

HOUSE FINANCE COMMITTEE

May 01, 2003

3:14 PM

TAPE HFC 03 - 73, Side A

TAPE HFC 03 - 73, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 3:14 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Carl Moses
Representative Bill Stoltze
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Representative Norman Rokeberg; Representative John Coghill; Ian Fisk, Staff, Representative Ogg; George McClune, United Fisherman of Alaska; Benjamin Brown, Alaska State Chamber of Commerce; Chip Wagoner, Alaska Catholic Conference; Don Etheridge, AFL-CIO; Karen Rugina, Alaska Hospitality Alliance; Eddy Jeans, Manager, School Finance and Facilities Section, Department of Education and Early Development; Debby Chalmers, Alyeska Central School Education Association; Cecilia Miller, ACSEA; John Paden, Counselor, Alyeska School; Kevin Sweeney, Legislative Liaison, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Jay Sutherland, Anchorage; John Brown, President, Labor Council, Fairbanks; Jack Lewis, Sour Mining Company, Anchorage; Ayiare Voorhees, student; Nancy Rochar, parent; Victoria Martin, parent, Anchorage; Greg Miller, Charter Schools, Anchorage; Kym Wolcott, Anchorage; Ryan Wolcott, student, Anchorage; Victoria Martin, parent, Anchorage; Sean Ruddell, student, Anchorage; Dan Gavora, Executive Vice President, Utility Services of Alaska; Michael Jeffrey, parent, Barrow; Dan Easton, Director, Division of Facility Construction and Operation, Department of Environmental Conservation;

SUMMARY

HB 119 "An Act permitting grants to certain regulated public utilities for water quality enhancement projects and water supply and wastewater systems."

HB 119 was heard and HELD in Committee for further consideration.

HB 174 "An Act relating to the state centralized correspondence study program, to funding for educational programs that occur primarily outside school facilities, and to the duties of school boards of borough and city school districts and regional educational attendance areas; and providing for an effective date."

HB 174 was heard and HELD in Committee for further consideration.

HB 199 "An Act removing the annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

HB 199 was heard and HELD in Committee for further consideration.

SB 139 "An Act repealing the termination date of the Alaska salmon price report program; and providing for an effective date."

SB 139 was REPORTED out of Committee with a "do pass" recommendation and one new fiscal impact note from the Department of Revenue.

#hb139

SENATE BILL NO. 139

"An Act repealing the termination date of the Alaska salmon price report program; and providing for an effective date."

IAN FISK, STAFF, REPRESENTATIVE OGG, spoke in support of the bill. He explained that the current bill would repeal the sunset date of a Department of Revenue program called the Alaska Salmon Price Report (ASPR), which is in AS 43.80.050. Processors that sell over one million pounds in salmon products a year are required to report the wholesale price received for the product to the Department of Revenue. The Department publishes the data three times a year: January 31, May 31, and September 30. The ASPR details monthly and annual average wholesale price sorted by salmon species, product form and the eight regions where the salmon is produced. The report provides data helpful to negotiations between harvesters and processors. The ASPR statute would sunset on July 1, 2003, without the legislation. The sponsor believes the ASPR should be a permanent function of the Department of Revenue.

Co-Chair Harris observed that Representative Austerman had previously introduced the legislation. Mr. Fisk noted that the bill was successful and received broad support. In response to a question by Co-Chair Harris, he confirmed that the proposed bill merely eliminated the sunset of the program. He noted that the report was used to help with the purchase program and had no opposition.

Representative Whitaker referred to the zero fiscal note and expressed support for the legislation.

Representative Croft noted that Chair had expressed the desire to know the real cost of boards or commissions. He observed that the program cost roughly \$50 thousand and suggested that it should be reflected in the fiscal note. Mr. Fisk confirmed that this cost estimate was accurate. They pointed out that funding would come from the salmon fund.

Representative Croft MOVED that the fiscal note be changed to reflect the \$50 thousand in salmon treaty funds. There being NO OBJECTION, it was so ordered.

Co-Chair Harris MOVED to report SB 139 out of Committee with the accompanying revised fiscal note.

Representative Stoltze OBJECTED and stated that he hoped to someday pass a bill to benefit sports fishing as well as commercial fishing. He WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

SB 139 was REPORTED out of Committee with a "do pass" recommendation and one new fiscal impact note from the Department of Revenue.

#hb199

HOUSE BILL NO. 199

"An Act removing the annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

REPRESENTATIVE NORMAN ROKEBERG, SPONSOR, provided information regarding the legislation. He discussed the history and methodology behind the bill, which tied the minimum wage to the consumer price index (CPI) and/or one dollar above federal standard. He suggested that an annual increase in the minimum wage would have an inflationary impact on the State's economy. He speculated that the increases affected potential employers and would increase unemployment. He noted competing theories regarding minimum wage legislation. He noted that one point of view indicated that legislative action created negative impacts, but that the other side stated that increase in income had a positive impact on lower income workers. He stated that he adhered to the belief that the impact of increases were negative, and quoted research by the Ohio University, analyzing law in Washington State. Representative Rokeberg stressed that the bill would not cut the minimum wage and emphasized that Alaska's \$7.15 per hour minimum wage was the highest in the country. He questioned whether businesses could afford an increase and suggested that the largest provider of jobs in this sector was the hospitality industry. He stated that the industry had been hit with a 27 percent increase. He maintained that this sent the message the Alaska was not "open for business".

BENJAMIN BROWN, ALASKA STATE CHAMBER OF COMMERCE testified in support of the bill. He acknowledged the debate engendered by the legislation. He suggested de-indexing the Alaska minimum wage from the national index. He

discussed economic theories, such as the "invisible hand" theory. He maintained that the "invisible hand" became visible when the minimum wage increase was implemented with a tie to the CPI index. He explained that employers were forced to pay the amount specified by the state. He stated that the bill did not reduce minimum wage, but created a system of automatically deciding the proper minimum wage, rather than allowing future debate based on the economy needs. He also noted that some believe that using the consumer price index created an artificial inflation in the economy. He added that there was a suggestion that the legislature was aggregating an earlier decision by de-indexing the minimum wage, and suggested that there was no legal implication against the State in this regard.

CHIP WAGONER, ALASKA CATHOLIC CONFERENCE testified in opposition to the bill and expressed the Church's support of the minimum wage. He discussed the concept of a "living wage" to support individuals with dignity. He pointed out that the current minimum wage still placed individuals below the poverty level. He discussed the two public policy issues when evaluating the minimum wage. He first emphasized that the legislature should determine a floor below which the legislature believed was an unjust wage. Once a just minimum wage is determined by the legislature then it should remain constant with the economy in terms of inflation because below that minimum wage it becomes unjust. The second public issue is economics. He suggested that the main arguments against indexing dealt with the cost of jobs. He urged the Committee to carefully examine the source of information in this area. He noted that professionals in this area could create information to support their viewpoints. He suggested that the Employment Policies Institute was historically against the minimum wage, and the Economic Institute was historically for the minimum wage. He discussed information from the state of Alaska. He noted that according to Department of Labor and Workforce Development there are only 14,000 people in Alaska earning the minimum wage. He argued that 14,000 people earning minimum wage would not create an inflationary spiral that would affect the entire state of Alaska. Of these 14,000, about a third were in the food service/drinking industry. He noted that these industries were those against the minimum wage increase. He argued that if there were going to be a loss of jobs that it would have occurred between December and January [2003] when there was a \$1.5 overnight increase in minimum wage. He

acknowledged that there was a six percent drop in employment, but pointed out that the drop could be attributed to the seasonal drop, which occurred at the same time in the previous year. He stated that a similar situation occurred in Washington State. He quoted the state of Washington concluded that: "There does not appear to be a direct correlation between the index minimum wage and the number of jobs in the food service/drinking places industry." He concluded that a the raise in minimum wage was only one factor among many in terms of job loss and the numbers don't prove that there has been a job loss in the food service/drinking places industry.

DON ETHERIDGE, AFL-CIO testified on behalf of his 60,000 members in opposition to the bill. He noted that his organization petitioned to achieve an increase in minimum wage. He pointed out that the subsequent increase finally raised Alaska's rank from being the lowest on the west coast. He suggested that the first CPI increase should be observed before repealing it. He noted that the first increase would be a 14-cent increase that should not impact businesses.

KAREN RUGINA, ALASKA HOSPITALITY ALLIANCE testified in support of the bill. She provided information of losses experienced by restaurants and hotels due to increases in wages, and explained that hotels and restaurants operated on a narrow margin. She suggested that the increase, in combination with an increase in insurance and decrease in customers. She suggested that benefits were being cut. She gave examples of businesses that had decided not to come to Alaska due to the increase in minimum wage. She noted a natural CPI indexing occurred in the business with an increase in menu prices. She concluded that this added more uncertainty to an already uncertain climate.

JAY SUTHERLAND, ANCHORAGE, testified via teleconference in support of the bill. He stated that he is a restaurant operator and noted that his business had been forced to lay off employees and suggested that there would be fewer future jobs for youth. He noted that the CPI was suggested in Washington State, and referred to its effects on the industry. He maintained that businesses invested in other states to avoid this restriction.

JOHN BROWN, PRESIDENT, LABOR COUNCIL, FAIRBANKS, testified via teleconference in opposition to the bill. He noted

that 50 thousand people signed a petition supporting CPI indexing, and maintained that legislators had also voted to support it. He suggested that workers needed a fair wage and that if wages were not guaranteed it would negatively affect the economy. He maintained that all businesses competed on an equal basis.

JACK LEWIS, SOUR MINING COMPANY, ANCHORAGE, testified via teleconference in support of the bill. He stressed that the last increase was sizable and that, for the first time ever, he was not able to pass along the increases in menu prices. He referenced the liquor tax in addition to the minimum wage increase. He noted the need to decrease benefit programs in order to accommodate increases. He stated that he did not support an automatic increase or the legislature suggesting appropriate levels. He expressed concern over the increase since customers were already eating out less.

Co-Chair Harris requested that the Department of Labor and Workforce Development should produce an additional fiscal note.

HB 199 was heard and HELD in Committee for further consideration.

#hb174

HOUSE BILL NO. 174

"An Act relating to the state centralized correspondence study program, to funding for educational programs that occur primarily outside school facilities, and to the duties of school boards of borough and city school districts and regional educational attendance areas; and providing for an effective date."

EDDY JEANS, MANAGER, SCHOOL FINANCE AND FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT provided information about the legislation. He compared the House State Affairs Committee version and the Governor's Bill as introduced. He noted that the Governor's bill would eliminate the program beginning July 1, 2003 whereas the House State Affairs' Committee Substitute would eliminate the current summer program with a one-year delay in the effective date eliminating the statewide correspondence program. Both bills contain a provision under 14.70.430, which deals with state funding of correspondence study

programs in the foundation program. These and similar programs are funded at 80 percent. Some charter schools, which are home-based programs, have challenged the Department because they do not see themselves as correspondence programs. The Department has taken the position that, for foundation formula purposes, programs outside of a brick and mortar school are correspondence programs. The legislation would bring clarity by expanding the definition to include home-based programs.

Mr. Jeans discussed two central issues: first, cost savings. He noted the argument that eliminating the program would not save the state of Alaska money, but rather cost money as students seek accredited programs in brick and mortar schools. He suggested that the Department believes that many of the students will find correspondence services elsewhere in the state. He added that there is a potential savings through space lease reductions, but noted that the Department might have other uses for the space. He discussed the second issue: policy. He gave a brief history of the Alyeska Central School (ACS or Alyeska), which was initiated in 1939 and has provided valuable services. He pointed out that at that time there were only two options, municipal school districts and state operated schools. He stated that in 1977, Regional Education Attendance Areas (REAA) were initiated, so that every area of Alaska was covered by a school district. Each school district has the responsibility of educating students within their boundaries. Approximately seven years ago, the State began allowing students to take advantage of correspondence programs. He referenced SB 36, which supports correspondence programs. Today there are 12 [correspondence] programs including ACS. He suggested that [ACS] students would attend another program. He addressed statewide enrollments, and observed that the bill addressed open enrollments. He noted that Alyeska would allow certain exceptions to enrollment, such as disability, but that these were case by case. He suggested that they had other rules for closing enrollment.

Mr. Jeans addressed accreditation and noted that Craig, Delta, Galena, and Yukon schools districts had applied for accreditation and been awarded conditional accreditation. He explained that conditional accreditation provides transferable credit for students.

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AYIARE VOORHEES, STUDENT, testified via teleconference in support of the amended bill. She stated that, although they would prefer for the school to remain mandated, she appreciated the response of the State to requests to allow the school to remain open for the year.

NANCY ROCHAR, PARENT, testified in support of the Alyeska Central School. She suggested that it was the only school that upheld the no child left behind regulations currently. She pointed out that all teachers were certified in the subjects that they teach. She maintained that services are not duplicated, and suggested that it was the only program with direct teacher involvement. She acknowledged that other programs, which offer cash inducements might be more popular, but maintained that other programs were deficient in teacher involvement. She suggested that this cut produced no cost savings to the state of Alaska. She pointed out that not every student had Internet access, and that Alyeska also utilized regular mail correspondence. She commended the success and quality of the program.

JANET WALKER, PARENT, testified via teleconference in support of the Alyeska Central School. She noted that her family lived in the wilderness of Alaska. Therefore, Alyeska was essential since it offered programs that were not on the Internet. She acknowledged that while there were other correspondence schools, Alyeska was the only one that was fully accredited and provided online adult education. She suggested that to close the school would cost the state of Alaska up to \$300 thousand. She urged members to keep Alyeska open.

GREG MILLER, CHARTER SCHOOLS, ANCHORAGE testified via teleconference. He stated his experience as an attorney in representing charter schools. He addressed Section 5 to the Committee Substitute, which pertained to AS 14.70.430, which set the level of 80 percent for charter schools. He noted that the change expands the definition of correspondence schools, and suggested that it raised a much larger issue. He stated that it would in essence treat any school not in a regular facility as a correspondence school. He suggested that this was not an appropriate definition and should rather relate to the mailing of materials between the school and students. He noted three potential impacts of the language change: first, that

charter schools that were outside of a "school facility" as a correspondence school; second, home school study programs would now be considered correspondence schools; and third, alternative school district programs would now be affected. He concluded that this sentence raised a larger issue.

KYM WOLCOTT, ANCHORAGE, parent of Alyeska Central School students testified via teleconference in support of Alyeska Central School. She suggested that ACS had no parallel in service in the state. She discussed the services provided by ACS, and questioned how students may be absorbed into districts that are already overcrowded and under-funded. She challenged the Administration to support quality education and not close ACS.

RYAN WOLCOTT, student, Anchorage, testified via teleconference in support of the Alyeska Central Schools. He said that the teachers at Alyeska provided him with the support he needed to achieve an education. He suggested that there was not a cost savings and requested that the members consider saving the school.

VICTORIA MARTIN, PARENT, ANCHORAGE testified via teleconference in support of the Alyeska Central School. She pointed out that Alyeska was currently accredited and had been a part of the state since 1938. She suggested that every child could be supported by the Alyeska Central School and expressed the negative impact on her family of closing the school. She noted that she had testified on numerous occasions.

SEAN RUDELLE, STUDENT, ANCHORAGE testified via teleconference in opposition to the bill. He stated that the amendment was not acceptable.

DEBBY CHALMERS, ALYESKA CENTRAL SCHOOL EDUCATION ASSOCIATION (ACSEA) testified in support of the Committee Substitute. The teachers and parents support a one-year transition period. She observed that the school has a very complex program and infrastructure, which has been developed over many years.

CECILIA MILLER, ACSEA, testified in support of keeping the Alyeska Central School open for all the children that need to be served. She asked that there be at least a year for transition. It would benefit the State for the best. This will impact kids that are off to college.

JOHN PADEN, COUNSELOR, ALYESKA CENTRAL SCHOOL, spoke in opposition to the proposed legislation. He noted that when the bill was first heard, the idea of saving of money was the major consideration. He observed that the elimination of the program might not reduce the lease costs of the Department. He noted that the two main issues were money and duplication of services. Parents and students with Alyeska recognize that it is unique. The real issue is a policy one. He maintained that the legislation is an affront to those children and families. Extending Alyeska would be better than closing it on June 30th. Allowing Alyeska to continue would be the best solution.

KEVIN SWEENEY, LEGISLATIVE LIAISON, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, summed up the Administration's arguments in support of the bill. He realized that this was an emotional issue, but observed that the educational system has changed since the implementation of ACS. At its peak ACS served more than 2,000 students. It now educates just over one-quarter of that amount. He pointed out that other districts now offer the same type of service, which could accommodate the program. There are currently over 8,000 students registered in statewide correspondence programs. The State has encouraged these school districts to expand their correspondence program.

Mr. Sweeney stated that the intent is to see the programs continue to grow and attract students. He observed that the primary argument against the closure of ACS is that the program is unique and is the only program that offers accreditation. He disagreed with those arguments. He stressed that programs, which are run outside of Juneau, have shown great promise. These programs have assured the Department that they will adapt to the needs of the students and they want to attract students. He asserted that school districts are ready to provide teacher interaction and "snail mail" service.

Mr. Sweeney pointed out that the temporary accreditation is not an issue that is unique to correspondence programs. All the credits that students earn [under temporary accreditation] are counted as accounted credits. The Governor's approach is to avoid duplication and support competition among school districts.

Discussion on HB 174 was HELD until later in the meeting.

#hb119

HOUSE BILL NO. 119

"An Act permitting grants to certain regulated public utilities for water quality enhancement projects and water supply and wastewater systems."

REPRESENTATIVE JOHN COGHILL, SPONSOR spoke in support of the legislation. The legislation would permit grants to be offered to utilities that serve the public (municipally and privately owned). The intent is to encourage municipal development. Section 3 would allow public water and sewer utilities to be eligible for projects that are regulated by Regulatory Commission of Alaska. The question arises regarding whether those doing contract work or own a utility would be able to a make profit from the grants. He stated that they would not. He referenced a letter from the Department of Community and Economic Development, dated April 8, 2002, in member's packets. Grants would be for project expansion and would not be put into the asset base that would be later sold. The purchase price that the utility would be able to recover would be regulated. He stressed that the legislation seeks equity. The intent is not to allow public money to bolster up private corporations, but to give ratepayers relief and to grow Alaska through an expansion of utilities.

Representative Coghill observed that the contributed capital for the utilities would be regulated. Regulated utilities would not be permitted to recover contributed capital from its costumers. It would account for the contributed capital in a manner that is identified and outlined in the rate base under the uniform system of accounts in the Regulatory Commission of Alaska. The bill contains many safeguards. He claimed that he was comfortable with the issue and requested approval and passage of the legislation.

Co-Chair Harris asked how many private water and sewer utilities were in the state of Alaska. Representative Coghill stated that there were four sewer and 21 water related utilities. He noted that in Fairbanks, one company operates two different utilities.

DAN GAVORA, EXECUTIVE VICE PRESIDENT, UTILITY SERVICES OF ALASKA testified via teleconference in support of the bill. He stated that as a result of the privatization process

that Fairbanks ratepayers had lost this eligibility. The source of the funds that pay for the grants are collected from the taxes paid by both municipal and private owned utilities. He maintained that to discriminate against utilities, which shared equally in the burden, was unjust and that the bill would put Fairbanks ratepayers on an equal level with others in the state. He noted that there were 45 thousand residents in the state that are not given the same treatment as the remainder of the state. He noted that under Regulatory Commission of Alaska regulations all economic benefits of the grants are passed on to the ratepayers. Shareholders receive no benefit. He stated that the bill would reduce the burden to ratepayers, and to expand service.

Representative Stoltze requested that the Regulatory Commission of Alaska testify at a future meeting.

HB 119 was heard and HELD in Committee for further consideration.

#hb174

HOUSE BILL NO. 174

"An Act relating to the state centralized correspondence study program, to funding for educational programs that occur primarily outside school facilities, and to the duties of school boards of borough and city school districts and regional educational attendance areas; and providing for an effective date."

MICHEAL JEFFREY, PARENT, BARROW, testified in support of the Alyeska Central School. He commended the school's reputation and accreditation. He maintained that temporary accreditation did not reflect well with prestigious colleges. He referred to the Committee Substitute and suggested that it would provide a compromise and allow parents to attempt to keep the school going in some form. He suggested that Alyeska's certified teachers presented a cost savings to the state of Alaska. He urged the Committee to pass the Committee Substitute for HB 174.

HB 174 was heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 4:48 PM