

HOUSE FINANCE COMMITTEE  
April 14, 2011  
6:16 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 6:16 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas Jr., Co-Chair  
Representative Anna Fairclough, Vice-Chair  
Representative Mia Costello  
Representative Mike Doogan  
Representative Bryce Edgmon  
Representative Les Gara  
Representative David Guttenberg  
Representative Reggie Joule  
Representative Mark Neuman  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Alan Dick, Chair, House Education Committee; Laura Pierre, Staff, Vice-chair Fairclough; Barb Angaiak, President, NEA-Alaska, Juneau; Don Smith, Anchorage School Board, Anchorage; Carl Rose, Executive Director, Association of Alaska School Boards, Juneau.

PRESENT VIA TELECONFERENCE

Pete Lewis, Superintendent, Northstar Borough School District, Fairbanks.

SUMMARY

SB 58        INCREASING NUMBER OF SUPERIOR CT JUDGES

SB 58 was SCHEDULED but not HEARD.

SB 84 VOC ED & BASIC FUNDING/TAX CREDITS

HCS CS SB 84 (FIN) was REPORTED out of committee with a "do pass" recommendation and with three accompanying fiscal impact notes from the Department of Education and Early Development.

[6:16:21 PM](#)

AT EASE

[6:18:36 PM](#)

RECONVENED

#sb84

CS FOR SENATE BILL NO. 84(FIN)

"An Act relating to funding for high school vocational and technical instruction as a component of funding for public schools; relating to the base student allocation; relating to education tax credits; providing for an effective date by amending the effective date in sec. 57, ch. 92, SLA 2010; and providing for an effective date."

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Vice-chair Fairclough MOVED the workdraft CS for CS SB 84 (FIN) 27-LS0465\O (Mischel, 4/14/11) as a working document before the committee.

Co-Chair Stoltze OBJECTED for the purpose of discussion.

LAURA PIERRE, STAFF, VICE-CHAIR FAIRCLOUGH, presented a sectional of the HB 84:

- Section 1) added the Galena, Nanana, and Lower Kuskokwim school district's boarding schools to the list of eligible schools for reimbursement costs described in Section 13.
- Section 2) amended the school funding formula to provide for high school vocational education. The section provided for the multiplication of the vocational and special needs factors times the adjusted daily membership of each school.

- Section 3) amended AS 14.17.420(a) to include high school vocational and technical instruction funding.
- Section 4) allowed the calculation for state boarding schools to include the vocational and technical factor.
- Section 5) authorized tax credits for contributions to accredited schools for annual intercollegiate sports tournaments and contributions to Alaska Native heritage and cultural centers for educational purposes, and for the combined limits taken by an annual insurer against the tax due for insurance premiums written in the state.
- Section 6) added educational contributions to intercollegiate sports tournaments and Alaska Native heritage cultural centers to the list of tax credits for the combined limits against net income on taxes due from a corporation.
- Section 7) added contributions to intercollegiate sports tournaments and Alaska Native heritage cultural centers to the list of contributions available for educational tax credits against oil and gas production taxes and oil surcharges.
- Section 8) added contributions to intercollegiate sports tournaments and Alaska Native heritage cultural centers to the list of contributions available for educational tax credits for the combined limits taken against oil and gas exploration production and pipeline transportation property taxes.
- Section 9) added contributions to intercollegiate sports tournaments and Alaska Native heritage cultural centers to the list of contributions available for educational tax credits for the combined limits taken against mining license taxes.
- Section 10) added contributions to intercollegiate sports tournaments and Alaska Native heritage cultural centers to the list of contributions available for educational tax credits for the

combined limits taken against fisheries business license taxes.

- Section 11) added contributions to intercollegiate sports tournaments and Alaska Native heritage cultural centers to the list of contributions available for educational tax credits for the combined limits taken against fisheries landing taxes.
- Section 12) created a theme based education pilot program in the Iditarod Area School District. The cost of the program would be \$1.5 million in FY 12, FY 13, and FY 14.
- Section 13) doubled the room and board stipend per pupil for residential education programs (boarding schools) for two school years.
- Section 14) repealed the additional tax credits authorized in Section 5 through Section 11 on January 1, 2021.
- Section 15) extended the 2014 repeal date to 2021 for the combined limits and individual tax credit maximums and modifications to the recipients of the contributions used for the tax credits.
- Section 16) cited the effective date of July 1, 2011.

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Co-Chair Stoltze REMOVED his objection.

There being NO further OBJECTION, it was so ordered.

Co-Chair Stoltze OPENED public testimony.

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PETE LEWIS, SUPERINTENDENT, NORTHSTAR BOROUGH SCHOOL DISTRICT, FAIRBANKS (via teleconference), voiced his support of the bill. He wondered whether the term "intercollegiate" should have been "interscholastic." Co-Chair Stoltze replied that "intercollegiate" was the correct term.

Mr. Lewis offered that the school district supported the vocational funding and base student allocation (BSA) contained in the original legislation. The funding increases helped the school districts "keep pace" with inflation.

Representative Gara asked whether the base student allocation had been removed from the bill. Co-Chair Stoltze explained that the vocational and technical funding was increased but that the bill changed significantly. He reported that the BSA would not be dealt with in SB 84.

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BARB ANGAIK, PRESIDENT, NEA-ALASKA, JUNEAU, expressed support for the bill. She related that the National Educational Education Association (NEA) was disappointed about the removal of the BSA but was very supportive of the increase in the vocational and technical funding. The association favored any measures that furthered the offering of comprehensive educational programs around the state. Co-Chair Stoltze commented that the legislature was not finished with the school funding process.

DON SMITH, ANCHORAGE SCHOOL BOARD, ANCHORAGE, was in support of vocational funding. He reported that Anchorage voters supported a \$17 million bond to expand vocational education for junior and senior high school. He hoped that the BSA increase would be included in other legislation.

CARL ROSE, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, JUNEAU, supported the CS version of SB 84. The association supported the \$11.7 million for the vocational and technical education funding. He stated that the duty of the legislature was to establish and maintain a system of education. He believed that the foundation formula was the established method of "funding the educational system and all of its operations." He cautioned that a departure from formula funding was problematic. He encouraged the legislature to maintain the foundation formula for education.

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Representative Gara commented that he was not aware of other legislation that increased the BSA. He expressed

concern that the school districts in the state would face staffing cuts if the BSA was not increased. Mr. Rose understood that the legislature would address the BSA in another bill. The association favored an increase in the BSA and advocated for the forward funding of education in order to plan for subsequent years.

Co-Chair Thomas advised that the BSA was not the only way education was funded. He stated that other educational funding included: intensive care needs, PERS (Public Employees Retirement System) and TRS (Teacher retirement System) relief, cost differential, and transportation. Mr. Rose agreed.

Co-Chair Stoltze CLOSED public testimony.

Vice-chair Fairclough discussed the four fiscal notes. She directed attention to FN2 ((EED) for the Alaska Challenge Youth Academy. The fiscal note increased the BSA \$110 to \$5,790 for FY 12. She turned to the new fiscal note (EED) in the amount of \$11.7 million. The fiscal note would fund the high school vocational education factor adjustment of 1.01 in the foundation formula and the special needs factor adjustment of 1.20 to generate state funding in the amount of \$11.731.5 million for FY 12. She noted that the new fiscal note (EED), in the amount of \$1.64 million represented an increase in residential boarding home stipends by doubling the current amounts in FY 12 and FY 13. She cited the new fiscal note (EED) in the amount of \$500 thousand for FY 12, FY 13, and FY14 to implement a three year pilot program in the Iditarod School District to develop theme based education.

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AT EASE

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RECONVENED

Vice-chair Fairclough corrected the fiscal note summary. The committee discovered that the previously published fiscal note (FN 2 (EED)) was not applicable to the CS and was withdrawn. The three new fiscal notes were applicable to the CS. In response to a question by Representative Gara she reiterated that the BSA had been removed from the legislation.

Representative Doogan referred to the new fiscal note that appropriated \$11.731.5 million. He wondered what the number represented. Co-Chair Stoltze responded that the amount denoted increased funding for vocational education.

Representative Doogan asked for clarification of the theme based education pilot project.

REPRESENTATIVE ALAN DICK, CHAIR, HOUSE EDUCATION COMMITTEE, discussed the pilot program. He observed that the educational process was not working and sought solutions. He felt that it was important to prepare students for the future.

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Representative Dick ascertained that theme based teaching was a desired method by teachers in his district. He explained that educators passionately believe that theme based learning would make education relevant. He received a "tsunami" of support for the pilot project. He anticipated the success of the pilot project.

Representative Doogan asked how theme based education was different than other types of learning. Representative Dick expounded that the current system of education teaches specific disciplines i.e., math, science, etc. in a fragmented way. Theme based education organized information in a way that students could relate to. He provided an example about hunting and what could be taught related to the activity. Educators would holistically teach the traditional disciplines math, science, and social studies applied to something in the real world.

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AT EASE

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RECONVENED

Representative Gara offered conceptual amendment number 1.

Insert a new section to read:

AS 14.17.470 is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is \$5,790 [\$5,680].

Representative Wilson OBJECTED.

Representative Gara communicated that he had understood the committee would discuss a BSA increase during the meeting. He was not aware of another plan to address the BSA. He explained that the amendment barely kept up with inflation and provided a two percent increase. He did not believe that cutting program costs advanced education. He felt that without an alternative plan to provide education the BSA was the only way the legislature could fund education in FY 12. Without the amendment, the available funding would have to be used to offset inflation and would lead to staff and program cuts. He argued that flat funding would not advance education. He summarized that "the amendment simply tried to approximate the rate of inflation so that schools do not fall behind." In rural areas the money from SB 84 would be needed to pay off funding shortfalls.

Representative Wilson shared her excitement about the bill. She did not support the amendment.

Co-Chair Stoltze reiterated that educational support was not exclusively funded through the BSA.

Co-Chair Thomas disclosed that he requested a report from the Department of Education and Early Development (DEED) that quantified success rates related to increment increases in educational funding. He indicated that the report was never received.

Roll Call:

Yay: 3

Nay: 8

The MOTION FAILED (8 Nays to 3 Yays).

Vice-chair Fairclough MOVED to report HCS CS SB 84 (FIN) out of committee with individual recommendations and the accompanying fiscal note(s).

HCS CS SB 84 (FIN) was REPORTED out of committee with a "do pass" recommendation and with three accompanying fiscal impact notes from the Department of Education and Early Development.

#sb58

SENATE BILL NO. 58

"An Act increasing the number of superior court judges designated for the third judicial district; and providing for an effective date."

SB 58 was SCHEDULED but not HEARD.

Co-Chair Stoltze RECESSED the meeting to the CALL of the Chair.

[6:58:21 PM](#)