

HOUSE FINANCE COMMITTEE

April 2, 2010

1:42 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:42 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Mike Hawker, Co-Chair  
Representative Woodie Salmon

ALSO PRESENT

Christine Marasigan, Staff, Senator Kevin Meyer; Deborah Bitney, Director, Permanent Fund Dividend Division, Department of Revenue; Ben Mulligan, Staff, Co-Chair Stoltze; John Binkley, Chairman, Alaska Railroad Corporation; John Cohen, Staff, Co-Chair Stoltze; Representative Paul Seaton; Carl Rose, Executive Director, Association of Alaska School Boards; Mary Francis, Executive Director, Alaska School Administrators Association (ASAA); Andi Story, Vice President, Juneau School Board; Dave Jones, Assistant Superintendent, Kenai Peninsula Borough School District; Amy Lujan, Executive Director, Alaska Association of School Business Officials; Eddy Jeans, Director, School Finances and Facilities, Department of Education and Early Development; Representative Max Gruenberg; Rick Svobodny, Deputy

Commissioner, Department of Law; Gretchen Staft, Staff,  
Representative Max Gruenberg

PRESENT VIA TELECONFERENCE

Peter Hoepfner, School Board Member, Cordova School District; Lon Garrison, President, Sitka School Board; Karen Martinsen, Co-Chair, Vocational Technical Education Providers, Sitka; Steve Bradshaw, Superintendent, Sitka School District

SUMMARY

HB 317 EDUC. FUNDING: BASIC/SPEC NEEDS/TRANSPORT

HB 317 was HEARD and HELD in Committee for further consideration.

HB 344 SALMON PRODUCT DEVELOP. TAX CREDIT

CSHB 344(FIN) was REPORTED out of Committee with a "do pass" recommendation and a new fiscal note from the Department of Revenue.

HB 355 CRIMINAL FINES FOR ORGANIZATIONS

CSHB 355(JUD) was REPORTED out of Committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (LAW).

HB 357 AK RAILROAD CORP. LAND SALES

CSHB 357(FIN) was REPORTED out of Committee with no recommendation and with previously published fiscal note: FN1 (CED).

SB 171 PERMANENT FUND DIVIDEND FOR DECEASED

HCS CSSB 171(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note from the Department of Revenue and previously published fiscal note: FN2 (REV).

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#sb171

SENATE BILL NO. 171

"An Act relating to the permanent fund dividend of an otherwise qualified individual who dies during the qualifying year; and providing for an effective date."

CHRISTINE MARASIGAN, STAFF, SENATOR KEVIN MEYER, presented the overview of the bill. The bill provides for an issuance of a permanent fund dividend (PFD) check to a personal representative of an estate or successor claiming the personal property of the deceased, should an otherwise eligible individual die during the qualifying year.

Co-Chair Stoltze added that the bill includes modifications to "Pick, Click and Give". He inquired if Ms. Marasigan agreed with those additions to the bill. She said she did.

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Vice-Chair Thomas MOVED to adopt Amendment 1:

Page 4, following line 31:

Insert a new bill section to read:

"\*Sec.6 AS 43.23.062(f) is amended to read:

(f) The department may charge [ESTABLISH] an application fee of \$250 [NOT TO EXCEED \$50] for each educational organization, community foundation, or charitable organization that files an application under (d) of this section. The application fees shall be separately accounted for under AS 37.05.142. The annual estimated balance in the account maintained under AS 37.05.142 for application fees collected under this subsection may be appropriated for costs of administering this section."

Renumber the following bill sections accordingly.

Page 5, line 16:

Delete "Sections 1 - 7"

Insert "Sections 1 - 8"

Co-Chair Stoltze OBJECTED for discussion.

Vice-Chair Thomas explained that the amendment would charge an application fee of \$250 for each educational organization, community foundation, or charitable organization that files an application under the "Pick, Click, and Give" program. He reported that there has been

\$815,000 committed to the program at this time. This is a 46 percent increase over last year. The amendment will raise roughly \$62,750.

Co-Chair Stoltze concluded that the fee would not be a barrier for the organizations. Vice-Chair Thomas agreed.

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Representative Fairclough asked about uncollected remaining costs of providing the service. She wondered if the \$250 charge covered all costs of the program. Vice-Chair Thomas noted the attempt to match 50 percent of the required fiscal note.

Representative Fairclough inquired if 50 percent was unmatched. Vice-Chair Thomas responded that \$65,000 is the unmatched amount. Representative Fairclough wondered why the amount of \$500 is not being requested. Vice-Chair Thomas said it was because non-profits were paying for it.

Representative Fairclough noted she was sensitive to non-profits, but she was also sensitive to the state's position. She suggested that it seemed reasonable to reach for 100 percent coverage.

Representative Foster asked if it was an annual or one-time fee. Vice-Chair Thomas said it was an annual fee.

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Representative Austerman inquired if it was the only fee.

DEBORAH BITNEY, DIRECTOR, PERMANENT FUND DIVIDEND, DEPARTMENT OF REVENUE, stated that it was the only fee charged to the non-profits choosing to participate.

Representative Foster asked if there were many organizations that don't receive \$250 in contributions. Ms. Bitney responded that there were 378 total non-profits receiving pledges, and 61 received \$250 or less in contributions.

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Representative Doogan questioned the fiscal note of \$86,700 a year. He wondered if it was the only fiscal note attached

to the bill. Co-Chair Stoltze thought there should be an updated fiscal note.

Representative Foster requested more statistics related to how much non-profits received.

Ms. Bitney related that 43 organizations received between \$275 and \$500 in pledges. That leaves 274 organizations that received \$500 or more. It is anticipated that there will be about \$68,500 from application fees.

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Representative Fairclough did not wish to advocate for the \$500 fee this year due to the newness of "Pick, Click, and Give". She spoke of other organizations which benefit by the elimination of the middle man. She pointed out that it creates technical challenges and additional paperwork for the Department of Revenue. She agreed that \$250 was the right number for this year, but in the future it might be revised.

Co-Chair Stoltze gave his opinion about another "check off". He thought there ought to be a cut-off point for organizations that don't profit by this avenue. He expected to revisit the issue again.

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AT EASE

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RECONVENED

Vice-Chair Thomas WITHDREW Amendment 1.

Vice-Chair Thomas MOVED to ADOPT HCS for CSSB 171(FIN), labeled 26-LS0804\C, Cook, 2/5/10, as the working document before the committee.

There being NO OBJECTION, it was so ordered.

Vice-Chair Thomas MOVED to ADOPT Amendment 2:

Page 4, following line 31:

Insert a new bill section to read:

"\*Sec.6 AS 43.23.062(f) is amended to read:

(f) The department shall charge [ESTABLISH] an application fee of \$250 [NOT TO EXCEED \$50] for each educational organization, community foundation, or charitable organization that files an application

under (d) of this section. The application fees shall be separately accounted for under AS 37.05.142. The annual estimated balance in the account maintained under AS 37.05.142 for application fees collected under this subsection may be appropriated for costs of administering this section."

Renumber the following bill sections accordingly.

Page 5, line 16:  
Delete "Sections 1 - 7"  
Insert "Sections 1 - 8"

Co-Chair Stoltze OBJECTED.

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Representative Austerman commented on the number of organizations on the list that would not profit if the fee were to be \$500. The concept behind "Pick, Click, and Give" is to enable the organizations to raise money. He was opposed to having the higher fee.

Ms. Bitney noted there were 274 organizations that receive more than \$500 in pledges.

Representative Fairclough spoke of a time when community members selected charities to support. She shared the history of a United Way campaign in Anchorage. She maintained that individual Alaskans show value for each organization with their donation. Increasing the cost does not disenfranchising charities. She shared a personal experience with donations and concluded that the program does not make it harder for charities, but increases the load for the departments. She thought that the list should contain a threshold. She spoke in support of the amendment.

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Representative Kelly pointed out that the cost of fundraising for organizations was pretty high and \$250 was a bargain. He thought it was a great program and would be self-selecting.

Representative Fairclough related that the advantage is that it appears donations have gone up substantially.

Representative Foster believed that the seven-page of list of organizations was comprehensive.

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A roll call vote was taken on the motion.

IN FAVOR: Doogan, Fairclough, Foster, Joule, Kelly, Thomas, Stoltz, Gara

OPPOSED: Austerman

The MOTION PASSED (8-1)

BEN MULLIGAN, STAFF, CO-CHAIR STOLTZE, pointed out that in the fund source section of the fiscal note the program receipts total should be \$68,500, not \$18,800. This will bring the total to \$64,000, which will reduce the fiscal impact by half.

Vice-Chair Thomas MOVED to report HCS CSSB 171(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CS SB 171(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note from Department of Revenue and previously published fiscal note: FN2 (REV)

[2:20:25 PM](#)

#hb357

HOUSE BILL NO. 357

"An Act relating to the sale of land owned by the Alaska Railroad that is not needed for railroad purposes."

Co-Chair Stoltze inquired about the reason that the Alaska Railroad does not fall under the Budget Act and how fiscal notes are issued.

JOHN BINKLEY, CHAIRMAN, ALASKA RAILROAD CORPORATION, deferred to staff to answer.

Co-Chair Stoltze asked Mr. Binkley to read a letter he had sent to committee members. Mr. Binkley reported on strategies to work closer with the railroad's partners and leaseholders. One is to change the requirement that leaseholders pay a \$300 fee whenever they are applying for a renewal or an original lease. Another is to change to electronic notices. He suggested a change to the leaseholder's policy so that when an appraisal decreases, the rent decreases. He proposed to have more meaningful discussions to look for efficiencies for leaseholders, yet protect investments for shareholders.

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Representative Gara questioned what the railroad would do with money from land sales. The bill says that the corporation should separately account for the money, but does not say how the money is to be spent. The bill also says, "Money in the account may be appropriated in accordance with the Railroad Transfer Act." Representative Gara asked if the money could go toward staff costs or salaries.

Mr. Binkley did not think so.

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Co-Chair Stoltze noted that Legal Services pointed out a possibility that a change made to the bill in the House Transportation Committee may have violated the constitution, so a new committee substitute was written.

Vice-Chair Thomas MOVED to ADOPT the CS for HB 357 (FIN), 26-LS1356\S, Bullock, 3/30/10, as the working document.

Co-Chair Stoltze OBJECTED.

JOHN COHEN, STAFF, CO-CHAIR STOLTZE, explained a one-word change on page 2, line 9. The word "appropriated" was changed to "used" by the House Transportation Committee. The attached Legal Services memo explains that this was out of compliance with the state constitution. It violates the federally mandated dedicated fund for railroad appropriation usage. The change in Version S reverts "used" back to "appropriated".

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, CSHB 357(FIN) 26-LS1356\S, Bullock, 3/30/10 was adopted.

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Co-Chair Stoltze read the Letter of Intent for HB 357:

It is the intent of HB 357, "An Act relating to the sale of land owned by the Alaska Railroad that it is not intended for railroad purposes," to not impact any outstanding Federal issue which has not been resolved in regards to railroad lands, easements, or rights-of-way. It is not the intent of this legislation to impede, damage, or disrupt any ongoing claims, issues, or cases involving the Alaska Railroad Corporation and governmental, tribal, or private sector disputes.

Co-Chair Stoltze MOVED to ADOPT the Letter of Intent. There being NO OBJECTION, it was so ordered.

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Representative Kelly remarked that the Letter of Intent would cover the previously mentioned concern.

Vice-Chair Thomas MOVED to report CSHB 367(FIN) out of Committee with individual recommendations, the Letter of Intent, and the accompanying fiscal note.

Co-Chair Stoltze OBJECTED.

Representative Gara supported the sponsor's intent, but he was not sure that the railroad should be allowed to sell land that belongs to the state and keep the money.

Co-Chair Stoltze shared some of the same concerns.

Co-Chair Stoltze WITHDREW his objection

CSHB 357(FIN) was REPORTED out of Committee with no recommendation and with previously published fiscal note: FN1 (CED)

[2:31:47 PM](#)

#hb344

HOUSE BILL NO. 344

"An Act relating to the salmon product development tax credit; and providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003, as amended by sec. 4, ch. 3, SLA 2006, and by sec. 4, ch. 8, SLA 2008."

Co-Chair Stoltze WITHDREW his OBJECTION to adopting the CS for HB 344. There being NO OBJECTION, it was so ordered.

Vice-Chair Thomas clarified that an ice making machine is the internal parts of an ice house. The ice house is not part of the tax credit.

Representative Doogan inquired about Alaska Glacier Seafood's plan to increase its ice handling capacity and widen the dock forty-five feet in order to add a new ice facility. He assumed that the costs of that expansion would not qualify for the tax credit.

Vice-Chair Thomas said that was true.

Co-Chair Stoltze noted the fiscal note, which remains unchanged. It will reflect a change as a result of the new CS.

Representative Fairclough asked if maintenance and repairs of the items would qualify for the tax credit. Vice-Chair Thomas thought that maintenance would not qualify, only the actual capital construction of the ice-making portion.

Co-Chair Stoltze MOVED to report CSHB 344 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 344(FIN) was REPORTED out of Committee with a "do pass" recommendation and a new fiscal note from the Department of Revenue.

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#hb317

HOUSE BILL NO. 317

"An Act increasing the special needs funding and base student allocation for public schools, and extending the adjustment for student transportation funding; and providing for an effective date."

REPRESENTATIVE PAUL SEATON, SPONSOR, explained that the bill is intended to continue the policy direction thr state has taken the last three years. One of the main purposes of the bill is to prevent the rounds of teacher lay-offs that have been occurring. It was the mechanism designed by the Joint Legislative Education Funding Task Force to provide budget information to school districts.

Representative Seaton related that Section 1 extends the inflation adjustment for pupil transportation that was established in 2008 through 2014. Those adjustments would reflect any increases in consumer price increases. It would ensure that if there was a negative adjustment, it would not take place.

Representative Seaton explained that Section 2 of the bill increases the block grant funding, which is 20 percent of the amount a school district receives for the purposes of special education, gifted and talented, vocational, and bi-lingual education. The increase is 1.5 percent.

Representative Seaton referred to a Letter of Intent which explains the goal of stimulating more spending and access for the 70 percent of students that don't go to college. It is directed to encourage vocational education across the state. It is not category funding. Individual districts have the ability to use funds as needed.

Representative Seaton said that Section 3 provides for the same amount - 1.5 percent - the following year. Sections 4 and 5 increase the base student allocation (BSA) by \$125 for each of the following years - FY 2012 and FY 2013. The legislature originally provided for three years, but the Task Force decided not to do that due to mid-session timing. He explained the effective dates in the bill.

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Representative Doogan questioned the FY 2012 cost of \$45 million. He wondered how much would be special needs funding and how much would be BSA.

Representative Seaton responded that \$30 million is the \$125 BSA increase and \$14.7 million would be the intended vocational increase.

Vice-Chair Thomas asked if any consideration is being given to the dropout rate of between 30 percent and 40 percent. Representative Seaton mentioned a number of solutions, such as aligning curriculum. The Anchorage School District is working on an advisor/advocate program for at risk students and has increased the graduation rate by 5 percent. Six schools on the Kenai Peninsula have also gone to advisor programs and have increased the graduation rate by 12-15 percent. The BSA increase has allowed school districts to accomplish the goal of decreasing dropout rates. There is also another bill which looks at improving the rigor of the high school curriculum.

Representative Seaton reported on successes in reducing the dropout rate, but noted that there are still some problems in some districts. He emphasized a need for more vocational education, which the Letter of Intent directs.

Vice-Chair Thomas inquired why the Task Force is only concentrating on the Anchorage and Kenai area and not the entire state. He opined it should be shared statewide. He spoke of dropout rates in his district. He wondered if there were funds available for schools that did not qualify for the Governor's Performance Scholarship (GPS) fund.

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Representative Seaton pointed out that efforts were taking place in the Chugiak School District and in Prince William Sound, which now has a 98 percent graduation rate. There are successes in rural locations, as well as in urban locations. The use of traveling teachers is also being considered. He pointed out that the bill emphasizes vocational education as a solution to increasing graduation results. He spoke of another bill that would coordinate efforts between models used in various districts. He invited everyone to attend an upcoming Joint Education Committee meeting regarding Moore vs. Alaska.

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Co-Chair Stoltze appreciated Representative Seaton's work on the bill and on the GPS.

Representative Fairclough asked if the Education Committee has taken on the issue of Continuing Learning Credits; aligning them with curriculum and teachers across Alaska.

Representative Seaton inquired if Representative Fairclough was referring to teacher education. She said she was referring to required continuing learning credits. Representative Seaton reported that the University of Alaska has presented a report to the legislature on that topic. The committee is looking at aligning and promoting those credits. The goal is to improve teachers in education, not just in subject matter.

Representative Fairclough heard that teachers could choose to get credits in subjects other than the ones they were teaching. She asked how the committee was implementing strategies outlined by the Task Force. She noted that all of the money had been implemented, but thought many issues remained.

Representative Seaton related that most of the issues have been addressed. Representative Seaton explained that the questions were given a written response.

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Representative Fairclough requested more information about a planned committee whose task it was to address Task Force issues. She offered to meet at a later date to discuss it. Representative Seaton reported that an interim commission was drawn up and the members have recently been appointed.

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Representative Kelly asked what happens to the BSA after the three-year plan and the meeting requirements have been met. He requested the incremental cost. Representative Seaton thought it was about \$17 million, or 1.5 percent, but offered to get back with the exact number.

Representative Kelly inquired how the carry forward was reflected on the \$17 million. Representative Seaton asked if he was referring to reducing the intensive needs funding.

Representative Kelly reworded his question. Representative Seaton explained that it is mostly reflected in the 1.5 percent increase to the BSA for vocational technical education. He added that education was seen as an intensive needs piece that was accomplished. The piece that is lacking is vocational education. About 70 percent of students will not go through a college curriculum; therefore, more efforts should be spent on vocational course work.

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PETER HOEPFNER, SCHOOL BOARD MEMBER, CORDOVA SCHOOL DISTRICT (via teleconference), read a statement from Superintendent Jim Nygaard. The letter emphasized that the bill is critical to vocational programs, staffing, and equipment needs in Cordova. He spoke in support of the forward funding provided in the bill.

Mr. Hoepfner supported the bill and future funding. It would help with special needs, as well as with the gifted and learning program which has been lost.

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Vice-Chair Thomas asked if the last three years' increase in BSA has seen any success in decreasing the dropout rate. Mr. Hoepfner noted that the dropout rate in Cordova was not very high. He pointed out that dropouts tend to be the more gifted students and that may be due to the elimination of the Gifted and Talented Program. He appreciated the funding of computers.

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LON GARRISON, PRESIDENT, SITKA SCHOOL BOARD (via teleconference), testified in support of HB 317 and the continued good work of the Education Task Force. The block grant, increased BSA, and intensive-needs multiplier are extremely important to Sitka and other coastal communities. He spoke of reduced funding sources in Sitka which would have a negative impact on schools. He appreciated the funding predictability contained in HB 317. He noted that Sitka has a low drop-out rate of only 5 percent. He hoped to continue to engage students with the assistance of multi-year funding.

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KAREN MARTINSEN, CO-CHAIR, VOCATIONAL TECHNICAL EDUCATION PROVIDERS, SITKA (via teleconference), reminded the committee that recently the Department of Education and the Department of Labor have combined efforts to create a statewide Career and Technology Education (CTE) Plan. She opined that the bill would begin to meet the need to turn around the decline of a qualified workforce. She emphasized that CTE is one of the fourteen best practices to prevent dropouts. Rural schools have a strong network of regional training centers throughout the state. She spoke in strong support of the bill.

STEVE BRADSHAW, SUPERINTENDENT, SITKA SCHOOL DISTRICT (via teleconference), responded to the dropout question. Sitka School District has been involved in a dropout prevention grant, along with Juneau and Ketchikan, in order to attempt to add a cultural awareness piece to the curriculum. At a meeting with the Departments of Education, Justice, Labor, and Health and Human Services in the Governor's Office, there was discussion about how to enforce student attendance. He spoke in support of the bill and thanked the House Education Committee for their work. He spoke of a history of cuts in vocational education.

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CARL ROSE, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, spoke in support of HB 317. The operational stability of school districts depends on knowing what kind of funding there will be. There needs to be a smooth teacher retention transition from year to year. He responded to the dropout issue by stating that there are 53 school districts in the state and each one experiences a different school climate. There is improved student performance in schools where students feel safe and cared for. School partnerships with communities also make a difference. Students need to be engaged to be successful. The Consortium for Digital Learning shows that attendance increases when students are engaged. Digital Learning will improve school achievement. Many school districts are also offering additional instruction.

Mr. Rose related that he served on the Funding Task Force, which addressed a number of issues. The bill extends the task force's work for two years, addresses career

technology through the block grant, ensures increases in the Consumer Price Index (CPI), but not decreases in transportation, and is an opportunity to increase funding for FY 2012 and FY 2013.

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Representative Doogan asked if the BSA amount the three previous years was \$100. Mr. Rose said that was correct. Representative Doogan requested an explanation for the necessity to increase that amount to \$125. Mr. Rose recalled discussion of that decision. He thought that \$125 was an appropriation amount. He pointed out that there had not been an increase in the block grant since SB 36 in 1998.

Representative Doogan wondered if there was another reason to move from \$100 to \$125 for the next two years. Mr. Rose answered that the amount was \$100 per year the last two years and for the current year. It was recognized that there are intensive needs, where actual cost per child can run from \$75,000 to \$500,000. As costs continue to increase, the goal was to try to keep up with those costs.

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Representative Gara commented on keeping school funding up with inflation. He did not feel obligated to keep the funding at \$100 because the task force left the amount unresolved. He spoke of an increase in special needs funding and in the cost differential. He voiced concern about schools not being able to keep up and having to dip into other money. The Anchorage CPI inflation increase for 2008 was 4.6 percent and for 2009 it was 1.2 percent. The last three-year average was roughly 2.7 percent. He concluded that \$125 for two years would result in a 2.2 percent increase and not keep up with inflation. He asked Mr. Rose to comment.

Mr. Rose replied that there is concern about inflation and there has been talk of inflation-proofing the foundation formula and transportation.

Representative Gara reported that schools received benefits the last two years in the form of special needs funding and area cost differential. He asked if his analysis of

inflation was correct and if special needs funding and cost differential funding would be used to combat inflation.

Mr. Rose responded that regular instruction funds would be used to cover special needs programs, which are mandated. The students who generate the majority of the money in regular instruction are supplementing the rest of the budget. With the increase in the block grant and with the Letter of Intent that looks at career and technical education, special education will still need to be subsidized. There are unmet needs everywhere. He saw HB 317 as a means of being able to plan ahead.

Representative Gara asked if Mr. Rose could recommend a number that would prevent the need to dip into instructional costs. Mr. Rose said he could not.

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MARY FRANCIS, EXECUTIVE DIRECTOR, ALASKA SCHOOL ADMINISTRATORS ASSOCIATION (ASAA), recalled her experience as a former superintendent and praised forward funding for school districts. She said she represents a group that supports HB 317. She mentioned that the additional money for Career and Vocational Education is much needed. The Alaska Staff Network, a division of ASAA, offers dropout preventions symposiums throughout the year. She spoke in support of the bill.

Representative Gara asked Ms. Francis if she has any concern about the level of the BSA proposed in the bill not keeping up with inflation. Ms. Francis shared concerns about keeping up with inflation and stated support for inflation-proofing the BSA.

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ANDI STORY, VICE PRESIDENT, JUNEAU SCHOOL BOARD, testified on behalf of the board and in support of HB 317. The bill helps schools plan efficient budgets, lays out a foundation of stability, and maximizes resources for students. She spoke of the difficulties small districts experience when they are not able to plan ahead. She pointed out that it is important to remember that the block grant has not increased since 1998. She shared information about the four levels covered by the block grant. There is an increased need for a highly skilled workforce in Alaska at this time.

She informed the committee that Juneau's graduation rate has increased to 77 percent, an increase of 7 percent. She spoke in strong support of the bill because it will benefit students every day.

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DAVE JONES, ASSISTANT SUPERINTENDENT, KENAI PENINSULA BOROUGH SCHOOL DISTRICT, testified in support of the forward funding provided in HB 317. He thanked the committee for forward funding in the three previous years, which enabled the Kenai Schools to have a long-range educational plan called Programmatic Staffing. This program increased staffing in targeted areas with the goal of improving the graduation rate. At Monday's board meeting non-tenured contracts will be issued - the earliest date ever in the Kenai District.

Co-Chair Stoltze asked what the tenure length is. Mr. Jones replied that it was three years and one day. He added that HB 317 would allow the district to move along in the program and continue to improve in the areas targeted. He noted that federal health care reform will have a major affect on school board budgets.

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Representative Doogan observed that there would have been no problems with pink slips for non-tenured teachers, if people had supported a previous bill that would have changed school funding deadlines.

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AMY LUJAN, EXECUTIVE DIRECTOR, ALASKA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS, testified in support of past forward funding for schools. She shared her experience with being able to plan budgets in schools. Adding certainty to the funding process helps schools lessen the dropout rate. She spoke in support of HB 317.

EDDY JEANS, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced himself. He took questions to be answered at a later date.

Representative Kelly wanted information about the higher education CPI.

Representative Joule wanted to hear why Alaska is not participating in the Race for the Top.

Representative Kelly requested information on school graduation rates.

Representative Gara asked for statistics on inflation and how BSA might meet inflation increases.

Mr. Jeans replied that the only component in the department's budget that is adjusted for inflation is the Pupil Transportation Grant program, which uses a three-year average.

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Vice-Chair Thomas inquired if there was anything in the bill which addresses the Moore vs. Alaska case. Mr. Jeans reported that there would be a Joint Education Committee meeting to present the department's side of the Moore case.

HB 317 was HEARD and HELD in Committee for further consideration.

[3:48:44 PM](#)

#hb355

HOUSE BILL NO. 355

"An Act relating to criminal fines for organizations."

REPRESENTATIVE MAX GRUENBERG talked about Version P, the House Judiciary version of HB 355, which raises the amount of fines for corporations and other criminal organizations, as shown on lines 7-13, page 1. It has been a number of years since those fines were raised. The size of necessary deterrents has not kept pace with the crimes, which are often large. Under AS 11.16.130, a corporation or partnership is legally accountable in a criminal sense for the operations or conduct of an agent employed by the company. The criminal fine section is key in deterring organizational crime.

Representative Gruenberg addressed the second purpose of the bill, which begins on page 2, lines 1-7, and closes a

loophole. He gave an example of a bribe whose purpose was to stop a tax. The tax went through any way, resulting in no gain to the defendant and no loss to the victim. He termed the example a conspiracy - a criminal contract to commit a crime.

Representative Gruenberg described the third category covered in the bill, criminal solicitation - a request for someone else to commit a crime. The statute is crafted so that the maximum a judge can order is three times the gain to the defendant, or three times the loss to the victim. This provides for a reasonable deterrent.

Representative Gruenberg added that there is no fiscal impact from the bill. All fines collected would go into the general fund.

Co-Chair Stoltze questioned the inclusion of the applicability section on page 2, lines 10-11. Representative Gruenberg responded that it is in the bill so there's no question that it would be applied in an unconstitutional ex post facto manner.

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RICK SVOBODNY, DEPUTY COMMISSIONER, DEPARTMENT OF LAW, introduced himself. He noted that the Department of Law supports the bill.

Representative Fairclough inquired when the fines were last raised or adjusted. Mr. Svobodny replied that there was a raise in the penalty provisions for non-corporate crimes three years ago, but he did not know if corporate crimes were included.

GRETCHEN STAFF, STAFF, REPRESENTATIVE GRUENBERG, noted the fines on page 1, lines 9-13, were last set in 1990. The amount on page 1, line 7, was set in 2002.

Representative Fairclough asked what the increase prior to 2002 was. Ms. Staff said she would have to research that information. She believe it increased from \$500,000 to \$1 million.

Representative Foster inquired how these amounts compare to other states. Ms. Staff replied that they were slightly

higher than other states, but they are maximums and the court can set a lower fine.

[4:00:11 PM](#)

Ms. Staff read that the fines depend on the type and level of the crimes. Some states do not separate felony from misdemeanor crimes. She gave examples of fines in various states.

Co-Chair Stoltze requested the data in writing. Representative Gruenberg pointed out that the numbers were suggestions. He left the decisions up to the committee.

Representative Fairclough wanted further justification for increasing the fines.

[4:02:43 PM](#)

Mr. Svobodny gave an example of a fine. Three years ago the state was in a process of investigating BP for the shutdown of the North Slope oil fields based on BP's negligence. At that time the maximum fine would have been \$500,000. The state ultimately agreed to join with the federal government in a resolution of that case which resulted in a penalty of \$4 million. Some corporations have conduct that can result in fairly large penalties.

Co-Chair Stoltze spoke in support of the bill.

[4:04:41 PM](#)

Representative Kelly commented that it looked like a huge disparity compared with other states. He thought it wasn't business friendly.

Co-Chair Stoltze maintained that the state was only being unfriendly to businesses that commit a crime.

Representative Doogan thought the amount might not be enough for some of the kinds of crimes imagined.

[4:05:59 PM](#)

Representative Gara commended the closing of a loophole in the bill.

Co-Chair Stoltze referred to a zero fiscal note.

Vice-Chair Thomas MOVED to report CSHB 355(JUD) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 355(JUD) was REPORTED out of Committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (LAW)

#

ADJOURNMENT

The meeting was adjourned at 4:08 PM.