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Tuesday Afternoon Conference Committee Hearing

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The Conference Committee on [HB 278](#) reconvened at about 2:20 p.m. Tuesday. Chair Hawker noted that Legislative Legal Services is putting together a draft of HB 278 that contains items of agreement [*now posted under the [documents for HB 278](#)*]. He said they now have a list of varying degrees of difference on HB 278, which they will review. They will discuss the issues with Commissioner Mike Hanley, Dept. of Education & Early Development. Chair Hawker said most of the issues have a fiscal consequence. They’ve put together a spreadsheet on the components that are areas of difference [*see [bill documents](#)*].

One of the continuing items of contention is whether to raise the required local contribution to the equivalent of 2.8 mills. Several conference committee members noted that would mean higher local taxes for their communities. Another area of disagreement is the teacher tenure provision, with the house version of HB 278 specifying that the length of tenure for teachers in urban areas will be extended to five years. A number of items of minor disagreement were decided on in the afternoon hearing. Senate members agreed to the house provision allowing students to test out of all courses, not just core courses.

Conference committee members will meet with their respective caucuses to find out if there is any consensus on areas of disagreement, and bring that information back to the conference committee at the next hearing.

Director David Teal, Div. of Legislative Finance, reviewed the differences of agreement and their costs between the house and senate versions of HB 278 [*see below or [bill documents](#) for a larger version*]. Director Teal said funding for HB 278 will be included in [SB 119](#) – Capital Budget in fiscal notes.

| K-12 Funding in HB 278 (\$ 000) | House Section | HOUSE FY15 | Senate Section | SENATE FY15 | ConfCom FY15 | HOUSE FY16 | SENATE FY16 | ConfCom FY16 | HOUSE FY17 | SENATE FY17 | ConfCom FY17 |
|--|------------------|-----------------|-------------------|------------------|-----------------|-----------------|------------------|-----------------|-----------------|------------------|-----------------|
| Money distributed in the same way as formula (AADM) | 48 | 30,000.0 | Capital | 100,000.0 | - | - | 100,000.0 | - | - | 100,000.0 | - |
| BSA Formula Changes | 20 | 45,832.2 | - | - | - | 60,198.0 | - | - | 74,563.8 | - | - |
| BSA Increase | | +185 | | | | +185+58 | | | +185+58+58 | | |
| BSA Total with Increase | | \$ 5,865 | | | | \$ 5,923 | | | \$ 5,981 | | |
| HB 278 Formula Changes: Money distributed via the formula | | | | | | | | | | | |
| Correspondence | | - | 26 | 6,158.6 | - | - | 6,158.6 | - | - | 6,158.6 | - |
| Charter school size factor | | - | 27 | 483.9 | - | - | 483.9 | - | - | 483.9 | - |
| Subtotal | | - | | 6,642.5 | - | - | 6,642.5 | - | - | 6,642.5 | - |
| Total distributed according to the formula | | 75,832.2 | | 106,642.5 | - | 60,198.0 | 106,642.5 | - | 74,563.8 | 106,642.5 | - |
| Approximate BSA Equivalent (Dollars) | | \$ 303 | | \$ 427 | \$ - | \$ 241 | \$ 427 | \$ - | \$ 298 | \$ 427 | \$ - |
| Other Appropriations (Grants, Studies, etc.) | | | | | | | | | | | |
| College Career Readiness SAT/ACT/WK | | - | 17 | 525.0 | - | - | 525.0 | - | - | 525.0 | - |
| Military Family reporting | 5 | 80.0 | 5 | 80.0 | - | 10.0 | 10.0 | - | 10.0 | 10.0 | - |
| Innovative Approach to Learning Grants | | - | 7 | 750.0 | - | - | 750.0 | - | - | 750.0 | - |
| Charter student grants | 13 | 168.8 | 13 | 168.8 | - | 168.8 | 168.8 | - | 168.8 | 168.8 | - |
| Middle School STEM Grants | | - | 53 | 3,000.0 | - | - | 3,000.0 | - | - | 3,000.0 | - |
| Personalized learning grants (ipads, etc.) | | - | 7 | 3,000.0 | - | - | 3,000.0 | - | - | 3,000.0 | - |
| Residential stipend | | - | 23 | 2,249.5 | - | - | 2,249.5 | - | - | 2,249.5 | - |
| School Design and Construction Report | | - | 52 | 620.1 | - | - | 66.0 | - | - | - | - |
| Internet Services | | - | 7 | 7,308.0 | - | - | 7,308.0 | - | - | 7,308.0 | - |
| | | | 30, 31,33 | | | | | | | | |
| Study District Cost Factor/School Size/Salary Schedule | 47 | 610.6 | | 650.0 | - | 94.5 | - | - | - | - | - |
| Subtotal | | 859.4 | | 18,351.4 | - | 273.3 | 17,077.3 | - | 178.8 | 17,011.3 | - |
| Total Unrestricted General Funds | | 76,691.6 | | 124,993.9 | - | 60,471.3 | 123,719.8 | - | 74,742.6 | 123,653.8 | - |
| TVEP Funding—Not Unrestricted General Funds | | | | | | | | | | | |
| Education | 25 | - | 28, 29 | 30.1 | - | - | 30.0 | - | - | 30.0 | - |
| Labor | 25 | - | 28, 29 | 926.7 | - | - | 926.7 | - | - | 926.7 | - |
| University | 25 | - | 28, 29 | (204.9) | - | - | (204.9) | - | - | (204.9) | - |

Senate section 24 proposes increasing Required Local Effort (RLE) from 2.65 mills to 2.8 mills. The provision would increase RLE by approximately \$12 million and reduce state funding by the same amount. This table contains no fiscal note for this change because a negative fiscal note implies that money can be removed from the Public Education Fund by a means other than distribution to school districts via formula. That situation would make the Fund subject to an annual sweep into the Constitutional Budget Reserve Fund.

The Conference Committee will need to instruct Legislative Finance how address forward funding of increases to the BSA. In theory, FY16 costs should be funded in FY15.

Director Teal said as they put amendments together for the capital bill, money distributed in the same way as the formula implies that money will be available in FY15, FY16, and FY17. Funding in the senate version would allocate all of the funding in FY15, and then distribute it over three years. So it will be one-time funding but it will give funding certainty for three years so school districts won't have to come back and ask for money in the next three years, and legislators won't have to take action during that time. That is not necessarily what the conference committee will decide. If the conference committee goes with a BSA increase, that will be different. They may do forward funding or they may not. Forward funding would normally fund FY15 and \$60 million for FY16.

Sen. Hoffman said looking at the spreadsheet it shows that in FY15 the house has \$30 million outside the BSA and \$75.8 million distributed according to the BSA, while the

senate shows \$106.6 million for three years. The second year the house number drops, and then jumps up again in FY16. It looks like over three years the house total for those three years is about \$210 million, while the senate total is about \$310 million. He asked if that was correct. Director Teal said the one-time money of \$30 million that the house has is not continued in FY16 or FY17, because they have no way of knowing whether that funding will be continued. Chair Hawker said that's the crux of the conference committee: the house wants less funding than the senate. The conference committee will reconcile those differences.

Chair Hawker called on Commissioner Mike Hanley, Dept. of Education & Early Development to testify, and said during the hearing they will work off the [seven-page document](#) showing the differences between the house and senate versions of HB 278.

The first issue the conference committee discussed was testing out of courses. Commissioner Hanley said both versions are similar. School districts are already allowed to have students test out of courses, but some school districts still are not allowing that. Governor Parnell's version had a requirement for students to be allowed to test out of core areas. It focuses on core areas to recognize that some elective courses don't lend themselves to testing out, such as drama and debate. The senate version allowed testing out for core areas, but the house allowed testing out of all courses.

Rep. Gattis said they discussed this in the House Education Committee, and those exams already exist. If there is a final exam on pottery, school districts need to allow students to take that exam or show that they've mastered pottery. Teachers already have those exams, so there's nothing new that districts will have to come up with. There are also final exams and certification for welding.

Rep. Kito said another concern is that someone could test themselves out of high school and not have to attend any classes. Rep. Gattis said if a kid already has competency, why would they have to stay in that seat a whole year longer?

Sen. Meyer said the senate felt that school districts could start out with core subjects, and then they could expand if they want to. Having all topics might be too much of a burden to put on school districts. He asked Commissioner Hanley about specifying whether students could test out in "high school" or "secondary school." Commissioner Hanley said traditionally they use the term "secondary school." The terms are synonymous. Sen. Meyer said he thought "high school" was 9th – 12th grade, and "secondary school" was 7th – 12th grade. After checking on that, Commissioner Hanley said that's correct. In this case, they would only want testing out for high school classes, not middle school.

The conference committee went on to the language regarding the state ceding authority on standards or assessments. Commissioner Hanley said he has no concerns with that. DEED joined the Smarter Balanced Consortia to consider their assessment, and there was a perception that someone else would control Alaska's standards, but that was not the case. He agrees that Alaska should not give up their autonomy to someone outside the state. That provision just says they can't do something they are already not doing.

Rep. Gattis asked the senate side why they took that provision out. Commissioner Hanley said they had a conversation with the senate on that, and they decided it's not necessary.

The conference committee next addressed Senate Section 7, provisions on broadband funding and other grants. Chair Hawker said those provisions have significant financial consequences. Commissioner Hanley said additional broadband to schools is only a positive, except for the cost. The goal is to bring all schools up to a minimum of 10 megabits, and that is not excessive. DEED has no concerns about that provision. Chair Hawker said the issue with that is the cost of \$7.3 million.

Sen. Meyer asked if the feds match Alaska four-to-one with funding for the E-Rate. Director Linda Thibodeau, Libraries, Archives, & Museums, DEED, said the E-Rate Program is a discount program, not a matching program. The discount is based on the poverty level in any given school, and is between 20-90 percent, based on the poverty level. The average E-Rate discount in Alaska is about 70 percent. Off the road system it's about 80 percent.

Sen. Meyer said broadband funding will help not only the school, but the whole community. Director Thibodeau said that's correct. Sen. Meyer said his other concern is whether there would be additional costs. Director Thibodeau said additional costs would be one-time costs related to equipment needed to increase the speed. Those costs would also be eligible for an E-Rate discount. Cost is a significant factor in choosing a vendor.

Chair Hawker asked why the fiscal note is \$7.3 million, and if the state would have to pay that. Director Thibodeau said that's the cost for districts that are below 10 megabits per second at this point, and that would be the state cost. Chair Hawker asked if the \$7.3 million allows them to access additional federal funding. Director Thibodeau said no. Chair Hawker asked which school districts will be affected by this. Director Thibodeau said they have submitted a spreadsheet to other legislative committees showing which districts would receive funding [[E-Rate documents for SB 82](#)].

The conference committee continued their discussion on the E-Rate subsidy, and then discussed the grant programs in the senate version of HB 278 [[grant program documents available under SB 100](#)].

The conference committee then discussed individual learning plans (ILPs) for correspondence students, also a part of SB 100 [[information on ILPs, also available under SB 100](#)].

Next was a discussion on the [Alaska state standards](#) and the [Common Core standards](#). As stated previously in the hearing, Commissioner Hanley said Alaska has not adopted the Common Core, but its own standards. He said the sponsor of the provision in HB 278 prohibiting expending money to implement the Common Core was clear that the intent of that provision is not to stop implementation of Alaska standards. Alaska has a unique situation in that some districts have adopted the Common Core, such as Anchorage. There are a lot of similarities between the Alaska standards and the Common Core. He hopes no one comes to DEED and says the department can't help Anchorage with their standards, since Anchorage has adopted the Common Core. DEED focuses on the Alaska standards when it does training for school districts, but the Common Core is similar. That provision of HB 278 just says they can't do something they are already not doing, and he hopes it doesn't mean they have to exclude districts from training if they've adopted the Common Core.

Chair Hawker asked Rep. Gattis her opinion about the Common Core provision in HB 278 prohibiting doing something they are already not doing. Rep. Gattis said they have constituents who are concerned about the federal government ordering the state to do things. She read Section 4 in the house version of HB 278, that says DEED can't enter into a contract with any group or consortium that requires the state to cede any autonomy or control over education standards or assessment. Chair Hawker asked if that was the language in an older version of HB 278. Rep. Gattis said yes; the goal was not to adopt something from the lower 48, but for Alaska to come up with their own standards and assessments. She agreed with Commissioner Hanley that the provision prohibits what they are already not doing. Commissioner Hanley said he does not have heartburn over the current language, but the previous language prohibiting Common Core was excessively broad.

Sen. Meyer said the reason the senate didn't include the provision on the Common Core is that, as Commissioner Hanley already said, they are already doing what that provision requires. So they didn't feel it was necessary.

The conference committee then moved on to Section 16 in the house version of HB 278, the requirement for the State Board of Education to recommend efficiencies in the

administration of public education. Chair Hawker asked Rep. Gattis and Commissioner Hanley to comment on that section. Rep. Gattis said anywhere they can find efficiencies they want to know about them. Commissioner Hanley said he doesn't fully know the background because he wasn't involved in discussion on that issue, but the state board does not shy away from making recommendations or offering support. He's concerned with the way that section of the bill is written, however. The language falls outside the duties of the state board, as outlined in statute. The State Board of Education oversees policy; they are not experts in education spending at the district level or recommending to the legislature how funding should be spent. The current required report from the state board relates to policy; it's a stretch to ask the state board about spending. Chair Hawker noted it's the legislature that is responsible for funding. Rep. Gattis said the language on the state board recommending efficiencies was added late in the process through an amendment. Any time efficiencies can be made, they would expect people to suggest them. She said that language is not a sticking point.

The conference committee then addressed Section 20 in the senate version of HB 278, the changes to the school bond debt reimbursement. Chair Hawker said that provision is one of the points of contention between the house and the senate. He asked Sen. Meyer to review the proposal.

Sen. Meyer said there are several reasons to consider bond debt reimbursement. If they can't increase oil production within ten years, don't get a gas pipeline, and can't control expenses, they will use up savings. They have no control over the 60/40 program, but they're stuck paying 60 percent of reimbursement. They don't want to incentivize the program so they switched the reimbursement rate to 40/60. They wanted to still incentivize the 70/30 program, so they just changed that to 60/40. They have documentation that the bond debt reimbursement programs are costing the state a lot of money [[OMB's data on state debt obligations](#)]. They will be spending a lot of money on a gasline and the Knick Arm Bridge.

Chair Hawker agreed they should look at the bond debt reimbursement program. The program was established when the state had a great deal of money, and there are questions about whether they can continue the programs. They may even consider suspending the bond debt reimbursement program for a few years.

Commissioner Hanley reviewed the [bond debt reimbursement programs](#). He said the programs aren't frivolous. It makes sense to him that if there needs to be a reduction in the state share, protecting the 70/30 program is more important than the 60/40 program.

Director Elizabeth Nudelman, Div. of School Finance & Facilities, DEED, briefly reviewed the grant program, which is a competitive process, and the bond debt reimbursement program. The grant program has a list for major maintenance and a list for construction. All districts can apply for the grant programs. The debt program is only open to municipalities with the ability to bond. Technically all municipalities have the ability to bond, but not all municipalities have the financial ability to bond. Participating shares from school districts for the grant programs run from 2 percent for REAAs up to 35 percent in certain municipalities.

Chair Hawker said his key point is that there's a carefully constructed inter-relationship between the programs.

Rep. Kito said if they change the participating share in the bond debt reimbursement program it will put more pressure on the grant programs [*Rep. Kito worked for several years for the Div. of School Finance & Facilities, DEED*]. It's a balance between the two programs.

Sen. Meyer asked how long the list is for the grant programs [*pages 25-30 at [this link](#)*]. Commissioner Hanley said the list is extensive, and sometimes school districts can be on the list for years. Director Nudelman said there are approximately 150 projects on the major maintenance list. Districts are limited as to the number of applications they can submit, and they submit their highest priorities. There are many more projects waiting to get on the list than are on the list.

Rep. Kito said regarding suspending the program, he's concerned that with the major maintenance list, school districts will still have major maintenance, and if the maintenance is delayed it will decrease the life of the buildings.

Sen. Meyer asked about major maintenance. Director Nudelman said roof repairs, boiler replacements, and other major maintenance similar to that are in the 70/30 bond debt reimbursement program.

Sen. Hoffman said the problem with major maintenance is that the major maintenance list continues to grow, and the legislature did not fund anything on the major maintenance list this year. It's not something that gets a lot of attention in the legislature.

The conference committee then considered Section 23 from the senate version of HB 278, residential school stipends, at a cost of about \$2.2 million. Commissioner Hanley said last year there was a proposal to increase residential stipends to a level DEED found was closer to the actual costs of housing students [*see the documents for [SB 113](#) for information on residential stipends*]. Commissioner Hanley reviewed residential stipends.

The conference committee then discussed changing the mill rate for required local contributions from 2.65 to 2.8. Commissioner Hanley said the mill rate averaged out to 2.9 mills before the change two years ago [*fiscal note for SB 182, 2012*]. He discussed the recent history of the mill rate for basic need. The state picked up an additional \$20 million in basic need funding from municipalities. Increasing the mill rate contribution shifts about \$11.9 million in costs back to municipalities. Chair Hawker said SB 182 was a gratuitous transfer of responsibility from local schools to the state. It's a cost shifting with a net benefit to the state.

Sen. Meyer said they don't have to go to 2.8; they could go to 2.7 or 2.9. He remembers when the change was made in 2012, but no one really knew what it would do. It only passed by a vote of 11 yeas and 9 nays, and he thinks the state took on more of a burden than they should have. Municipalities should be required to pay more for education so the burden isn't so much on the state.

Sen. Hoffman asked if several years ago the rate was at 4.0 for many years. Commissioner Hanley said yes. Sen. Hoffman said for many years it was at 4.0, but then new increases in property value were halved. [*SB 174, passed in 2001, was the legislation that changed the mill rate for required local contributions to schools from 4 mills to a base rate plus 50 percent of the annual increase of assessed value*].

The conference committee then discussed Section 25 from the senate version, which allows funding inside and outside the BSA to count toward the 23 percent of voluntary local contributions. Chair Hawker said that section is non-controversial, and will be in the conference committee substitute.

The conference committee then discussed Section 26 in the senate version, which increases the state funding level for correspondence students from 0.8 of the BSA to 0.9, a \$6.1 million cost. Commissioner Hanley said the administration doesn't have a stand on that provision. Chair Hawker said it will be a funding decision.

Sen. Dunleavy said the theme throughout HB 278 is to incentivize lower-cost approaches to education. Correspondence programs educate kids at a much lower cost than in the classroom. The current system is schools in every community. In the future the fiscal situation won't be as good as that in 1989 [*according to ISEER, there was a recession in Alaska in 1989*]. He asked how they will cut costs, maintain quality, and continue to educate students. If they incentivize correspondence programs, it will increase the number of programs. The legislature impacts education by either incentives or penalties. The intent of this provision is to incentivize low-cost approaches. Some people don't think correspondence students are public school students, but they are. In some school districts students take correspondence classes and classes at their local school. The idea

is to have different approaches to engage more families. This provision will draw more students in to the school system who are not currently participating. He thinks it may reduce costs.

Rep. Kito said they will always be in a situation where they have neighborhood schools. He doesn't want to incentivize other programs to the point they take students away from providing education to students in neighborhood schools. Sen. Dunleavy said school districts get the funding, and decide how it's distributed. Most school districts spread funding for correspondence students across the district, so it helps neighborhood schools.

Sen. Meyer asked when it was last considered how much correspondence students should be funded at. Commissioner Hanley said the 0.8 was established when correspondence programs were established after [Alyeska Central School was disbanded](#). Sen. Dunleavy asked if funding for correspondence students has never been 1.0, but has always been at 0.8. Commissioner Hanley said correspondence students were funded differently when Alaska had a statewide correspondence program. When they shifted to school district correspondence programs was when they began funding students at 0.8.

The conference committee then moved on to Section 27 in the senate version of HB 278, the provision allowing charter schools that have 75 students to receive additional funding for the first three years, \$500 per student for the first year of a charter school for startup costs, and additional funds for the first year of a charter school's operation if it has 120 students or more. It also changes funding for charter schools to adjust the rate to 95 percent of funding for charter schools that have 150 or more students.

Chair Hawker asked Rep. Gattis why those provisions were not in the house version of HB 278. Rep. Gattis said those provisions were in the House Education Committee substitute for HB 278, but the House Finance Committee removed those provisions. She suspects those provisions were removed for financial reasons. Commissioner Hanley noted the cost of those provisions is \$483,900.

Sen. Dunleavy said the charter school provisions are an attempt to reach out to Alaskans who want to be involved in education. Charter schools have struggled in gaining a foothold in the system. Charter schools provide a valuable approach that engages students.

Chair Hawker said Sections 20-22 are the BSA sections; the conference committee will not consider those sections at this time.

Chair Hawker said the provisions regarding tenure are a policy call, not a funding issue, and legislators will have to sort that issue out amongst themselves. Rep. Gattis noted the house has sent legislation to the senate dealing with tenure [[HB 162](#)]. They could study the tenure issue, as they are doing with other issues.

The committee took an at ease, and then considered the provision of HB 278 relating to a salary and benefits study. Chair Hawker noted that the senate chose the Legislative Budget & Audit Committee (LB&A) to conduct the study, while the house chose the Dept. of Administration. They discussed pooling healthcare for school district employees as part of the benefits study.

Sen. Fairclough said one of the cost drivers of education is healthcare costs. Pooling healthcare could have substantial cost savings to the state. The overall savings to the state is around \$45 million. The proposal wasn't advanced because they want to make sure that collective bargaining agreements are honored. Chair Hawker clarified that what he would like addressed is the cost of the studies. Sen. Fairclough said LB&A could do the study for \$150,000.

Chair Hawker asked how LB&A would handle the contract. Sen. Fairclough said LB&A would be the project coordinator, but the Senate Finance Committee would pay for the study. Sen. Dunleavy said the work is a result of [SB 90](#). They needed more time to answer the questions in order to put together good public policy. Pooling health insurance for school districts shows promise, but they need more time to study the issue.

Rep. Gattis said the house put the salary and benefits study in because of work done by the House Sustainable Education Task Force [[AKEDUPDATE report on the task force's January report](#)]. She doesn't think there was a definite desire to have one agency or another do the studies, so she doesn't think that's a sticking point.

Rep. Kito asked how they solicit for contractors to do the studies. Sen. Fairclough said three to five legislators first decide what they are looking for. Then they work with legislative procurement officer Tina Strong. They put out an RFP and post it on the internet and distribute it to companies they think might be interested.

Chair Hawker said they will skip Sections 50 and 51, proposed studies by LB&A for the geographic cost factor and the school size factor. He noted that changing the school size factor was contentious in the house. There is a great desire for them to revisit the whole foundation formula, and not limit it to a few of the variables. He thinks the conference committee will end up with a proposal for a study that is more comprehensive. Rep. Gattis said she would like a due date of January 1, 2016 for the studies. Chair Hawker said they will be discussing that.

Chair Hawker said item 52 directs DEED to study school design and construction and make it consistent across the state, at a cost of \$620,000. Commissioner Hanley said his understanding of that is that they will look at prototypical designs. It will require them to look at current schools and potential prototypes, working with engineering firms. DEED doesn't have the capacity to do this study in house. They would have to put out an RFP and contract it out.

Chair Hawker said item 53 is the middle school STEM pilot program [*\$3 million for this component*]. That's a program under ANSEP, and expands the high school program into the middle schools, with a termination date. Commissioner Hanley said ANSEP has been very successful. However, ANSEP is not listed in HB 278, and DEED recognizes that ANSEP is a model that fits this provision, but other programs are not precluded from participating.

Sen. Dunleavy asked if the emphasis would be on students coming out of middle school having taken Algebra I. Commissioner Hanley said yes.

Chair Hawker noted the conference committee is now finished discussing DEED policy issues.

Sen. Meyer asked about Section 54 in the senate version, repealing the HSGQE. The senate took it a step further by allowing students to retroactively get a high school diploma if they've completed their other graduation requirements. He asked Commissioner Hanley if that's feasible. Commissioner Hanley said yes. The goal is ultimately to remove the HSGQE. The language the senate put in mirrors language in a house bill [[HB 220](#)]. The governor wanted a transitional period allowing students to take the HSGQE for three years, but the provision in the senate version of HB 278 gets the same result. Chair Hawker noted the senate language is already contained in the conference committee substitute.

Chair Hawker said the elephant in the room is the core school funding approach. He asked Director Teal to discuss the difference between the house and senate bills regarding basic student funding, the issue that's of most concern to the public [*see the chart on page two for details on the house and senate funding*].

Director Teal said the BSA is considered a permanent increase, though technically it isn't because the BSA can be lowered. The same is true of a one-time increase, but he doesn't know of a time when a one-time increase was ever cut. The difference is that future legislatures can't be bound by past legislatures.

Chair Hawker said every \$100 increase to the BSA equates to approximately \$25 million outside the BSA. So \$100 million equates to about a \$400 increase to the BSA; the house funding was not quite so generous. Director Teal reviewed the funding chart [*page 2 above*].

[*The above report ends at 4:18 p.m., minute 116 of 206*].

Wednesday, April 23, 2013

Wednesday Evening Conference Committee Hearing

[Video](#)

Thursday evening the Conference Committee on HB 278 reconvened briefly to announce their final agreement on items of difference.

Chair Hawker said the conference committee will meet at 10:00 a.m. Thursday to adopt a committee substitute and then send it on to the full house and senate. He reviewed the agreement reached by the conference committee. They will put \$100 million in to education each year for the next three years. That \$100 million will be divided evenly, with \$150 million inside the BSA and \$150 million outside the BSA. It will be equivalent to a BSA increase, excluding specific programs, to \$348 million in FY15, \$356 million in FY16, and \$356 in FY17. In addition, they will have program spending of approx \$13 million in FY15, \$11 million in FY16, and \$11 million in FY17. The reason for the drop in year two and three is due to one-time costs for studies and other one-time items.

Chair Hawker reviewed other items of agreement:

- Testing out of courses: allowed for secondary students (7th – 12th grade), but only for core courses.
- Repeal HSGQE; require ACT, SAT, or WorkKeys; allow students denied a diploma because of failure to pass the HSGQE to apply to the school to receive a diploma if they've met the other graduation requirements.
- \$5 million in funding to bring schools up to 10 megabits per second (the estimated full cost to bring schools up to 10 megabits per second is \$7.3 million)
- Denied the One-to-One digital initiative and Innovative Approaches to Learning grants.
- Allow funds to roll over year-to-year for correspondence student allotments, but funding lapses to school district when the student leaves the program.
- Kept 70/30 bond debt reimbursement program, but dropped the 60/40 bond debt reimbursement program to 50/50.
- Increased boarding school stipends to cover full cost (what was originally in the

- governor's proposed version).
- Denied to the mill rate increase for required local contributions for basic need, holding that to the current rate of 2.65 mills.
 - Increased the factor for correspondence students from 0.8 to 0.9.
 - Accepted the governor's proposal for increased funding for the first three years of operation of new charter schools.
 - Adopted a BSA increase of \$150 for FY15, \$50 for FY16, and \$50 for FY17.
 - Adopted the house language for Dept. of Administration to do a salary and benefits study, and added tenure issues to that study. Dept. of Administration will make a report to the legislature recommending best practices.
 - Grants outside the BSA will be \$42.9 million for FY15, \$32 million for FY16, and \$19 million for FY17; grants outside the BSA will decrease in consecutive fiscal years to balance increasing funding inside the BSA over those same years.
 - There will be one study to look at all education funding factors, instead of two studies looking just at the geographic cost factor and the school size factor.
 - DEED will do a study on school design and construction and look into prototypical school design.
 - Accepted funding for the middle school STEM pilot program, with a required report on the performance of the pilot program.
 - Did not adopt the house's changes to tenure, but that issue will be studied so the legislature has information for future decisions on tenure.

Committee members then thanked each other and staff for their work on HB 278.

Sen. Meyer said HB 278 is a good compromise. They compromised at \$100 million per year, and compromised by having half of the funding inside the BSA and half outside the BSA. The senate isn't totally happy, but there are good reform items in the conference committee substitute. They will give parents and children more options, and provide adequate resources for teachers.

Sen. Dunleavy said Tuesday they went over items they mutually agreed on. The committee substitute maintains what they already have and helps them look to the future. There are questions about sustainability. They will have to look at education in general and how it's approached and delivered across the state. He hopes they can maintain what they do in the future, but he doesn't know if they will be able to do that. The system will possibly be different in the future. People are concerned about the Common Core. People are concerned about assessments and how to determine whether students are prepared for the future. He asked people not to be afraid of change.

Chair Hawker said regarding the Common Core standards, the conference committee substitute will prohibit DEED from spending money on implementing Common Core standards, and the state may not cede any control over standards and assessments. They will have a firewall between Alaska and the Common Core. He said not everyone is happy in the House Majority about all the decisions the conference committee made. They wanted more spending inside the BSA than outside, but they've reached a good agreement.

Rep. Gattis said they spent more money than they were considering spending, but there are good things in HB 278. She isn't a proponent of studying, but the studies in HB 278 are overdue. Her district supports correspondence students, and there are parents who want charter schools, so she supports those provisions.

Rep. Kito said the House Minority would have appreciated a larger BSA increase. \$100 million is substantial, but they are still concerned about a loss of teachers. They are concerned that some of the one-time funding isn't in the formula, but they appreciate the interest in alternative education delivery. The education system has had an increase in student poverty rates from 31 percent to 46 percent. They have seen improvements in proficiency scores by 8th grade. That reflects that they might be falling behind in Pre-K. In terms of a \$5.8 billion operating budget, these are small amounts of money, and he thinks they can prioritize education. He said he's enjoyed the process.

In response to Rep. Kito, Sen. Dunleavy said they don't tell districts how to spend their money. It will take the participation of community members and parents to determine where the funding goes, whether that be salaries or starting Pre-K programs.

Sen. Meyer thanked Governor Parnell for beginning the process. The house continued the process, he'd like to think the senate improved it, and the conference committee blended the house and senate positions. He hopes people vote for it on the floor. They spent many long nights working on it, and he looks forward to sleeping Wednesday night. He thanked staff who worked on the issue.

Chair Hawker joked that he wasn't going to commend staff yet, because they haven't finished their work yet. He then also thanked staff.

The conference committee then recessed to a call of the chair, estimated to be 10:00 a.m. Thursday. They hope to have a conference committee substitute for HB 278 prepared by 8:00 a.m. Thursday. They will then adopt the committee substitute and forward it to the house and senate floors.