

HOUSE FINANCE COMMITTEE
February 23, 2010
1:36 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None.

ALSO PRESENT

Representative Kurt Olsen; Julie Olsen; Christine Hess, Chief of Staff, Representative Reggie Joule; Sam Kito III, School Facilities Engineer, Department of Education and Early Childhood Development;

PRESENT VIA TELECONFERENCE

Lisa Rogers, Alaska Society of Certified Public Accountants, Anchorage; Dr. Norman Eck, Northwest Arctic Borough Superintendent of Schools, Kotzebue;

SUMMARY

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HB 180 SCHOOL CONSTRUCTION FUNDING

HB 180 was HEARD and HELD in committee for further consideration.

HB 315 PUBLIC ACCOUNTING

HB 315 was REPORTED OUT of committee with a "do pass" recommendation and accompanying fiscal note.

#hb315

HOUSE BILL NO. 315

"An Act relating to public accounting; and providing for an effective date."

REPRESENTATIVE KURT OLSEN, SPONSOR, introduced his support staff.

JENNIFER SENETTE, STAFF, REPRESENTATIVE KURT OLSEN, described the creation and intent of the bill. House Bill 315 was crafted with the help of the Alaska State Board of Public Accountancy and the Alaska Society of Certified Public Accountants (CPA). She stated that the bill would bring Alaska in line with the 45 states that had passed similar versions of the legislation.

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Ms. Senette relayed that HB 315 would give CPAs mobility, or the ability of a licensee to gain practice privilege outside his principal place of jurisdiction, without additional licensing and fees. This would allow licensed CPAs and CPA firms in Alaska to practice across state jurisdictions with greater ease. The bill would provide for simple majority ownership. Under current state laws Alaskan accounting firms must be owned 100 percent by CPAs, which discounted the evolution of the accounting profession over the years; accounting firms were not only employing CPAs, but Information Technology professionals, lawyers, and other non-CPA professionals. The legislation would dial down the stringent requirements to allow for simple majority ownership. The change would be helpful in attracting and retaining new talent in the state. The legislation would also enhance the board of public accountancies ability to protect the public interest. Under HB 315 the Alaska State Board of Public Accountancy would have automatic jurisdiction over any CPAs practicing in the state.

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Ms. Senette explained that if a CPA from out-of-state was working in Alaska, the state board of public accountancy had the jurisdiction to address any violations of the standard.

Representative Fairclough wondered if accountants in the state could expand multi-nationally. Ms. Senette redirected the question to the CPAs present for questioning.

Co-Chair Stoltze opened public testimony.

LISA ROGERS, ALASKA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS, ANCHORAGE (via teleconference), testified in support of the legislation. She stated that the bill had generated from conversations among accountants who had worked to draft the legislation.

Representative Fairclough wondered about push back from the state of New York, as similar legislation had not been enacted there.

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Ms. Rogers replied that New York had been slow to adopt changes in the area of public accounting. She did not know why.

JULIE OLSEN, PRESIDENT, ALASKA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS, urged support for the legislation.

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Representative Fairclough reiterated her earlier questions. Ms. Olsen deferred the questions to Max Mertz.

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MAX MERTZ, BOARD OF PUBLIC ACCOUNTING, JUNEAU, replied that the legislation pertained only to CPAs within the United States and U.S. territories. He furthered that the State of New York had laws on the book relating to public accountancy that dated back to the 19th century that had yet to change. He reiterated that New York had been very slow to change practices concerning public accounting.

Representative Fairclough asked for explanation of "practice privilege". Mr. Mertz replied that "practice privilege" was distinguishable from "practice permit". Mr. Mertz explained:

"When there is a CPA in Alaska practicing in another mobility state, or from another state practicing here, if they are serving a client that does not have a home office in Alaska, that might have some incidental operations here, and they are based out-of-state, so it's really incidental practices. They can come to Alaska, or over the internet, provide those services without having to come to Alaska and get a practice permit, which is currently required, and will continue to be required, if the client either has a home office here, or the practice is other than incidental. The premise of mobility is to allow this interstate practice without having to go through the process of getting a permit."

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Representative Austerman wondered if there was a way the bill could allow the state to access out-of-state CPA licensing information, before allowing them to practice in-state.

Mr. Mertz said there was a companion bill circulating called the Accountants Licensing Database, which would focus on the issue.

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Co-Chair Stoltze closed public testimony.

Co-Chair Stoltze recognized the zero fiscal note and solicited amendments.

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Co-Chair Hawker MOVED to REPORT HB315 26-LS130\A from committee. There being no OBJECTION it was so ordered.

HB 315 was REPORTED OUT of committee with a "do pass" recommendation and accompanying fiscal note.

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#hb180

HOUSE BILL NO. 180

"An Act amending the percentages required to be paid by a municipal school district receiving a school construction or major maintenance grant; making a conforming amendment to a bond debt reimbursement provision referencing the percentages; and providing for an effective date."

CHRISTINE HESS, CHIEF OF STAFF, REPRESENTATIVE REGGIE JOULE, stated that the legislation proposed a change in the participation share of local governments in grant funding for school districts. Currently, A.S. 14.11.008(b) established the required participating share for a municipal school district for a construction or maintenance grant project based on the district's full value per average daily membership (ADM). In 2008, SCS HB 373 passed the legislature on April 11th, near the end of the session. On the senate side a change was made, which the house concurred with on the same day. The change placed the participating shares into four categories; 5, 10, 30, 35 percent. For most participating governments, the local participating share went down, but for several local governments the share

jumped from 10 percent to 30 percent. The bill proposed to stair-step those local governments with a 20 percent share. The fiscal note attached was for \$2.6 million. The impacted communities were; Kake, Dillingham, The Northwest Arctic Borough, Klawock, Nome, and Kodiak. The list of proposed projects was located on the sponsor statement (copy on file).

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SAM KITO III, SCHOOL FACILITIES ENGINEER, DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT, testified as to how the legislation would affect his district. He stated that concerning ADMs; the department was examining the average daily membership, which was the count of the students on an annual basis, but the full assessed value of the property for the given district divided by the number of student in the district.

Representative Gara asked if the equation applied to regional education attendance area (REAs). He queried if there was a contribution requirement for REA villages. Mr. Keno replied that REAs had a limited amount of 2 percent participating share, the participating share table only applied to municipal governments.

Representative Doogan understood that the legislation would reduce the participating share for districts between 275,000 and 500,000 by 10 percent. He wondered what the benefit of the change would be. Ms. Hess replies that the increase from 10 to 30 percent, instituted in 2008, had been too extreme for the affected communities.

Representative Doogan understood that the assumption was that larger districts had more resources, so the participating share should be higher. Ms. Hess replied in the affirmative.

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Co-Chair Stoltze added that rural schools had a limited tax base. He acknowledged the difficulty of funding schools with a weak municipal economy.

Representative Foster asked if the legislation was an attempt to create parity across the board for all schools in the state. Ms. Hess replied that ultimately it was a policy call where the participating share would fall for each district. The smaller communities would be receiving the reduced share.

Representative Foster expressed support for the bill.

Representative Gara summarized that if the ADM per student was over 800,000, the municipality paid 35 percent, and the schools on major maintenance projects were placed on the major maintenance project list. Mr. Kito replied that the municipality was responsible for the participating share percentage.

Representative Gara wondered why a district would want a project on the major maintenance list, when bonding would be less expensive. Mr. Kito responded that when a municipality bonded for a project, the bonds need to pay interest. The municipality would need to weigh the principal and interest cost against what the participating share cost would be on the major maintenance or the grant list.

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Co-Chair Stoltze asked if the community received the money up front if it was on the major maintenance list. Mr. Kito replied yes.

Representative Salmon wondered who sponsored HB373 in 2008.

Representative Fairclough shared that the bill was introduced by the House Finance Committee in 2008.

Ms. Hess added that HB373 had been changed on the senate side.

DR. NORMAN ECK, NORTHWEST ARCTIC BOROUGH SUPERINTENDENT OF SCHOOLS, KOTZEBUE (via teleconference), spoke in favor of the legislation. He testified that the jump from 10 percent to 30 percent had been difficult for the district to reconcile. He informed the committee that the Northwest Arctic School District had done a lot independently over the years to provide for school construction, rather than wait in line for grants. Schools had been remodeled and rebuilt with bonds. The 30 percent participating share had stifled further school projects. He stated the burden that had been placed on the region had been unfair, and the 20 percent stair step would make a positive difference in the lives of the students.

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Co-Chair Stoltze closed public testimony.

Representative Joule clarified that the request was not to return to the 10 percent, but rather a mid-level percent. He hoped as the session progressed the bill would continue to live.

Representative Austerman asked how much more work needed to be done on the bill.

Co-Chair Stoltze wanted gather more debt reimbursement information for further discussions.

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HB 180 was HEARD and HELD in committee for further consideration.

Co-Chair Hawker discussed housekeeping.

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ADJOURNMENT

The meeting was adjourned at 2:15 PM