

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

February 7, 2011

8:02 a.m.

MEMBERS PRESENT

Senator Kevin Meyer, Co-Chair
Senator Joe Thomas, Co-Chair
Senator Bettye Davis, Vice Chair
Senator Hollis French
Senator Gary Stevens

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel

COMMITTEE CALENDAR

SENATE BILL NO. 43

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; establishing the Alaska performance scholarship investment fund and the Alaska performance scholarship award fund and relating to the funds; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 43

SHORT TITLE: ALASKA PERFORMANCE SCHOLARSHIPS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	EDC, FIN
02/02/11	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)
02/02/11	(S)	Heard & Held
02/02/11	(S)	MINUTE(EDC)
02/04/11	(S)	EDC AT 8:00 AM BELTZ 105 (TSBldg)
02/04/11	(S)	Heard & Held
02/04/11	(S)	MINUTE(EDC)

02/07/11

(S)

EDC AT 8:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

JIM JOHNSON, Senior Vice President
Doyon, Limited
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 43.

IAN DUTTON, President
Alaska Sea Life Center
Seward, Alaska

POSITION STATEMENT: Testified in support of SB 43.

MURRAY RICHMOND, Staff
Senator Joe Thomas
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on Amendment A.1 for SB 43.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Provided information on Amendment A.1 for SB 43.

EDDY JEANS, Education Policy Coordinator
Office of the Commissioner
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Answered questions on Amendment A.6 for SB 43.

MIKE HANLEY, Commissioner
Department of Education and Early Development (DEED)
Juneau, Alaska

POSITION STATEMENT: Gave the committee an update on his role as commissioner.

ACTION NARRATIVE

8:02:03 AM

CO-CHAIR JOE THOMAS called the Senate Education Standing Committee meeting to order at 8:02 a.m. Present at the call to

order were Senators French, Davis, Stevens, Co-Chair Meyer and Co-Chair Thomas.

SB 43-ALASKA PERFORMANCE SCHOLARSHIPS

[8:02:32 AM](#)

CO-CHAIR THOMAS announced the consideration of SB 43.

CO-CHAIR THOMAS opened public testimony.

[8:03:33 AM](#)

JIM JOHNSON, Senior Vice President, Doyon, Limited, testified in support of SB 43. He said that applying the increased corporate income tax credits to the scholarship program is a good idea. In anticipation of a possible amendment, he advocated for the extension of the three-year sunset provision. He explained that the three-year sunset in the current law is a problem for three reasons. First, it doesn't provide enough time to educate companies about the program and to plan accordingly. Second, it does not support a company's multi-year giving program that may run beyond the sunset. Finally, the sunset does not provide enough time for the legislature to evaluate recent improvements to the program.

SENATOR STEVENS noted that he has an amendment that would extend this tax credit to the Alaska Sea Life Center.

[8:07:06 AM](#)

IAN DUTTON, President, Alaska Sea Life Center, testified in support of SB 43. He said the Alaska Sea Life Center educates over 10,000 school children each year and provides internships to more than 350 undergraduate students. He said the center would like to be recognized as an eligible institution for the corporate income tax credit. He continued that the center is also seeking accreditation as the designated Coastal Ecosystem Learning Center for Alaska. This center would be 1 of 23 across the country partnered with the federal government for formal education in the aquarium and marine science sector. Accrediting the center could be an opportunity for further ambitions of SB 43.

[8:09:44 AM](#)

CO-CHAIR THOMAS closed public testimony.

[8:10:36 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.1.

AMENDMENT A.1

OFFERED IN THE SENATE
TO: SB 43

BY SENATOR MEYER

Page 1, line 4, following "amendments;":

Insert "providing for an effective date by amending the effective date in sec. 57, ch. 92, SLA 2010;"

Page 5, following line 8:

Insert a new bill section to read:

"* **Sec. 9.** AS 21.96.070(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;
[AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;
and

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a)."

Renumber the following bill sections accordingly.

Page 6, line 28, through page 7, line 10:

Delete all material and insert:

"* **Sec. 12.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;
[AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;
and

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).

* **Sec. 13.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;
[AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;
and

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).

* **Sec. 14.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;
[AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;
and

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).

* **Sec. 15.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;
[AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;
and

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a).

* **Sec. 16.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;
[AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;
and

(5) for the Alaska performance scholarship investment fund under AS 37.14.750(a)."

Renumber the following bill sections accordingly.

Page 7, following line 11:

Insert a new bill section to read:

"* **Sec. 18.** AS 21.96.070(a)(5); AS 43.20.014(a)(5); AS 43.55.019(a)(5); AS 43.56.018(a)(5); AS 43.65.018(a)(5); AS 43.75.018(a)(5); and AS 43.77.045(a)(5) are repealed January 1, 2021."

Renumber the following bill sections accordingly.

Page 8, following line 13:

Insert a new bill section to read:

"* **Sec. 22.** Section 57, ch. 92, SLA 2010, is amended to read:

Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect January 1, 2021 [2014]."

Renumber the following bill sections accordingly.

Page 8, line 14:

Delete "Section 15"
Insert "Section 21"

Page 8, line 15:
Delete all material.

Renumber the following bill section accordingly.

Page 8, line 16:
Delete "secs. 16 and 17"
Insert "sec. 23"

CO-CHAIR THOMAS objected for the purposes of discussion.

CO-CHAIR MEYER said that this amendment comes as a request from the administration and the committee. He explained that the original version of SB 43 only extended the education tax credit to corporations. Amendment A.1 would extend the tax credit to include producers of oil and gas, certain property owners, mining operations, fisheries, and floating fisheries business. The amendment would also extend the sunset to January 1, 2021.

[8:12:07 AM](#)

At ease from 8:12 a.m. to 8:13 a.m.

[8:13:53 AM](#)

CO-CHAIR THOMAS recapped that the committee was working with Amendment A.1.

SENATOR FRENCH said he would like to get an overview of how the amendment works.

CO-CHAIR MEYER replied that the bill [SB 236, which passed into law during the 26th legislature] included a three-year sunset to the credit because it was unclear what the tax credits would entail. However, three years was not a long enough time frame for businesses and corporations. The other aspect of the amendment was at the request of the administration.

CO-CHAIR THOMAS said a brief overview on how the tax credits already in existence were expanded in the amendment would be helpful.

[8:16:01 AM](#)

MURRAY RICHMOND, staff to Senator Joe Thomas, said SB 236 gave tax credits to corporations who donated to an institute of higher learning. He explained that the bill had an indeterminate

fiscal note a three-year sunset was included. Inserting the tax credits into SB 43 would allow corporations to make contributions to the scholarship fund.

SENATOR FRENCH asked what a donation would do to a corporation's tax obligation.

[8:17:42 AM](#)

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue, replied that the education tax credit has been around for some time. She explained that prior to SB 236 the maximum amount of tax credit a company could take was \$150,000 per year against one of eight different tax types. After SB 236 passed it increased the maximum amount of credit to \$5 million. This amendment would extend the sunset date of the program and expand contributions to the Alaska Performance Scholarship Award Fund to include seven other tax types.

CO-CHAIR THOMAS removed his objection. Finding no further objection, he announced that Amendment A.1 is adopted.

[8:21:18 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.2.

27-GS1893\A.2

AMENDMENT A.2

OFFERED IN THE SENATE
TO: SB 43

BY SENATOR THOMAS

Page 3, line 23:
Delete "is"
Insert "[IS]"

Page 3, line 24, following "(A)":
Insert "**is**"

Page 3, line 25:
Delete "and"
Insert "[AND]"

Page 3, line 26:
Following "(B)":
Insert "**is**"
Following "association":
Insert "**and**"

Page 3, following line 26:

Insert new material to read:

"(C) has an advisory program established for incoming students that provides counseling related to course selection, career choice, and personal challenges;"

CO-CHAIR THOMAS objected for the purposes of discussion.

CO-CHAIR MEYER explained that this amendment was recommended by the Scholarship Funding Task Force. He said that the intent of the amendment is to implement an advisory counseling program for incoming freshman at participating institutions. This program would assist students in course selection and help them obtain their degree in a timely manner.

CO-CHAIR THOMAS agreed that this issue has been a subject of comment.

SENATOR FRENCH said the amendment appears to add another qualifier for participating institutions.

CO-CHAIR THOMAS concurred.

CO-CHAIR THOMAS removed his objection. There being no other objections, Amendment A.2 was adopted.

[8:23:18 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.3.

27-GS1893\A.3

AMENDMENT A.3

OFFERED IN THE SENATE
TO: SB 43

BY SENATOR THOMAS

Page 3, line 23:
Delete "is"
Insert "[IS]"

Page 3, line 24, following "(A)":
Insert "**is**"

Page 3, line 25:
Delete "and"
Insert "[AND]"

Page 3, line 26:
Following "(B)":
Insert "is"
Following "association":
Insert "and"

Page 3, following line 26:
Insert new material to read:
"(C) provides courses and credits that will result in the issuance of a degree or certificate available at the institution within a time frame expected for that degree or certificate;"

CO-CHAIR THOMAS objected for the purposes of discussion.

[8:23:44 AM](#)

At ease 8:23 a.m. to 8:24 a.m.

[8:24:35 AM](#)

CO-CHAIR MEYER said Amendment A.3 is similar to the previous amendment [A.2] and was also recommended by the Scholarship Funding Task Force. He said that the intent of the amendment is to require participating institutions to provide courses and credits in a timely manner so that a degree or certificate may be obtained in the expected amount of time.

SENATOR FRENCH said he is concerned about certain degrees which have a "choke point" and wondered whether any scholarship money might be jeopardized because of this. He said he does not have any objection to the amendment and believes students should be able to receive a degree in four years.

CO-CHAIR THOMAS explained that the amendment is an attempt to address that concern and push institutions to straighten out these discrepancies. He said that, hopefully, requiring institutions to have counseling available and administer programs in the proper sequence will resolve this issue.

CO-CHAIR MEYER added that a representative from the university was on the task force and said the university would do its best to accommodate these students.

CO-CHAIR THOMAS removed his objection. Finding no further objections, he announced that Amendment A.3 is adopted.

[8:27:52 AM](#)

CO-CHAIR MEYER moved to adopt Amendment A.6.

AMENDMENT A.6

27-GS1893\A.6

OFFERED IN THE SENATE
TO: SB 43

BY SENATOR THOMAS

Page 4, line 19:
Delete "and"

Page 4, line 22, following "time":
Insert "; and

(4) an assessment of the statewide centralized correspondence study program as it relates to the scholarships, including Internet access capabilities, plans to upgrade the quality and quantity of distance delivery of education, and the availability by district of correspondence courses required for the performance scholarship"

CO-CHAIR THOMAS objected for the purpose of discussion.

CO-CHAIR MEYER explained that the amendment follows the recommendation of the Scholarship Funding Task Force. The amendment requires the Department of Education and Early Development (DEED), the University of Alaska (UA) system, and the Department of Labor and Workforce Development to share data in order to create an assessment on the capabilities of the state to deliver distance education.

SENATOR FRENCH said he is happy to see this assessment included. He mentioned that one concern he has heard is on the broadband capabilities in rural Alaska. This assessment would help them find out whether distance delivery will be feasible in many of these school districts.

8:30:19 AM

EDDY JEANS, Education Policy Coordinator, Office of the Commissioner, Department of Education and Early Development (DEED), introduced himself and welcomed the committee's questions.

CO-CHAIR MEYER said there are two concerns that frequently arise. The first concern is the funding for the program. The second is whether all students will have an equal opportunity to the scholarship, especially in rural communities. Amendment A.6 addresses this second concern. He asked Mr. Jeans how the

administration will ensure that remote communities receive these same opportunities.

MR. JEANS replied that DEED is working on a report for the legislature regarding this issue. He explained that there are a number of different distance delivery options available and the department is working to identify more avenues to assist school districts. He said that in regards to the broadband capabilities in rural areas, he will work with the E-rate individual at the state library to identify the bandwidth available in more remote places.

SENATOR STEVENS said one concern he has is whether school districts will have individuals on site that can help students with distant education classes. He asked if this is the department's general policy.

MR. JEANS replied yes, that is the department's intent.

SENATOR FRENCH said, in his opinion, there are three options for distance delivery: correspondence classes, basic internet, or video conferencing. He asked if Mr. Jeans could give him a breakdown of which options school districts are using.

MR. JEANS replied he would be happy to get that information to him.

SENATOR DAVIS said the Alaska School Board Association has offered to help with distance delivery as well and has a good program in place that would be beneficial to the department.

CO-CHAIR THOMAS removed his objection. Seeing no further objections, he announced that Amendment A.6 is adopted.

[8:36:35 AM](#)

At ease 8:36 a.m. to 8:37 a.m.

[8:37:45 AM](#)

SENATOR STEVENS moved to adopt Amendment A.8, [labeled 27-GS1893\A.8].

CO-CHAIR THOMAS objected for the purpose of discussion.

SENATOR STEVENS recapped Ian Dutton's earlier testimony regarding the Alaska Sea Life Center. He explained that as the scholarship program is currently written the center cannot be a recipient institution of research funds. Currently, in order for

the center to receive funds it has to go through the university. This amendment will enhance their ability to go after research dollars and keep the institution financially sound.

CO-CHAIR THOMAS asked if this institution would be the only qualifying facility.

SENATOR STEVENS answered yes.

CO-CHAIR THOMAS removed his objection. Finding no further objection, he announced that Amendment A.8 passes.

CO-CHAIR THOMAS said that he intends to take up the amendments related to the funding of the scholarship on Wednesday.

[8:41:46 AM](#)

At ease 8:41 a.m. to 8:44 a.m.

[8:44:02 AM](#)

CO-CHAIR THOMAS said Amendment A.8 has some conflicts with some of the other amendments. He asked Senator Stevens for a motion to rescind Amendment A.8.

[8:44:30 AM](#)

SENATOR STEVENS moved to rescind Amendment A.8. There being no objection Amendment A.8 was withdrawn.

[8:44:47 AM](#)

SENATOR STEVENS moved to adopt a conceptual amendment, based on the withdrawn Amendment, A.8.

CO-CHAIR MEYER explained that there was some concern with Amendment A.8 because it could conflict with Amendment A.1. He explained that, ultimately, all of these amendments will come together in a committee substitute of the bill.

CO-CHAIR THOMAS asked if there were any other comments on the conceptual amendment. [No objection was stated and the conceptual amendment was treated as adopted.]

CO-CHAIR THOMAS noted that any further amendments committee members wanted to include should be made available by noon on Tuesday.

[SB 43 was held in committee.]

[8:47:36 AM](#)

MIKE HANLEY, Commissioner, Department of Education and Early Development (DEED), said he appreciates the support of the department and he looks forward to becoming more involved.

[8:48:11 AM](#)

There being no further business to come before the committee, Co-Chair Thomas adjourned the meeting at 8:48 a.m.