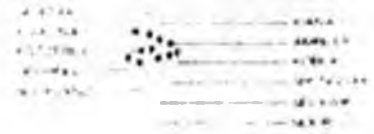


ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9118 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

30X 51
- OTZEBUE, ALASKA 99702
(907) 442-3473



March 31, 1997

Representative Reggie Joule
Alaska State House of Representatives
State Capitol (MS 3100)
Juneau, AK 99811-1182

Dear Reggie:

The Northwest Arctic Borough School District fully supports HB 190, which you introduced this session relating to matching funds for municipal school construction grants. I believe the following information will give you some idea of the problems we had providing the local matching requirement for the Selawik High School Renovation/Addition Project which we currently have under way.

The District submitted an application for funding for the Selawik High School Renovation/Addition Project in August of 1992 in the amount of \$ 14,366,690. The legislature approved funding in the amount of \$ 12,930,000, because this was also the time that the school construction grant program was revised to provide for the local matching requirement. This change in the funding statutes left the District \$ 1,436,669.00 short to provide for the building that was envisioned when our application was submitted. The District has been successful in providing for the local matching requirement through the use of prior years capital expenditure \$244,131.00 and the use of unrestricted fund balance from the operating fund to provide the remaining balance. While this method met the short term requirements for this project it can not be used as a basis for providing local match funding in any future projects.

If the District was to obtain an appropriation for the Buckland Remediation Project, which was the Northwest Arctic Borough Board of Education's number one priority, this would obligate the District to provide for local match funding for this project. Based upon the request by the District and the amount recommended by the Department of Education this could be anywhere from \$ 1,200,000 to \$ 1,700,000. Since the District has utilized all the available unrestricted fund balance to provide for the continuation of our current educational program and the remaining local match requirement for Selawik, there is not a source of funding available to meet any additional local matching requirements. The Northwest Arctic Borough does not have the resources available to assist the District with this requirement.

As you are aware, the Northwest Arctic area consistently has one of the highest unemployment rates in the state. Because of this situation there is not an available tax base for the Borough to levy taxes upon the residents to allow for the local participation requirements. Your bill would allow the District to continue to provide the much needed facilities in our District but not burden the residents with a local matching requirement when there are no available resources to meet this requirement.

If I can supply additional information in support of HB 190, please contact me at your convenience.

Sincerely,

Randall W. Swenson,
Superintendent

cc: Chuck Greene, Mayor Northwest Arctic Borough

The Mission of the Bering Strait School District is to educate students to become self-reliant and productive citizens in a changing world, recognized for their social, academic, and marketplace skills, by providing standards of excellence, quality programs, and a supportive environment for both traditional Native and Western styles of learning.



DISTRICT OFFICE • P.O. BOX 225
UNALAKLEET, ALASKA 99631-0225
(907) 624-3611 • FAX 624-3099

March 21, 1997

Representative Reggie Louie
House of Representatives • Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801-1182

Dear Representative Louie:

We support the legislation you are proposing related to participating shares for school construction grants. Our school district has asked for a waiver on our school construction grants and has been denied every time. We seek the waiver because the capital participating share always gets funded from our operating budget, and we have no revenue source or taxing authority.

We believe legislation dealing with ADM full value, unemployment in the district, and average per capita income level are excellent indicators of qualifications for participating share waivers. These indicators are objective, not subject to manipulation, and would serve as an accurate litmus test for qualification.

Our school district thanks you for your continued leadership in education and your advocacy for children.

Sincerely,

David Bowling, Superintendent
Bering Strait School District

cc: BSSD Board of Education
Representative Richard Foster
Senator Al Adams

BERING STRAIT SCHOOL DISTRICT

SHAKTOOK • SHISHMAHEF • ELIM • GAMBELL • GEORGE • KOYUK • SARI MIJIAEL • SAVUKURJA
BHEVIG MISSION • DIOMEDE • IELLEN • IRIALAKLEET • WALES • WHITE MOUNTAIN



KASHUNAMIUT SCHOOL DISTRICT

485 NED Way
Chevak, Alaska 99563
907 456-7713 FAX (907) 456-7728

April 3, 1997

Honorable Al Adams
Alaska State Senate
Room 417, Capitol Building
Juneau, AK 99801

Re: Senate Bill 135

Dear Senator Adams:

We very much appreciate your introducing Senate Bill 135 regarding waivers of the local participating share under CIP grants. The legislation that originally required a local share included a provision that allowed the Commissioner of Education to waive the requirement for good cause. However, the Department of Education's waiver policy is so restrictive that it is virtually impossible to be granted a waiver.

Your bill, which requires waivers of the participating share in school districts of low assessed valuation, low per capita income, and high unemployment, is certainly reasonable. The local governments of such areas are already strained to the limit to provide even the most basic public services. Under such circumstances, the burden of the participating share would have the effect of further reducing these meager services.

In REAAs that meet the requirements of your bill, children are typically educationally disadvantaged, many are underachieving, and a significant percentage are limited English proficient. The only practical source of the required participating share in such districts is the operating budget. Thus, the instructional program for the neediest of children is reduced, exacerbating their educational deficits.

A good example is Kashunamiut School District, an REAA whose project is number one on the FY '98 DCE construction priority list. 98% of the students are Alaska Natives, 84% are limited English proficient, and 79% are below the poverty level. They are housed in an old BIA school that is documented as being an extreme life/safety hazard and educationally inadequate. Furthermore, it is presently at 189% of capacity, and the enrollment is increasing. If this project is funded, the local participating share will be \$484,614, which would have to come from the operating budget. It would indeed be a travesty for the state to require poor, educationally disadvantaged children to pay such a price merely to have a safe and educationally adequate facility.

Sincerely,

B. A. Weinberg, CIP Administrator
KASHUNAMIUT SCHOOL DISTRICT

HB

193

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 193

Revision Date: _____
Title: "An Act relating to financial assistance for students attending certain graduate education programs, and providing for an effective date."

Department Affected: Education
BRU: _____

Sponsor: HHESS
Requester: HHESS

Component: Student Loan Operations

COMPONENT SERIAL NO. 213

EXPENDITURES/REVENUES:

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	10.0	5.0	5.0	5.0	5.0	5.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	10.0	5.0	5.0	5.0	5.0	5.0

CAPITAL EXPENDITURES

CHANGE IN REVENUE ()

(Thousands of Dollars)

FUND SOURCE:

1002 Federal Receipts						
1003 GF Match						
1004 GF	10.0	5.0	5.0	5.0	5.0	5.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL						

Estimate of any current year (FY 97) cost: \$

POSITION:

FULL-TIME						
PART-TIME						
TEMPORARY						

Analysis: Attach a separate page if necessary.

This legislation will convert the WAMI Medical Education Program to a loan program. The new loan program will have forgiveness benefits based on the number of years the borrower is employed within the state, in the field for which the financial aid was borrowed for. The benefit proposed is 20% per year up to full forgiveness (5 years).

Prepared by: Mike Maner, Dir. of Student Loan Operations Phone: 465-6743
Division: Student Loan Operations Date: March 21, 1997

Approved by Executive Director: Diane Barrans
Agency: Alaska Commission on Postsecondary Education Date: March 21, 1997

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ANALYSIS: (continued)

The interest rate would be the same as the Alaska Student Loan Program, and tied to the cost of bonds. It provides for a 6 month grace period upon terminating studies, and payment does not begin as long as the borrower remains qualified for forgiveness.

Given the pass-through nature of the present WAMI Medical Education Program, the cost and time necessary to administer the program has been minimal. However, ACPE will incur costs for programming, establishing control records, and testing. It is estimated that testing will require two staff between 2-3 weeks of work, prior to a new loan program being added to the recently implemented loan management system, HELMS.

It would be inappropriate to continue to utilize ACPE's primary operating funding source, corporate receipts, to administer a general fund loan program.

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 14, 1997

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/30/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 193

HOUSE BILL NO. 193

REPAY GRADUATE EDUCATION AID

"An Act relating to financial assistance for students attending certain graduate education programs; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 193 (HES) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) Education APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____
 zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Paul Ryan</i>			✓	
<i>Don Bunde</i>	✓			
<i>Don Bunde</i>	✓			
<i>Don Bunde</i>	✓			
<i>Don Bunde</i>			✓	
<i>Tom Bunde</i>	✓			

CHAIR'S SIGNATURE *Don Bunde*

CS FOR HOUSE BILL NO. 193(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to financial assistance for students attending certain graduate
2 education programs; and providing for an effective date."

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

4 * Section 1. AS 14.42.030(d) is amended to read:

5 (d) The commission may enter into agreements with government or
6 postsecondary education officials of this state or other states to provide postsecondary
7 educational services and programs to Alaska residents pursuing a medical education.
8 An agreement with another state must be limited to services and programs that are
9 unavailable in Alaska. The commission shall require a person participating in a
10 medical education program offered under this subsection to agree to the
11 repayment condition imposed under AS 14.44.040.

12 * Sec. 2. AS 14.44 is amended by adding a new section to article 1 to read:

13 Sec. 14.44.040. Repayment condition for medical education program
14 participants. (a) Except as provided under (b) and (c) of this section, as a condition

1 of eligibility for receiving financial aid under AS 14.44.010 - 14.44.040, a program
2 participant shall agree to receive a portion of the financial aid as a loan, to be repaid
3 to the state. The portion of the financial aid received as a loan to be repaid to the
4 state is equal to the difference between resident and nonresident tuition at the
5 contracting postsecondary institution plus interest. The rate of interest is equal to the
6 12th Federal Reserve District discount rate in effect on March 1 of the year in which
7 the financial aid is received plus two percentage points. Interest imposed under this
8 subsection begins to accrue when the person terminates studies under the graduate
9 education program. Accrued interest shall be added to the principal balance of the
10 loan at the time the borrower is obligated to commence repayment and at the end of
11 a deferment period.

12 (b) If a person required to repay a loan under (a) of this section has graduated
13 from the graduate education program for which the loan was received and is employed
14 within the state in the field for which the person received the loan, including
15 employment within the state in a medical residency program, the loan shall be forgiven
16 and considered a grant in an amount equal to the following percentages plus accrued
17 interest:

- 18 (1) one year employment, 20 percent;
- 19 (2) two years employment, an additional 20 percent;
- 20 (3) three years employment, an additional 20 percent;
- 21 (4) four years employment, an additional 20 percent;
- 22 (5) five years employment, an additional 20 percent.

23 (c) Repayment under (a) of this section is required to begin not later than six
24 months after the person terminates studies under the graduate education program,
25 except that a person who qualifies for forgiveness under (b) of this section is not
26 required to begin repayment to the state as long as the person remains qualified for
27 forgiveness under (b) of this section. A person employed in a medical residency
28 program is not required to begin repayment to the state as long as the person remains
29 in the medical residency program. Forgiveness under (b) of this section only applies
30 to that portion of the loan that has not been repaid to the state.

31 (d) If a person meets the qualifying conditions under this section for

1 forgiveness after beginning repayment, the repayment requirement is deferred in the
2 month following qualification for forgiveness. Repayment shall be deferred as long
3 as the person remains qualified or until the balance of the loan has been fully forgiven.
4 If the person is delinquent or in default on the person's regular repayment schedule,
5 repayment shall continue until the person is current in payments. A period of time
6 during which the person is making past due payments may not be considered as a
7 qualifying period for the purpose of calculating forgiveness benefits.

8 (e) For purposes of qualifying for forgiveness under this section, a person must
9 be a full-time employee for a period of at least six months in order to qualify for a
10 prorated forgiveness benefit. In this subsection, "full-time employee" does not include
11 seasonal or temporary employment.

12 (f) A person's obligation to repay the loan under this section ends if the person
13 dies and is deferred during any period in which a physician certifies that the person
14 is totally disabled.

15 (g) This section does not apply to loans received by a person under AS 14.43.

16 (h) The commission may adopt regulations to implement this section. Except
17 as provided in this section, regulations adopted under this subsection may not exempt
18 or defer a repayment required under this section.

19 * Sec. 3. APPLICABILITY. This Act applies to a person who begins a graduate education
20 program and who receives financial aid from the state under AS 14.44.010 - 14.44.040, or for
21 a medical education program under AS 14.42.030(d), on or after July 1, 1997.

22 * Sec. 4. This Act takes effect July 1, 1997.

RE: CSHB193(H)/CSSB170(H)

The following information is provided to indicate what the impact of a WAMI loan would be from the borrower's perspective. Program fund source would continue to be General Fund due to covenants on use of Alaska Student Loan Corporation funds. Any repayment income would be deposited into State General Fund.

Two WAMI calculations are provided. Calculation #1 reflects the participants' borrowing the non-resident tuition differential loan for all four years of the program. Calculation #2 assumes that the borrower would be borrowing the tuition differential loan for 2nd– 4th years of the program which take place in Seattle at the University of Washington School of Medicine. Also assumed is an average tuition increase of 4% a year and an interest rate of 7% (current 12th Federal Reserve District discount rate plus two percentage points).

WAMI LOAN SCENARIOS

- Assumptions:
- 1) Individual begins program in 1997/98
 - 2) Interest rate is 7%, accrues following in-school period
 - 3) In-school period followed by 6-month grace period and 3-year deferment during residency. Interest accrues during deferment but no payments are due.
 - 4) 15-year repayment schedule (To be set by regulation—Possible that 20-year schedule would be allowed.)
- These calculations are only estimates based on currently available tuition information.

	Calculation #1	Calculation #2
1 st year loan	\$13,000	---
2 nd year loan	\$13,520	\$13,520
3 rd year loan	\$16,200	\$16,200
4 th year loan	<u>\$16,898</u>	<u>\$16,898</u>
Original Principal Balance	\$59,618	\$46,618
Deferment Interest	<u>\$14,606</u>	<u>\$11,421</u>
Capitalized Principal Bal.	\$74,254	\$58,039
Monthly payment:	\$643.93	\$503.32
Total to be repaid:	#1 \$123,638 (\$74,254, principal; \$49,384, interest); #2 \$ 96,638 (\$58,039, principal; \$38,599, interest)	

Unknown Factors Average starting annual net income for Family Practitioners
Additional college/medical education debt (without WAMI Loan) averaging
\$45,000-\$80,000.

ALASKA

TONY KNOWLES, GOVERNOR

3000 VINTAGE BLVD.
 JUNEAU, ALASKA 99801-7109
 VOICE (800) 441-2962
 In Juneau 465-6740
 TDD (907) 465-3143
 FAX (907) 465-3293

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

MEMORANDUM

TO: Senator Gary Wilken, Chair
 Senate HESS Committee

FROM: Diane Barrans, Executive Director
 Alaska Commission on Postsecondary Education

DATE: April 29, 1997

SUBJECT: CSSB 170 (II)

RECEIVED
 APR 29 1997

At last Friday's committee hearing, Senator Leman posed a question regarding the potential tax implication, to a participant in the proposed WAMI loan program, of receiving forgiveness benefits.

I have received information from a peer organization in Wyoming that currently administers student aid programs with work-related loan forgiveness provisions. While this memorandum should not be construed as a legal opinion, my colleagues in Wyoming cited Internal Revenue Code Sec. 108. Income from discharge of indebtedness:

f) Student loans

(1) In general

In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or in part) of any student loan if such discharge was pursuant to a provision of such loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers.

I was also informed that the Wyoming administrators do not report the annual forgiveness benefits to the Internal Revenue Service and have no record of ever being asked to do so. It appears that so long as this provision remains in federal tax code, program participants may expect to receive forgiveness benefits under a WAMI loan program without negative tax implications.

I hope this is helpful to the committee in your deliberations. Please don't hesitate to contact me if I can be of further assistance.

Cc: Senator Robin Taylor

TONY KNOWLES, GOVERNOR

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
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In Juneau 465-6740
TDD (907) 465-3143
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ALASKA COMMISSION ON POSTSECONDARY EDUCATION

Memorandum

TO: Honorable Con Bunde, Chair
Members, HESS Committee
Alaska State House of Representatives

FROM: Diane Barrans, ^{Executive Director}
Alaska Commission on Postsecondary Education

DATE: March 27, 1997

SUBJECT: Comments/Questions RE: HB 193 (WAMI Loan)

The members of the Commission have not reviewed this legislation nor have they taken a position with respect to supporting or opposing this substantive program change. Staff have reviewed the bill and respectfully offer the following questions and comments for your consideration:

- While this bill, under certain conditions, provides for 100% grant benefits, because interest is charged and the loan may have to be repaid—it should be consistently referred to as a loan that may become a grant (or similar language). The loan contract will be subject to the requirements of federal consumer truth-in-lending laws that require extensions of credit to be clearly identified as a loan.
- What portion of program funding will be directly borne by participants? Currently the UWSM charges WAMI states for the full cost of training rather than subsidize non-resident students with Washington taxpayers' dollars. Are participants individually responsible for all costs or something less such as the tuition differential between resident rate (approximately \$8,000 per year) and nonresident rate which is currently \$20.6 thousand per year for years one and two of the program and \$27.5 for years three and four? Truth-in-lending requires not only that the principal loan amount be disclosed prior to disbursing funds but also that total finance charges be disclosed.
- If the intent of the program is to increase access for Alaskans to a medical education and increase the pool of 'home grown' Alaskan physicians, the legislature may wish to recommend an increase in Alaska's level of participation from ten students in each class to 15 or 20. This would assist in achieving the goals of the program while at the same time reduce the per participant costs through efficiency of scale. UWSM has indicated that while the overall costs would likely increase, the cost per student

actually decreases. Alaska has the lowest participation level relative to Montana, Idaho and possibly Wyoming.

- No terms/conditions of repayment are set out: length of repayment; deferment allowances due to periods of: full-time study, medical disability, military service, unemployment, etc.; capitalization of interest, etc. These elements must be known and disclosed by the loan servicer. If the terms are to be determined by the Commission, it may be necessary to specifically authorize the Commission to do so through the regulatory process.
- Assuming that the general fund will continue as the program's fund source (Alaska Student Loan Corporation [ASLC] Funds cannot be used due to covenants to bondholders), the interest rate on WAMI loans might more reasonably be tied to prime rate plus some additional percentage each year rather than based on a formula driven by the rate ASLC pays to bondholders.
- The bill proposes an interest-free six-month period following termination of studies under this program. Why provide an interest benefit to participants who withdraw without completing or fail to return and work in the state? If interest is to accrue it should be capitalized prior to the beginning of any repayment period. If the participant is eligible for debt forgiveness—that will include interest.
- Bill refers to 'repaying' and 'reimbursing' the aid. To avoid confusion and ensure clarity, the statute should use consistent language. Regardless of the language, the administering agency will have to report the benefits to the Internal Revenue Service and participants will be responsible for any resulting tax liability.
- Bill references forgiveness of 'financial aid' from the state. Language should clarify that any additional loans made to, or on behalf of, the individual under AS 14.43 would not be subject to forgiveness benefits—or somehow identify that the scope of the benefit is limited to this WAMI program funding specifically.
- If a participant begins repayment of the loan and later qualifies for forgiveness benefits, is repayment suspended at the time they are employed in their field in the state or at the end of the first qualifying year?
- What is the minimum period of qualifying time for the purposes of prorating a forgiveness benefit?
- What is considered 'employed within the state'? Does the participant qualify if they perform interim work in Alaska that is seasonal, temporary or otherwise less than "full-time"? To what extent would a medical specialist who does 'visits' or 'clinics' in Alaska be considered eligible for forgiveness? Will the participant be considered qualified if acting in an administrative capacity in the state?

- Under what, if any, circumstances would a participant be held harmless from provisions of this bill?: 100% permanent disability; death; inability to find employment in their field in Alaska; need to provide family medical care; military reservist called to active duty; etc.

Staff is prepared to review and provide feedback as this bill is developed and these issues are addressed or, alternatively, as legislative intent is clarified for the Commission to implement through the regulatory process, should the bill be enacted.

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



SPONSOR STATEMENT

HB 193

"An Act relating to financial assistance for students attending certain graduate education programs; and providing for an effective date."

In FY 97, \$1,309,000 was authorized for the WAMI Medical Education Program and the budget request for FY 98 is \$1,350,400. There have been varying reports regarding the number of Alaskan graduates that return to the state to begin their medical practice after receiving this financial assistance. In an effort to encourage more of them to return to practice in Alaska, HB 193 would make the WAMI program (named for the participating states - Washington, Alaska, Montana and Idaho) into a loan program.

If graduate medical professionals who have benefited by this program choose to return to Alaska to work within six months, HB 193 has a forgiveness provision of 20% per year for up to five years of work in their field of study. Conversely, if the recipient decides not to return to the state after terminating studies under the graduate education program, repayment will be required to begin six months after the student completes studies and is no longer in a medical residency program.

If the participant chooses to return to the state later than six months, forgiveness would only apply to the financial aid that has not yet been repaid to the state.

Montana was the first state to make its WAMI program into a loan program. Alaska can be the next state to follow this trend.

I urge your support of this bill.

SPONSOR STATEMENT

The following information is provided to indicate what the impact of a WAMI loan would be from the borrower's perspective. This data assumes the borrower will experience the average residency period for Family Practitioners which is three years. Incomes earned during this residency period are extremely modest. Fund source would have to continue to be General Fund due to covenants on use of Alaska Student Loan Corporation funds.

Two WAMI calculations are provided. The first reflects the borrower bearing the entire cost of the 2nd, 3rd & 4th year of the program, FY97 approximately \$1.3 million. The second calculation assumes that the borrower would only be responsible for repaying the tuition differential represented by nonresident tuition costs, that is only a portion of the support fee. In this scenario, even through the 1st year costs are borne by the University of Alaska Anchorage, since the participants pay the resident rate of tuition for four years, four years' differentials are included. Also assumed is an average tuition increase of 8% a year. This is based on the average of the last five years at UWSM.

WAMI LOAN SCENARIOS

- Assumptions:
- 1) Individual begins program in 1997/98
 - 2) Program costs increase approximately 4% a year
 - 3) Interest rate is 8.6%, accrues following in-school period
 - 4) In-school period followed by 6 month grace period
 - 5) Typically loan is deferred for 3 years during residency when salaries generally range from \$25,000-\$30,000; Interest accrues during deferment but no payments are due
 - 6) 15-year repayment schedule

	Calculation #1	Calculation #2
1 st year cost	----	= \$12,435
2 nd year cost	= \$40,612	= \$13,429
3 rd year cost	= \$42,231	= \$14,504
4 th year cost	= \$43,925	= \$15,664
	<u>\$126,773</u>	<u>\$56,032</u>

Monthly payment:	#1 \$1,524.50	#2 \$673.79
Total to be repaid:	#1 \$274,416 (\$126,773, principal; \$147,643, interest)	#2 \$121,291 (\$56,032, principal; \$65,259, interest)

Unknown Factors Average starting annual net income for Family Practitioners?
 Additional college/medical education debt (without WAMI Loan) averaging
 \$45,000-\$80,000.

CODE	CONTRACTUAL SERVICES CLASSIFICATION	FY 96 ACTUAL	FY 97 AUTHORIZED	FY 98 ADJ BASE	FY 98 GOVERNOR
73000	Total Contractual Services	1,267.0	1,309.0	1,309.0	1,350.4
	Interagency Transfers (non-add)				

FUNDING SOURCES

1002	Federal Receipts				
1003	General Fund Match				
1004	General Fund	1,267.0	1,309.0	1,309.0	1,350.4
1005	General Fund Program Receipts				
1037	General Fund Mental Health				
1007	Interagency Receipts				

CODE	EXPLANATION	FY 97 AUTHORIZED	FY 98 ADJ BASE	FY 98 GOVERNOR												
73100	<p>The WAMI agreement governing the administration of this program states, "It is the intent of the Agreement that the State of Alaska pay the full operating costs of this program for those students who are residents of the State of Alaska . . .". Accordingly the anticipated program costs for FY98 are broken out as:</p> <p>Cost breakdown (estimated):</p> <table style="margin-left: 40px;"> <tr> <td>10 - 2nd year students</td> <td style="text-align: right;">417,872</td> </tr> <tr> <td>10 - 3rd year students</td> <td style="text-align: right;">413,371</td> </tr> <tr> <td>10 - 4th year students</td> <td style="text-align: right;">268,719</td> </tr> <tr> <td>WAMI Program Admin.</td> <td style="text-align: right;">163,026</td> </tr> <tr> <td>Community Clinical Units</td> <td style="text-align: right;">87,412</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,350,400</td> </tr> </table>	10 - 2nd year students	417,872	10 - 3rd year students	413,371	10 - 4th year students	268,719	WAMI Program Admin.	163,026	Community Clinical Units	87,412		1,350,400	1,309.0	1,309.0	1,350.4
10 - 2nd year students	417,872															
10 - 3rd year students	413,371															
10 - 4th year students	268,719															
WAMI Program Admin.	163,026															
Community Clinical Units	87,412															
	1,350,400															

**CONTRACTUAL
SERVICES
Form C300**

AGENCY Department of Education

BRU Alaska Postsecondary Education Commission

COMPONENT WAMI Medical Education #953

Page 1 of 1
Revised Date:

FY 98



ALASKA STATE LEGISLATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE House Hogg
COMMITTEE NAME

COMMITTEE ON HB 193 DATED 3/27/97
BILL SUBJECT

As a lifetime resident of Alaska, I cheer the committee's efforts to benefit the ~~then~~ residents of the state both by providing a shot at medical education for qualified students and providing highly qualified doctors to the population. The proposed changes to the WAMI program (requiring recipients to practice in the state or repay funds provided for them) are both fair and reasonable, increasing the program's value to state residents in general while maintaining opportunities for excellent Alaskan students in particular.

HB 193 would make a difference for a whole generation of Alaskan physicians.

SIGNED [Signature] (Helam K. Helms)
TESTIFIER

REPRESENTING (OPTIONAL)
3030 Davis Rd. HC-62 Fairbanks, 459-7491
ADDRESS/PHONE NUMBER



UNIVERSITY OF ALASKA FAIRBANKS

Associated Students University of Alaska Fairbanks
Fairbanks, Alaska 99775-0220 • (907) 474-7255

Dear Representative Bunde,

As a pre-medical student studying at the University of Alaska Fairbanks, I am writing to express my support for your WAMI reform bill.

I think your proposition is an excellent way to maximize the state's benefit from the WAMI program, by ensuring that every student who participates in the program gives something back to Alaska, either by practicing medicine in the state, or by repaying at least a portion of the state's investment in their education.

I also feel that this bill will benefit the students who attend Alaskan universities and plan to stay in Alaska. The purpose of the WAMI program is to provide an opportunity for students who live in states without medical schools to attend medical school without paying non-resident tuition. The spirit of the program is not honored when 80% of the students who participate finish medical school, then become residents of other states. Those students who wish to leave Alaska after medical school don't really need the WAMI program, since they could easily leave Alaska to establish residency in another state before attending medical school.

With your proposed reforms, fewer students who plan to leave Alaska would apply, so those students who benefit most from the program, and who return the greatest benefit to the state by returning after medical school, would not have to compete for a place in the program against students who plan to leave Alaska anyway.

Finally, as the Vice-President of the student body here at UAF, I am aware of the difficult financial situation the state is in. Alaska is still a wealthy state, but, as our revenues decline, our spending must also decline. I am very appreciative that the legislature recognizes the value of the WAMI program, and that you seek to maximize the program's returns, rather than eliminating it.

Thank you for your support of the University.

Sincerely,


Jean J. Richardson

SUPPORT

Tuesday, March 18, 1997

To: Rep. Con Bunde
Alaska State Legislature
Juneau, Alaska

From: Adam K. Holmes
University of Alaska, Fairbanks
Fairbanks, AK

For over twenty years the Washington, Montana, Idaho and Alaska medical school program has provided tremendous opportunities for Alaska residents to pursue their dreams of becoming physicians. This program has already benefited the residents of Alaska greatly, and the proposed changes to it (stipulating 5 years of medical practice in the state or partial repayment of the cost of the student's medical education) would only increase its benefit. These changes are both reasonable and fair, with both the students and the state receiving a good return on their investment.

Please vote to retain the WAMI program in some form. It would make a world of difference for a whole generation of aspiring Alaskan doctors.

Sincerely,

Adam Holmes

March 16, 1997

Dear Representative Bunde,

I am writing to show support for, and raise some concerns about, the proposed changes to the WAMI program you have set out in your bill. In general, I believe these changes will be a positive thing for the State of Alaska as a whole and the students involved in the program. I think that it is only fair that if a student receives the benefits of the WAMI program, the funding for which comes from the State, he or she should be obligated to give something back, whether it is in the form of service or repayment.

As a future medical student who has applied to medical school through WAMI, I realize the importance of keeping such a program in place. Admission to medical schools throughout the nation is becoming increasingly competitive, a fact which is doubly true for Alaskan residents. A recent letter I received from the George Washington School of Medicine in Washington D.C. stated that the school had received 10,096 applicants for only 113 positions, some of which were earmarked for residents of the D.C. area. The vast majority of medical schools in this country, both public and private, show a preference for in-state students. Though most hold a few slots open for students from out of state, competition for these positions is fierce, with hundreds of students competing for the same spot. For students from Alaska, who do not have the benefit of an in-state medical school, this makes the process of gaining admission even more difficult. The WAMI program attempts to address this problem by allowing Alaskan students who want a medical education to be given special consideration for admission, giving us a much higher chance at getting into medical school than we would receive by competing for the few out-of-state spots available at other schools. For this reason, it is important to maintain this program.

Though I, and many other pre-med. students would find it preferable to retain the WAMI program in its current form, the condition of the State budget demands that compromises be made by all. I realize that the WAMI budget represents a large sum of money to spend on relatively few students and that the State of Alaska deserves some sort of guarantee that its citizens will somehow benefit from this expenditure. The compromise being proposed

would certainly help to give this guarantee. I believe that it is only fair that if the State of Alaska, and thus the citizens of Alaska, are spending money on my medical education that I should be obligated to serve them in some way. Though I know that I want to return to Alaska after completing my education, some students taking advantage of the program may not. By requiring students to either spend five years practicing medicine in Alaska or pay back part of the State's investment, students will be obligated to give something back to the communities that helped to finance their education. In fact, this requirement will not only help the state, it will also help pre-medical students such as myself. Imposing such restrictions on the WAMI program might help to weed out aspiring medical students who have no intention of returning to Alaska who take advantage of the excellent deal WAMI provides. These students would then seek positions elsewhere, rather than facing repayment. This would make the odds of gaining admission better for those of us who are committed to this state and its people.

Though overall I am pleased with this compromise on the WAMI program, I have several concerns. First, I am somewhat concerned about the timing of payback. The first year after a new doctor finishes his or her residency is often a difficult one. The pressures of beginning to pay back medical school loans which, even with this program, can add up to over \$100,000; finding a job; and getting established in a new community can be rather taxing. Much of this first year is often, in fact, spent just looking for a permanent job. Though Alaska is always in need of doctors to serve in its hospitals now, there is no guarantee that a new doctor straight out of residency will be able to gain an in-state position early in his or her first year. Such a doctor might be forced to begin payback even though he or she is actively looking for a job in this state. This concern also applies to doctors who, for one reason or another, decide to seek out of state positions.

A second concern I have applies to medical students who choose a specialty which is not currently in demand in this state. If a doctor graduating with such a specialty makes a good-faith effort to get a job here within his or her field but fails due to lack of demand, I do not believe he or she should be penalized for this. It is for these reasons that I suggest that the changes in the WAMI program be worded such that there is a one year grace period after residency in which a new doctor can attempt to find a job and get established without facing repayment.

My final concern pertains to doctors who, for one reason or another, decide to practice out of state for several years, perhaps to gain valuable skills in their field which cannot be attained here, then return to serve Alaska. These doctors will, of course, be obligated to make payments to the State of Alaska for the years they spend away, but what of the time after they return? One would suppose that repayment obligations would end, but what of the money the doctors have already repaid? The same question applies to doctors who practice in this state for several years, go away for training or other opportunities, then come back. These situations might seem to be hypothetical speculations, but they are fairly common scenarios for doctors just out of residency. I believe that these issues must be addressed so that doctors who wish to serve Alaska will be able to take advantage of opportunities which arise in the early stages of their careers and still discharge their obligation to the state.

Overall, I believe the proposed changes to the WAMI program are a good move for the State of Alaska and its students. These changes ensure that Alaska will get a return on its investment in Alaskan medical students' educations while maintaining the WAMI program which so many students rely on. Though I have some concerns, I believe that they can be fairly easily addressed so that this compromise can serve all involved.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura E. Burleson", with a long, sweeping horizontal line extending to the right across the page.

Laura E. Burleson
Pre-Med. Student
University of Alaska, Fairbanks

HB

194

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: March 14, 1997

FURTHER REFERRALS:

State Affairs
Finance

Date of Committee Action: 4/29/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 194

HOUSE BILL NO. 194

TAX CREDITS: CONTRIBUTIONS TO EDUCATION

"An Act relating to credits against certain taxes for contributions for educational purposes; and providing for an effective date."

recommends it be replaced the same title
with the following committee substitute _____ a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) Revenue/3-14-97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Fred B...</i>			✓	
<i>Car Br...</i>	✓			
<i>Car Br...</i>	✓			
<i>Bruce D. Porter</i>			✓	
<i>W. J. ...</i>			✓	

CHAIR'S SIGNATURE Car Br...

TONY KNOWLES
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB194
P O Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

March 13, 1997

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker ^{Gail}Phillips:

As part of my Alaska Business Investment Incentive Plan to expand the partnership between the state and the private sector, I am submitting this legislation to enhance the existing tax credit for contributions to Alaska's colleges and universities and to expand it to cover contributions to our public elementary and secondary schools.

Education is vital to an expanding economy and to preparing Alaskans for good jobs. In today's climate of declining revenues and reduced budgets, it is vital we provide incentives to stimulate increased private contributions for our post-secondary institutions. This initiative will build on the program started several years ago which has generated millions of additional dollars from the private sector to higher education in Alaska.

Under current law, taxpayers may claim a credit against several types of state taxes for contributions to eligible Alaska colleges or universities. The credit is capped at \$150,000 a year based on \$200,000 in contributions. This bill extends the cap on the tax credit by creating a new tier of creditable contributions. Under this new tier of contributions, a taxpayer may claim a credit of 50% of an additional \$150,000 of eligible contributions.

The bill would also establish a new program which provides a tax credit of 50% of contributions up to \$100,000 to local school districts for educational support to our primary and secondary schools.

TRANSMITTAL LETTER

The Honorable Gail Phillips

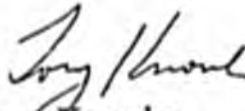
March 13, 1997

Page 2

This is just one of several proposals I am putting forward where it makes good policy sense to provide incentives which stimulate even greater returns in terms of jobs and economic activity in Alaska.

I hope you will give this bill your support.

Sincerely,


Tony Knowles
Governor

Session Date: _____ Dept. Affected: Revenue
 Title: Tax Credits for Contributions for Educational Purposes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Rules Committee
 Author: Governor COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
LIABILITIES, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	(2044.5)	(2044.5)	(2044.5)	(2044.5)	(2044.5)	0.0

FUND SOURCE (Thousands of Dollars)

02 Federal Receipts						
03 GF Match						
04 GF						
05 GF/Program Receipts						
07 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried Phone: (907) 465-3001
 Division: Income and Excise Audit Division Date: March 5, 1997
 Approved by Commissioner: Wilson L. Condon Date: March 5, 1997
 Agency: Revenue

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Alaska Department of Revenue
Income and Excise Audit Division

Tax Credits for Contributions for Educational Purposes

March 5, 1997

Page 2 of 6

BILL ANALYSIS

This bill amends tax statutes to: (1) add a third tier for contributions to accredited education institutions and (2) authorize a tax credit for contributions to school districts in the state. The following tax programs would be affected by this bill:

- Insurance Premiums (AS 21.89.070)
- Corporation Net Income (AS 43.20.014)
- Oil and Gas Severance (AS 43.55.019)
- Oil and Gas Property (AS 43.56.018)
- Mining License (AS 43.65.018)
- Fisheries Business (AS 43.75.018)
- Fishery Resource Landing (AS 43.77.045)

Tier 3

This bill authorizes a third tier to existing statutes that allow credits for contributions to accredited educational institutions. Currently, taxpayers are allowed a credit of 50% of the first \$100,000 (tier 1) and 100% of the next \$100,000 (tier 2) of qualified contributions (\$150,000 maximum credit). Tier 3 would allow taxpayers to claim a credit for 50% of the next \$150,000 of qualified contributions; thus increasing the eligible contributions to \$350,000 and the maximum credit to \$225,000.

Under this bill, tier 3 would sunset on December 31, 2001. While this tier is in effect, credits may not exceed \$225,000 when combined with credits taken under all of the tax programs.

School Districts Credit

This bill authorizes taxpayers to claim credits for contributions to school districts in the state. The credit would be limited to 50% of cash contributions of not more than \$100,000.

Section 2 amends AS 21.89.070 (insurance tax credit for gifts to colleges) by adding tier 3 as described above. Under this statute, the credit is limited to the lesser of the allowable credit or 50% of the insurance premiums tax liability.

Section 3 amends AS 21.89.070 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 4 amends AS 21.89.070 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of insurance premiums tax or contributions under AS 23.20 (Alaska Employment Security Act).

Tax Credits for Contributions for Educational Purposes

March 5, 1997

Page 3 of 6

Section 5 amends AS 21.89 by adding a new section to authorize insurance tax credits for contributions to school districts as described above.

Section 6 amends AS 43.20.014 (income tax education credit) by adding tier 3 as described above.

Section 7 amends AS 43.20.014 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 8 amends AS 43.20.014 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 9 amends AS 43.20 by adding a new section to authorize income tax credits for contributions to school districts as described above.

Section 10 amends AS 43.55.019 (oil or gas producer education credit) by adding tier 3 as described above.

Section 11 amends AS 43.55.019 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 12 amends AS 43.55.019 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 13 amends AS 43.55 by adding a new section to authorize tax credits for contributions to school districts as described above.

Section 14 amends AS 43.56.018 (oil or gas property education credit) by adding tier 3 as described above.

Section 15 amends AS 43.56.018 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 16 amends AS 43.56.018 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Tax Credits for Contributions for Educational Purposes

March 5, 1997

Page 4 of 6

Section 17 amends AS 43.56 by adding a new section to authorize oil or gas property tax credits for contributions to school districts as described above.

Section 18 amends AS 43.65.018 (mining business education credit) by adding tier 3 as described above.

Section 19 amends AS 43.65.018 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 20 amends AS 43.65.018 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 21 amends AS 43.65 by adding a new section to authorize mining license tax credits for contributions to school districts as described above.

Section 22 amends AS 43.75.018 (fisheries business education credit) by adding tier 3 as described above.

Section 23 amends AS 43.75.018 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 24 amends AS 43.75.018 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 25 amends AS 43.77.045 (fisheries resource landing tax education credit) by adding tier 3 as described above.

Section 26 amends AS 43.77.045 to limit the overall credit to \$225,000 when combined with credits claimed under other tax programs while tier 3 is in effect.

Section 27 amends AS 43.77.045 to prohibit taxpayers from claiming credits if the taxpayer is in arrears of payment of a tax under AS 43 or contributions under AS 23.20 (Alaska Employment Security Act).

Section 28 provides for repeal of school districts credit statutes.

Section 29 provides that sections 1 through 26 are retroactive to January 1, 1997 and apply to contributions made after December 31, 1996.

Section 30 provides for an immediate effective date for sections 1 through 26.

Section 31 provides a effective date of January 1, 2002 for repeal of school districts credit provisions.

OPERATING COSTS

The department does not anticipate any additional costs for administering tier 3 and school districts credit programs. The department would revise its tax forms to allow taxpayers to claim credits authorized under this bill.

REVENUE

Tier 3

During FY 1996, 29 taxpayers claimed \$2.3 million in education credits from \$3.2 million in qualified contributions to Alaska universities and educational institutions. Of these taxpayers, 15 taxpayers claimed the maximum \$150,000 credit. Assuming that 75% of these taxpayers take advantage of tier 3, (6 taxpayers at the maximum tier 3 credit of \$75,000 and 5 at \$37,500) taxpayers would claim \$637,500 each year. Credits would begin in FY 1998 when 1997 tax returns are due. The last fiscal year that tier 3 credits would be claimed is FY 2002 when 2001 tax returns are due.

School Districts Credit

The department assumed that 8 of the 15 taxpayers who claimed the maximum education credit would claim the maximum (\$50,000) school districts credit. Total credits for these taxpayers would equal \$400,000. The department projects that all other taxpayers would claim \$1,007,000 in credits. Total school districts credits would be approximately \$1,407,000 each year. The last fiscal year that school districts credits would be claimed is FY 2002 when 2001 tax returns are due.

Grand total credits for both programs would be \$2,044,500 (\$637,500 + \$1,407,000) each year.

Alaska Department of Revenue
Income and Excise Audit Division
Projected Revenue Decreases from Changes in Education Credits

Tax Credits for Contributions for Educational Purposes
 March 5, 1997
 Page 6 of 6

Assumptions for Public School Education Credit: 8 of the 15 taxpayers who currently receive the maximum amount of education credits available choose to participate in the proposed Public School Education Tax Credit at the \$100,000 level. Because there are 53 school districts in Alaska vs. 3 universities that qualify under the current Education Tax Credit program, we believe the new program will have a higher participation rate at lower levels of tax liability. Consequently, we assume that the participation rate at lower levels of liability (down to the \$1,000 level) in the new program is half of the participation rate at higher liabilities in the existing education credit program (8%).

	Corp. Number	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03*
Credits for Bus. with >\$99,999 Liab.	8	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$0
Credits for Bus. with \$50,000-\$99,999 Liab.	4	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$0
Credits for Bus. with \$10,000-\$49,999 Liab.	17	\$510,000	\$510,000	\$510,000	\$510,000	\$510,000	\$0
Credits for Bus. with \$1,000-\$9,999 Liab.	54	\$297,000	\$297,000	\$297,000	\$297,000	\$297,000	\$0
Total	83	\$1,407,000	\$1,407,000	\$1,407,000	\$1,407,000	\$1,407,000	\$0

* Sunsets after 5 years.

Assumptions for Tier 3 Education Credit: 11 of the 15 taxpayers who currently receive the maximum amount of education credits available choose to participate in the proposed Tier 3 Education Tax Credit. We assume 6 of the 11 participate at the \$150,000 level and 5 participate at the \$75,000 level.

	Corp. Number	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03*
Credits for Bus. part. at \$150,000 level	6	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$0
	5	\$187,500	\$187,500	\$187,500	\$187,500	\$187,500	\$0
Total	11	\$637,500	\$637,500	\$637,500	\$637,500	\$637,500	\$0

* Sunsets after 5 years.



Anchorage - Star of the North
Chamber of Commerce
Anchorage Chamber of Commerce
Resolution 96/97-15
In Support of Small Business Growth

WHEREAS, the Anchorage Chamber of Commerce is the largest business organization in Alaska, with a membership of more than 1,200 businesses and organizations with "Small Business" making up 80% of our membership; and

WHEREAS, the Anchorage Chamber of Commerce Business Development Committee has as its primary mission to present seminars, workshops and conferences that educate our members and assist in the development of programs that engender economic development for small business; and

WHEREAS, the Anchorage Chamber of Commerce Business Development Committee has been studying ways that the small business community can be assisted by government in areas of economic development, employee training as it applies to the welfare reform mandates, and access to capital for business expansion; and

WHEREAS, the Anchorage Chamber of Commerce is concerned about a strong fiscal plan to ensure the elimination of a gap, it believes that the State must support business development to assist with a continuing pattern of economic growth and diversification; and

WHEREAS, the Anchorage Chamber of Commerce Business Development Committee supports as a first step the concept of encouraging business through small business tax incentives for welfare-to-work training assistance, equipment purchase for business expansion and education contributions which are important to business growth in the State.

NOW THEREFORE BE IT RESOLVED that the Anchorage Chamber of Commerce hereby urges the Legislature and the Administration to work on additional program enhancements in order to stimulate small business welfare-to-work participation, small business growth, education-business partnerships and general economic development for Alaska's small businesses; and

NOW THEREFORE BE IT FURTHER RESOLVED that the Business Development Committee of the Anchorage Chamber of Commerce will continue to study the effectiveness of current business assistance programs and the need for elimination or consolidation of such programs and the implementation of new programs. This study will include review of current and past task force materials. The findings and recommendations will be forwarded to the Legislature and Administration with a call for action.

Approved: April 18, 1997


Tom Williams Chair 1996-97


Carol Heyman President

HB

197

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 14, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/1/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 197

HOUSE BILL NO. 197

PUBLIC LIBRARIES

"An Act relating to libraries."

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dep) _____ APPROVES PREVIOUS: (Dep/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) Education zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Joseph [Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>Tom Brice</i>			✓	

CHAIR'S SIGNATURE *Tom Brice*

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



Sponsor Statement

HB 197 "An Act relating to libraries."

Alaska does not have a Public Library Law, even though it has a grant program for public libraries. There is no definition of what a public library is; how it can be established, organized or administered; or what services should be provided. HB 197 addresses these issues and will provide communities with public libraries, as well as those planning for public libraries, with a framework within which to operate the service.

The Public Library Assistance Grant program, initiated in 1982, has encouraged the establishment of 55 new public libraries in 15 years. However, 25 of them disappeared after one or two years because they did not have adequate administrative structures and realistic views of the effort required to operate a library. This is an ongoing problem and puts pressure on the limited funds dedicated to the grant program. HB 197 should alleviate this problem and bring stability to the public library community. In addition, it should help stabilize the amount of grant money going out to the existing public libraries, allowing them to more adequately plan their budgets for the next fiscal year.

HB 197 makes some revisions in the current statutes that pertain to grant programs. Most of these changes simply bring compatibility to the two sections. However, there is one significant, fundamental change in the formula for funding the Public Library Assistance grants. AS 14.56.330 currently distributes money by providing a \$5000 basic grant without requiring any local effort or contribution. Up to an additional \$5000 is awarded on a one-to-one match of local funds. (In recent years, due to the scarcity of funds, the state has been able to provide no more than a \$2000 match. Therefore, no library receives more than a total of \$7000.)

The proposed revision will combine the basic and matching components into one basic grant of \$7000 which will require a one-to-one local match with a minimum of \$5000 in local support to be eligible for any grant funds. Unlike the current law, however, the revision will allow a community to use in-kind support. This will benefit small communities with dedicated volunteer staffs. Should there be funds available after awarding \$7000 to each library, the excess would be awarded on a per capita basis (a provision that does not currently exist in statute.) This would bring some equity to the more populous communities.

This bill will also repeal two public library construction grant programs that are no longer funded (AS 14.56.200 - 14.56.240 and 14.56.350.) The repeal date will not take effect until June 30, 1999, to allow for the close-out of current projects.

HB 197 was drafted at the request of the public library community and has been reviewed, revised, and unanimously approved by the directors of the 18 largest public libraries. It has also been reviewed and is supported by the Education Subcommittee of the Alaska Municipal League.

Article 04. RURAL COMMUNITY LIBRARIES

Sec. 14.56.200. Grants for constructing and equipping libraries. The division of state libraries shall administer a program providing for grants to rural communities for constructing and equipping community libraries according to the provisions of AS 14.56.210 - 14.56.240.

History - (sec. 1 ch 42 SLA 1970) AG Opinions -

The Alaska State Library could make a grant to the community of Anchor Point even though the state would not retain title to the library facility in that community. August 26, 1987 Op. Att'y Gen.

Article Notes -

Editors Notes. As of 1996, the division of state libraries, referred to in this article, was the division of libraries, archives, and museums.

Sec. 14.56.210. Application for grants.

(a) A rural community desiring to receive the benefits of the grants provided for in AS 14.56.200 shall apply to the division of state libraries. If the rural community is within a borough with areawide library powers, the borough may apply on behalf of the community.

(b) To be eligible for a grant under AS 14.56.200 - 14.56.240, the applicant shall provide not less than 10 per cent of the total cost of the project for which the funds are granted. The remaining percentage shall be provided by the state. The matching share of the applicant may be in the form of money, land, services, or other items acceptable to the division of state libraries. Satisfactory assurance of the continuation of library services shall be included as part of the application.

History - (sec. 1 ch 42 SLA 1970)

Sec. 14.56.220. Ownership of facility.

Title to a library constructed under AS 14.56.200 - 14.56.240 shall be in the applicant unless the applicant is an unincorporated city, in which case the state shall retain title until the time of any subsequent incorporation.

History - (sec. 1 ch 42 SLA 1970)

Sec. 14.56.230. Regulations.

The division of state libraries shall adopt regulations necessary to carry out the purposes of AS 14.56.200 - 14.56.240.

History - (sec. 1 ch 42 SLA 1970)

Sec. 14.56.240. ""Rural community" defined.
In AS 14.56.200 - 14.56.230, "rural community" means any community except a first class city of over 2,000 population.
History - (sec. 1 ch 42 SLA 1970; am sec. 27 ch 53 SLA 1973)

Sec. 14.56.250. - 14.56.290 [Renumbered as AS 14.56.182 - 14.56.190]. Repealed or Renumbered

Article 05. LIBRARY ASSISTANCE GRANTS

Sec. 14.56.300. Library assistance grant fund.
There is established in the department a library assistance grant fund. From legislative appropriations to the fund, the department shall make grants to eligible libraries for public library operations or for interlibrary cooperation or for both.
History - (sec. 1 ch 36 SLA 1981)

Sec. 14.56.310. Eligibility.

(a) Libraries eligible for grants under AS 14.56.300 are
(1) public libraries operated by municipalities or by public library nonprofit corporations; and

(2) libraries sharing resources or providing services to other libraries.

(b) A library described in (a) (1) of this section is eligible for a public library assistance grant. A library described in either (a) (1) or (2) of this section is eligible for an interlibrary cooperation assistance grant.

History - (sec. 1 ch 36 SLA 1981)

Sec. 14.56.320. Applications.

An eligible library may apply to the department for a grant under AS 14.56.300 - 14.56.340 in accordance with regulations adopted by the board.

History - (sec. 1 ch 36 SLA 1981)

Sec. 14.56.330. Limitations.

(a) A public library assistance grant under AS 14.56.300 - 14.56.340 may not exceed \$10,000 for each local public library service outlet in any one fiscal year. However, no amount over \$5,000 may be granted unless it is equally matched by local money.

(b) State money granted to a library under AS 14.56.300 - 14.56.340 may not be used to supplant local money equal to local expenditures for that library in fiscal year 1980, as adjusted annually by the commissioner to conform approximately to changes in the United States Department of Labor Bureau of Labor Statistics consumer price index for Anchorage, Alaska. A library that uses state money to supplant local money forfeits eligibility for grants under AS 14.56.300 - 14.56.340 for two years.

History - (sec. 1 ch 36 SLA 1981)

Sec. 14.56.340. Regulations.

The board shall adopt regulations necessary to carry out the purposes of AS 14.56.300 - 14.56.330.

History - (sec. 1 ch 36 SLA 1981)

Article 06. PUBLIC LIBRARY CONSTRUCTION GRANTS

Sec. 14.56.350. Public library construction grants.

(a) The director of the division of state libraries shall administer a program providing for grants to municipalities in the state for the construction and equipping of libraries. To be eligible for a grant under this section a municipality shall provide not less than 40 per cent of the total cost of the project for which funds are granted. The department shall administer the funds under this section and shall adopt regulations necessary to carry out the purposes of this section.

(b) [Repealed, sec. 88 ch 74 SLA 1985].

History - (sec. 1 ch 100 SLA 1970; am sec. 88 ch 74 SLA 1985)

Revisors Notes -

Formerly AS 14.56.065. Renumbered in 1982.

AG Opinions -

In the absence of statutory or regulatory language to the contrary, the municipality may provide its share from any source of money that may legally be used for that purpose. August 27, 1987 Op. Att'y Gen.

Article Notes -

Editors Notes. As of 1996, the division of state libraries, referred to in this article, was the division of libraries, archives, and museums.

Post-It® Fax Note	7671	Date	3.26	# of pages	ONE
To	Legislative Info Ofc	From	Greg Hill		
Co./Dept.		Co.	FNSB Library		
Phone #		Phone #	454 1020		
Fax #	456-3346	Fax #	454 1024		



ALASKA STATE LEGISLATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE H.E.S.S.
COMMITTEE NAME
 COMMITTEE ON Alaska Public Library Law DATED March 25, 1997
BILL/SUBJECT

A new report from the National Center for Education Statistics shows that

44% of all U.S. households used a public library last month, and
65% of all U.S. households used a public library in the last year.

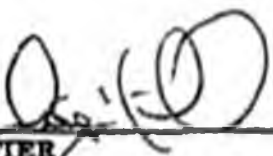
Alaska rates even higher:

56% of all Alaskan households used a public library last month, and
76% of all Alaskan households used a public library last year.

Nothing is as widely infinite as the average human imagination, and Alaskans tend to be more curious, better informed, and more demanding of their public libraries than the average American. It is time for legislation defining public libraries today and laying a foundation for the future

HB No. 197 requires real local commitment to the ideals and value libraries represent and provides a strong incentive to communities with strong volunteer networks by allowing in-kind donations to match grants from the state. In an age when federal and state funding for libraries has been dramatically reduced, HB No. 197 will also help conserve diminishing resources.

I urge you to take quick and positive action on this bill and forward it for passage by the full Legislature.

SIGNED  (Greg Hill, Director)
TESTIFIER
 Fairbanks North Star Borough Libraries
REPRESENTING (OPTIONAL)
Noel Wien Library, 1215 Cowles St., Fairbanks, AK 99701
ADDRESS/PHONE NUMBER

**Municipality
of
Anchorage**



P.O. Box 196650
Anchorage, Alaska 99519-6650

Rick Mystrom, Mayor

April 3, 1997

ANCHORAGE MUNICIPAL LIBRARIES

Dear Chairman Bunde and Members of the HESS Committee:

I arrived at the Legislative Information Office Tuesday, April 1, at 3:05. With mixed emotions I heard a final request for comments on HB 197 and before I could push the button, it had passed. The "mixed emotions" comes from not being able to speak, one of the few opportunities to address you and the committee, but very pleased that the bill passed!

So as to not let you off the hook of hearing my thoughts, here is a brief summary of my comments.

Over the last two years public library directors from communities throughout the state, Ketchikan to Barrow, have met face to face and via teleconference with State Library staff in drafting public library law for Alaska. The definition of a public library was debated as well as urban versus rural needs. We argued over wording and funding formulas and came away from our discussion a cohesive group of individuals representing communities with varying needs, that will continue to work together to better public libraries in Alaska.

From Anchorage's perspective I am pleased with provisions for per capita funding beyond the basic grant of \$7,000. If the legislature chooses to fund public library assistance grants to a greater degree than at present, urban areas such as Anchorage, will benefit.

I appreciate your continued support for public libraries in Alaska and especially for your support of libraries in Anchorage.

Sincerely,


Mary H. "Moe" McGee, Director

p.s. Fred, the staff at the Chugiak/Eagle River Branch library miss your regular visits...

FISCAL NOTE

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An Act relating to libraries. BRU: none
 Component: none
 Sponsor: House HESS Committee by request
 Requestor: Senate Finance COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0

REVENUE FUND SOURCE: _____

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current (FY98) impact \$ none

ANALYSIS: (Attach a separate page if necessary)
 This legislation has no effect on the department. There are no fiscal impacts.

Prepared by: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Division of Administrative Services Date: 4/20/98
 Approved by Commissioner: *Kurt for Heike Juvonen* Date: 4/20/98
 Agency: Community & Regional Affairs

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 197

Revision Date: 21-Mar-97 Dept. Affected: EDUCATION
Title: An Act relating to libraries BRU: Division of Libraries, Archives & Museums
Component: Libraries

Sponsor: House HESS
Requester: House HESS COMPONENT SERIAL NO. 208

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGES IN REVENUES						
---------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

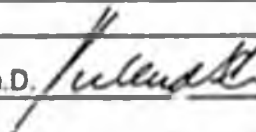
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
Other:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY97) cost: \$

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)
This bill has no fiscal impact on the Department of Education nor will it have any on the Department of Community and Regional Affairs. The bill addresses the following issues: 1) It provides a definition of public libraries, and how they can be established, organized, and administered; and what services need to be provided in order to be eligible for the Public Library Assistance Grant program; 2) It clarifies eligibility for the already existing grant programs administered by the State Library; 3) It revises the Public Library Assistance Grant program by requiring local effort but also allowing in-kind contributions; and 4) repeals two public library construction statutes because these programs no longer exist. The State Library is already administering all programs impacted by the bill.

Prepared by: George Smith
Division: Libraries, Archives & Museums
Approved by Commissioner: Shirley J. Holloway, Ph.D. 
Agency: Department of Education

Phone: 465-2910
Date: 3/21/97
Date: 3-21-97

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HB

213

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB213

Revision Date: _____ Dept. Affected: EDUCATION
 Title: Requirements for Teacher Certification BRU: Teaching and Learning Support
 Component: Teacher Education and Certification
 Sponsor: Rep. Kubina
 Requester: House HESS COMPONENT SERIAL NO. 1240

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGES IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUNDING: (Thousands of Dollars)

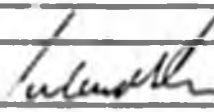
1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0	0	0	0	0	0
Other:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY97) cost: \$ \$0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Nancy Buell
 Division: Teaching and Learning Support
 Approved by Commissioner: Shirley J. Holloway, Ph D 
 Agency: Department of Education

Phone: 465-8689
 Date: 4/25/97
 Date: 4/25/97

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Alaska State Legislature



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Special Committee
on Fisheries

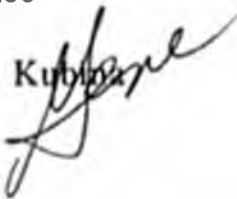
Representative Eugene Kubina
House Minority Leader

During Session:
Alaska State Capitol
Juneau, Alaska 99801-1182

During Interim:
P.O. Box 2463
Valdez, Alaska 99686

Memo

To: Representative Con Bunde, Chairman
House HESS Committee

From: Representative Gene Kubina 

Date: 10 April '97

Re: House Bill 213, "An Act relating to teacher certification"

With the first session of the twentieth Alaska State Legislature moving rapidly to an end, I would appreciate it if you could schedule a hearing for my bill, HB 213, at the earliest possible date.

In my opinion, in the state's pursuit of excellence in education, one natural approach is to raise, and make uniform, the standards required for teacher certification. HB 213 purposes to do this.

I look forward to presenting the merits of this bill before your committee.

Alaska State Legislature



Committees
Labor & Commerce
Legislative Council
World Trade
Trade & Tourism
Special Committee
on Fisheries

Representative Eugene Kubina
House Minority Leader

During Session:
Alaska State Capitol
Juneau, Alaska 99801-1182

During Interim:
P.O. Box 2463
Valdez, Alaska 99686

Sponsor Statement

The intent of HB 213 is to raise, and to make uniform, the standards required for teacher certification in Alaska.

Over the decades, in its efforts to expand the opportunities for more Alaskans to become teachers, the state has relaxed the requirements necessary to obtain a teaching certificate. While a laudable goal, the negative result is that Alaskan trained and certified teachers now suffer a significant disadvantage when competing with teachers from other states, whose own requirements are more comprehensive and rigorous.

HB 213 purposes to give Alaskan educated, primary and secondary teachers a better competitive edge both within their own state and elsewhere by providing a better curriculum standard necessary to receive a teacher's certificate. Under this bill, beginning July 1, 2001, teacher applicants will be required to earn a baccalaureate degree in a field other than education, thereby expanding their professional area of application.

Further, teacher applicants will also be required under HB 213 to complete a year of teacher training that is two semesters in scope and encompasses both student teaching and course work in education. This training must be from an institution of higher education accredited by a recognized regional accrediting association or approved by the Commissioner of Education.

Finally, regarding the two semesters of student teaching, each semester must be a separate unit of study, taking place in a separate classroom and under the supervision of a different teacher.

Juneau Office (907) 465-4859 Toll Free 1-888-465-4859 Fax (907) 465-3799
Valdez LIO (907) 835-2111 Fax (907) 835-2097 E-Mail: representative_gene_kubina@legis.state.ak.us

SPONSOR STATEMENT

Table A.6

Mean GRE General Test Verbal Scores by Intended Graduate Major Field and Ethnic Group: 1992-93
(U.S. Citizens Only)

Graduate Major		American Indian	Asian/ Pac Amer	Black/ Afr Amer	Mexican- American	Puerto Rican	Oth Hisp Latin-Am	White	Other	No Response	Total
Business	N	74	299	1,635	210	132	177	9,754	138	55	12,474
	Mean	430	447	365	416	392	432	480	471	493	461
	SD	105	110	89	86	91	100	95	111	129	103
Education	N	177	292	1,942	659	164	390	258,834	209	97	29,813
	Mean	411	416	354	372	375	391	43	435	415	434
	SD	89	98	81	77	84	88	91	95	100	94
Engineering	N	70	2,311	1,185	354	295	374	16,092	342	121	21,144
	Mean	491	475	430	466	416	481	531	519	557	515
	SD	90	124	97	89	89	110	100	119	114	108
Humanities and Arts ...	N	240	1,288	2,203	792	408	876	43,313	1,231	416	50,867
	Mean	509	545	439	488	452	505	555	573	582	547
	SD	104	120	107	110	115	109	106	112	113	111
Life Science	N	277	1,524	2,919	765	510	654	43,436	652	236	51,373
	Mean	455	482	392	445	387	445	485	489	520	478
	SD	91	108	83	91	90	94	97	117	117	99
Physical Science	N	107	1,065	1,702	234	212	251	17,474	371	188	21,604
	Mean	491	479	399	475	400	496	537	543	576	521
	SD	97	135	94	110	99	117	108	133	123	117
Social Science	N	436	2,279	6,236	1,406	638	1,440	57,485	1,267	465	71,652
	Mean	485	497	393	443	430	466	505	511	540	493
	SD	102	111	97	96	107	106	102	109	110	107
Other Fields	N	169	704	2,787	395	237	392	21,628	422	149	26,881
	Mean	443	464	379	430	401	451	484	509	512	471
	SD	93	114	94	93	97	104	102	121	116	107
No Response	N	94	431	1,230	239	120	226	13,140	402	752	16,634
	Mean	460	487	373	438	400	463	519	531	523	505
	SD	110	132	94	107	103	112	113	131	118	120
Total	N	1,644	10,593	21,939	5,055	2,716	4,780	248,205	5,034	2,479	302,445
	Mean	468	487	392	442	412	464	506	524	536	495
	SD	102	121	97	101	103	109	107	121	120	111

Table A.7

Mean GRE General Test Quantitative Scores by Intended Graduate Major Field and Ethnic Group: 1992-93
(U.S. Citizens Only)

Graduate Major		American Indian	Asian/ Pac Amer	Black/ Afro Amer	Mexican- American	Puerto Rican	Oth Hisp Latin-Am	White	Other	No Response	Total
Business	N	74	299	1,635	210	132	177	9,754	138	55	12,474
	Mean	465	553	385	463	438	474	535	524	543	512
	SD	112	116	100	118	105	123	111	125	146	122
Education	N	177	292	1,942	659	164	390	25,883	209	97	29,813
	Mean	405	484	360	388	377	411	466	432	422	456
	SD	103	125	91	94	98	106	107	110	117	110
Engineering	N	70	2,311	1,185	354	295	374	16,092	342	121	21,144
	Mean	646	693	570	641	607	644	690	681	698	680
	SD	98	84	116	86	93	99	81	82	88	90
Humanities and Arts ...	N	240	1,288	2,303	792	408	876	43,313	1,231	416	50,867
	Mean	459	568	406	457	427	480	526	532	556	519
	SD	115	119	109	116	119	118	115	120	124	119
Life Science	N	277	1,924	2,919	765	510	654	43,436	652	236	51,373
	Mean	486	584	409	484	434	490	530	532	561	523
	SD	111	121	102	113	99	112	112	125	129	117
Physical Science	N	107	1,065	1,702	234	212	251	17,474	371	188	21,604
	Mean	604	662	510	614	530	608	660	655	670	645
	SD	117	106	116	108	111	117	98	114	121	110
Social Science	N	436	2,279	6,236	1,406	638	1,440	57,485	1,267	465	71,652
	Mean	473	562	393	454	431	480	524	520	556	511
	SD	121	121	105	113	117	119	115	126	125	121
Other Fields	N	169	704	2,787	396	237	392	21,268	422	149	26,784
	Mean	452	537	372	436	424	410	492	499	523	479
	SD	109	128	98	110	113	107	113	125	133	119
No Response	N	94	431	1,230	239	120	226	13,140	402	752	16,634
	Mean	479	599	379	460	435	487	536	545	552	524
	SD	131	130	109	137	128	138	128	138	139	135
Total	N	1,644	10,593	21,939	5,055	2,716	4,780	248,205	5,034	2,479	302,445
	Mean	480	603	408	470	454	493	538	544	563	528
	SD	126	127	117	128	126	129	125	133	138	131

Table A.8

Mean GRE General Test Analytical Scores by Intended Graduate Major Field and Ethnic Group: 1992-93
(U.S. Citizens Only)

Graduate Major		American Indian	Asian/ Pac Amer	Black/ Afro Amer	Mexican- American	Puerto Rican	Oth Hisp Latin-Am	White	Other	No Response	Total
Business	N	74	299	1,635	210	132	177	9,754	138	55	12,474
	Mean	458	510	393	463	433	459	546	512	548	521
	SD	121	133	104	110	116	123	112	137	138	125
Education	N	177	292	1,942	659	164	390	25,883	209	97	29,813
	Mean	431	460	374	400	389	425	498	459	438	485
	SD	107	118	93	94	110	112	109	117	121	113
Engineering	N	70	2,311	1,185	354	295	374	16,092	342	121	21,144
	Mean	571	572	494	540	496	548	626	588	632	607
	SD	104	135	123	117	115	132	108	122	125	119
Humanities and Arts ...	N	240	1,288	2,203	792	408	876	43,313	1,231	416	50,867
	Mean	515	566	438	493	454	508	573	574	596	563
	SD	120	127	114	122	129	125	115	118	119	120
Life Science	N	277	1,924	2,919	765	510	654	43,436	652	236	51,373
	Mean	508	541	417	487	416	487	552	532	570	540
	SD	123	128	102	115	105	124	111	132	135	117
Physical Science	N	107	1,065	1,702	234	212	251	17,474	371	188	21,604
	Mean	568	564	462	557	458	560	624	604	629	605
	SD	114	141	113	121	122	131	111	137	129	123
Social Science	N	436	2,279	6,236	1,406	638	1,440	57,485	1,267	465	71,652
	Mean	512	547	419	479	449	504	561	552	579	544
	SD	124	125	110	118	124	126	115	127	123	123
Other Fields	N	169	704	2,787	396	237	392	21,268	422	149	26,884
	Mean	485	519	399	456	431	462	532	535	558	515
	SD	115	127	105	112	109	120	115	131	136	122
No Response	N	94	431	1,230	239	120	226	13,140	402	752	16,634
	Mean	490	537	386	458	434	483	553	547	556	536
	SD	131	137	106	129	124	135	122	143	133	131
Total	N	1,644	10,593	21,939	5,055	2,716	4,780	248,205	5,034	2,479	302,445
	Mean	503	550	418	477	443	496	560	554	573	546
	SD	124	132	112	121	120	129	118	131	133	125

I. RAISING TEACHER QUALIFICATIONS

David M. Reaume

Juneau students do not score as well as they could on standardized examinations. For at least the past ten years, the median Juneau student in virtually every grade (the student whose test score was right in the middle of the ranking) has scored only slightly better than the median student in the same grade nationally. This result has been obtained on the Iowa Test of Basic Skills and most recently on the California Achievement Test (C.A.T.), which was administered to Alaska students for the first time in 1996.

The comparison can be taken one step further. For at least the past fifteen years, the median U.S. student has consistently scored lower than students from many other countries at the same grade level. Because the median Juneau student out performs the median U.S. student by only a small margin, it follows that on an international scale the median Juneau student finishes well down the list.

Although educational reformers have tried for many years to improve student performance in the United States and also here in Juneau, their efforts have focused on new ways to teach and new techniques of examination, rather than on raising the knowledge requirements imposed on the teacher. Since the release of the 1984 report of the President's Commission On Education (A NATION AT RISK), increased emphasis has been placed on raising teacher qualifications. In particular, a growing number of universities have changed the way they prepare teachers. Most notably, schools of education which are accredited by the National Council for Accreditation of Teacher Education (NCATE) now require that prospective high school teachers obtain a college major or minor in a subject to be taught in addition to the pedagogical training they have traditionally received. As of the 1995/1996 school year slightly fewer than one-half of all schools of education in the United States were accredited by NCATE. In Alaska the University of Alaska Fairbanks School of Education is the only NCATE accredited institution. However, the University of Alaska Southeast (UAS) has adopted virtually all of the NCATE standards, but has not applied for NCATE accreditation because it cannot afford the dollar cost of preparing a formal application.

Although our universities are moving to improve teacher knowledge of the subjects they teach, school districts have been slow to impose similar requirements. It goes without saying that if school districts do not follow the lead of our schools of education then reform of teacher training will have little or no impact on our children's education. This paper identifies the problem and offers a solution in the form of a proposed change in hiring and teacher assignment policy for the Juneau School District. A question/answer format has been adopted in order to more sharply define the different points being made.

[1] Do U.S. students really do poorly on international examinations compared to students from other countries?

Yes. For just one example, the organizers of the Third International Mathematics and Science Study gave examinations to groups of eighth graders from over forty countries. According to the results which were just released (November 1996), the median U.S. score ranked twenty-eighth out of forty-one national median scores on the mathematics examination and seventeenth out of forty-one national median scores on the science examination. The countries whose median mathematics scores were higher than the U. S. median (in rank order) are: Singapore, Korea, Japan, Hong Kong, Belgium (Flemish speaking students), Czech Republic, Slovak Republic, Switzerland, Netherlands, Slovenia, Bulgaria, Austria, France, Hungary, Russian Federation, Australia, Ireland, Canada, Belgium (French speaking students), Thailand, Israel, Sweden, Germany, New Zealand, England, Norway and Denmark. (Source: Center for the Study of Testing, Evaluation, and Educational Policy, Boston College, Chestnut Hill Massachusetts 02167. telephone (617) 552-4521)

[2] How do Juneau students fare when compared to other students in the United States?

This past school year Alaska school districts replaced the Iowa Test of Basic Skills with the California Achievement Test (C.A.T.). Neither test is used by all U.S. school districts, but both of the testing companies claim to have enrolled a representative national sample of school districts. At this writing I am waiting for further information from the Alaska Department of Education which will allow us to judge for ourselves just how representative the C.A.T. sample really is. In particular I have requested the names of the states which have adopted the C.A.T., the names of the states whose median composite test score was higher than that recorded in Alaska, and the names of the school districts from which came the top ten median composite test scores.

What we have at the moment are percentile rankings of the median Alaska scores in reading, language arts and mathematics. The C.A.T. was given to students in the fourth, eighth and eleventh grade. The following is the summary of results pertinent to the Juneau School District.

MEDIAN TEST SCORES, 1996 C.A.T.
JUNEAU SCHOOL DISTRICT

	grade level		
	<u>4TH</u>	<u>8TH</u>	<u>11TH</u>
READING	61	66	60
LANG. ARTS	54	59	58
MATHEMATICS	74	60	68
COMPOSITE	63	65	65

Overall (that is based on the composite score) the median Juneau score is in roughly the 64th percentile. This means that about 36 percent of all school districts which used the C.A.T. test had median test scores which were higher than the median test score from the Juneau school district. In previous years, the Iowa Test of Basic Skills placed the median Juneau student at approximately the 60th percentile. Given the fact that the school districts using the C.A.T. are not the same districts as those that use the Iowa test, we can only conclude that the results are roughly consistent with the results posted by Juneau students in prior years.

A comparison of this sort puts a better face on the Juneau school district's performance than is warranted. When one considers how truly awful many of the inner city and rural school systems in the country really are, it is not surprising that the median Juneau score lies above the 50th percentile. If Juneau scores were compared only to scores from school districts located in places which were demographically similar to Juneau, one would get a much better picture of just how middling the Juneau performance really is.

We can and should do much better.

[3] Must a teacher be well trained in a subject in order to teach it well?

Yes. It is now widely understood that in depth knowledge of a subject is a necessary condition for good teaching. This does not mean that other factors are not important, but rather that without in depth knowledge a teacher cannot perform up to the level needed to prepare our children to excel academically in today's world. The National Commission On Teaching and America's Future had this to say:

"At a time when all students must meet higher standards for learning, access to good teaching is a necessity, not a privilege to be left to chance. *And competent teaching depends on educators who deeply understand subject matter and how to teach in ways that motivate children and help them learn.* (Source: "What Matters Most: Teaching for America's Future," prepared by the National Commission on Teaching & America's Future, September 1996, page 8)

[4] What is meant by a "subject"? When I called Juneau-Douglas High School I was told that teachers are assigned to subjects in which they are endorsed.

As far as most state teacher certification processes are concerned a "subject" is either (a) math/science, (b) language arts, (c) social studies, (d) early childhood education, (e) elementary education, (f) educational technology, or (g) physical education/health. When NCATE and the National Commission on Teaching & America's Future use the word "subject" they mean history, geography, mathematics, physics, chemistry... A teacher who has been endorsed by the State of Alaska in, say social studies, may have taken no more than two or three college level classes in each of the subjects which are grouped into the broad category called by this name. In brief, the State certifier's subjects are not subjects in the sense in which that word is used in this report, but are instead groups of related subjects. For example, social studies is really five different subjects: history, economics, geography, anthropology and government. Calling social studies and the other broad categories "subjects" is an obfuscation.

[5] Are you telling me that not all teachers have college degrees in the subjects they teach?

That is what I am saying. Until recently most schools of education have emphasized courses in pedagogy (how to teach), giving relatively little attention to training future teachers in the subjects which they were hoping to teach. The problem is made worse by the fact that many school districts (including the Juneau school district) assign teachers to classes with little or no regard for the subject area training they may have received. (Again, by "subject" I mean history, physics, geography,... and not social studies, language arts, science,...) The National Commission on Teaching & America's Future has highlighted the problem with the following facts (pages 15 and 16 of "What Matters Most...").

* "In recent years, more than 50,000 people who lack the training required for their jobs have entered teaching annually on emergency or substandard licenses."

- * "Nearly one-fourth (23%) of all secondary teachers do not have even a college minor in their main teaching field. This is true for more than 30% of mathematics teachers."
- * "Among teachers who teach a second subject, 36% are unlicensed in the field and 50% lack a minor."
- * "56% of high school students taking physical science are taught by out-of-field teachers, as are 27% of those taking mathematics and 21% of those taking English."
- * "In schools with high minority enrollments, students have less than a 50% chance of getting a science or a mathematics teacher who holds a license and a degree in the field he or she teaches."

The Commission noted the irony of the problem when it observed that:

"Although no state will allow a person to fix plumbing, guard swimming pools, style hair, write wills, design a building, or practice medicine without completing training and passing an examination, more than 40 states allow school districts to hire teachers on emergency licenses who have not met these basic requirements. States pay more attention to the qualifications of veterinarians treating the nation's cats and dogs than to those of teachers educating the nation's children and youth." ("What Matters Most...", pp. 14,15)

[6] Is the problem as bad in Alaska as it is elsewhere in the United States?

Alaska school districts are among the worst offenders in the nation when it comes to assigning teachers to teach subjects for which they are ill prepared, according to the U.S. Department of Education's 1990-91 "Schools and Staffing Survey." In Appendix Table F of "What Matters Most..." (cited above), the U.S. Department of Education results are reprinted. Here is a summary of those results:

PERCENTAGE OF PUBLIC HIGH SCHOOL TEACHERS
WHO TAUGHT ONE OR MORE CLASSES IN A FIELD
WITHOUT AT LEAST A MINOR IN THAT FIELD,
1990-91

	<u>Math</u>	<u>Science</u>	<u>Soc. Studies</u>	<u>English</u>	<u>Phys. Educ.</u>
All U.S.	30.5	16.9	16.9	21.9	14.6
ALASKA	63.3	22.3	34.9	27.7	48.5
Worst Score	63.3	43.9	34.9	41.0	48.5
Best Score	11.1	4.6	4.9	2.1	2.4

In mathematics, social studies and physical education no state scored worse than Alaska in placing poorly qualified teachers in the high school classroom. In science Alaska placed forty-first, and in English Alaska tied for forty-second place. Data for Alaska were not published for foreign languages nor for art & music.

[7] Do we know how many classes are taught in Juneau schools by teachers who have not obtained at least a college level minor in the subject being taught?

No. The Juneau school district has not released specific information on teacher subject qualifications and it is not possible to extract Juneau data from the 1990/91 survey conducted by the U.S. Department of Education because the Juneau numbers are bundled into an Alaska composite. However, we do know that there is no requirement that Juneau teachers have college minors or majors in the subjects which they teach.

We also know that until the 1993/94 school year the University of Alaska Southeast School of Education graduated teachers with secondary education endorsements in broad categories such as "social science." With one exception, such students almost never obtained so much as a minor in any of the narrowly defined subjects included under the broad category for which they were endorsed. That exception was the endorsement for math/science. Because of course availability constraints at UAS, students with a secondary education math/science endorsement nearly always took enough mathematics classes to qualify for a mathematics minor.

Finally, we know that Juneau middle school teachers are required to have only an endorsement in elementary education. To see what this means one need only consult the 1996/97 UAS academic catalogue. With one exception, the degree requirements for elementary education majors at UAS include no specific subject courses, (such as history, geography etc.) beyond the sophomore

year level. The exception is History of Alaska (HIST-341) or a substitute for that course entitled "Alaska Studies." What elementary education majors at UAS are required to obtain are fifty-five (55) credit hours of pedagogy. This absorbs virtually their entire junior and senior years of college.

The teacher training guidelines for middle school teachers prepared by the National Middle School Association and adopted by NCATE call for "preparation in two teaching fields which are broad, multidisciplinary, and encompass the major areas within the field." (NCATE, "Approved Curriculum Guidelines, September 1995, page 327) Under the NCATE standards, middle school teachers are distinguished from elementary school teachers and are required to prepare themselves in two teaching fields. As currently stated, the NCATE middle school guidelines are less focused on specific subjects than are the guidelines for high school teachers, but considerably more focused than are the guidelines for elementary school teachers (with the exception of the guidelines for elementary school reading teachers).

[8] Who were the members of the National Commission on Teaching and America's Future which issued the report "What Matters Most: Teaching for America's Future"?

They are identified in the report. A partial list of names includes Keith Geiger (former president of the National Education Association), Albert Shanker (president of the American Federation of Teachers), James P. Comer (professor of child psychiatry, Yale University), James Kelly (President & CEO, National Board for Professional Teaching Standards), William G. Demmert (visiting professor of education, Western Washington University and former dean of the School of Education, Liberal Arts & Sciences at the University of Alaska Southeast), Dolores A. Escobar (Dean, College of Education, San Jose State University), as well as two state governors, an elementary school principal, a district superintendent, three teachers, and a member of Congress. The work of the National Commission was funded by the Rockefeller Foundation and the Carnegie Corporation of New York.

It is worth emphasizing that the findings of the Commission have been endorsed by Commission member Keith Geiger. Mr. Geiger is the recent past president and co-founder of the National Education Association, the national teachers' union with which the Juneau teachers union (the Juneau Education Association) is affiliated.

Every member of the Juneau School Board has received a copy of the Commission's report, as have the Superintendent of Juneau Schools and the president of the Juneau Education Association.

[9] Be specific. What are the teacher qualifications required by the National Council for Accreditation of Teacher Education (NCATE)?

The document "Approved Curriculum Guidelines" spells these standards out in detail and requires over three hundred pages to do so. Guidelines cover both subject training requirements and pedagogical training requirements. To give the flavor of the subject training requirements here is what is required of teachers of science. (See page 340 of the above report.)

Elementary Level: "A minimum of 12 semester hours of content preparation in science distributed among the biological, earth/space, physical and environmental sciences..."

Middle Level: "A minimum of 24 semester hours of content preparation in science distributed evenly among the biological, earth/space, physical and environmental sciences..."

High School Level

Three variations are approved at the high school level: a Single-Field model, a Dual-Field model and a Broad-Field model. The Broad-Field model:

"prepares teachers to teach courses in three, or all four of the primary disciplines." (The four primary disciplines are biological science, earth/space science, physical science and environmental science.) "It is recommended that such a program include a minimum of 24 semester hours in a primary discipline, 15 semester hours in each of two other primary disciplines and nine semester hours in the fourth primary discipline. The Broad-Field model includes 63 semester hours of science."

In rather sharp contrast, the Juneau school district imposes no formal subject training requirements on its science teachers at any grade level. Teachers who have received a secondary math/science endorsement generally teach science at Juneau-Douglas high school. But even these teachers may have received fewer than thirty-one semester hours of training in science, and these hours may have been spread among five or more specific sciences. For example, a teacher who received a math/science endorsement in secondary education at UAS (before the 1993/94 school year) with an emphasis in physical science, was required to take only the following physical science courses.

General Physics I, General Physics II, Chemistry II, Elementary Geology, Organic Chemistry, Physics For Teachers, and two elective courses

Such a program is roughly what the NCATE standards require of middle school science teachers and falls far short of the NCATE standards for teaching science at the high school level.

[10] Tell us what you think the Juneau school district should do in order to assure that teachers bring NCATE-level training requirements into the classroom.

(a) For each teacher in the school system, identify the subjects in which each meets NCATE standards. (Again, by subjects I mean history, geology, chemistry,... and not social studies, language arts,...) As far as is presently possible, assign teachers to subjects for which they meet NCATE standards.

(b) Fill current and future teaching vacancies only with new teachers whose training meets NCATE standards, subject to the constraint that their specific subject training allows them to best fill the gaps in the system.

(c) Work with the University of Alaska Southeast to develop a special program that will allow teachers now in the system to upgrade their qualifications to NCATE standards in specific subjects where there is the greatest need.

(d) Set a date in the future after which all classes in the Juneau school district will be taught by teachers whose qualifications meet NCATE standards (except in well defined emergencies).

[11] Are enough teachers available to meet these requirements?

Yes. In Alaska the University of Alaska Fairbanks School of Education is NCATE accredited. The University of Alaska Southeast has recently upgraded its program to meet equivalent standards. Across the country nearly one-half of all schools of education are NCATE accredited. Through a cooperative UAS-Juneau school district program teachers now in the system can have their qualifications upgraded to meet NCATE standards.

David M. Reaume
November, 1996



NEA-ALASKA

Affiliated with the National Education Association

Position Paper HB 213

April 25, 1997

Efforts to prepare prospective applicants for teaching opportunities must be continually evaluated and expectations increased. HB 213 primarily requires an applicant for a teaching certificate to have a baccalaureate degree in a subject and complete a year of teacher training.

With the passage of HB 213, a person preparing to teach in Alaska can gain greater knowledge of their teaching discipline. The extended period of training will provide a prospective teacher with greater exposure to the student learning process. This interim experience prior to certification will enable the prospective teacher to gain valuable experience in several teaching environments. The participant can take advantage of developing research concerning student learning and interact closely with supervising teachers from the public school and university.

The requirements prescribed in HB 213 is an additional important step toward the increased professionalization of teachers. For this process to succeed it is important for both the university and public school system to provide sufficient time for supervising teachers. Time to develop valuable interactive and pertinent experiences for the person preparing to teach seems critical to the additional year.

Teaching in the new century will be quite different from instruction provided students in the mid to last half of this century. The volume of information at students' finger tips is phenomenal. How they access and use that information is critical. It is important that the professionals who serve students in the future are fully prepared for a changing society.

Parents want better lives and opportunities for their children. Teachers and support employees are integral to providing students the kinds of opportunities today that will contribute to an improved quality of life for them tomorrow.

NEA-Alaska recommends passage of HB 213.

HB

216

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 216

Revision Date: _____ Dept. Affected: EDUCATION
 Title: Education Facilities Financing Authority BRU: School Finance
 Component: Educational Facilities Support
 Sponsor: KOTT, Green
 Requester: House Health, Education & Social Services COMPONENT SERIAL NO. 1957

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	138.5	138.5	138.5	138.5	138.5	138.5
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	400.0	400.0	400.0	400.0	400.0	400.0
SUPPLIES	4.0	4.0	4.0	4.0	4.0	4.0
EQUIPMENT	9.0	3.0	3.0	3.0	3.0	3.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	561.5	555.5	555.5	555.5	555.5	555.5

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGES IN REVENUES						
---------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	561.5					
1005 GF Program Receipts						
Other: 1022 Corp Receipts		555.5	555.5	555.5	555.5	555.5
TOTAL	561.5	555.5	555.5	555.5	555.5	555.5

Estimate of current year (FY97) cost: \$

POSITIONS:

FULL-TIME	2.0					
PART-TIME						
TEMPORAL						

ANALYSIS: (Attach a separate page if necessary)

The bill establishes the Education Facilities Financing Authority in the Dept. of Education. This funding would provide for an Executive Director, R28A, and a Secretary I, R10A, to manage the authority along with professional services for a financial advisor, bond counsel, trustee payee agent, custodial bank, investment management and auditing/accounting services. In the first year, general funds would be necessary to fund the operation of the authority and in future years, bond proceeds would pay for operation of the authority.

Prepared by: Karon J. Rehfeld, Director Phone: 465-8650
 Division: Education Support Services Date: 4/30/97
 Approved by Commissioner: Shirley J. Holloway, Ph.D. Date: 4/30/97
 Agency: Department of Education

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STATE OF ALASKA
Office of the Governor

BILL ANALYSIS

Department EDUCATION	Division ESS	Bill Type HB	Bill Number 216	Sponsor KOTT, GREEN
Short Title of Bill Education Facilities Financing Authority				
Departmental Position				
Prepared By M. Morgan <i>[Signature]</i>	Date 4/28/97	Commissioner's Signature	Date	
SUMMARY				
Other Agencies Affected by Bill CRA, HESS, Finance		Constituent Groups Affected by Bill		
Organizational Support For Bill		Organizational Opposition to Bill		
Fiscal Impact <input type="checkbox"/> None <input checked="" type="checkbox"/> Fiscal Analysis Attached				
Background/Legislative Intent Analysis of Bill/Program Effects.				
Analysis of Bill/Program Effects				
Amendments Proposed				

Please attach a separate sheet for additional comments or analysis

Additional Comments or Analysis

(continued from page 1)

Generally, this is a positive bill in that it directly addresses the need to establish a stable, long-term source of funding for education capital projects. There are several concerns the Department of Education should have about this bill. First, as it is currently written, it does not appear to clearly cover the state-wide needs of education. While the bill, in Section 6, appears to address projects across the state, the mechanism to fund projects for a school district which is not a municipality is not clearly delineated. The base requirement is set out in 44.27.140(b)(1) and specifies "...a municipality that is a school district..." This is as close as this act gets to defining a municipality. However, even if school districts were considered municipalities, without the ability to generate revenues through taxes, they wouldn't be able to meet the 30% local contribution requirement (44.27.140(b)(1)). Also the distinction between projects fully funded and partially funded through bonding is not clear. Another concern is the role/interplay of the University in funding. Given that the ability to bond is based entirely on either general fund appropriations or revenues earned by the fund, there is a definite limit to what can be funded. While the Department has a process for ranking projects, there is currently no mechanism for integrating University projects. The scope of University projects which may be funded is also indistinct. Reading 44.27.140, payments may be made "...to pay the cost of constructing university facilities." It may be important to clarify if maintenance projects are allowed.

Regarding the Department's ranking process, the bill references AS 14.11.015 regarding approval of DOE projects, but the list of projects attached includes projects which are NOT approvable. This puts the Department in the position of administering projects authorized under two conflicting standards. Also, if total needs of education are being considered, AVTEC and Mt. Edgecumbe should be included.

The bottom line is this bill has good potential if the above concerns are addressed. It's strongest point is that it address the need for a long-term solution.

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations

Interim:
10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

SPONSOR STATEMENT HB 215 AND HB 216

Alaska's education system currently suffers from obsolete, inadequate, and poorly maintained facilities. This problem is of long-standing duration, and in many places it has reached serious proportions. We simply have to do something to provide reasonable and safe places to house our students. HB 215 and HB 216 do just that.

HB 216 would establish the Education Facilities Finance Authority (EFFA) within the Department of Education, and the Education Facilities Fund (EFF) as an asset of the Authority. The EFFA would:

- a. Sell EFFA bonds to directly finance construction of schools upon approval of specific projects by the Legislature.
- b. Contract to pay up to 70% of net debt service on municipal bonds issued to finance municipal school facilities and up to 100% of net debt service on University of Alaska bonds, provided that each specific facility has been approved by the Legislature for a specified level of reimbursement.
- c. Apply non-corpus balances of the EFF to debt service on EFFA bonds and to the specified percentage of net debt service under authorized reimbursement agreements for municipal school bonds and university bonds.
- d. Pledge assets of the EFF as security for EFFA bonds and for the EFFA's obligations under authorized reimbursement agreements for municipal school bond and University bond debt service.

The EFF would be managed by the Permanent Fund Corporation and would require no special or unique investment policy by the Permanent Fund. The initial capitalization would be accomplished by HB 215 in the

Representative Pete Kott

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SPONSOR STATEMENTS

form of a \$1.2 billion appropriation from the Constitutional Budget Reserve Fund.

HB 216 contains authorization for several projects. Future legislatures could continue to authorize more bonds and reimbursement agreements within the financial capabilities of the EFF. The EFF would have bonding capacity equal to or exceeding the initial capitalization of \$1.2 billion, without risking the corpus of the fund. Debt service will be from the earnings alone. Indeed, under reasonable projections, earnings will exceed the requirements of debt service.

Once enacted into law, HB 215 and HB 216 will accomplish the following objectives:

- a. Provide funding, within months of becoming law, for critical rural and urban deferred maintenance and school construction projects and University of Alaska capital projects that are almost certainly not going to be funded for several years through normal legislative appropriation.
- b. Resume funding of net debt service for school bonds of organized municipalities under contractual 70:30 reimbursement agreements, and provide for an indefinite continuation of this funding without annual appropriations.
- c. Protect for future use that portion of the Constitutional Budget Reserve suitable for long-term investment, since the corpus of the newly-created Education Facilities Fund could not be drawn. The earnings of the new EFF would be used to cover the cost of the new projects, while the fund would continue to grow.

It is time to get our schoolhouses in order. Accordingly, I commend HB 215 and HB 216 to you and request your support.

Alaska State Legislature House of Representatives

Committees

Rules Committee, Chair
Legislative Council
International Trade & Tourism
Military & Veterans Affairs
World Trade & State/Federal Relations

Interim:
10928 Eagle River Rd. Suite 147
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

SECTIONAL ANALYSIS HB 216

Section 1. FINDINGS.

- An urgent need exists for improvement in elementary and secondary school & University facilities.
- The Education Facilities Financing Authority (EFFA) provides an effective solution.

Section 2. AMENDS AS 44.27 BY ADDING A NEW ARTICLE 3. PROVIDING FOR THE EFFA.

44.27.100. EDUCATION FACILITIES FINANCING AUTHORITY established:

- Public corporation of the state.
- Within Department of Education.
- Subject to the Executive Budget Act (AS 37.07).

44.27.110. BOARD OF DIRECTORS

- Members:
 - Commissioner of Education
 - Commissioner of Revenue
 - Commissioner of DOTPF
- Directors subject to AS 39.50 (Conflict of Interest).

44.27.120. OFFICERS, QUORUM, AND MEETINGS.

- Standard public corporation bylaws.
- May hire employees deemed advisable.
 - Employees in exempt service

44.27.130. POWERS OF THE AUTHORITY.

- Standard public corporation powers, required for financing.

Representative Pete Kott

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SECTIONAL ANALYSIS



44.27.140. ISSUANCE OF BONDS AND PLEDGES OF ASSETS.

(a) Authorizes the authority to issue bonds for schools if:

- The projects are approved by the state Board of Education under AS 14.11.05(a) -- the "priority list," and;
- The projects are authorized by the Legislature.

(b) Authorizes the authority to agree to and pledge amounts to reimburse municipalities and the University of Alaska a proportion of their net debt service on school bonds, and to pay these amounts directly to bond trustees in the event of municipal default;

- For municipalities:
 - Up to 70% of net debt service
- For the University of Alaska:
 - Up to 100% of net debt service

(c) Establishes further requirements that must be met before the authority may issue bonds for REAA projects, or agree to reimburse debt service on municipal or university projects:

- The Legislature must authorize the project and its cost (*see* Section 6).
- The Legislature must authorize the percentage reimbursement to apply to agreements with municipalities or the university (*see* Section 6).
- The projects must meet energy efficiency standards.

(d) - (h): Specific authorizations required in order to issue bonds and to enter agreements to back (through reimbursement pledges) municipal and university bonds. These authorizations are required to make the bonds saleable.

(d) Allows bonds to be issued to provide funds to refund bonds or pay interest or principal (1), and to fund reserve requirements and issuance costs (2).

(e) Allows the authority to enter financial covenants to secure the reimbursement amounts authorized.

(f) Requires that all bonds are payable out of revenues of the authority.

(g) Requires that bonds be authorized by resolution of the authority, allows them to be in the form, term, interest rates, etc. determined by the authority. Limits bond terms to 15 years.

(h) Allows the authority to disburse funds to municipalities and the university in accordance with pledges and agreements it has lawfully made. Requires the authority to establish by regulation the procedures for reimbursement. Requires the authority to exclude state and federal funds applied to school construction from the reimbursement calculation, and to offset tobacco tax receipts distributed to the municipality.

44.27.150. TRUST INDENTURES AND AGREEMENTS -- Standard language providing for the authority to enter into the trust indentures and agreements that are the foundation documents of all financings, and; providing for the authority to attach the State's moral obligation to its bonds.

(a) Authorizes use of a trustee and entering into trust agreements that pledge assets.

(b) - (f) collectively allow the authority to apply the State's "moral obligation" to its bonds. It does not allow the authority to pledge the faith and credit of the state, nor create a debt or liability of the State. This is the same language that allows other authorities to apply the "moral ob" to their bonds:

(b) Allows use of capital reserve funds to handle bond proceeds.

(c) Requires that, if a capital reserve fund is used for a bond issue, it be fully funded.

(d) Establishes evaluation criteria if securities are purchased with the capital reserve fund.

(e) Requires that the authority certify to the Governor and the Legislature at the beginning of each year what amount, if any, is required to restore any capital reserve funds to full funding, and states that the Legislature "may" appropriate that amount. (This provides the legislature annually with a statement of the amount of school debt service due, and allows them, if they choose, to appropriate all or a portion of that amount. If the amount is shortfunded, the EFFA will pay the balance from Education Facilities Fund earnings.) Specifically states that "nothing in this section creates a debt or liability of the state."

(f) Requires the authority to notify the State Bond Committee and the Legislative Budget and Audit Committee at least 10 days before issuing any moral obligation bonds. Establishes what information must be included in the notification, and requires the authority to annually revise this information.

44.27.160. BONDING LIMITATIONS. Precludes the authority from issuing bonds or agreeing to reimburse debt service unless the Education Facilities Fund contains at least \$1.2 billion. (Once bonds are issued or reimbursement agreements entered, however, these remain effective regardless of the balance of the fund.)

This section makes the activation of the authority contingent upon the appropriation bill.

44.27.170. BOND REIMBURSEMENT LIMITATION Puts the above (44.27.160) limitations on authority agreements to reimburse municipal or university debt service. This precludes the authority from entering any such agreements until the \$1.2 billion appropriation is effective. All agreements the authority lawfully enters after that time remain effective regardless of the fund balance. Requires that municipal and university bonds meet the standards of authority bonds (contained in 44.27.140 9[g]).

44.27.180. NONLIABILITY ON BONDS Establishes (a) that neither the members of the authority nor the executor of the bonds becomes personally liable for their repayment, and: (b) that all bonds are non-recourse bonds to the state and its political subdivisions, payable solely from authority assets. Establishes that the authority may not pledge the faith or credit of the State or of another political subdivision of the State.

44.27.190. PLEDGE OF THE STATE. The standard pledge of the state not to change the rules in midstream. The State pledges that it will not interfere (through future legislation) with the rights of the authority to fulfill terms of contracts it enters into lawfully, and allows the authority to include this pledge in its bonds.

44.27.200. EDUCATION FACILITIES FUND Establishes the fund which will be used to back authority bonds and reimbursement agreements, and provides for its management by the Permanent Fund Corporation.

- Fund consists of:
 - Appropriations to the Fund(*The initial appropriation to the fund is contained in an accompanying appropriation bill.*)
 - Income of the fund
- Authority may pledge:
 - Fund income
 - Amounts that exceed \$1.2 billion (the initial deposit).
- The fund shall be invested by the Permanent Fund Corporation under rules for Permanent Fund assets. (AS 37.13.120).

44.27.210. ANNUAL AUDIT. Requires an annual audit by a CPA in a form prescribed by the Legislative Auditor, and requires that the Legislative Auditor have full access to authority records.

44.27.220. ANNUAL REPORT. Requires an annual report.

44.27.250. DEFINITIONS.

Section 3. Conforming language to establish that authority contracts are the 38th type of contract exempt from AS 36.30.850 (Public Contracts) of the procurement code.

Section 4. Conforming language to establish that employees of the authority are in the exempt service under AS 79.25.110.

Section 5. Conforming language to establish that employees of the authority are subject to AS 39.50 (Conflict of Interest).

Section 6. AUTHORIZATION OF FACILITIES Authorizes authority bonds and reimbursement of municipal and university bonds for 108 specified projects totalling \$499,643,000.

(a) (1) Authorizes the authority to issue \$284,932,000 in bonds to construct 64 specified rural and small municipality projects on DOE's construction and major maintenance lists.

(a) (2) Authorizes the authority to issue \$134,761,000 in bonds to construct 28 specified large municipality projects on DOE's construction and major maintenance lists.

(b) Authorizes the authority to reimburse 100% of net debt service on \$79,950,000 in University of Alaska bonds to construct 16 specified university projects.

(d) Authorizes the university under AS 14.40.253 to issue those bonds.

Section 7. Immediate Effective Date.

SUMMARY
Alaska Education Facilities Financing Program

OBJECTIVES:

1. Provide for the funding of critical rural and urban school construction and major maintenance projects and University of Alaska capital projects when the projects are needed, but before they could be funded by appropriation under a balanced-budget plan.

2. Resume funding of net debt service for school bonds of organized municipalities under formal reimbursement agreements, and provide for continuing this funding indefinitely without impacting the balanced-budget plan.

3. Establish an on-going mechanism, under which projects could be funded indefinitely in an organized manner, under strict criteria and legislative authorization.

4. Fund necessary school construction by means other than G.O. bonds. G.O. bonds: a) could not be issued until after the 1998 election and 2) would be a one-shot affair.

6. Protect a portion (\$1.2 billion) of the Constitutional Budget Reserve Account for future use. The corpus of the initial capitalization of the Education Facilities Fund could not be drawn -- Earnings from the fund would pay for the projects, and potentially allow the fund to grow as well.

SUMMARY

1. Establish the Education Facilities Finance Authority (EFFA) within the Department of Education, and the Education Facilities Fund ("EF Fund") as an asset of the authority. The EFFA would:

a. Sell EFFA bonds to directly finance construction of schools upon approval of specific projects by the Legislature. It is contemplated that this method of funding would be used primarily for construction of schools in rural jurisdictions with insufficient tax bases to issue bonds.

b. Contract to pay up to 70% of net debt service on municipal bonds issued to finance municipal school facilities

and up to 100% of net debt service on University of Alaska bonds, provided that each specific facility has been approved by the Legislature for a specified level of reimbursement.

c. Apply non-corpus balances of the EF Fund to debt service on EFFA bonds and to the specified percentage of net debt service under authorized reimbursement agreements for municipal school bonds and university bonds.

d. Allow use of a negative pledge of the EF Authorities assets as security for EFFA bonds and for the EFFA 's obligations under authorized reimbursement agreements for municipal school bond and University bond debt service.

2. The EF Fund would be managed by the Permanent Fund Corporation under its statutes. Initial capitalization would come from the constitutional budget reserve, with possible additional deposits from a combination of other sources.

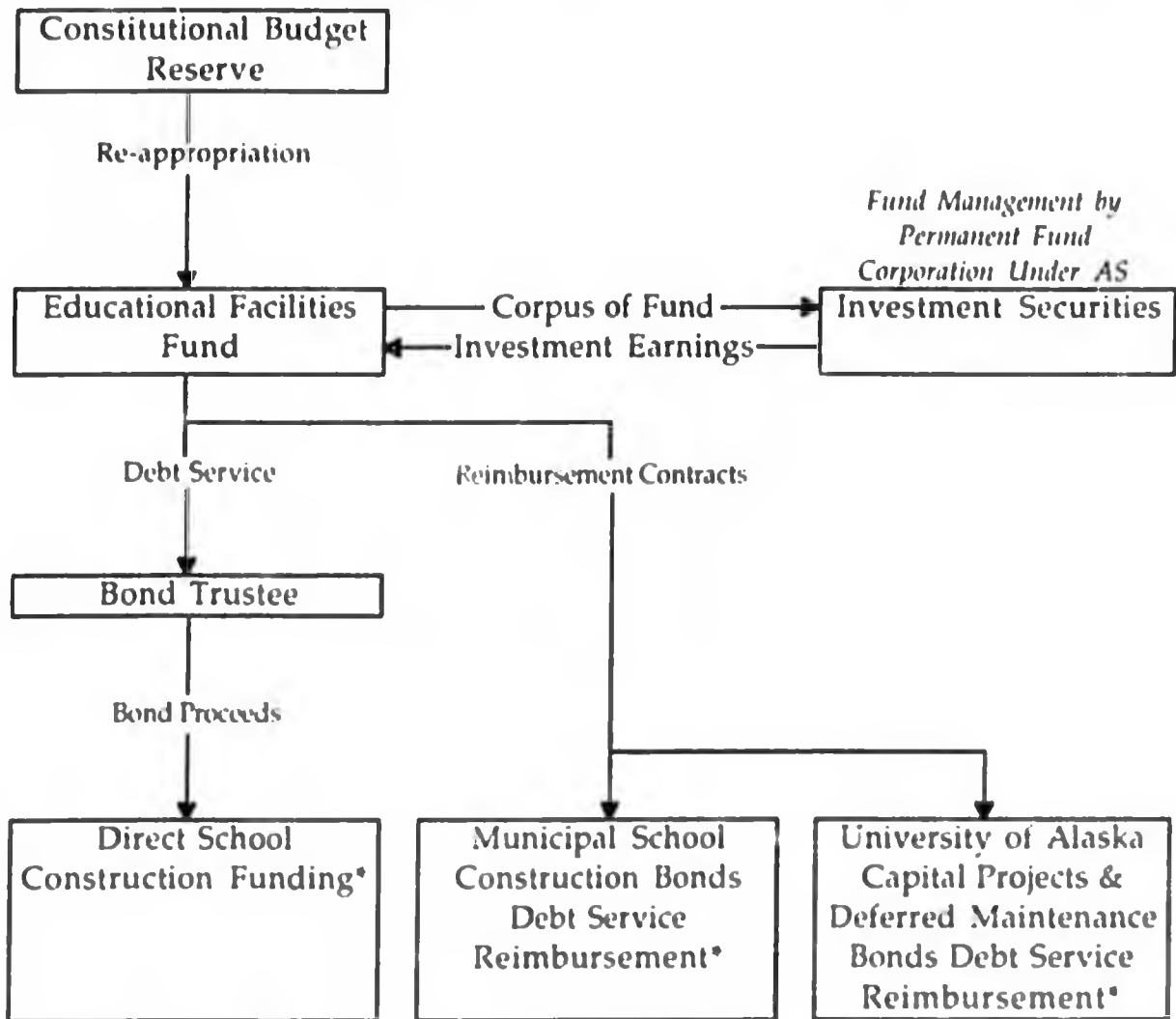
5. The bill would authorize initially: 1) projects from the DOE priority list for EFFA bonds, 2) municipal debt service reimbursement agreements for projects selected by the Legislature, and 3) University of Alaska debt service reimbursement agreements for projects selected by the Legislature.

Future legislatures could continue to authorize more bonds and reimbursement agreements within the financial capabilities of the education facilities fund. The fund would have bonding capacity equal to or exceeding the initial capitalization, without risking the original corpus appropriated to it.

Under reasonable projections of future demands on the fund, it would continue to grow if investments of the fund yield more than bonds issued by the EFFA and by municipalities and the University subject to reimbursement obligations. This should occur with proper management of the authority.

March 5, 1997

Education Facilities Financing Structure



* Specific projects and reimbursement Contracts must be authorized by the Legislature before the Ed. Fac. fund can enter a funding or reimbursement contract.

ALASKA LEGISLATIVE MAJORITY - FIVE YEAR BUDGET STRATEGY as of October 2, 1996

WITH SSSB 37 / HB 216 (EDUCATION FACILITIES FUND)

32697

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Revenues						
1/Unrestricted Revenues	2,042.0	1,910.0	1,844.0	1,890.2	1,886.1	1,846.7
1/Other Sources/Adjustments	101.7	33.5	30.0	30.0	30.0	39.0
1/AHFC Dividend	70.0	50.0	72.1	74.3	76.5	78.8
1/AIDEA Dividend	0.0	15.0	25.6	26.5	28.0	28.4
2/EFFA Dividend (line 6b)	0.0	0.0	63.9	41.7	41.7	41.7
3/Projected CBRF Earnings	0.0	125.0	98.1	99.4	106.5	113.5
1/New Revenues	0.0	5.0	66.0	68.0	70.0	72.0
Total Revenues	2,213.7	2,138.5	2,199.6	2,230.1	2,238.7	2,220.0
(Total Revenues Projected in Five Year Budget Strategy)	2,213.7	2,138.5	2,221.8	2,274.0	2,270.0	2,240.0
Expenditures						
1/Operating	2,218.1	2,192.2	2,131.5	2,089.7	2,066.4	2,053.6
1/Debt Service	109.4	93.1	91.0	82.8	66.1	48.9
1/Capital	116.0	100.1	100.0	100.0	100.0	100.0
4/(Less) Programmed Capital Projects of EFFA	0.0	0.0	(28.6)	(28.6)	(28.6)	(28.6)
1/Specials/Transfers/Fund Capitalizations	18.6	15.4	17.5	17.5	17.5	17.5
1/Revised Programs/Supplementals	3.0	19.2	20.0	20.0	20.0	20.0
Total Expenditures	2,499.1	2,420.0	2,331.4	2,281.4	2,241.4	2,211.4
(Total On-Budget Expenditures Projected in Five Year Budget Strategy)	2,499.1	2,420.0	2,360.0	2,310.0	2,270.0	2,240.0
1/Expenditure Reduction from Previous FY		(85.1)	(88.6)	(50.0)	(40.0)	(30.0)
1/As a % of Total Expenditures		-3.40%	-3.66%	-2.14%	-1.75%	-1.34%
1/Projected Fiscal Gap/(Surplus) - from/(to) CBRF	291.4	281.5	131.7	51.3	2.6	-8.7
CBRF Beginning Balance						
1/Projected Earnings	124.6	125.0	98.1	99.4	106.5	113.5
1/Transfers to General Fund	0.0	(125.0)	(98.1)	(99.4)	(106.5)	(113.5)
5/Transfers to Education Facilities Fund	0.0	(1,200.0)	0.0	0.0	0.0	0.0
1/Additional Settlement Deposits	551.5	350.0	150.0	150.0	100.0	100.0
1/Net of Sweep Provisions	(20.5)	0.0	0.0	0.0	0.0	0.0
1/Principal to Full Fiscal Gap [Transfers (to)/from budget]	(291.4)	(281.5)	(131.7)	(51.3)	(2.6)	8.7
CBRF Ending Balance	2,499.6	1,368.1	1,286.4	1,485.1	1,582.5	1,691.2
6/Education Facilities Fund						
a/Beginning Balance	0.0	0.0	1,200.0	1,200.0	1,200.0	1,200.0
b/Transfers From CBRF/(To) Revenues, EFFA Dividend (line 2)	0.0	1,200.0	(63.9)	(41.7)	(41.7)	(41.7)
c/Earnings	0.0	0.0	86.0	86.0	86.0	86.0
d/Bond Proceeds	0.0	0.0	250.0	250.0	0.0	0.0
e/Debt Service	0.0	0.0	(22.2)	(44.4)	(44.4)	(44.4)
f/School Construction	0.0	0.0	(250.0)	(250.0)	0.0	0.0
Education Fac. Fund Ending Balance	0.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
7/Consolidated CBRF/Ed. Fac. Fund Balances	2,499.6	2,568.1	2,586.4	2,685.1	2,782.5	2,891.2
(1/ CBRF Ending Balance projected in October 2 Budget Strategy)	2,499.6	2,568.1	2,579.8	2,693.8	2,807.5	2,917.7
8/Cumulative Gain/(Loss) in net Revenues with EF Fund	0.0	0.0	8.6	(8.7)	(25.0)	(42.5)
9/Cumulative Capital Assets Acquired (Construction/Def. Maint)	0.0	0.0	250.0	500.0	500.0	500.0
10/Total Capital and Cash Assets / CBRF	2,499.6	2,568.1	2,836.4	3,185.1	3,282.5	3,391.2
(1/ CBRF Ending Balance projected in October 2 Budget Strategy)	2,499.6	2,568.1	2,579.8	2,693.8	2,807.5	2,917.7
11/Cumulative Gain/(Loss) with EF Fund	+0.0	+0.0	+256.6	+491.3	+475.0	+457.5

ALASKA LEGISLATIVE MAJORITY FIVE YEAR BUDGET STRATEGY
as of October 2, 1996

**Modified to Include \$500 million New School Construction and Deferred
Maintenance Using SSSB 37 Methodology**

- School Construction & Deferred Maintenance program modeled:

School Construction and Deferred Maintenance Funded	
FY 1998	\$250,000,000
FY 1999	\$250,000,000
<hr/>	
Total	\$500,000,000

- General assumptions regarding the Education Facilities Fund:
 - Earnings will be the same as projected in the Five Year Strategy for the CBRF (7.17%, as projected by the Permanent Fund Corporation).
 - True interest cost of bonds will be that of 'A' rated bonds marketed in the US the week of 3/14/97. (The bonds will likely be rated higher than that, leading to a lower interest rate.)
 - Earnings not required to pay debt service are paid as Dividends to the State annually in order to consolidate them into the Five Year Strategy.

- Consolidation of the SSSB 37 program with the Five Year Budget Strategy included modifying the following lines of the Five Year Strategy model as described below:

1/ No modifications to assumptions or methodology in these lines. They are the same assumptions/methodology as in the original Five Year Strategy model.

2/ All earnings of the Education Facilities Finance Authority surplus to its debt service obligations are treated as Dividends to the State's general revenue stream.

3/ The Five Year Budget Strategy shows the earnings of the CBRF as revenues. This consolidation shows the earnings of the smaller CBRF.

4/ The Educational Facilities Finance Authority will fund projects that otherwise would be funded out of the annual Capital budget. This consolidation offsets the cost of these projects, assumed to be the average of the last three fiscal years (FY95, FY96 and FY97) capital budget items for school construction and deferred maintenance. This average is \$28.6 million annually.

5/ Line 5 shows the \$1.2 billion that would be transferred from the CBRF to the Ed. Fac. Fund by SSSB 37 and SB 111, the accompanying appropriation bill. This transfer ties to line 6b.

6/ This new section projects the operation of the Education Facilities Fund established by SSSB 37. In this consolidation, the Fund's earnings (line 6c) pay