scholarship award not to exceed \$3,000 per school year

### *ESTIMATED PROGRAMMATIC COST*

FY 2012 - \$8,221,935

**FY 2016 - \$20,556,621**

# Attachment 4

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## SENATE EDUCATION COMMITTEE

### QUALIFICATIONS OF APPLICANT

- Alaska Residents who have applied, or will apply, no more than six (6) months before or after date of graduation.
- Will use the scholarship at a qualified (Alaskan) post secondary institution no later than 6 years after the beginning of the first school year after graduation.

### ELIGIBILITY

- Completed Core Curriculum
- Met minimum grade-point average threshold
- Met minimum career-skills assessment or college entrance examination threshold
- Be enrolled in a certificate or degree-seeking program

### CURRICULUM\*

Four (4) years of math	Three (3) years of math
Four (4) years of Language Arts	Four (4) years of Language Arts
Four (4) years of Science	Three (3) years of Science
Four (4) years of Social Studies, one may include a non-English language, art, etc.	Four (4) years of Social Studies
	Two (2) years of foreign or Alaska Native language

\*Specifics TBA

### AWARD LEVELS\* \*\*

#### Academic

- 3.5 and up - 100% of qualified tuition
- 3.0-3.49 - 75% of qualified tuition
- 2.5-2.99 - 50% of qualified tuition

#### Need

- 50% of outstanding "unmet financial need" after grants, awards and \$2,000 student contribution

\*Minimum test scores per tier, and how they would impact awards, TBA

\*\*Career Scholarship award not to exceed \$3,000 per school year

### ESTIMATED PROGRAMMATIC COST

FY 2012 - \$25,341,600\*

**FY 2015 - \$40,106,600**

\*Reflects inclusion of 2010 graduates in first cohort

# Attachment 5

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## HOUSE EDUCATION COMMITTEE

### *QUALIFICATIONS OF APPLICANTS*

- Alaska Residents who have applied, or will apply, no more than six (6) months before or after date of graduation.
- Will use the scholarship at a qualified (Alaskan) post secondary institution no later than 6 years after the beginning of the first school year after graduation.

### *ELIGIBILITY*

- Completed Core Curriculum
- Met minimum grade-point average threshold
- Met minimum career-skills assessment or college entrance examination threshold
- Be enrolled in a certificate or degree-seeking program

### *CURRICULUM\**

Four (4) years of math

Four (4) years of Language Arts

Four (4) years of Science

Three (3) years of Social Studies

\*Specifics TBA

### *AWARD LEVELS\* \*\**

Academic

- 3.5 and up - 100% of qualified tuition
- 3.0-3.49 - 75% of qualified tuition
- 2.5-2.99 - 50% of qualified tuition

Need

- 50% of outstanding "unmet financial need" after grants, awards and \$2,000 student contribution

\*Minimum test scores per tier, and how they would impact awards, TBA

\*\*Career Scholarship award not to exceed \$3,000 per school year

### *ESTIMATED PROGRAMMATIC COST*

FY 2012 - \$14,480,000

**FY 2016 - \$37,169,600**

# Attachment 6

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## ALASKA SCHOLARSHIP PROGRAM

### QUALIFICATIONS OF APPLICANTS

- Alaska Residents who have applied, or will apply, no more than six (6) months before or after date of graduation.
- Will use the scholarship at a qualified (Alaskan) post secondary institution no later than 6 years after the beginning of the first school year after graduation.

### ELIGIBILITY

- Completed Core Curriculum
- Met minimum grade-point average threshold
- Met minimum career-skills assessment or college entrance examination threshold
- Be enrolled in a certificate or degree-seeking program

### CURRICULUM\*

Four (4) years of math	Three (3) years of math
Four (4) years of Language Arts	Four (4) years of Language Arts
Four (4) years of Science	Three (3) years of Science
Four (4) years of Social Studies, one may include a non-English language, art, etc.	Four (4) years of Social Studies
	Two (2) years of foreign or Alaska Native language

\*Specifics TBA

### AWARD LEVELS\*

#### Academic

- 3.5 and up - \$4,755
- 3.0-3.49 - \$3,566
- 2.5-2.99 - \$2,378

#### Need

- \$400,000 one-time appropriation to AlaskAdvantage to accommodate increased maximum award

\*Minimum test scores per tier, and how they would impact awards, TBA

### ESTIMATED PROGRAMMATIC COST

FY 2012 - \$9,321,900

**FY 2016 - \$21,656,600**

# Attachment 7

## Department of Education Updated Scholarship Cost Estimate – 8/17/10:

District Name	2010 Graduates	3.5 +	3.0-3.49	2.5-2.99	3.5 +	3.0-3.49	2.5-2.99	Percentage of Graduates with GI 2.5 or Better
North Slope Borough School District	81	9	19	23	11.11%	23.46%	28.40%	62
Northwest Arctic Borough School District	99	16	19	19	16.16%	19.19%	19.19%	54
Petersburg City School District	38	8	18	8	21.05%	47.37%	21.05%	89
Matanuska-Susitna Borough School District	1,092	233	234	269	21.34%	21.43%	24.63%	67
Kenai Peninsula Borough School District	666	171	173	150	25.68%	25.98%	22.52%	74
Juneau Borough School District	356	94	70	68	26.40%	19.66%	19.10%	65
Fairbanks North Star Borough School District	889	213	193	219	23.96%	21.71%	24.63%	70
Anchorage School District	3,082	714	681	742	23.17%	22.10%	24.08%	69
Total Statewide Graduates 2010		Averages						
Est # students eligible and using Scholarship	8,256	Estimated number of Students on GPA		19.78%	26.39%	23.45%	69	
% of graduates utilizing scholarship	2,244	5 yr avg # of students ACT cuts		1.633	2.179	1.936		
	27.2%	Estimated number of Students on ACT		29.31%	12.14%	12.87%		
		Difference between ACT and GPA		2.420	1.002	1.063		
		Scholarship Type >>>		787	-1,177	-873		
		Honors		1,633	1,789	1,063		
		Achievement						
		Opportunity						
Variable for eligible students >>>>	Percentage of eligible students using scholarship	50%	817	895	532	Estimated		
		scholarship rates	\$4,755	\$3,566	\$2,378	\$8,344,835	\$8,344,835	
			\$3,191,570	\$1,265,096				

Participation rates	number of Students	Est. annual cost	Year 1 Estimated cost	Year 2 Estimated cost	Year 3 Estimated cost
Year 1 100%	2,244	\$8,341,501	\$8,341,501		
Year 2 75%	1,683	\$6,256,126		\$14,597,627	
Year 3 50%	1,122	\$4,170,751			\$18,768,378
Year 4 25%	561	\$2,085,375			
Estimated annual cost when fully implemented	5,610	\$20,853,753			

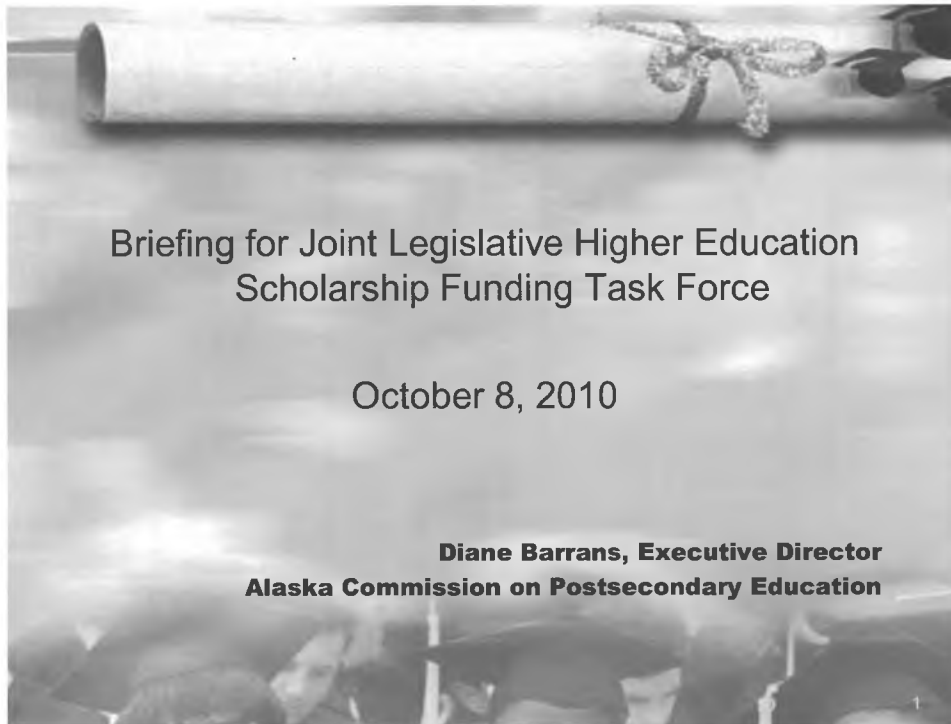
According to Education Trust, the average graduation rate for 5 year graduation for UAF is 25% and UAA is 16.5%.  
The four year graduation rate is significantly lower.

Preliminary 2010 District Graduation Rate

# Attachment 8

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ACPE Needs-Based Assistance Presentation:



# Attachment 8




## Needs-based aid policy goals

**A society's ability to equip citizens to improve their economic status results in financial and social public and personal benefits:**

Social/public benefits	Private/personal benefits
<ul style="list-style-type: none"><li>✓ Increase resident hire opportunities</li><li>✓ Attract and retain business investment</li><li>✓ Strengthen economic base of health-care and school systems</li><li>✓ Decrease violent crime rate</li><li>✓ Decrease low birth weight babies and infant mortality</li><li>✓ Increase home ownership and civic participation</li></ul>	<ul style="list-style-type: none"><li>✓ Increase personal income</li><li>✓ Increase career opportunities</li><li>✓ Improves healthcare and life expectancy</li><li>✓ Improves likelihood for healthy, successful children</li><li>✓ Increases capacity for leisure activities and life satisfaction</li></ul>

3



## Needs-based aid policy goals

**While Alaska is second from the bottom in state rankings of the rate at which our young people go on to college (30%), we are a distant last in the rate at which low-income residents do so (7.9%)**

**National average on this measure is 25.7% low-income student college-going rate**

**As recently as 2002, a national report\* reiterated that the least academically prepared high-income student had better odds for completing a college degree than the best academically prepared low-income student. In fact the report found that cost was a substantial barrier to students from both low and moderate income families.**

\*Empty Promises, The Myth of College Access in America, A Report of the Student Financial Aid Advisory Committee, June 2002  
(<http://www2.ed.gov/about/bdscomm/list/acsfa/emptypromises.pdf>)

4

# Attachment 8

## Alaska's state financial aid policy goals

By *combining strategies* of needs-based and performance-based financial aid opportunities, Alaska's governor and legislature are utilizing two components that are each critical to Alaskans' access to and success in postsecondary education—academic and financial capacity.

## 2010 Legislative models

HB297(EDC)/SB224(EDC) entitled scholarship recipients to an additional 50% of unmet cost of attendance (COA) > \$2,000

B-level Award Distribution by Family Income Level

Family AGI	\$25,000	\$50,000	\$75,000	\$100,000
Cost of attendance	\$18,500	\$18,500	\$18,500	\$18,500
Less Pell grant	-\$5,550	-\$0	-\$0	-\$0
Remaining costs	\$12,950	\$18,500	\$18,500	\$18,500
Less APS award	-\$3,566	-\$3,566	-\$3,566	-\$3,566
Remaining costs	\$9,385	\$14,934	\$14,934	\$14,934
Less EFC+\$2,000	-\$2,000	-\$6,772	-\$14,157	-\$15,401
Unmet need	\$7,384	\$8,212	\$777	\$0
Less needs award @ 50%	-\$3,692	-\$4,106	-\$388	\$0
Remaining family costs	\$3,692	\$4,106	\$389	\$0
Total State aid	\$7,258	\$7,672	\$3,954	\$3,566
Total student & family paid costs	\$5,692	\$10,878	\$14,546	\$15,401

# Attachment 8

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## **2010 Legislative models**

**This approach lacked a cost containment mechanism re: cost of attendance (COA). As a result the per-student amount of state-paid funds was substantial for family incomes at or below \$50-\$60,000**

**Need-based supplement to APS would have provided additional funds to APS recipients based on a pre-determined formula**

***Important to note that an APS supplemental award would exclude all currently enrolled postsecondary students and future non-traditional students entering the pipeline***



## **SB221 as passed**

**SB221 was ultimate vehicle for establishing the current scholarship structure**

**Performance eligibility requirements pared down with minimal statutory academic framework**

**Provided for needs-based grant aid administration through the AlaskAdvantage grant program with increased annual and lifetime per-student grant maximums**

# Attachment 8

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## **SB221 as passed**

**Fiscal Note passed to provide FY11 funding in the amount of \$400,000 to supplement approximately \$980,000\* remaining from FY09 capital budget and \$122,400 in federal LEAP/SLEAP funds**

**\*This amount is higher than previously estimated due to a lower than expected FY10 grant award use**



## **Current grant criteria**

**Alaska resident enrolled at least half time in a certificate or degree program at a regionally or nationally accredited school in Alaska**

**Meet institution's satisfactory academic progress requirements**

**Demonstrate financial need based on the methodology used in the Free Application for Federal Student Aid**

# Attachment 8

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## Current grant criteria

**Meet other criteria to receive federal financial aid (not already have an undergraduate degree, registered for the draft, no drug convictions while receiving aid, etc.)**

**Have a high school diploma or GED**

**Have unmet need of at least \$500 after all other non-loan financial aid considered**

**Applicant pool is all otherwise eligible students who file a FAFSA on or before April 15**

## Current award process

**Applicant information is made available to schools students have listed on their FAFSAs**

**Schools provide information about other financial aid awarded and verify enrollment**

**Using a set standard cost of attendance (based on current year UA COA), ACPE reduces the COA by each student's other non-loan aid and the Estimated Family Contribution (EFC)**

### **Standard COA**

- Other non-loan aid**
- EFC**
- = Unmet need**

# Attachment 8

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## **Current award process**

**Applicants are then sorted, by unmet need amounts, in a descending order**

**ACPE makes awards until the available funds are exhausted**

**In the event of equivalent unmet need amounts, two additional ordering criteria are:**

- 1) lowest adjusted gross income; and,**
- 2) closest to program completion**

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## **Current grant structure**

### **AlaskaAdvantage priority awards**

**Program rules provide for priority awards, in the form of higher grant amounts, for students in two categories:**

- 1. Enrolled in severe workforce shortage area programs, or**
- 2. Having secondary school performance demonstrate high likelihood for postsecondary education success**

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# Attachment 8

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## Current grant structure

**For category one, the Commission annually determines qualifying shortage programs and they are:**

1. education,
2. protective and social services,
3. allied health, and
4. process and resource extraction industries

**For category two, by regulation, eligibility is based on having scored in the top quartile of test takers on either the SAT or ACT (1740/24)**

15

## Current grant amounts

Award type	Full-time student	Half-time student
<b>Standard Award</b>	<b>\$1,500</b>	<b>\$750</b>
<b>Workforce Shortage Award</b>	<b>\$3,000</b>	<b>\$1,500</b>
<b>Top quartile of SAT/ACT test takers scores</b>	<b>\$3,000</b>	<b>\$1,500</b>

(All amounts shown for full academic years)

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# Attachment 8

## Program funding history

**Grant funding source since current program inception in 2005-06: federal S/LEAP funds, ASLC Ofee account interest, FY09 capital appropriation**

**Until FY09 annually funded at approximately \$650,000**

**Most recent 3-year average total awarded is \$1.161 million**

**Over five years number of AK FAFSA filers is up 70% with greater increases in the number of grant-eligible applicants**

**Because demand has outstripped funding, only applicants with very high need have been funded**

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## Population served in 2009-2010

<b>Population characteristics</b>	<b>Alaska FAFSAs</b>	<b>Eligible population</b>	<b>Awarded</b>	<b>Certified &amp; disbursed</b>
<b># of students</b>	<b>17,284</b>	<b>4,960</b>	<b>1,543</b>	<b>870</b>
<b>Average Age</b>	<b>27.8</b>	<b>27.7</b>	<b>30.3</b>	<b>32.6</b>
<b>Average AGI</b>	<b>\$53,954</b>	<b>\$34,994</b>	<b>\$18,527</b>	<b>\$16,617</b>
<b>Average unmet need</b>	<b>\$8,333</b>	<b>\$10,966</b>	<b>\$14,965</b>	<b>\$14,538</b>

**Alaska FAFSAs – number of Alaska resident filers for attendance at Alaska schools**

**Eligible population – a total population subset having filed by the April 15 deadline, indicating enrollment at a participating school and w/unmet need of \$500 or greater**

**Awarded – the portion of the population with unmet need in excess of \$14,000**

**Certified & disbursed – enrolled and eligible as certified by school officials**

**AGI – adjusted gross income**

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# Attachment 8

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## Estimating full funding

**Using FY10 program year data, full funding, if the base grant amount is increased to the full \$3,000, is estimated to be \$8.5 million**

**Assuming eligible pool will grow by 20% due to increase in first-time freshman entering UA and that these students will be grant-eligible @ at same rate (69%)**

**Fall 09 Freshman (Alaskans/headcount) – 3,352\***

**Fall 09 Freshman (recent HS grads) – 2,355\***

**EED estimates of students eligible & using APS – 2,244**

**Anticipate slow growth over time in demand on grants as a result of APS's transformational impact**

**\*(Source) UA in Review 2010**

19

## Considerations for alternative approaches

**Relative to other needs-based structures, program terms and conditions are determined specific to goals**

**For goal of equity and broad access, the current AlaskAdvantage grant program is the simplest model because it is most inclusive**

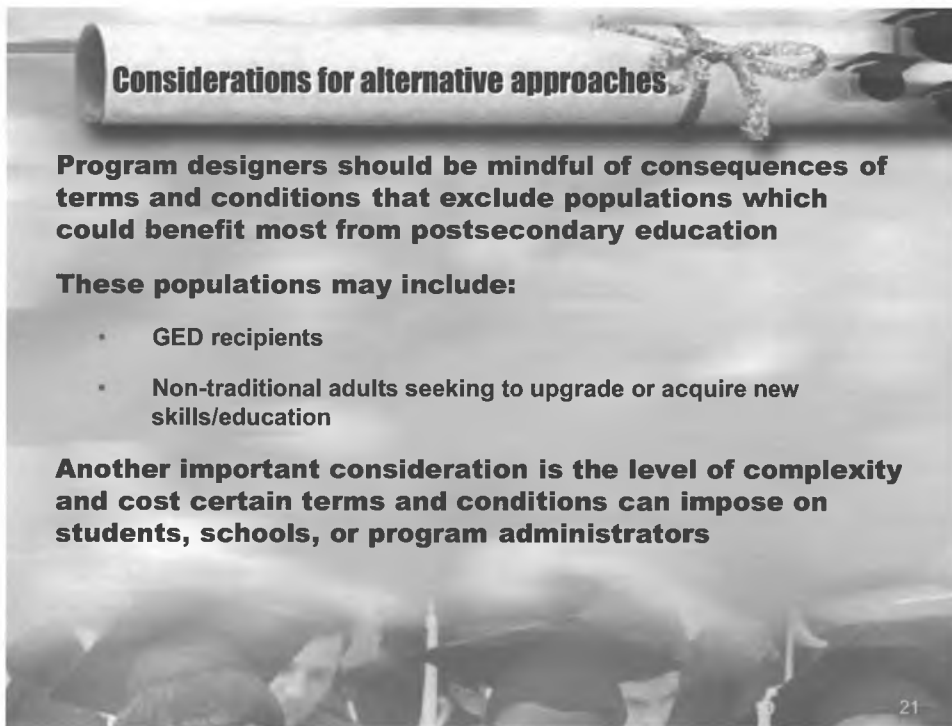
**To incent and reward academic achievement, additional requirements could be imposed either for: continued grant eligibility or increased grant amounts/priority grant eligibility in subsequent years**

**Similarly, to incent accelerated progress to certificate/degree, grant eligibility could require full-time enrollment and additional performance or progress-to-degree requirements could apply**

20

# Attachment 8

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**Considerations for alternative approaches**

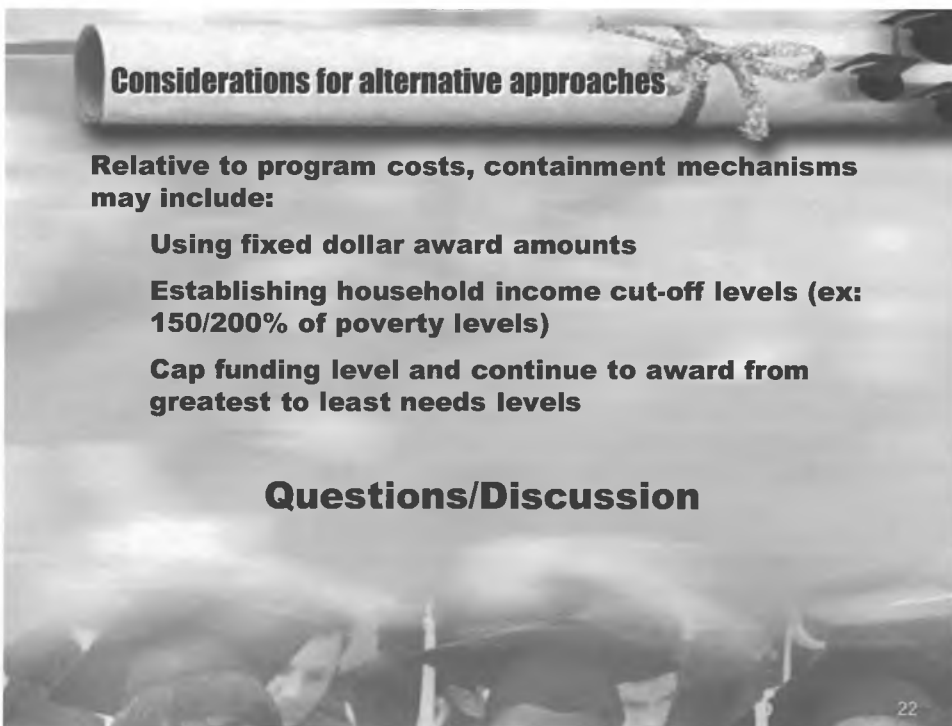
**Program designers should be mindful of consequences of terms and conditions that exclude populations which could benefit most from postsecondary education**

**These populations may include:**

- GED recipients
- Non-traditional adults seeking to upgrade or acquire new skills/education

**Another important consideration is the level of complexity and cost certain terms and conditions can impose on students, schools, or program administrators**

21



**Considerations for alternative approaches**

**Relative to program costs, containment mechanisms may include:**

- Using fixed dollar award amounts**
- Establishing household income cut-off levels (ex: 150/200% of poverty levels)**
- Cap funding level and continue to award from greatest to least needs levels**

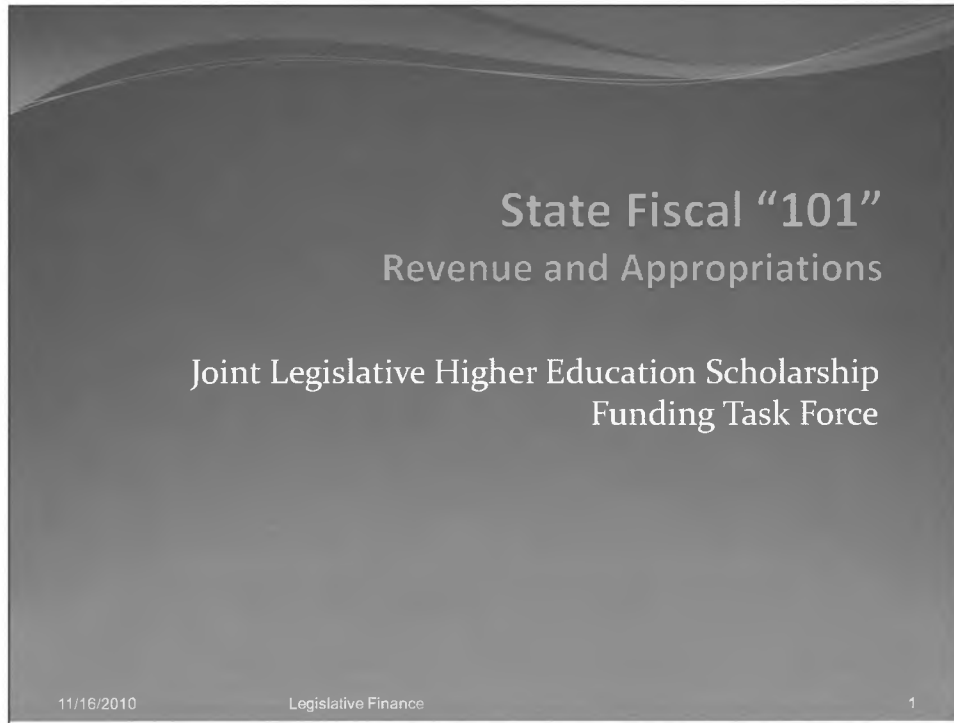
**Questions/Discussion**

22

# Attachment 9

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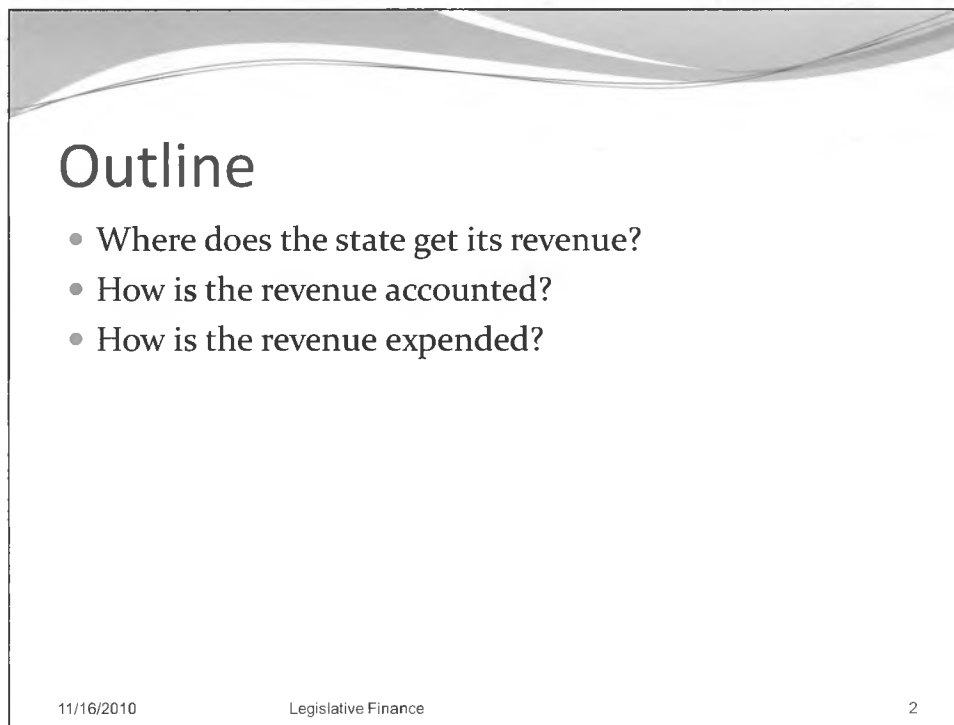
Legislative Finance *State Fiscal "101"* Presentation:



State Fiscal "101"  
Revenue and Appropriations

Joint Legislative Higher Education Scholarship  
Funding Task Force

11/16/2010 Legislative Finance 1



Outline

- Where does the state get its revenue?
- How is the revenue accounted?
- How is the revenue expended?

11/16/2010 Legislative Finance 2

# Attachment 9

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## Revenue Sources

- Oil
- Non-Oil (excluding Investment)
- Investment
- Federal

11/16/2010

Legislative Finance

3

## Oil Revenue

- Royalty
  - Leasing of state land and royalty payment as land owner
- Production Tax
  - Net profits tax on production
- Petroleum Property Tax
  - Property tax on oil and gas property in state
- O&G Corporate Income Tax
  - Income tax on oil and gas corporations

11/16/2010

Legislative Finance

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# Attachment 9

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## Non-Oil (excluding investment)

- Corporate Income Tax (non-oil companies)
- Excise Taxes
  - Tobacco, alcoholic beverages, motor fuel
- Licenses and Permits
  - Fishing Hunting, Motor Vehicle
- Charges for Services
  - Marine Highway, other program receipts

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## Investment Income

- GF Earnings (relatively new)
- CBR
- Permanent Fund

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Legislative Finance

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# Attachment 9

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## How is revenue accounted?

- The primary operating fund of the state is the General Fund
  - The general fund has numerous sub-funds created by law
- Other fund types outside the general fund include (but not limited to):
  - Permanent Funds
  - Fiduciary Funds
  - Component Units

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## Accounting ≠ Budgeting

Both accounting and budgeting are fiscal systems

- Accounting focuses on recording financial transactions
- Budgeting is more the enactment of a fiscal plan
  - Budget processes are dependent upon the accounting of past and current year expenditures and revenue
- Accounting follows generally accepted accounting practices (GASB)
- Budgeting does not follow a stringent set of rules

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Legislative Finance

8

# Attachment 9

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## How is revenue expended?

- Legislature has the **Power of Appropriation**
  - No expenditure of state funds w/o an appropriation
- Legislature appropriates funds based on levels of discretion

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## Levels of Discretion (Highest to Lowest)

Fund sources (revenues) grouped according to levels of discretion

- Unrestricted General Funds
- Designated General Funds
- Other State Funds
- Dedicated Funds

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Legislative Finance

10

# Attachment 9

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## Dedicated

- Very little discretion how appropriated
- Article IX, Section 7 of the Constitution prohibits the dedication of revenue to any special purpose
  - Exceptions:
    - Article IX, Section 15 – Permanent Fund
    - Dedication prior to Statehood
    - Federal

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## Other State Funds

- Little discretion how appropriated
- Although not dedicated, funding sources in the group typically are restricted in some fashion
  - Contractual obligation
    - Bonds
  - Held in trust
    - PERS, TRS, etc.
  - Court order
    - Mental Health Trust
  - Legal separation
    - Corporate receipts

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# Attachment 9

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## Designated General Funds

- Designated General funds consist of fund sources that have been “designated” for a special purpose in statute
- Constitutional prohibition “trumps” statutory designation
- Therefore, Legislature has complete discretion on use of funding
- However, Legislature typically follows statutory “guidelines”

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13

## Unrestricted General Funds

- Complete discretion how appropriated
- Typically referenced as a measure of state spending
- Utilized when calculating the Fiscal Surplus or Fiscal Gap
  - General Fund Revenue less General Fund Appropriations = Fiscal Surplus or (Gap)
- Approximately 90% of GF revenue is derived from Oil

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Legislative Finance

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# Attachment 9

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## The Question?

- The levels of discretion play a large role in budgeting and financing programs
- What level is best?
- Example's:
  - PCE – statutory endowment
  - Revenue Sharing – rolling type plan
  - Pay as you go – most state programs

Questions?

11/16/2010

Legislative Finance

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# Attachment 10

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## Endowment Structure

Example A: **\$400 Million Constitutional Fund**

Equivalent: Permanent Fund

Operation:

- \$400 deposited to capitalize constitutionally created fund
- Invested for long-term return
- Earnings (\$20 M/yr at assumed 5% ROI) accrue to account
- Excess earnings inflation-proof fund
- Account pays scholarships

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Highest potential for long-term programmatic sustainability</li> <li>• Principal is safe</li> <li>• Inflation proof</li> <li>• Earnings provide predictable pay-out funding stream</li> <li>• Earnings: Very safe from “raiding” if const. protected</li> </ul>	<ul style="list-style-type: none"> <li>• Necessity for large Initial investment</li> <li>• Necessity for constitutional amendment</li> <li>• Account is rare</li> <li>• Higher administrative cost?</li> <li>• Subject to market volatility</li> <li>• Questionable base for programmatic evolution</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• High profile focal point for State investment</li> <li>• Highest likelihood of attracting outside donations</li> </ul>	<ul style="list-style-type: none"> <li>• Pandora’s box and the Christmas tree effect</li> <li>• Earnings susceptible to “raiding” if not const. protected</li> <li>• Subject to market volatility</li> </ul>

# Attachment 11

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## Endowment Structure

Example B: **\$400 Million Statutory Fund (General Fund Sub-account)**

Equivalent: Power Cost Equalization Fund

Operation:

- \$400 deposited to capitalize fund
- Invested for long-term return
- Earnings (\$20 M/yr at assumed 5% ROI) accrue to account
- Excess earnings inflation-proof fund
- Account pays scholarships

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• High potential for long-term programmatic sustainability</li> <li>• Tried mechanism</li> <li>• Principal offers strongest programmatic insurance policy of unprotected fund-types</li> <li>• Earnings provide predictable pay-out funding stream</li> </ul>	<ul style="list-style-type: none"> <li>• Necessity for large initial investment</li> <li>• Higher administrative cost?</li> <li>• Subject to market volatility</li> <li>• Questionable base for programmatic evolution</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• High profile focal point for State investment</li> <li>• Strong base for programmatic evolution</li> <li>• Likelihood of attracting outside donations</li> </ul>	<ul style="list-style-type: none"> <li>• Principal susceptible to “raiding”</li> <li>• Earnings susceptible to “raiding”</li> </ul>

# Attachment 12

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## “Rolling Fund” Structure

Example A: **Progressive Capitalization**

Equivalent: Community Revenue Sharing

Operation:

- Progressive fund capitalized up to \$160 million
- Interest bearing fund
- Principal and interest earnings pay for scholarships
- Yearly appropriations used to maintain value of fund corpus

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Low capitalization hurdle</li> <li>• Tried mechanism</li> <li>• Lower administrative cost than endowment</li> <li>• Greater pay-out stream predictability than Default</li> <li>• Principal acts as fixed-term programmatic insurance policy</li> </ul>	<ul style="list-style-type: none"> <li>• Susceptible to budget volatility</li> <li>• Susceptible to budgetary process</li> <li>• Less than predictable pay-out funding stream</li> <li>• Lower likelihood of attracting outside donations than Endowment</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Responsive to programmatic evolution</li> <li>• Some likelihood of attracting outside donations</li> </ul>	<ul style="list-style-type: none"> <li>• Declining oil production/revenue</li> <li>• Declining federal spending</li> <li>• Increasing demand for services</li> <li>• Principal susceptible to “raiding”</li> <li>• Earnings susceptible to “raiding”</li> </ul>

# Attachment 13

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## “Rolling Fund” Structure

Example B: **Immediate Capitalization**

Equivalent: Community Revenue Sharing

Operation:

- Immediate fund capitalized up to \$200 million
- Interest bearing fund
- Principal and interest earnings pay for scholarships
- Yearly appropriations\* used to maintain value of fund corpus  
\*Dividends, program receipts and other funds (AIDEA, AK Housing, ACPE) designated to Scholarship Fund

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Moderate capitalization hurdle</li> <li>• Tried mechanism</li> <li>• Identified fund replenishment stream</li> <li>• Lower administrative cost than Endowment</li> <li>• Greater pay-out stream predictability than Default</li> <li>• Principal acts as fixed-term programmatic insurance policy</li> </ul>	<ul style="list-style-type: none"> <li>• Necessity for substantial Initial investment</li> <li>• Susceptible to budget volatility</li> <li>• Susceptible to budgetary process</li> <li>• Less than predictable pay-out funding stream</li> <li>• Lower likelihood of attracting outside donations than Endowment</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Responsive to programmatic evolution</li> <li>• Some likelihood of attracting outside donations</li> </ul>	<ul style="list-style-type: none"> <li>• Declining oil production/revenue</li> <li>• Declining federal spending</li> <li>• Increasing demand for services</li> <li>• Principal susceptible to “raiding”</li> <li>• Earnings susceptible to “raiding”</li> </ul>

# Attachment 14

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## Default Structure

Example: **Pay-As-You-Go**

Equivalent: Senate Bill 221

Operation: Yearly appropriation to support programmatic costs

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Most routine funding mechanism</li><li>• No need for account creation</li><li>• Lowest administrative cost</li><li>• Yearly funding most directly matches yearly programmatic cost</li><li>• Leaves greatest level of budgetary flexibility</li></ul>	<ul style="list-style-type: none"><li>• Most susceptible to budget volatility</li><li>• Most susceptible to budgetary process</li><li>• Least predictable pay-out funding stream</li><li>• Lowest likelihood of attracting outside donations</li></ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>• Most responsive to programmatic evolution</li></ul>	<ul style="list-style-type: none"><li>• Declining oil production/revenue</li><li>• Declining Federal spending</li><li>• Increasing demand for services</li></ul>

# Attachment 15

WORK DRAFT

WORK DRAFT

WORK DRAFT

27-LS0078\M  
Mischel  
9/7/10

## HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Introduced:  
Referred:

## A BILL

### FOR AN ACT ENTITLED

1 "An Act relating to Alaska scholarship awards; and establishing the Alaska scholarship  
2 award income account and the Alaska scholarship fund."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** AS 14.43.825(f) is repealed and reenacted to read:

5 (f) Payment of a scholarship is subject to appropriation and the availability of  
6 funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or  
7 available in a fiscal year to pay all eligible scholarships, the commission may not  
8 award a scholarship to a new applicant and the commission shall pay existing awards  
9 on a pro rata basis for that fiscal year.

10 \* **Sec. 2.** AS 14.43 is amended by adding a new section to read:

11 **Sec. 14.43.835. Alaska scholarship award income account.** The Alaska  
12 scholarship award income account is created as an account in the general fund. Money  
13 may be appropriated into the account from the Alaska scholarship fund under  
14 AS 37.14.750 and from other sources. The commission may use the money in the

-1-

New Text Underlined (DELETED TEXT BRACKETED)

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# Attachment 15

WORK DRAFT

WORK DRAFT

27-LS0078\M

1 account to pay scholarships awarded to students under AS 14.43.810 - 14.43.849. The  
2 amount determined under AS 37.14.750(c) each year and deposited into the account is  
3 the maximum amount that may be used to pay scholarships for the immediately  
4 succeeding fiscal year.

5 \* **Sec. 3.** AS 37.14 is amended by adding a new section to read:

6 **Article 8A. Alaska Scholarship Fund.**

7 **Sec. 37.14.750. Alaska scholarship fund established.** (a) The Alaska  
8 scholarship fund is established in the general fund for the purpose of making  
9 scholarship payments to qualified postsecondary institutions and students under  
10 AS 14.43.810 - 14.43.849. The fund consists of money appropriated to the fund.  
11 Income earned on money in the fund and donations to the fund may be appropriated to  
12 the Alaska scholarship income account established in AS 14.43.835. Money in the  
13 fund does not lapse.

14 (b) Each fiscal year, the legislature may appropriate to the Alaska scholarship  
15 fund an amount equal to 20 percent of the money received by the state during the  
16 previous calendar year under AS 43.55.011(g). The amount may not exceed the  
17 greater of

18 (1) \$40,000,000; or

19 (2) the amount that, when added to the fund balance on June 30 of the  
20 previous fiscal year, equals \$160,000,000.

21 (c) The balance in the Alaska scholarship fund shall be determined on June 30  
22 of each year. The department shall distribute one-third of that amount or \$40,000,000,  
23 whichever is less, for deposit into the account established in AS 14.43.835. If the fund  
24 balance is less than \$80,000,000 in a fiscal year, payments may be made only to  
25 satisfy obligations from previous fiscal years.

26 (d) Notwithstanding the limitation in (b) of this section, the legislature may  
27 appropriate any amount to the Alaska scholarship fund. Nothing in this section creates  
28 a dedicated fund.

29 (e) In this section, unless the context requires otherwise, "fund" means the  
30 Alaska scholarship fund established in (a) of this section.

31 \* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to

# Attachment 15

WORK DRAFT

WORK DRAFT

27-LS0078\M

1 read:

2           TRANSITION: ALASKA SCHOLARSHIP FUND BALANCE. Notwithstanding the  
3 \$40,000,000 limit in AS 37.14.750(b), the following amounts shall be substituted for that  
4 amount as follows for

5                   (1) fiscal year 2012, \$15,000,000;

6                   (2) fiscal year 2013, \$30,000,000.

-3-

New Text Underlined [DELETED TEXT BRACKETED]

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# Attachment 16

WORK DRAFT

WORK DRAFT

WORK DRAFT

27-LS0078B  
Mischel  
9/8/10

## HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Introduced:  
Referred:

## A BILL

### FOR AN ACT ENTITLED

1 "An Act relating to AlaskAdvantage education grant funding and to Alaska scholarship  
2 funding; and establishing an account and fund for those purposes."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** AS 14.43.410 is amended by adding a new subsection to read:

5 (c) Notwithstanding the provisions of this section, payment of a grant is  
6 subject to appropriation and the availability of funds for expenditure under  
7 AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay  
8 all eligible grants, the commission may not award a grant to a new applicant, and the  
9 commission shall pay existing awards on a pro rata basis for that fiscal year.

10 \* **Sec. 2.** AS 14.43.825(f) is repealed and reenacted to read:

11 (f) Payment of a scholarship is subject to appropriation and the availability of  
12 funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or  
13 available in a fiscal year to pay all eligible scholarships, the commission may not  
14 award a scholarship to a new applicant, and the commission shall pay existing awards

-1-

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# Attachment 16

WORK DRAFT

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27-LS0078\B

1 on a pro rata basis for that fiscal year.

2 \* **Sec. 3.** AS 14.43 is amended by adding a new section to read:

3 **Sec. 14.43.915. AlaskAdvantage education grant and Alaska scholarship**  
4 **award income account.** The AlaskAdvantage education grant and Alaska scholarship  
5 award income account is created as an account in the general fund. Money may be  
6 appropriated into the account from the AlaskAdvantage education grant and Alaska  
7 scholarship fund under AS 37.14.750 and from other sources. The commission may  
8 use the money in the account to pay grants awarded under AS 14.43.400 - 14.43.420  
9 and scholarships awarded to students under AS 14.43.810 - 14.43.849. The amount  
10 determined under AS 37.14.750(c) each year and deposited into the account is the  
11 maximum amount that may be used to pay scholarships for the immediately  
12 succeeding fiscal year.

13 \* **Sec. 4.** AS 37.14 is amended by adding a new section to read:

14 **Article 8A. AlaskAdvantage Education Grant and Alaska Scholarship Fund.**

15 **Sec. 37.14.750. AlaskAdvantage education grant and Alaska scholarship**  
16 **fund established.** (a) The AlaskAdvantage education grant and Alaska scholarship  
17 fund is established in the general fund for the purpose of making grant payments under  
18 AS 14.43.400 - 14.43.420 and scholarship payments to qualified postsecondary  
19 institutions and students under AS 14.43.810 - 14.43.849. The fund consists of money  
20 appropriated to the fund. Income earned on money in the fund and donations to the  
21 fund may be appropriated to the AlaskAdvantage education grant and Alaska  
22 scholarship award income account established in AS 14.43.915. Money in the fund  
23 does not lapse.

24 (b) Each fiscal year, the legislature may appropriate to the AlaskAdvantage  
25 education grant and Alaska scholarship fund an amount equal to 20 percent of the  
26 money received by the state during the previous calendar year under AS 43.55.011(g).

27 The amount may not exceed the greater of

28 (1) \$40,000,000; or

29 (2) the amount that, when added to the fund balance on June 30 of the  
30 previous fiscal year, equals \$160,000,000.

31 (c) The balance in the AlaskAdvantage education grant and Alaska

-2-

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# Attachment 16

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1 scholarship fund shall be determined on June 30 of each year. The department shall  
2 distribute one-third of that amount or \$40,000,000, whichever is less, for deposit into  
3 the account established in AS 14.43.915. If the fund balance is less than \$80,000,000  
4 in a fiscal year, payments may be made only to satisfy obligations from previous fiscal  
5 years.

6 (d) Notwithstanding the limitation in (b) of this section, the legislature may  
7 appropriate any amount to the AlaskAdvantage education grant and Alaska  
8 scholarship fund. Nothing in this section creates a dedicated fund.

9 (e) In this section, unless the context requires otherwise, "fund" means the  
10 AlaskAdvantage education grant and Alaska scholarship fund established in (a) of this  
11 section.

12 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 TRANSITION: ALASKADVANTAGE EDUCATION GRANT AND ALASKA  
15 SCHOLARSHIP FUND BALANCE. Notwithstanding the \$40,000,000 limit in  
16 AS 37.14.750(b), the following amounts shall be substituted for that amount as follows for

17 (1) fiscal year 2012, \$15,000,000;

18 (2) fiscal year 2013, \$30,000,000.

# Attachment 17

## SENATE EDUCATION COMMITTEE

### CO-CHAIRMEN:

SENATOR KEVIN MEYER

SENATOR JOE THOMAS



### MEMBERS:

SENATOR BETTYE DAVIS

SENATOR CHARLIE HUGGINS

SENATOR DONALD OLSON

SENATOR GARY STEVENS

### Letter of Intent for Senate Bill 224

*An Act establishing the Alaska Student Achievement Program...*

It is the intent of the legislature to establish a scholarship program with the following goals:

- (1) improving preparedness of Alaska students for postsecondary education;
- (2) improving the postsecondary academic achievement;
- (3) improving the postsecondary graduation rates of students in the state;
- (4) providing a rigorous curriculum in all high schools in the state;
- (5) improving the quality of the educational programs offered by high schools in the state;
- (6) improving academic performance of students in grades kindergarten through 12 in the state;
- (7) increasing high school graduation rates in the state;
- (8) increasing the scores of high school students in the state on college entrance examinations;
- (9) expanding the pool of high school students in the state who pursue postsecondary opportunities;
- (10) increasing participation of Alaska high school graduates in Alaska postsecondary institutions; and
- (11) increasing job training opportunities in the state

Jomo Stewart, Committee Aide  
(907) 465-6874

[Senate\\_Education@legis.state.ak.us](mailto:Senate_Education@legis.state.ak.us)

Murray Richmond, Committee Aide  
(907) 465-6443

# Attachment 18

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February 21, 2010 The Chronicle of Higher Education

## **Need That Class, Desperately? The Course Concierge Will See You Now**



*Jean Dixon, University of Nevada*

Paul Neill, whom students think of as the "course concierge" at the U. of Nevada at Reno, can cut red tape that might be beyond advisers' reach.

*By Eric Hoover*

Paul Neill's title is director of the core curriculum at the University of Nevada at Reno, but students there know him as the "course concierge." He's the one they contact when they can't get into a class they need.

A few years ago, officials at the university decided that they had to do more to reduce the hassles of registering for courses. They imagined a kind of registration czar, someone who could communicate well with faculty members but who had the authority of an administrator. Mr. Neill, a faculty member who works in the provost's office, fit the bill.

Soon Nevada was promoting Mr. Neill as the course concierge, the man advisers and students could turn to when stuck. Each semester, he helps 50 to 60 students solve their scheduling problems, working one on one with those who need a particular course to graduate, or who have trouble getting into classes they must take in a sequence. Often he creates a spot in a class that's full, or steers students to suitable alternatives.

"In the past, it was often left up to the student and the professor to see who could get in where," Mr. Neill says. "It was very informal."

# Attachment 18

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Even in times of plenty, students often learn a tough lesson when they register for courses: You can't always get what you want. In this era of budget cuts, however, students on some campuses have scrambled to get not only the courses they would like but also those they need for their majors and to satisfy core requirements.

As colleges pack more students into fewer courses, the scheduling puzzle has become more challenging for administrators, instructors, and students alike. Institutions are using a variety of strategies to alleviate the course crunch, and often that begins with improving the registration process.

Nevada's president, Milton D. Glick, proposed the course-concierge program as a way to improve timely progression toward degrees at the university, which has about 13,000 undergraduates. Over the years he has learned that even small scheduling snags can discourage students, delay their progress, and make them more likely to transfer or drop out.

After he arrived, in 2006, Mr. Glick developed a plan to improve Nevada's retention and graduation rates. He pledged publicly that students would get the courses they needed to graduate on time. To that end, his course-concierge program provides a backstop for the university's academic advisers.

Mr. Neill is not a replacement for advisers, who continue to meet with students and help them select courses. But they sometimes encounter dilemmas that they can't handle on their own. "They don't always have the ability to cut through red tape, to get through to the department, to get something done," Mr. Glick says. "Paul can get a phone call through."

## **'A Relief Valve'**

When Natica Rudavsky contacted Mr. Neill this winter, she was frantic. Ms. Rudavsky, a transfer student who has a bachelor's degree from another university, wanted to pursue a second degree, in nutrition, at Nevada, but she was confused about which core requirements would apply to her. Would the university waive that required mathematics course?

By the time she and her adviser had sorted that out, it was late in the registration cycle, and all the courses she needed were full. Mr. Neill evaluated her record, then discussed her options with her. Ultimately, he found Ms. Rudavsky a spot in three of the four courses she sought. "If he hadn't helped," Ms. Rudavsky says, "I probably would have just waited until the next semester to enroll."

# Attachment 18

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The course concierge doesn't cater to whims. A student who just wants to avoid that 8 a.m. class would not get help from Mr. Neill. The same might go for a senior who had never bothered to register for a required course that he had every opportunity to take.

The service does cater to those who truly have a need, or are simply stuck or confused. "We've taken some of the burden off the shoulders of advisers," he says. "It's a relief valve."

The course concierge has also helped the university plan more effectively during a difficult time. For the current fiscal year, the state cut the university's budget by \$33-million, or 15 percent. Last semester, Nevada offered 96 fewer course sections than it did in the fall of 2008, a 6-percent reduction.

Recently, Mr. Neill's work with students helped him identify scheduling conflicts that made it difficult for them to register for the right courses. For instance, freshmen and sophomores taking biology or chemistry courses are supposed to enroll simultaneously in Math 127. Yet Mr. Neill realized that that math lecture overlapped with several of the laboratory sections.

He discussed the issue with the three departments, which adjusted their schedules accordingly. "The departments probably would have become aware of this," he says, "but the concierge service helped them understand it quickly."

## **Better Communication**

Elsewhere, administrators have looked for ways to make small but meaningful changes in the registration process. This fall the University of California at Santa Barbara, which has seen substantial budget cuts and an enrollment surge, created an online waiting list for courses. The system formalized the process of determining who gets a spot, allowing advisers to better evaluate students' needs and communicate with them more effectively.

"It was a huge help," says Mary Nisbet, acting dean of undergraduate education. "Now faculty aren't getting hundreds of e-mails, and students know there is somewhere to go where advisers will get back to them."

This past fall, the university reduced the number of credits students could sign up for during the second round of registration. As a result, juniors and seniors, who have priority, can snag a total of four classes, instead of five, at that time.

# Attachment 18

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In the past, many students eventually dropped their fifth course anyway. The new policy has encouraged older students to focus on getting the courses they really need, and the change recently freed up at least 1,500 class spots for other students, Ms. Nisbet says.

For the first time, the university is offering schedule-planning workshops, in which students learn how to prioritize. "We're trying to help students weather a storm," she says.

Many institutions have turned to sophisticated data analysis to better anticipate course demand. At the University of California at Berkeley, Catherine P. Koshland helps lead a task force that will determine which courses students will need—and how many—in the coming years.

To do that, Ms. Koshland and her colleagues have begun to examine a decade's worth of enrollment data, which help them predict how many freshmen will need to take a specific math sequence, for instance, or how many sections of pre-med physics courses the university will need.

"We can bring some rationality to the offerings, rather than having departments guesstimate," says Ms. Koshland, vice provost for teaching, learning, academic planning, and facilities. "We're bringing more and more discipline to something that could grow organically before, when there was elasticity in the system. There's no elasticity now."

*(Head Count explores the changing enrollment landscape. Please send ideas to [eric.hoover@chronicle.com](mailto:eric.hoover@chronicle.com))*