

**ALASKA STATE LEGISLATURE  
HOUSE EDUCATION STANDING COMMITTEE**

February 17, 2014  
8:01 a.m.

**MEMBERS PRESENT**

Representative Lynn Gattis, Chair  
Representative Lora Reinbold, Vice Chair  
Representative Gabrielle LeDoux  
Representative Dan Saddler  
Representative Paul Seaton  
Representative Peggy Wilson  
Representative Harriet Drummond

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 278

"An Act increasing the base student allocation used in the formula for state funding of public education; repealing the secondary student competency examination and related requirements; relating to high school course credit earned through assessment; relating to a college and career readiness assessment for secondary students; relating to charter school application appeals and program budgets; relating to residential school applications; increasing the stipend for boarding school students; extending unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to education tax credits; making conforming amendments; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 278

SHORT TITLE: EDUCATION: FUNDING/TAX CREDITS/PROGRAMS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/24/14           (H)           READ THE FIRST TIME - REFERRALS

01/24/14	(H)	EDC, FIN
02/03/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/03/14	(H)	Heard & Held
02/03/14	(H)	MINUTE(EDC)
02/07/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/07/14	(H)	Heard & Held
02/07/14	(H)	MINUTE(EDC)
02/10/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/10/14	(H)	Heard & Held
02/10/14	(H)	MINUTE(EDC)
02/14/14	(H)	EDC AT 8:00 AM CAPITOL 106
02/14/14	(H)	Heard & Held
02/14/14	(H)	MINUTE(EDC)
02/17/14	(H)	EDC AT 8:00 AM CAPITOL 106

#### **WITNESS REGISTER**

MIKE HANLEY, Commissioner  
Office of the Commissioner  
Department of Education and Early Development (EED)  
Juneau, Alaska

**POSITION STATEMENT:** Presented information specific to tax credit Sections 21-32 of HB 278, and responded to questions.

ALEXEI PAINTER, Economist  
Tax-Economic Research Group  
Tax Division  
Department of Revenue (DOR)

**POSITION STATEMENT:** Responded to questions, during the hearing on tax credit Sections 21-32 of HB 278.

JOHANNA BALES, Deputy Director  
Tax Division  
Department of Revenue (DOR)

**POSITION STATEMENT:** Responded to questions, during the hearing on tax credit Sections 21-32 of HB 278.

BYRON CHARLES, Shareholder  
Sealaska Corporation  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of tax credit Sections 21-32 of HB 278.

MARY NANUWAK  
Anchorage, Alaska

**POSITION STATEMENT:** Testified, during the hearing on tax credit Sections 21-32 of HB 278.

**ACTION NARRATIVE**

[8:01:38 AM](#)

**CHAIR LYNN GATTIS** called the House Education Standing Committee meeting to order at 8:01 a.m. Representatives Gattis, Reinbold, P. Wilson, Saddler, and Drummond were present at the call to order. Representatives LeDoux and Seaton arrived as the meeting was in progress.

**HB 278-EDUCATION: FUNDING/TAX CREDITS/PROGRAMS**

[8:01:58 AM](#)

CHAIR GATTIS announced that the only order of business would be HOUSE BILL NO. 278, "An Act increasing the base student allocation used in the formula for state funding of public education; repealing the secondary student competency examination and related requirements; relating to high school course credit earned through assessment; relating to a college and career readiness assessment for secondary students; relating to charter school application appeals and program budgets; relating to residential school applications; increasing the stipend for boarding school students; extending unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to education tax credits; making conforming amendments; and providing for an effective date."

CHAIR GATTIS established that discussion would be restricted to the language specific to tax credits, Sections 21-32.

[8:02:54 AM](#)

MIKE HANLEY, Commissioner, Office of the Commissioner, Department of Education and Early Development (EED), described the governor's bill, Alaska's Education Opportunity Act, as a partnership between three departments: Department of Education and Early Development (EED), Department of Labor & Workforce Development (DLWD), and the Department of Revenue (DOR). The tax credit portion is comprised of two parts, he said, and directed attention to page 11 lines 23-28 to point out the

subparagraphs which contain new language and anticipated actions of the proposed measures. He paraphrased subparagraph (8), which reads as follows:

**(8) the funding of a scholarship awarded by a nonprofit organization to a dual-credit student to defray the cost of tuition, registration, course, and textbook fees; and**

COMMISSIONER HANLEY said this component allows tax credits for corporations that sponsor scholarships specifically designed to assist students in defraying the costs associated with the pursuit of dual-credits. He paraphrased subparagraph (9), which read as follows:

**(9) the construction, operation, or maintenance of a residential housing facility by a residential school approved by the Department of Education and Early Development under AS 14.16.200.**

COMMISSIONER HANLEY explained that the second component establishes language to extend tax credits to corporations choosing to contribute funds specific to the construction, operation, or maintenance of dormitories for residential schools; four existing facilities and four which were approved in 2013. He pointed out that Alaska lacks statute for supporting residential school housing.

[8:05:15 AM](#)

REPRESENTATIVE LEDOUX referred to Section 21 to note the nine subparagraphs, and pointed out that in the [10] subsequent tax-related sections the differences appear to me minimal. She asked whether it would be technically possible to provide an inclusive statement for entitlement to a tax credit "period."

ALEXEI PAINTER, Economist, Tax-Economic Research Group, Tax Division, Department of Revenue (DOR), responded that the education tax credit appears in seven different tax types and each has been modified. The proposed legislation adds the same language for every type and it is the existing nature of the credit that varies.

REPRESENTATIVE LEDOUX maintained that this may be the opportunity to introduce consistency and eliminate variations, save any overlooked advantages or disadvantages for such an alignment.

MR. PAINTER pointed out that the suggested action would be a policy call for the committee.

[8:07:15 AM](#)

COMMISSIONER HANLEY said the intent is to offer the two proposed tax credits to all the identified taxpayer groups currently in statute; language throughout is identical for each named group.

REPRESENTATIVE LEDOUX noted that some sections, pertinent to individual groups, have a varying number of paragraphs indicating the existence of differences.

COMMISSIONER HANLEY explained that the existing statute has variances but the new additions are identical.

REPRESENTATIVE LEDOUX asked whether, in crafting the proposed legislation, consideration was given to situations of major support provided to a specific project or school - such as the construction of a facility or identified educational program.

COMMISSIONER HANLEY responded yes, it was part of the discussion, but ultimately the focus settled on tax credits. The intent is to remove barriers in order to assist students earning dual-credits, as well as to provide support to residential facilities.

[8:09:16 AM](#)

REPRESENTATIVE SADDLER inquired about the typical means for payment of dual-credit costs; do students pay out of pocket.

COMMISSIONER HANLEY answered that ways and means of payment is handled according to the policy of individual school districts, but typically students pay the university portion of the costs.

Exceptions exist, he said, and provided a theoretical example of a student who has exhausted available high school math department offerings and the local district agrees to sponsor the credit/enrollment costs for a university level math course.

REPRESENTATIVE SADDLER asked if there are any corporations known to be anticipating the opportunity for taking advantage of the proposed tax credits.

COMMISSIONER HANLEY responded no.

REPRESENTATIVE SADDLER queried whether the administration's support for the dual-credit provision is contingent on funding via tax credits, or is student payment satisfactory.

COMMISSIONER HANLEY said that the department is fully supportive of students earning dual-credits, while understanding that costs can be a barrier; including the \$50.00 charge for advanced placement (AP) testing.

[8:10:59 AM](#)

CHAIR GATTIS noted that the tax credit doesn't incentivize the student to take dual-credit courses, but rather encourages industry to invest in the educational opportunity that allows the student to participate.

COMMISSIONER HANLEY opined that a student could be incentivized. He explained that a two credit course, at \$50.00 per credit, a \$50.00 book fee, and a possible lab fee, could easily amount to \$200.00, which represents a significant amount for a student; however, if the student knew that the sum could be offset, the interest in attaining the credit may be incentivized.

CHAIR GATTIS agreed, and questioned why an across the board tax credit isn't being proposed - why stop at residential facilities.

COMMISSIONER HANLEY acknowledged that the question is valid and may be worth exploring. Thus far, the focus has been on the two identified components.

8:12:25 AM

REPRESENTATIVE DRUMMOND noted that public schools are not nonprofit organizations, and as such, unable to receive contributions. The Parent Teacher Association (PTA) is the appropriate vehicle to accept the contribution [and the donee is subsequently allowed a tax deduction]; however, a tax credit works differently and provides a direct reduction of tax payment commensurate to the amount of the contribution.

MR. PAINTER clarified that a donation up to \$100,000 provide a 50 percent tax credit to the donor; a \$10,000 donation would result in a \$5,000 tax credit.

REPRESENTATIVE DRUMMOND pointed out that a tax credit is a direct reduction in the taxes paid versus an amount deducted from taxed income.

8:14:09 AM

REPRESENTATIVE REINBOLD asked whether the proposed measures include charter schools.

COMMISSIONER HANLEY answered yes, and said a student attending a charter school may pursue dual-credits, thus benefiting from the language in subparagraph (8). To a follow-up, he said the facilities language, proposed in subparagraph (9), would not pertain to charter schools.

CHAIR GATTIS acknowledged that charter schools could benefit from secured construction funding.

8:16:10 AM

REPRESENTATIVE LEDOUX referred to the previous question and answer to asked where the language is located that establishes the 50 percent tax credit allowance [up to \$100,000 of contribution].

MR. PAINTER explained that the credit parameters are set in the full section of the referenced statute, which he then paraphrased, highlighting the pertinent language that read as follows:

Sec. 43.20.014.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than \$100,000;

(2) 100 percent of the next \$200,000 of contributions; and

(3) 50 percent of the amount of contributions that exceed \$300,000.

(d) A contribution claimed as a credit under this section may not

(3) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.96.070, 21.96.075, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding \$5,000,000;

REPRESENTATIVE LEDOUX noted that if a 100 percent allowance were given, then the general fund could be used without differential results.

MR. PAINTER concurred.

REPRESENTATIVE LEDOUX summarized proposed paragraph (8), as previously read, to ask if the language applies to private or religious schools.

COMMISSIONER HANLEY offered to check the legal component and provide further information.

REPRESENTATIVE LEDOUX expressed interest in knowing whether the dual-credit courses could be earned through attendance at a private or religious postsecondary facility, as well as whether the student receiving the benefit could be attending high school at a private or religious school.

COMMISSIONER HANLEY reiterated that the intent is to defray costs imposed by a postsecondary institution.

REPRESENTATIVE LEDOUX offered three scenarios of students enrolled in a private, religious, or public school, deciding to take a dual-credit course at the University of Alaska Anchorage (UAA) or choosing a religious postsecondary facility and asked how each situation might be addressed.

COMMISSIONER HANLEY said a student at a private school would not be considered, as the proposed benefit is directed towards public school students, and continued:

You can give a contribution to a church or to a private school and get a tax credit. The state doesn't give tax credits for donations to a private school, so these would be public school students. As for students taking courses at [a religious postsecondary facility], this speaks to nonprofit - we'd have to look at ... that status ... and I can get the legal opinion on that for you.

COMMISSIONER HANLEY, to a follow-up question, said the context of the bill is fully about the public system, containing no reference to the private sector, thus negating any need to include a definition for a public school student.

[8:21:25 AM](#)

REPRESENTATIVE SEATON referred to page 11, line 9, to point out the current statute, which reads as follows:

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

REPRESENTATIVE SEATON said this section is to encourage donations from the private sector for furthering higher education, and elementary schools are neither part of the intent, nor targeted.

[8:22:23 AM](#)

REPRESENTATIVE SADDLER asked for further information regarding the current participants of the education tax credit scheme; who is receiving maximum benefit.

MR. PAINTER directed attention to the committee packet and the handout titled, "Tax Division/2013 Annual Report, REVENUE COLLECTIONS DETAIL" [pages numbered 17, 19, and 20] to summarize the education credit receipts as follows:

Oil and Gas Production Tax and Surcharges = \$2,529,361  
Other Corporate Income Tax = \$2,733,077  
Fisheries Business Tax = \$650,000  
Mining License Tax = \$343,564  
Fisheries Resource Landing Tax = \$932,500

MR. PAINTER pointed out that this represents approximately \$7 million.

[8:24:33 AM](#)

CHAIR GATTIS acknowledged that businesses are donating money to education outside of the funding formula, and pointed out that this is another means to receive contributions while providing a benefit to the businesses. She suggested that a closer look might be given to the neighborhood and charter schools. She asked whether a tax credit could be directed by the donor to a named facility or specific educational purpose.

COMMISSIONER HANLEY said the bill adds to the current tax credit law and deferred further comment.

MR. PAINTER offered that the taxpayer is allowed to specify a qualified entity and he deferred further comment.

[8:27:23 AM](#)

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue (DOR), outlined how the program works: the tax payer directs where the contribution is applied, from the available categories, and the state verifies that the recipient meets the charitable, nonprofit criteria.

[8:28:14 AM](#)

REPRESENTATIVE SADDLER asked how the [\$7 million], reported by Mr. Painter, was distributed.

MS. BALES said that the 2013 calendar year totals are slightly different from the fiscal figures, and reported: \$3.3 million for vocational education; \$3.8 to universities and colleges; and \$1.5 million to other programs which are not split out for confidentiality purposes. Historically, she pointed out, the majority is distributed to universities and colleges.

REPRESENTATIVE SADDLER ascertained that the money is distributed outside of the funding formula

MR. PAINTER concurred.

[8:29:57 AM](#)

REPRESENTATIVE P. WILSON noted that, if donations to charter schools were allowed, and if the proposed bill became law, it would be appropriate to amend Section 21 in the future, and suggested [AS 43.20.014(a)] might then read as follows:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted for  
(10) charter schools.

MS. BALES agreed that an amendment could provide a clarifying paragraph to include charter schools, but the Department of Law (DOL) would need to provide an opinion.

REPRESENTATIVE P. WILSON said that, given the above amendment scenario, a similar subparagraph, number (7), would need to be proposed for Section 22, adding charter schools to the qualified list.

MS. BALES agreed, and clarified the differences between sections 21 and 22. The education tax credit has been in existence for a number of years, and in 2010 was increased from a maximum of \$150,000 per taxpayer to \$5 million. At the same time, a sunset

provision was inserted, returning the maximum to \$150,000 on January 1, 2014. However, in 2011 the legislature altered the statute once again to add a couple of tax credit programs and extend the \$5 million credit to 12/31/2020. Thus, on January 1, 2021, the maximum \$5 million credit will again be subject to being reduced to \$150,000, and some of the entities will sunset and no longer qualify for a credit, such as the Alaska Native Cultural and Heritage program. The sunset language is what separates these two sections, she pointed out, and explained that the governor's intent is to add the two new qualifying contribution categories and to ensure they are retained beyond the sunset date of 2021.

[8:34:59 AM](#)

REPRESENTATIVE LEDOUX acknowledged that the intention is to allow some of the tax credit categories to sunset, in 2021, but to retain the two new categories [proposed in subparagraphs (8) and (9)].

MS. BALES concurred, and clarified that it was the 2011 legislature that identified the categories for sunset in 2021. The governor is not changing that legislative intent, but rather adding two new contribution categories, with the expectation that they will be carried forward; beyond 2021.

REPRESENTATIVE LEDOUX returned to the private versus public concern, broached earlier by Representative Wilson, to comment that various states have provided tax credits for scholarship funds made to private/religious schools, and some courts have ruled that it does not represent a legal violation of the Blaine Amendment.

REPRESENTATIVE P. WILSON interjected that the legality may depend on the constitution of each state.

[8:38:00 AM](#)

REPRESENTATIVE SADDLER asked how many students take advantage of dual-credit options, and what the success rate.

COMMISSIONER HANLEY said the districts do not provide that specific data to the department, but the practice is highly encouraged.

REPRESENTATIVE SADDLER conjectured that the impetus for extending the tax credit is to further that encouragement.

COMMISSIONER HANLEY opined that it provides a student the opportunity to establish a vision beyond graduation and creates a pathway to higher education. The result is a win-win situation and the motivating factor behind HB 278.

REPRESENTATIVE SADDLER inquired how this action compliments the advanced placement (AP) courses; is it an expansion of that program.

COMMISSIONER HANLEY answered that it is a complimentary opportunity and does not contradict the AP effort.

[8:40:52 AM](#)

REPRESENTATIVE SEATON noted that the sections appear to rationalize the purposes served by the qualified facilities, as grouped in each subparagraph, and directed attention to page 11, line 9. The subparagraph appears to be inclusive as it states tax credit eligibility for "secondary school level vocational education courses, programs, and facilities by a school district in the state." Alaska's charter schools operate as public facilities, he pointed out, and asked if rationale exists in the proposed bill that would make a distinction and exclude this diverse faction of public institutions from eligibility for tax credit funding.

COMMISSIONER HANLEY agreed that this is "slightly problematic," and conjectured how a taxpayer is likely to name a certain charter school as the recipient; however, as pointed out by the previous member, schools cannot receive the funds directly. The inability to distribute funds to a district with strings attached is where this action becomes problematic. He said there could be a reason for this to be challenged, and suggested the need for a legal opinion.

8:43:39 AM

CHAIR GATTIS noted that public charter schools lack equal treatment, opined on the need for review of charter school statute, and stated that a legal opinion would be provided to the committee.

COMMISSIONER HANLEY agreed that charter schools face significant challenges. He established that the department recognizes the scope of the void and said the governor shares the concern.

REPRESENTATIVE P. WILSON offered that charter school parents may be buoyed by the opportunity to gain a tax credit for supporting their school of choice.

COMMISSIONER HANLEY emphasized that all charter schools in Alaska are part of the public system.

8:47:48 AM

REPRESENTATIVE LEDOUX observed that the tax credit is applicable to businesses that pay state taxes, not individuals.

8:48:31 AM

REPRESENTATIVE SADDLER paraphrased from page 11, line 24, to note that scholarship funds may be used to, "defray the cost of tuition, registration, course, and textbook fees;" and asked if there are any fees that would be specifically denied. Further, he asked if this list characterizes the majority of expenses for college.

COMMISSIONER HANLEY indicated that costs could include an on-line connection, but the list is designed to be inclusive, not restrictive.

REPRESENTATIVE SADDLER asked about the intent for inclusion of fees associated with campus activities, parking, student union, and lab use.

COMMISSIONER HANLEY offered that it would be atypical for a student to be on campus, when engaged in a dual-credit course; the norm is for on-line course work.

8:50:45 AM

REPRESENTATIVE P. WILSON asked whether Native corporations qualify as nonprofit organizations.

MS. BALES answered that the Native corporations are nonprofit entities. Further, she clarified that a profit corporation could contribute to a nonprofit organization which in-turn establishes the scholarship fund to support the dual-credit students. Any profit based corporation, Exxon for example, can contribute in this way and receives a tax credit on its corporate return; the nonprofit does not receive a tax benefit. Students apply to the scholarship fund to defray educational costs. To a follow-up question she said this does not prohibit a corporation from making an earmarked contribution directly to a district for a specific vocational program; possibly to sponsor a teacher.

8:56:02 AM

REPRESENTATIVE SADDLER asked if there is a mechanism to measure the effectiveness of the tax-credit program.

COMMISSIONER HANLEY deferred.

The committee took an at-ease from 8:57 a.m. to 9:03 a.m.

9:04:00 AM

BYRON CHARLES, Shareholder, Sealaska Corporation, sated support for the intent of HB 278, and suggested it would be beneficial if a request were made to have the Native corporations obtain majority approval from all shareholders for prioritization of educational support.

9:06:29 AM

MARY NANUWAK clarified that the Native corporations are profit organizations, but not all of them are able to realize a profit. However, even without profit innovative methods to meet needs exist and she invited the members to visit the outlying areas.

[9:10:36 AM](#)

REPRESENTATIVE SEATON offered Amendment 1, labeled 28-GH2716\A.5, Mischel, 2/14/14, which read as follows:

Page 11, line 25:  
Delete "and"

Page 11, line 28, following "AS 14.16.200":  
Insert "; and  
(10) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 12, line 14:  
Delete "and"

Page 12, line 17, following "AS 14.16.200":  
Insert "; and  
(7) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 13, line 16:  
Delete "and"

Page 13, line 19, following "AS 14.16.200":  
Insert "; and  
(10) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 14, line 5:  
Delete "and"

Page 14, line 8, following "AS 14.16.200":  
Insert "; and"

(7) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 15, line 7:  
Delete "and"

Page 15, line 10, following "AS 14.16.200":  
Insert "; and  
(10) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 15, line 27:  
Delete "and"

Page 15, line 30, following "AS 14.16.200":  
Insert "; and  
(7) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 16, line 30:  
Delete "and"

Page 17, line 2, following "AS 14.16.200":  
Insert "; and  
(10) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

Page 17, line 20:  
Delete "and"

Page 17, line 23, following "AS 14.16.200":  
Insert "; and  
(7) a program that provides early childhood education by a nonprofit agency or school district in the state or by the Department of Education and Early Development"

REPRESENTATIVE REINBOLD objected for discussion.

9:11:25 AM

REPRESENTATIVE SEATON pointed out that this adds subparagraph (10), and conforming language. He stressed that early childhood education has been recognized as the most important area to support in order to assure that a child will complete a successful school career. The state has sponsored a pilot program, but faced with budget cuts, funding has been a challenge. He said it is important to incentivize businesses to help with early childhood education in their communities through established programs, which might include: Parents as Teachers; Imagination Library; local school district preschool programs; and the EED pilot program. The amendment covers three categories for encouraging business contributions to further local efforts in early childhood education.

9:13:57 AM

CHAIR GATTIS referred to the distribution of the \$7 million, as reported earlier by DOR, and asked if this would dilute or add to that figure.

REPRESENTATIVE SEATON stated his belief that Amendment 1 would expand the use, and said these are targeted tax credits for rationale of the contributor. He opined that this would not divert funds from colleges but bring attention and allow corporate support to a vital area of early childhood education.

9:15:15 AM

REPRESENTATIVE SADDLER clarified that local businesses can certainly provide financial support for early childhood education programs, but a tax credit cannot be claimed for their contributions.

REPRESENTATIVE SEATON agreed, and added that Amendment 1 allows the state to provide encouragement for early childhood corporate contributions by offering a tax credit. He suggested that not including early childhood education was an oversight and this brings it into the bill. The rationale contained in existing statute directs education tax-credit funding to efforts of

direct instruction, research, and educational support purposes. He opined that one of these primary rationales should be early childhood education, and stressed that it is an important area to target. Promoting early childhood education has been on the legislative table for a decade, he finished.

[9:18:42 AM](#)

REPRESENTATIVE LEDOUX said the decision is a policy call of whether to specify targeted programs or adopt blanket language. The broad approach would be inclusive of everything in respect to education. However, she said, if the targeted approach is decided on, Amendment 1 is supportable. An additional amendment could be proposed to address funding of charter school buildings, which she said she may sponsor.

[9:20:04 AM](#)

REPRESENTATIVE DRUMMOND stated support for Amendment 1, and directed attention to page 11, lines 16-18 to point out that subparagraph (5) includes grades kindergarten through 12, as it relates to Alaska Native cultural or heritage programs, thus, early childhood education is not entirely excluded from the bill. Although this subparagraph does not specify preschool, an amendment to that effect may not be necessary, with the adoption of Amendment 1.

[9:21:16 AM](#)

REPRESENTATIVE P. WILSON opined that subparagraph (5) may be limited to Alaska Native cultural or heritage programs.

[9:22:23 AM](#)

COMMISSIONER HANLEY urged the committee to review the original intent for including the statutory language of [Section 21, subparagraph (5)] and counseled that the committee to explore the reason that it was placed into law.

[9:22:57 AM](#)

REPRESENTATIVE SEATON recalled that the drafting of [AS 43.20.014(a)(5)] predated the focus, as understood today, for preschools. He said Amendment 1 would allow a preschool program to be developed and supported under the Alaska Native cultural and heritage program rationale, but is not intended to limited programs based on those principles.

[9:24:14 AM](#)

REPRESENTATIVE SADDLER agreed with the counsel to explore the original intent of the education tax-credit measures. He commented that reasons may exist to exclude particular educational areas from this type of benefit.

[9:24:55 AM](#)

CHAIR GATTIS asked if there is a problem in removing limits and establishing broad language for an inclusive policy.

COMMISSIONER HANLEY said that when the language was placed in statute, a specific target was the goal. The governor intends to remove barriers, and he said it would be a policy call for the committee.

[9:26:22 AM](#)

REPRESENTATIVE REINBOLD stated support for providing tax credits on a broad scale, not limited to public preschools.

[9:27:13 AM](#)

CHAIR GATTIS observed that all preschools seem to be beneficial and helps provide children a "great jump" in their education.

[9:27:37 AM](#)

REPRESENTATIVE SEATON clarified that a nonprofit preschool will qualify, regardless of the setting. The only limiting factor is the qualification for the recipient program to be a qualified nonprofit; a profit corporation that directly operates a preschool could not qualify.

[9:30:30 AM](#)

REPRESENTATIVE LEDOUX asked whether a church qualifies as a nonprofit, and whether a profit corporation that funds a nonprofit subsidiary to operate a daycare or preschool would be eligible.

[9:31:37 AM](#)

REPRESENTATIVE DRUMMOND confirmed, as a church official, that sacred organizations hold a nonprofit status, authorized through the Internal Revenue Service (IRS). She reported that only one in five children in need of daycare/preschool are provided a space in the Juneau area, perhaps throughout the state, and opined that priority should be granted to create opportunities and expand services. Many of the childcare facilities are located in churches because of availability of space; however, the location does not define the program.

[9:33:54 AM](#)

CHAIR GATTIS acknowledged that a challenge exists in directing public money to preschool programs, as well as providing enough opportunities.

[9:34:28 AM](#)

REPRESENTATIVE SADDLER asked the amendment sponsor whether the intent is to allow corporations to claim tax-credits if the donations is directed to a church preschool.

REPRESENTATIVE SEATON said the area of childcare/preschool does not fall under the purview of EED or the school districts as a system of public education, and, for that reason, funding a church hosted preschool would not present a problem.

[9:35:27 AM](#)

REPRESENTATIVE REINBOLD said it would be helpful to support every setting, including a profit corporation that maintains a preschool for employees.

REPRESENTATIVE SEATON the amendment skirts the conflict of interest areas where corporations provide benefits to their employees. Certainly, the corporation could allow space for a nonprofit childcare entity to operate.

REPRESENTATIVE REINBOLD emphasized that a daycare facility in a corporate setting is a convenience to parents, and that it seems appropriate to encourage onsite facilities.

REPRESENTATIVE SEATON clarified that the Amendment 1 addresses programs, not facilities.

[9:38:29 AM](#)

REPRESENTATIVE LEDOUX noted that federal and state laws already provide tax-credit/deductions for many corporate activities, including salaries. She voiced support for allowing corporate childcare, to be included in the qualified list.

[9:39:09 AM](#)

REPRESENTATIVE DRUMMOND pointed out that the IRS provides parents a tax-credit of up to one third of the childcare cost. She said British Petroleum (BP) offices in Anchorage, as well as the University of Alaska Anchorage, both offer onsite childcare. Corporations are free to provide whatever employee benefits they so choose, and opined that the state should avoid involvement; however, the Amendment 1 does not appear to impact these activities or present a conflict.

CHAIR GATTIS expressed concern for existing private preschools and, despite good intent, whether Amendment 1 might have a negative effect on these facilities.

REPRESENTATIVE DRUMMOND suggested testimony be invited from a number of the established facilities who provide early childhood

education, such as Rural Alaska Community Action Program, Inc. (RurAL CAP) and Kids' Corp. Inc.

[9:42:46 AM](#)

REPRESENTATIVE P. WILSON said daycare, preschool, and education are all on the table, and she suggested that the difference and qualifications be noted.

[9:43:34 AM](#)

REPRESENTATIVE SADDLER asked the sponsor for a definition of early childhood education; does statute provide one.

REPRESENTATIVE SEATON deferred.

COMMISSIONER HANLEY offered to provide the information.

REPRESENTATIVE SEATON interjected that childcare is often a profit business and would not qualify.

CHAIR GATTIS described how some daycare situations provide valuable preschool activities, and conflict may arise under Amendment 1, as proposed.

[9:45:55 AM](#)

REPRESENTATIVE LEDOUX observed that private preschools, operated for profit, appear to be the concern. She asked about licensing requirements for preschools versus daycares. Tax credits should be awarded to preschools and not babysitting services. Further, she opined, it would be helpful to include language that discerns the difference.

[9:47:14 AM](#)

CHAIR GATTIS asked for specific curriculum or other differentiating conditions that identify daycare versus preschools.

COMMISSIONER HANLEY indicated that criteria exist for the licensing of each entity, and offered to provide further information.

[9:48:01 AM](#)

REPRESENTATIVE SEATON stressed that Amendment 1 is not specific to a physical preschool and named existing nonprofit organizations that provide on-site services, including: Best Beginnings; Sprout, Inc.; Imagination Library; and Parent's as Teachers. He said these are examples of programs promoting early childhood education that would qualify, and represent more than a room with chairs and a specific curriculum.

[9:48:52 AM](#)

CHAIR GATTIS recapped the number of questions surrounding the Amendment 1 and suggested holding it over.

REPRESENTATIVE SEATON agreed and indicated that it would be helpful to have further stakeholder comments for the committee to consider, particularly from corporations.

[9:52:04 AM](#)

CHAIR GATTIS announced HB 278 would be held over.

[9:52:35 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:52 a.m.