

HOUSE FINANCE COMMITTEE
February 6, 2012
1:35 p.m.

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:35 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

Rena Delbridge, Staff, Representative Mike Hawker; Curtis Thayer, Deputy Commissioner, Department of Commerce, Community and Economic Development; Alan Johnston, Wedbush Securities, Anchorage; Dan White, Associate Vice Chancellor, Research, University of Alaska, Fairbanks; Representative Alan Dick, Chair, Special Committee on Education; Millie Ryan, Executive Director, Governor's Council on Disabilities and Special Education; P.J. Ford Slack, PH.D, Board President, Special Education Service Agency; Patrick Pillai, Executive Director, Special Education Service Agency (SESA); Marcy Herman, Special Assistant, Department of Education and Early Development; Representative Dan Saddler, Sponsor; Joe Michel, Staff, Representative Bill Stoltze.

PRESENT VIA TELECONFERENCE

Bruce Tangeman, Deputy Commissioner, Tax Division, Department of Revenue; Laraine Adans, Director of Social Services, Lower Yukon School District, Mountain Village; Dr. Cassie Wells, Director, Student Services, North Slope Borough School District, Barrow; Ron Siebels, Military Order of the Purple Heart, Anchorage; Chris Nelson, Muldoon; Ric Davidge, President, Vietnam Veterans of America; Susan Gorski, Eagle River Chamber of Commerce, Chugiak; Verdie Bowen, Director Veterans Affairs, Anchorage; Stacy Oates, Administrative Manager, Division of Motor Vehicles, Department of Administration.

SUMMARY

HB 118 RESEARCH AND DEVELOPMENT TAX CREDIT

HB 118 was HEARD and HELD in Committee for further consideration.

HB 142 PRESUMPTION AGIA PROJECT IS UNECONOMICAL

HB 142 was HEARD and HELD in Committee for further consideration.

HB 180 VETERAN DESIGNATION ON DRIVER'S LICENSE

CSHB 180(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal impact note by the House Finance Committee for the Department of Administration.

HB 198 SPEC. EDUC. SERVICE AGENCY FUNDING/SUNSET

HB 198 was HEARD and HELD in Committee for further consideration.

#hb142

HOUSE BILL NO. 142

"An Act relating to the creation of a rebuttable presumption that the project licensed under the Alaska Gasline Inducement Act is uneconomic because of insufficient firm transportation commitments during the first open season."

[1:35:30 PM](#)

Co-Chair Thomas MOVED to ADOPT proposed committee substitute for HB 142, Work Draft 27-LS0451\E. Co-Chair Stoltze OBJECTED for purpose of discussion.

RENA DELBRIDGE, STAFF, REPRESENTATIVE MIKE HAWKER, spoke on behalf of the sponsor, Speaker Mike Chenault. She discussed changes contained in the committee substitute. Dates were changed to update the legislation to 2012:

- Page 11, Line 9: July 15, 2011, is changed to May 15,2012
- Page 1, Line 12: Aug. 1,2011 is changed to May 30, 2012
- Page 1, line 13: July 15, 2011 is changed to May 15,2012
- Page 2, line 3: Aug. 15,2011, is changed to June 15,2011
- Page 2, line 7: 2013 is changed to 2014

Ms. Delbridge explained that the dates corresponded to deadlines contained in the legislation.

Co-Chair Stoltze asked if there were any substantive issues. Ms. Delbridge observed that a year had passed since the legislation was introduced and that the sponsor felt that it was appropriate to encourage a more timely process. Deadlines were shortened by a couple of months. The first benchmark of July 15, 2012 was changed to May 15, 2012. She pointed out that the open season would have been in effect for two years.

Ms. Delbridge noted that throughout the bill, "firm transportation commitments" were changed to "commitments to acquire firm transportation capacity". Firm transportation commitments were not the expected outcome of an open season. Instead the expected outcome was precedent agreements or commitments to iron out conditions that become firm transportation capacity. The changes were made in the title; page 1, line 10; page 1, line 12 - 13; page 1, line 14; and page 2, line 10.

Ms. Delbridge observed that the last change was to the standard for commitments to acquire firm transportation commitments, which had been changed to require sufficient commitments to support development of the project licensed by the Alaska Gasline Inducement Act (AGIA). The new

standard replaced "construction" with "development" of the project. The change was reflected on page 1, line 10. The committee substitute struck prior language requiring those commitments to be "sufficient to support the construction of the project." The change was also reflected on page 2, line 9. The word "credit" was deleted; the project had to have sufficient "support" and finance "development".

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Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, committee substitute for HB 142, Work Draft 27-LS0451\E was adopted.

HB 142 was HEARD and HELD in Committee for further consideration.

#hb 118

HOUSE BILL NO. 118

"An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

[1:42:58 PM](#)

Co-Chair Thomas MOVED to ADOPT a proposed committee substitute for HB 118, work draft 27-GH1951\B. Co-Chair Stoltze OBJECTED for purpose of discussion.

JOE MICHEL, STAFF, REPRESENTATIVE BILL STOLTZE, explained changes to the proposed committee substitute. He observed that there were two changes on page 2, line 11: "apportioned to this state" and "AS 43.20.021" were deleted; and "this title was inserted.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, proposed committee substitute for HB 118, work draft 27-GH1951\B was adopted.

CURTIS THAYER, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, testified in support of HB 118. He observed that innovation can be an expensive, intricate and time-intensive enterprise. But it also could also spark a chain of investments in capital equipment, workers, and spillover activities in every economic sector. Nearly 40 other states had already recognized this by

establishing a tax credit for research and development in addition to illustrated economic benefits the credit brings to those states. The tax credit also brought a competitive benefit advantage over Alaska.

Mr. Thayer observed that House Bill 118 would address the issue by establishing a 20 percent tax credit for qualified research and development (R&D) conducted by corporate taxpayer in Alaska. In effect, the research and development tax credit would stimulate private-sector investment, entrepreneurial activity and business expansion in the state that would bring opportunity and sustainable long-term benefits to the state's economy.

Mr. Thayer noted the HB 118 tax credit was modeled after the federal R&D established in 1981 and reauthorized fourteen times. The credit was reauthorized through 2011. Legislation was introduced to make the R&D tax credit permanent in order to help companies create good jobs while growing future productivity.

Mr. Thayer explained that the legislation would allow Alaskan corporations to receive a 20% tax credit, not to exceed \$10 million per taxpayer, per tax year. The research and development activities, or the payroll of the employees, must take place in Alaska. To qualify, research and development activities must meet the following:

- The purpose is discovering information technological in nature;
- The application of which is intended to be useful in the development of a new or improved component of the taxpayer;
- Substantially all of the activities constitute a process of experimentation; and
- The experimentation is for a qualifying activity or purpose.

Mr. Thayer reviewed what would qualify:

- Developing new or improved products, processes, or formulas;
- Developing prototypes or models;
- Building or improving manufacturing facilities;
- Developing or improving software technologies;
- Certification testing; and
- Developing or applying for patents.

Mr. Thayer reviewed what would not qualify:

- Exploration activity to ascertain the existence, location, extent, or quality of any ore or mineral deposit;
- Duplicating an existing business component;
- Surveys and studies such as market research, advertising, and routine data collection;
- Research in the social sciences, arts, or humanities; and
- Anything for style, taste, cosmetic, or seasonal reasons.

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Mr. Thayer gave examples of the type of credits that could occur. He referred to seafood processing waste disposal in fisheries. The EPA had restricted processing effluent. Research was needed to reduce sediment piles through process innovation, increased protein and by-product utilization. Tax credits meant research conducted in Alaska, jobs, vendor payments, increased experience, and capacity building in process and product innovation. He observed that some of the research was being done out-side of the state of Alaska for fish processing plants in the state of Alaska.

Mr. Thayer reviewed potential tax credits for minerals, rare earth deposit processing. There was a need to customize the process for milling and recovery to use deposits to the fullest potential. More than 240 processes might be required to reach all components in a deposit. He observed the work was being done in Canada and maintained it should be done in Alaska.

Mr. Thayer spoke to timber for use in architectural and building industries. To be specified for many building and architectural uses, species must have technical standards set for each product form.

Mr. Thayer observed that there were 38 states with a form of R&D tax credit or incentive available. He clarified that credits were not stackable against other industries such as oil and gas within the title of the legislation.

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ALAN JOHNSTON, WEDBUSH SECURITIES, ANCHORAGE, testified in support of the legislation. He noted he had been in the investment business for 35 years and stressed the importance of the legislation. He emphasized the importance of raising aspirations that R&D could occur in Alaska.

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DAN WHITE, ASSOCIATE VICE CHANCELLOR, RESEARCH, UNIVERSITY OF ALASKA, FAIRBANKS, spoke in support of the legislation and stressed the importance of moving research and development from the university into the private sector. moving R&D to the private sector was seen as a critical element of economic development in Alaska, especially in engineering. Businesses would gain competitive advantage in national and global markets from applied research conducted and licensed by the University of Alaska, Fairbanks. He concluded that HB 118 would provide a significant incentive to business to take advantage of emerging opportunities and contribute to the university's mission. The legislation would build a bridge between the university and the private sector that would lead to job growth and diversification for the state.

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Representative Guttenberg noted that seasonal items would not apply and pointed out that "seasonal" could apply to agriculture, fishing, or timber; and questioned the definition. Mr. Thayer offered to provide a definition under the tax code. Co-Chair Stoltze asked for further clarification regarding agricultural seasonal definitions. Mr. Thayer observed that agricultural items would qualify. He pointed out that the peony market was a product of the university's research.

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Representative Gara recalled concerns that state money would not displace federal funds. He asked the federal tax rate. Mr. Thayer explained businesses could not claim both a state and federal tax credit on the same percentage.

Mr. Thayer explained that the 20 percent tax credit for qualified research and development that exceeded the

average qualified research and development expenditures as defined in 26 U.S.C 41(d) (Internal Revenue Code) for the three years immediately preceding the year in which the credit was claimed. Unused credits might be carried forward for up to seven years after the expenditure for which the credit was claimed. In order to prevent a corporate taxpayer from claiming more than one benefit for a single expenditure, the bill would also provide that a credit could not be claimed for expenditures the corporation deducted in calculating its tax liability, or for any other credit, including any federal credits, that had been apportioned to the state and claimed under the current Alaska Net Income Tax Act.

Representative Gara asked what would occur in a case where there was a 22 percent state credit and an 18 percent federal credit and questioned if the state would pay the extra 2 percent or the entire credit. He reiterated his request for the federal tax rate.

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Representative Guttenberg reiterated his question: What agricultural products qualify that would not be seasonal.

BRUCE TANGEMAN, DEPUTY COMMISSIONER, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), could not respond but promised to provide the information.

Representative Gara asked the federal tax rate and if it would be replaced with state credits. Mr. Tangeman stated he would provide the information.

Co-Chair Stoltze noted the bill would be held in order to allow the Department of Revenue time to research answers to the member's questions.

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Representative Gara concluded that businesses could take the state or federal tax credit and restated his previous scenario. He thought the state would pay the entire tax if its tax credit was higher than the federal rate.

Representative Gara noted a comprehensive system of deductions and credits under 43.55 oil and gas tax established under Alaska's Clear and Equitable Share

(ACES). He did not see the prohibition for adding these credits to the proposed R&D tax credit. He wanted further assurance that the tax could not be taken in addition to the ACES credit.

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Representative Neuman asked equipment and facilities would be allowed if they supported a new product or technology. Mr. Thayer affirmed that they would be covered as long as the business was a taxpayer to the state of Alaska and it supported new technology to bring something to market; it would qualify if it had not been done before. He clarified the credit would apply for developing and proving the technologies or building or improving manufacturing facilities to add or enhance a product.

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Vice-chair Fairclough observed that page 2 lines 5 and 6 provided for a seven-year credit carry forward and asked why a past tax liability would be allowed for seven years. Mr. Thayer explained that the provision was modeled after federal tax legislation.

Vice-chair Fairclough referred to page 2, line 9. She shared concerns that the state deduction would be taken in lieu of another deduction [federal] and questioned if there should be a requirement to go forward on the other deduction.

Vice-chair Fairclough observed the national and global recession and questioned what other states were doing in terms of R&D tax credits.

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Representative Gara referred to subsections (c) and (d) on page 2:

(c) If the tax credit under this section exceeds the taxpayer's tax liability after other tax credits are taken under this chapter for the year in which the expenditure is incurred, the excess of the tax credit over the liability may be carried forward for up to seven years. If an unused credit is carried forward to a tax year from an earlier year, the credit arising in

the earliest year is applied first against the tax liability for the year.

(d) A person may not claim a credit under this section for qualified research and development expenditures that were deducted in the calculation of tax liability under AS 43.20.011(e) or for which any other credit, including any federal credit, has been apportioned to this state and claimed under AS 43.20.021.

Representative Gara thought that the above sections conflicted. He thought that they implied that credits were stackable to 100 percent. Mr. Thayer responded that the committee substitute would effectively prohibit stacking. He maintained that the legislation prohibited a company from claiming R&D tax credits against corporate income tax if the expense used in calculating the R&D was used to claim a credit against taxes due on other types under Title 43. Testimony in previous committees during the 2011 session expressed concern that a company subject to both corporate income tax and oil and gas production tax could receive a credit against both taxes for the same expense. The committee substitute assured that the company could only take a credit against one tax type for those expenses.

Representative Gara reiterated his concerns. Mr. Thayer noted that an oil company or subsidiary that does R&D on heavy or viscous retrieval would qualify as long as there was no other tax credit received; the credit would not apply once production was begun.

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Representative Gara provided a scenario based on a company invested in heavy oil technology that received a deduction of their tax rate, which could be 40 percent. He suggested that the legislation would not prevent the company from getting a tax credit on top of the deduction.

Mr. Thayer reiterated that the legislation refers back to the bill title, which indicated that credits would only pay for qualified research and development expenditures. He maintained that they could not take both.

Representative Gara argued that the legislation spoke to tax credits not deducts, which were separate under the oil and gas [tax] code.

Mr. Tangeman clarified that it could not be used as a tax credit if it were used as a deduction and pointed to Section (d), page 2, line 8:

A person may not claim a credit under this section for qualified research and development expenditures that were deducted in the calculation of tax liability under AS 43.20.011(e).

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Representative Gara agreed with the intent but noted that AS 43.20.011(e) referred to the nine percent state corporate tax, not the oil and gas tax. Mr. Tangeman felt that Section (d) was clear and maintained that the intent was not to allow stacking. Representative Gara suggested an amendment was needed for clarification that the credit could not be stacked on credits and deductions taken under AS 43.55, oil and gas tax.

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Representative Neuman asked what discussions had occurred regarding transferable and non-transferable credits. He observed that transfers had been enacted to assist smaller companies with working capital. He recognized that the state was still "on the hook" for 100 percent, but suggested they be transferrable.

Mr. Thayer noted that only the film incentive program had transferrable tax credits. He observed issues surrounding how credits would be transferred and evaluated. Film industry tax credits sell between 80 to 90 cents on a dollar. Smaller companies would not have a tax liability to the state. The credit would be aimed at large companies that had the ability to do a lot of R&D in the state.

Mr. Tangeman agreed that the intent was not to be transferable and the seven year provision would allow smaller corporations to have time to realize the tax liability.

Co-Chair Stoltze closed public testimony.

HB 118 was HEARD and HELD in Committee for further consideration.

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#hb198

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HOUSE BILL NO. 198

"An Act relating to the special education service agency."

REPRESENTATIVE ALAN DICK, CHAIR, SPECIAL COMMITTEE ON EDUCATION, testified in support of HB 198. He observed that House Bill 198 would remove a sunset requirement and increase state funding for the Special Education Service Agency (SESA), which was a not-for-profit organization established in statute in 1986. The Special Education Service Agency was governed by the Governor's Council on Disabilities and Special Education and its own independent board of directors.

Representative Dick noted that sometimes districts could not fully serve students that had low-incidence disabilities with existing personnel and resources. House Bill 198 would incorporate the recommendations of the most recent legislative audit, completed in 2007. The Special Education Service Agency assisted local school districts to provide needed special education services. House Bill 198 would repeal the sunset requirement and increase SESA funding.

Representative Dick noted that the Special Education Service Agency received state support based on a funding formula adopted in 1998. Each year the Department of Education and Early Development allocated to SESA not less than \$15.75, times the number of students statewide. Although local school districts had received increases in state funding since 1998, SESA had not. Under HB 198, the multiplier would increase as the base student allocation increases. Currently the computation (.4 percent of \$5,680) equaled \$22.72 which would approximate the impact of inflation from 1998 to 2011. He observed that the Committee did not change the provision.

The Special Education Service Agency was set to expire on June 30, 2013. During previous performance audits, both the Department of Education and the Legislative Auditor recommended removing SESA from the sunset process. House Bill 198 would repeal the sunset requirement and thus allow SESA to plan long-term and have adequate funding to meet special needs of special children.

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MILLIE RYAN, EXECUTIVE DIRECTOR, GOVERNOR'S COUNCIL ON DISABILITIES AND SPECIAL EDUCATION, testified in support of HB 198. She observed that the council's mission was to improve the lives of people with disabilities and the quality of education provided to students with disabilities. The council consisted of 27 members appointed by the governor. Sixty percent of the members were individuals with disabilities or parents or family members of people with disabilities. There were state agency representatives from the Department of Education and Early Development, Division of Vocational Rehabilitation, Department of Health and Social Services; and other representatives designated in federal law.

Ms. Ryan noted that the council had five responsibilities in statute. Five Council members serve on the SESA board. There were representatives from: school administrators, special education administrators, and the National Educational Association. The special education director from the Department of Education and Early Development and Ms. Ryan were ex-official members.

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Ms. Ryan noted that the job of board was to assure SESA provided assistance to school districts and early intervention programs serving students with low incidence disabilities, particularly those who lived in rural and remote areas of the state. The board also assured that SESA supported education that was student, family and community-centered and met the individual needs of students; assisted SESA in addressing other state education needs of individuals with low incidence disabilities, as external funding was obtained; and monitored SESA policies and procedures.

Ms. Ryan observed that SESA was established in 1986, as a not-for-profit corporation that operated under a sunset provision. She noted that SESA received Low Incidence Disabilities (LID) funding from the Department of Education and Early Development based on prior year's statewide total enrollment and federal and state grants and contracts.

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Representative Wilson referred to LID funding. She asked if funding was based on all students that were designated as special education students. Ms. Ryan explained that funding was based on the entire student count not just the count of special education students.

Ms. Ryan pointed out that required services were itinerant outreach services to students who were deaf; deaf-blind; cognitively impaired; hearing impaired; blind and visually, orthopedically disabled, multiple disabilities, or autism. She noted that these disabilities tended to be uncommon. Special education instruction support and training of local school district personnel were provided to both special and regular education staff. Other services appropriate to special education needs were also provided.

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Ms. Ryan spoke to the funding formula set in 1998, which was \$15.75 times the number of students in the state in average daily membership in the preceding fiscal year.

Ms. Ryan observed that the recommended change in funding formula for SESA was 0.40% of the current year base student allocation (BSA) X total average daily membership (ADM) from previous year. She explained that the increase would catch SESA up in terms of inflation. The formula would tie SESA funding to the BSA. The sunset provision would also be removed.

Ms. Ryan explained that the funding formula for SESA was based on a fixed student allocation that was set in 1998 and did not keep up with inflation. She emphasized that SESA specialists traveled frequently to rural Alaska and travel expenses were rising. In FY 2013, SESA would receive less money than it did 10 years ago; SESA's BSA did not change when school district's BSA changed. If SESA's BSA

had changed at the same time, its rate would be \$22.71 instead of \$15.75.

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Ms. Ryan observed that the 2007 audit recommended that the statutory funding formula be reevaluated based on the effects of inflation and increased employee costs. The interim commissioner of Department of Education and Early Development concurred with the audit's recommendations at the time of the audit.

Co-Chair Stoltze asked the position of the new commissioner. Ms. Ryan stated that the new commissioner was non-committal.

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Ms. Ryan observed that in response to the last audit, SESA successfully secured additional grants and contracts that fit with its mission. "Soft" money dedicated for specific purposes in 2011 comprised 45% of SESA's budget; there was a \$236,000 contribution to overhead. As a result, SESA was able to fund 3 positions for the LID program. She pointed out that specialists that consult with districts would have to be reduced if the "soft" money did not continue. She concluded that SESA had increased grant funding over previous years.

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Ms. Ryan reiterated that SESA had already had difficulty meeting its statutorily mandated duties. If there was a reduction in grants and contracts the situation would worsen and negatively impact students and school districts.

Ms. Ryan emphasized that SESA brought the ability to provide evidence-based strategies to school districts, which would be decreased without funding. A lack of funding would result in fewer and shorter on-site visits.

Ms. Ryan stressed the importance of SESA for new special education teachers and to classroom teachers working with students who have unique, low-incidence disabilities.

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Representative Wilson spoke to mentoring and observed that the Department of Education and Early Development already mentors first and second year teachers and suggested there was a duplication of service.

P.J, FORD SLACK, PH.D, BOARD PRESIDENT, SPECIAL EDUCATION SERVICE AGENCY, observed that she was also the principal at Sitka High School and the former superintendent of the Delta Greely School District. She responded that the mentorship program did not mentor special education teachers or specialists while she was at Delta Greely. Only core academic areas were mentored.

Representative Wilson argued that special education teachers were included in the Department of Education and Early Development's mentoring programs and asked for more data.

PATRICK PILLAI, EXECUTIVE DIRECTOR, SPECIAL EDUCATION SERVICE AGENCY (SESA), added that a lot of the new teaching mentoring was done to bring teachers into the teaching environment for strategies, while SESA provided professional development in special education that might be specific to a particular syndrome. He observed that new teachers might have only taken one generic class. The professional development provided by SESA was for classroom strategies and on-going professional development for the general school body.

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Representative Wilson suggested there needed to be discussion with the university and Department of Education and Early Development if there were special education teachers without a special education degree.

Ms. Ryan explained that a special education teacher could have a general background, but SESA provided specialized services.

Representative Gara summarized that urban districts had their own special education expertise and SESA focused on smaller districts. Ms. Ryan agreed that the focus was on rural districts and pointed out that Anchorage and larger districts had the expertise to work with special needs students. She added that SESA provided support and information to all school districts.

Representative Gara stressed the common goal to provide needed services in the most sufficient manner. He asked how many students SESA served. Mr. Pillai noted there were 354 LID students. He added that SESA also worked with the general education staff and peers that interact with those students through training.

Representative Gara asked the per student dollar cost. Mr. Pillai agreed to provide the information. He stressed that services were provided to more than just the students.

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Representative Costello observed that the foundation formula based on student attendance was approximately \$5,682 per student. The LID program was a general percentage of total student population.

Mr. Pillai clarified that the child count was the count of special education students. The calculation was \$15.75 times the ADM, which was not tied to BSA. School districts were functioning at 5 percent of the consumer price index (CPI), while SESA was 30 percent below the CPI.

Representative Costello concluded that the rate was based on total student population based on a historical number.

Mr. Ryan clarified that the number of children was similar, but funding was tied to all the children receiving an education in the state and was a flat rate. She explained that SESA funding would decrease with the child count; unlike school districts whose funding was tied to the BSA. The legislation would tie SESA funding to the BSA. Districts refer children to SESA.

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Representative Costello noted the program was set up to primarily help rural students. She referred to children with autism enrolled in Anchorage. Mr. Pillai clarified that while larger districts tended to have their own specialists; SESA provides training for larger districts.

Representative Costello questioned how funding for SESA fit with other state needs and why the request was for a percentage instead of a dollar amount increase.

Mr. Pillai stressed the difficulty of recruiting and maintaining staff at the current funding level. Multiple-disability specialists were reduced from five to three through attrition. New recruits did not receive the same level of wage or benefits as those being replaced. Competition with other school entities affected recruitment; there was a 40 percent discrepancy between SESA and the Anchorage School District.

Mr. Pillai spoke to the demand for services. The ADM was dropping, but the LID numbers and the number of referrals from rural Alaska had increased. Some districts had up to eight or nine students with autism. Extra funding would allow more specialists to be hired and improve salary scales for retention.

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Representative Costello asked the turnover rate. Mr. Pillai observed that there was a low turnover rate for many years due to retirement incentives, but six employees had left in the previous year. He noted difficulties with recruitment due to salary and the high degree of specialty needed.

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Ms. Ryan spoke to the sunset provision. The 2007, audit found that: SESA performed a valuable, effective and efficient service to school districts that they could not provide themselves because of the nature of low incidence disabilities; students were able to be served in their local communities; and SESA did not duplicate services provided by the Department of Education & Early Development or local school districts. The audit recommended removal of the sunset. She observed that another audit was underway, which added to the difficulty of recruiting and retaining qualified staff.

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Vice-chair Fairclough asked if the student count was breakdown by region. She asked if there was a concentration in specific school districts. Mr. Pillai observed that 54 school districts were served. Almost every school district was served, but there were cloisters in different districts. Some districts had eight to ten students, while

others had one or two. There was a referral process in place. Vice-chair Fairclough reiterated that she wanted student service numbers.

Vice-chair Fairclough asked for a copy of the 2007 audit and expressed concerned about the fiscal note. She suggested that the fiscal note did not adequately show the cost of continuing the program. She requested a breakdown of administrative costs and the cost of Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) prior to servicing students.

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Co-Chair Thomas observed that he had not heard of the program and spoke against the sunset. He expressed concern that money had been given several years prior to disadvantaged children and wondered whether the program would serve the same children twice.

Vice-chair Fairclough discussed the district cost factor increment increases, which were currently in their final year. She thought that additional resources had been appropriated toward disabilities and wondered how the programs worked together. She asked for an explanation about how the program provided unique opportunities that were not covered by the Department of Education and Early Development.

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Mr. Pillai, in response to a question by Representative Neuman, explained that intensive funding was provided to schools for special education; SESA was more in the role of providing onsite professional development for teachers based on the referral process. School districts referred students to SESA for services.

Representative Neuman expressed concern on behalf of smaller school districts and requested a follow up on costs.

MARCY HERMAN, SPECIAL ASSISTANT, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, testified in support of SESA with a sunset and offered that Michael Hanley, Commissioner, Department of Education and Early Development would be happy to attend the next hearing.

Ms. Herman replied to an earlier question from Representative Wilson and explained that there were 36 special education teachers being mentored through the mentoring program.

LARAINÉ ADANS, DIRECTOR OF SOCIAL SERVICES, LOWER YUKON SCHOOL DISTRICT, MOUNTAIN VILLAGE (via teleconference), spoke in support of continued funding through SESA. She observed that the 11 villages in the district were in strong support of the legislation.

DR. CASSIE WELLS, DIRECTOR, STUDENT SERVICES, NORTH SLOPE BOROUGH SCHOOL DISTRICT, BARROW (via teleconference), spoke in strong support of SESA and the elimination of the sunset clause. She emphasized that SESA provided on-site specialized programming and training for those that work with the students with the most significant disabilities, particularly in rural and remote areas.

Co-Chair Stoltze noted that HB 198 would remain open for additional public testimony.

HB 198 was HEARD and HELD in committee for further consideration.

AT EASE
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RECONVENED

#hb180
[3:13:48 PM](#)

HOUSE BILL NO. 180

"An Act authorizing the Department of Administration to note a person's status as a veteran on the person's driver's license and to provide certain information to the Department of Military and Veterans' Affairs."

Co-Chair Thomas MOVED to ADOPT proposed committee substitute for HB 180, Work Draft 27-LS0589\T, (Luckhaupt, 2/6/12). Co-Chair Stoltze OBJECTED for purpose of discussion.

REPRESENTATIVE DAN SADDLER, SPONSOR, spoke in support of House Bill 180. He read the sponsor statement:

House Bill 180 seeks to help Alaska veterans receive more of the benefits they have earned through their sacrifice and service in uniform, and to which they were entitled by law and custom. It would allow the Division of Motor Vehicles (DMV) to add information to state drivers' licenses or identification cards signifying the holder's status as a veteran, and would allow DMV to share that information with the state's veterans benefit office.

Alaska is among the most veteran-friendly states in the Union. Many businesses and organizations demonstrate their appreciation by offering various discounts, preferences and other benefits to bona fide veterans. However, veterans must usually prove they qualify by presenting certified copies of their discharge documents - the DD-214, DD-215, or NGB-22 forms, exposing these critical documents to wear, damage or loss.

By giving veterans a way to carry reliable and convenient proof of their status on state-issued cards, this bill would help them more easily enjoy the full range of personal, business and social benefits offered to them by a grateful state.

HB 180 could also help relieve the situation in which tens of thousands of Alaska veterans may be missing out on significant government benefits, because they have no contact with the state's Office of Veterans Affairs. The bill would allow the DMV to provide the names and addresses of those who were issued veteran-designated driver's licenses or ID cards to the state veterans' office. That office could then reach out to make more veterans aware of programs available to them, and to help them receive any benefits owed to them.

Representative Saddler outlined changes from CSHB 180 (STA) to version X:

- Page 1, line 9:

Adds "at the request of the person" before "The department shall..." This would allow for the veterans opt-in provision for information to go to the U.S. Office of Veterans Affairs for identification cards.

- Page 2, line 1 :
Adds "with the approval of the person" before "The department shall..." This would allow for the veterans opt in provision for information to go to the U.S. Office of Veterans Affairs for the driver's license.
- Page 2 line 8 :
Adds "at the request of the person" before "the department shall..."
- Page 2, Lines 16-19:
Adds language allowing for a \$5 fee for the driver's license replacement with the veteran designation, which is a change from a \$15 replacement fee. This would cover the department's expense without additional revenue.
- Page 2, Lines 13-14:
Adds "with the approval of the applicant" and provides that the department "shall make available" [provide] the name and address..." This makes sending information from the Division of Motor Vehicles to the U.S. Office of Veterans Affairs for the opt-in provision.
- Page 2, Line 20: changes effective date from 2012 to "2013".

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Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, committee substitute for HB 180, Work Draft 27-LS0589\T, (Luckhapt, 2/6/12) was adopted.

[3:18:50 PM](#)

RON SIEBELS, MILITARY ORDER OF THE PURPLE HEART, ANCHORAGE (via teleconference), testified in support of the

legislation. He stressed the benefits of the legislation and the importance the state recognition of veterans.

CHRIS NELSON, MULDOON (via teleconference), testified in support of HB 180. He noted the high unemployment rate among recently returned veterans, which was higher than the national unemployment rate. Several governmental jurisdictions were instituting veterans' hiring preference along with unions and private employers that were actively recruiting veterans. He stressed the importance of easy identification and noted that the service discharge papers were cumbersome and included more information than needed by an employer.

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Co-Chair Thomas questioned where the designation would be on the license and suggested an American flag could be added to the background.

RIC DAVIDGE, PRESIDENT, VIETNAM VETERANS OF AMERICA (via teleconference), testified in support of HB 180. He stressed that the identification of veterans on state ID's was a national priority. He stressed the need to contact veterans in regards to medical conditions. He pointed to congressional directives to seek out veterans for services. The legislation would also allow a uniform ID for veterans to obtain services for disabilities, discounts, and employment applications.

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SUSAN GORSKI, EAGLE RIVER CHAMBER OF COMMERCE, CHUGIAK (via teleconference), testified in support of HB 180. She observed that the legislation would facilitate veterans with other public services and prevent the need to carry discharge papers.

Co-Chair Stoltze noted the high density of veterans in his district, which was double the national average.

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VERDIE BOWEN, DIRECTOR VETERANS AFFAIRS, ANCHORAGE (via teleconference), testified in support of HB 180. He observed that not all veterans received a medical care card from U.S. Office of Veterans Affairs (VA); only veterans

that receive care at the VA received a card. Only 30,000 veterans were registered at the VA. He felt the legislation would facilitate identification of veterans.

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Representative Neuman asked if veterans should have to check to opt in or out with the VA.

Mr. Bowen would prefer to be able to contact all veterans but stressed that receipt of the benefit on the license was the first priority.

Representative Neuman noted an amendment might be necessary to ensure the protection of a veteran's privacy.

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Representative Saddler agreed with Representative Neuman's concern and observed an amendment might be needed to delete "with the approval of the person" and to insert "unless the person objects." Co-Chair Stoltze noted that amendments would be taken up at the next hearing and acknowledged the need to protect veterans' privacy.

Representative Guttenberg asked if the list of veterans was available to service agencies for notification of benefits only. Mr. Bowen affirmed that the provision was included through the PFD application. Currently, 3,400 had checked the veteran's box; the majority of addresses were for military installations.

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Representative Saddler felt privacy was protected and had no objection to the current version.

Representative Gara asked if the Alaska National Guard was included. Mr. Bowen affirmed.

[3:33:17 PM](#)

STACY OATES, ADMINISTRATIVE MANAGER, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), provided information on the legislation. She observed that the administration was neutral regarding the legislation but cautioned that the legislation would

open the door to the addition of other designators. She maintained that the purpose of the license was to provide proof of the ability to drive and the proof of identity for law enforcement purposes. There would be additional revenue from the initial enactment. She observed that wait time at Division of Motor Vehicle (DMV) offices might be impacted. She estimated that fifty percent of qualified veterans would opt for the designator within the first year, which was reflected in the fiscal note.

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Representative Edgmon referred to the fiscal note and observed that it was unclear whether DMV would collect the standard fees for driver's licenses.

Co-Chair Stoltze asked if the department had a position on the organ donor designation. Ms. Oates could not answer.

[3:37:14 PM](#)

Representative Wilson spoke to the estimated wait time at DMV's. Ms. Oates could not determine the real effect on wait times, but noted that individuals would have to apply in person. Representative Wilson reiterated concern with wait times at DMV offices. Ms. Oates acknowledged that wait time varied.

[3:39:03 PM](#)

Vice-chair Fairclough expressed support for the legislation with a provision to opt-out. She asked that the committee be provided information relating to the Real ID Act and the effect on Alaskans.

Representative Saddler noted that the fiscal note was based on the \$15 replacement charge and would need to be updated to reflect the change to \$5. He observed that the right to privacy was protected in version T on page 2, line 1.

[3:41:18 PM](#)

Co-Chair Thomas observed that the fiscal note contained 160 design hours to accommodate the designation. He reiterated the possibility of placing a flag in the background [as a designation]. Ms. Oates could not respond.

Co-Chair Thomas reiterated that a flag would be an appropriate identifier.

Co-Chair Stoltze expressed disappointment with the administration's neutral position.

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Co-Chair Stoltze asked if the 160 contract hours could be quantified. Ms. Oates noted it would be \$143 dollars at 160 hours (\$22,880).

Vice-chair Fairclough concurred that a US flag would be a fitting backdrop.

Vice-chair Fairclough MOVED to ADOPT reduce the contact costs for design in the fiscal note by \$33 thousand. There being NO OBJECTION, it was so ordered.

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Representative Costello MOVED to ADOPT a conceptual amendment: before "designation" insert "United States flag" on page 1, line 9 and page 2, line 8. There being NO OBJECTION, it was so ordered.

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Co-Chair Thomas MOVED to report CSHB 180(FIN) out of Committee with individual recommendations and the accompanying revised fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 180(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal impact note by the House Finance Committee for the Department of Administration.

#

ADJOURNMENT

[3:49:54 PM](#)

The meeting was adjourned at 3:50 PM