

HOUSE FINANCE COMMITTEE

April 1, 2014

8:38 a.m.

[8:38:41 AM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:38 a.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair  
Representative Bill Stoltze, Co-Chair  
Representative Mark Neuman, Vice-Chair  
Representative Mia Costello  
Representative Bryce Edgmon  
Representative Les Gara  
Representative David Guttenberg  
Representative Lindsey Holmes  
Representative Cathy Munoz  
Representative Steve Thompson  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Daniel George, Staff, Representative Bill Stoltze; Andy Mills, Special Assistant to the Commissioner, Department of Administration.

PRESENT VIA TELECONFERENCE

Linda Lord-Jenkins, State Ombudsman, Anchorage; Beth Leibowitz, Office of Ombudsman, Juneau.

SUMMARY

HB 21           FOUR-DAY SCHOOL WEEK

CSHB 21(FIN) was REPORTED out of committee with no recommendation and with one new zero fiscal

note from the Department of Education and Early Development and one new zero fiscal note from the Department of Administration.

HB 127 OMBUDSMAN

CSHB 127 (JUD) was REPORTED out of committee with a "do pass" recommendation and with two new zero fiscal notes from the Department of Administration, one new zero fiscal note from the Legislature and one new zero fiscal note from the Department of Corrections.

HB 278 EDUCATION: FUNDING/TAX CREDITS/PROGRAMS

HB 278 was HEARD and HELD in committee for further consideration.

#hb278

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."

[8:38:59 AM](#)

Vice-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 278, Work Draft 28-GH2716\G, (Mischel, 3/31/14). Co-Chair Stoltze OBJECTED for discussion.

DANIEL GEORGE, STAFF, REPRESENTATIVE BILL STOLTZE, discussed the work draft. He stated that version G replaced

version N. He provided a sectional analysis. He began with section 1 where the governor's language was reinstated related to an opportunity to challenge for credit. He noted that sections 2, 3, and 4 reinserted provisions of existing statutes related to the high school graduation qualifying exam.

[8:41:28 AM](#)

Mr. George continued with section 5, page 5, lines 29-30, which created an opportunity for charter school applicants to further appeal within 30 days to the state Board of Education and Early Development. Section 5, page 6, lines 6-8 related to a situation where a local school board that denied an application for a charter school, which was subsequently approved by the state board on appeal could operate the charter school. The section also removed a former subsection stating that the state board would operate a charter school as if the state board were a school district.

Mr. George continued with section 6, page 6; lines 18-26 were added regarding charter school application appeals and timelines. He moved to section 7, page 7; lines 3-5 were amended to clarify that if the school district required lease payments by a charter school the district would negotiate a lease agreement with the charter school for an amount that did not exceed the true operational costs calculated.

[8:42:42 AM](#)

Mr. George discussed section 8, page 7, where lines 12-14 were added to specify that a local school board shall provide a charter school with a report itemizing administrative costs retained by the local school board. Section 11, page 8, line 23 through page 9, line 7 inserted a new duty for the Board of Education and Early Development to report to the legislature recommendations for changes in the method of education spending by the state and school districts that resulted in improved efficiencies and in administration of public education in the state. He noted the removal of three sections: a section relating to school bond reimbursement program, a section relating to boarding school stipends and a section relating to student counts for charter schools.

Co-Chair Stoltze added "it keeps them in without the increase."

Mr. George continued with section 15; lines 21-27 were added relating to the public education fund and appropriations for the Teachers Retirement System (TRS). He continued with section 16, page 11, line 28 through page 14, line 3, which was inserted and related to unfunded liability and the teachers retirement cost adjustment. He noted page 14, line 1 included a change in the required local contribution from 45 percent to 40 percent of a district's basic need. Section 17, page 14, line 4-19 amended the school size table for purposes of calculating a schools Average Daily Membership (ADM) to determine state aide.

Mr. George continued with sections 18, 19 and 20 on page 14; lines 20-28 were amended to reflect an increase in the Base Student Allocation (BSA) by \$100 in addition to that of the governor's plan in the first year. Section 21, page 14, line 29 through page 15, line 15 was inserted relating to state aid to school districts and withholding for purpose of deposit into the teachers retirement trust fund. Sections 22, 23 and 24 on page 15, line 13 though page 16, line 16 were inserted relating to altering teacher tenure from 3 years to 5 years and subjecting tenure to review, and regarding loss of tenure rights.

[8:45:51 AM](#)

Mr. George continued with sections 25, 26 and 27 on page 16 line 17 through page 17; line 19, which was inserted relating to pension benefits and employer contribution rates, transmitting funds for deposit in a teacher retirement trust fund and additional state contributions and the teacher's pension reserve fund. Section 28, page 17, lines-22 and 27 and page 18 were amended to reflect a three-year reauthorization of the Alaska Technical Vocational Education Program (TVEP) program and the allocations of TVEP funding present in existing statute. Section 30 was removed from the bill including subsection (h) relating to a 20 percent withholding penalty for failure to comply with new TVEP requirements.

Mr. George continued with section 32; the option for a municipality to adopt by ordinance a partial or whole tax exemption for all or a portion of privately owned real

property, rented or leased for use as a charter school was added. Sections 33, 34 and 35 relating to the establishment, trusteeship and management of the teachers' pension reserve fund and the duties of the Alaska Retirement Management Board were inserted. He stated that sections 36 through 46 related to the income tax education credit, mining business education credit, fisheries business education credit and fisheries resource landing tax education credit. Three changes were made to the tax credits, two of which were permanent and one of which would sunset in 2021 along with other tax credits.

[8:48:19 AM](#)

Mr. George pointed out that section 48; page 33, line 25 relating to transfer or absorption of a federal agency school and teachers was repealed. Section 50 was removed; it included transition language related to the appeal of the high school graduation qualifying exam. Applicability language related to teacher tenure provisions in sections 22-24 was added. Section 51 addressed the effective date of transition language related to charter school applications filed with the local school board; it was amended from September to July 1, 2014. Section 53 directed the Department of Administration to present to the legislature a written proposal to implement a salary and benefits schedule for school districts. Sections 54 through 59 reflected the effective dates of various provisions of the act; notably the effective date of the act was changed from September to July 1, 2014.

[8:49:53 AM](#)

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Version G was ADOPTED. He stated his intent for invited testimony related to some of the legislation's key provisions. He invited a vigorous amendment process.

Representative Munoz asked if the administration would testify about the retirement portion of the CS.

Co-Chair Stoltze replied in the affirmative.

Representative Munoz requested invited testimony from the university.

[8:51:22 AM](#)

Representative Gara asked if he could pose technical questions related to the bill's provisions.

Co-Chair Stoltze denied Representative Gara's request.

[8:51:47 AM](#)

Vice-Chair Neuman requested a written list of the changes made in the CS.

Co-Chair Stoltze agreed.

[8:52:07 AM](#)

AT EASE

[8:52:18 AM](#)

RECONVENED

Co-Chair Stoltze noted the deadline for amendments of 5:00 pm.

[8:53:00 AM](#)

AT EASE

[9:14:07 AM](#)

RECONVENED

#hb127

HOUSE BILL NO. 127

"An Act clarifying that the Alaska Bar Association is an agency for purposes of investigations by the ombudsman; relating to compensation of the ombudsman and to employment of staff by the ombudsman under personal service contracts; providing that certain records of communications between the ombudsman and an agency are not public records; relating to disclosure by an agency to the ombudsman of communications subject to attorney-client and attorney work-product privileges; relating to informal and formal reports of opinions and recommendations issued by the ombudsman; relating to the privilege of the ombudsman not to testify and creating a privilege under which the ombudsman is not required to disclose certain documents; relating to procedures for procurement by

the ombudsman; relating to the definition of 'agency' for purposes of the Ombudsman Act and providing jurisdiction of the ombudsman over persons providing certain services to the state by contract; and amending Rules 501 and 503, Alaska Rules of Evidence."

[9:14:15 AM](#)

Co-Chair Stoltze noted his successful effort in determining a lack of objection to the legislation from the Office of Victims' Rights.

Co-Chair Austerman informed the committee that the bill's sponsor was the House Rules Committee by request. He wondered who requested the legislation.

Co-Chair Stoltze replied that the Office of the Ombudsman requested the bill.

[9:15:16 AM](#)

Representative Costello discussed the bill's four zero fiscal notes.

Co-Chair Stoltze stated that the agency existed in the legislature's budget.

Vice-Chair Neuman asked about page 2, lines 9 and 10. He discussed the confidential negotiations with the Alaska Gasline Development Corporation (AGDC). He asked if the ombudsman's office would have access to the state agency's records of the confidential hearings.

Co-Chair Stoltze replied that he did not know the answer.

Representative Thompson echoed the concerns of Vice-Chair Neuman. He wondered if the agency's authority was too broad.

Co-Chair Stoltze stated that he would hold the bill until the concerns of the members could be alleviated.

[Note: Further discussion and action on CSHB 127 (JUD) can be found later in this meeting.]

#hb21

HOUSE BILL NO. 21

"An Act relating to the length of a school week; and providing for an effective date."

[9:19:18 AM](#)

ANDY MILLS, SPECIAL ASSISTANT TO THE COMMISSIONER, DEPARTMENT OF ADMINISTRATION, expressed his apology that the fiscal note was not addressed in the committee's prior hearing of HB 21.

Co-Chair Stoltze asked for further explanation of the fiscal note.

Mr. Mills discussed the new fiscal note from Department of Administration, Centralized Administrative Services. He noted changes in the prior year's CS necessitating an additional table. The change required reprogramming and other changes at the Division of Retirement and Benefits. He discussed the cost estimates listed in the fiscal note. The reprogramming was related to communication between the division and the federal government. He stated that the Central Retirement System (CRS) was the system that allowed for tracking of the retiree data for the division. Calculation systems, found on the division's website provided self-assessment tools that allowed employees to track their retirement. Statements were delivered to the members and brochures were sent to notify employees about the change to the system.

[9:22:31 AM](#)

Vice-Chair Neuman wondered about the fiscal note's proposed \$100 thousand dollar expense. He stated that the Department of Administration received approximately \$100 million in capital budget items related to Integrated Resources Information Services (IRIS) upgrades. He asked whether the changes needed for the legislation could be made with already existing resources.

[9:23:27 AM](#)

Representative Costello asked about the state's approach to programmers. She expressed confusion regarding the payment of computer programmers already employed by the department.

Mr. Mills replied that certain programmers would absorb the changes proposed in the fiscal note. The numbers were for outside contracted costs. He stated that an alternate schedule might seem simple, but the brochures were a fixed cost.

[9:25:37 AM](#)

Representative Costello discussed her experience as a teacher for Service High School. She wondered how the employee hours could be translated into portions of the year as outlined in the bill. She wondered if the department could apply retirement benefits for a teacher contracted for one-half of the year.

Mr. Mills replied that the schedule proposed in the bill was an alternate schedule. He noted that utilization of the uncodified code would have spawned multiple alternative calendars. He suggested that further information be provided by the division.

Representative Costello asked if the state moved from hiring full-time to contractual programmers, would the charge to the state change. She wondered why the practice of contractual programmers was not utilized.

[9:28:45 AM](#)

Co-Chair Austerman commented that the state reduced the number of days for a retiree from 172 to 150. He asked if the change increased the retirement cost to the state. He asked about the changes needed in the retirement system as a result of the legislation.

Representative Wilson stated that the bill would not allow for an employee's premature retirement. The shorter school weeks would equal a full year of school.

Co-Chair Austerman noted that the days allowing for one year's worth of retirement had changed.

Representative Wilson explained that fewer days were needed because the days were longer.

Co-Chair Austerman did not understand the concept.

Co-Chair Stoltze understood that the teachers were currently eligible for retirement and the changes in the bill allowed that continuity of accrual despite the shorter work/school weeks.

Co-Chair Austerman requested further understanding of the cumulative effect of the legislation.

Co-Chair Stoltze asked Mr. Mills if he could envision an addition of a new employee under the proposed calculation.

Mr. Mills assumed that a full year would lead to an insignificant difference in time accrual.

[9:31:55 AM](#)

Representative Thompson stated dissatisfaction with the fiscal note. He understood that the part-time teachers worked a certain amount of days. He did not understand why new statements would be required. He assumed that the cost of the statements was built into the division's budget.

Mr. Mills replied that the fiscal note included a large number of contractor costs. He noted that the fiscal note would increase in its request if the entire change required contractual programmers.

[9:34:08 AM](#)

Vice-Chair Neuman OFFERED a conceptual AMENDMENT to zero out fiscal note one from the Department of Administration, Office of Management and Budget (OMB) number 64. He MOVED that the Department of Administration absorb the cost of the changes proposed in the legislation.

Co-Chair Stoltze supported the change. There being NO OBJECTION, it was so ordered. Fiscal note 1 from the Department of Administration, OMB component number 64 was changed to reflect ZERO fiscal impact.

Co-Chair Stoltze RESCINDED the prior action made to move the bill out of committee. There being NO OBJECTION, it was so ordered. CSHB 21 (FIN) was back before the committee.

[9:36:17 AM](#)

Representative Gara OFFERED a conceptual AMENDMENT. He pointed to page 2, line 18, section C addressing the reduction of school days and the provision of retirement benefits. He stated that some school districts would reduce school hours by 20 percent. He noted the minimum instruction hours mandated by the legislation was 740 hours for lower and 900 hours for higher grades. He noted that many schools had greater than 1000 instructional hours.

Representative Gara discussed page 2, line 3 and the commissioner's ability to reduce instructional days, as long as instructional hours remained comparable. He stated that the commissioner had reduced school days below 180 days in one community recently. The legislation reduced the number of hours further. He expressed concern about cutting the number of school hours.

Representative Gara MOVED the conceptual amendment to retain page 2, line 18 through page 3, line 9.

Co-Chair Stoltze stated that the committee would not accept such a conceptual amendment. He requested a written amendment.

[9:39:33 AM](#)

Representative Costello appreciated Representative Gara's point. She stated that the statute dictated minimum hours constituting a day. School districts often exceeded the requirements. She stated that the opportunity for shorter days existed, yet districts chose not to take advantage. She stated that the proposed legislation addressed alternative schedules versus shorter teaching time. She mentioned the concept of year-round school as another option for an alternative schedule. She mentioned a study in the committee members' packets related to improved results in math and reading with alternative schedules. She believed that the concept of minimum school hours per day was already in statute and did not belong in the bill. She stated that the policy call was unique and demanded an opinion from the House Education Committee. She spoke about the school board and public's involvement in all decisions related to school week changes. The proposed legislation was tied to the wishes of the parents and education community. She opposed the conceptual amendment offered by Representative Gara.

Representative Wilson stated that a school district could choose a four-day school week without the proposed legislation. She noted that the issue of teacher retirement was the reason for the proposed legislation. Because the teachers were working more days and hours in one district, the full-years' worth of retirement was not accessible. Upon the bill's inception, she asked the commissioner about the constitution of a full work day. She opined that the bill had flexibility without the amendment.

Co-Chair Stoltze stated that an amendment was not before the committee.

Representative Munoz discussed Representative Costello's reference to the report. She noted that in the report, Montana shifted to a four-day week, but retained the 1000 hour requirement. She wondered why the bill shifted the requirement in Alaska.

Representative Wilson replied that the hours in statute were used to determine the bill's proposal. She stated that each district used a different number of total hours. She suggested that instituting one number for the entire state might negatively impact some districts. She discussed the issue with the commissioner and proposed that the problem be addressed in a separate bill with a study about whether an increase in hours would provide a better education for Alaska's students.

Vice-Chair Neuman asked about page 2, lines 3-6 related to the commissioner's approval of plans. He wondered why the section was changed. He understood the local control issue, but he opined that an alternative view from the commissioner would prove advantageous.

[9:46:57 AM](#)

Representative Wilson stated that the commissioner would review the plan with a checklist. The mechanism mandated community meetings. She believed that the communities would make the best judgments for their unique area needs. The commissioner would approve the plans, based on the checklist.

Vice-Chair Neuman asked for details about the checklist.

Representative Wilson stated that the community meeting must address a plan for days/hours needed during the shortened school week. The plan was then submitted to the commissioner who reviewed it for necessary components. She stated that outcomes were reviewed using standardized test scores.

[9:49:03 AM](#)

Representative Gara opined that a problem arose in removing the commissioner's discretion. He pointed to page 2, line 11, "if the school district shows that they are providing the minimum of instruction" he stated that upon community approval, the decision would be made. He stated that the commissioner could allow for an alternative schedule under current law. The commissioner was not amenable to a reduction to 700 instructional hours. Current law retained the districts with greater than statutory minimum instructional hours. The bill mandated the commissioner's approval of the statutory minimum following community members' decision.

[9:51:52 AM](#)

Vice-Chair Neuman MOVED to REPORT CSHB 21 (FIN) out of committee with individual recommendations and the accompanying revised fiscal notes. Representative Munoz OBJECTED. She wished to see the amended fiscal note prior to reporting out the bill.

Representative Gara apologized that he did not have a written amendment.

[9:53:07 AM](#)

Representative Costello shared that her office worked tirelessly reviewing hours of school days. She stated that a school currently following state law would pay a large organizational price for the proposed mandate. She urged the legislature to revisit the issue of minimum instructional hours. She cautioned the committee to review all pertinent information before proposing a minimum number of instructional hours to all Alaskan schools.

[9:54:23 AM](#)

Representative Gara apologized for not having his amendment available in writing. He agreed with Representative Costello and did not recommend that the committee mandate a minimum number of instructional hours. He noted that the commissioner currently decided the minimum number of instructional hours based on his determination of an adequate number of school hours to protect academic achievement. He pointed to page 2, lines 3-6 indicating that the commissioner could approve the number of days and the number of instructional hours. The bill required an acceptance of the school district's decision to instruct for the minimum number of allowable hours. He disagreed with the bill for that one reason. He wished to continue to allow the commissioner to make the decision regarding the minimum number of instructional hours for each individual proposal.

[9:56:12 AM](#)

Representative Wilson stated that the commissioner would not allow a four-day school week without the legislation. She stated that the commissioner had denied all requests for a four-day school week.

A roll call vote was taken on the motion.

IN FAVOR: Holmes, Neuman, Thompson, Wilson, Costello, Edgmon, Stoltze, Austerman  
OPPOSED: Guttenberg, Munoz, Gara

The MOTION PASSED (8/3).

CSHB 21 (FIN) was REPORTED out of committee with no recommendation and with one new zero fiscal note from the Department of Education and Early Development and one new zero fiscal note from the Department of Administration.

[9:58:54 AM](#)

#hb127

HOUSE BILL NO. 127

"An Act clarifying that the Alaska Bar Association is an agency for purposes of investigations by the ombudsman; relating to compensation of the ombudsman and to employment of staff by the ombudsman under personal service contracts; providing that certain

records of communications between the ombudsman and an agency are not public records; relating to disclosure by an agency to the ombudsman of communications subject to attorney-client and attorney work-product privileges; relating to informal and formal reports of opinions and recommendations issued by the ombudsman; relating to the privilege of the ombudsman not to testify and creating a privilege under which the ombudsman is not required to disclose certain documents; relating to procedures for procurement by the ombudsman; relating to the definition of 'agency' for purposes of the Ombudsman Act and providing jurisdiction of the ombudsman over persons providing certain services to the state by contract; and amending Rules 501 and 503, Alaska Rules of Evidence."

[10:00:56 AM](#)

Co-Chair Stoltze discussed HB 127. He acknowledged that the testifiers were online to speak about the bill.

LINDA LORD-JENKINS, STATE OMBUDSMAN, ANCHORAGE (via teleconference), stated that she was available.

Vice-Chair Neuman asked about page 2, paragraph 4, section 3 related to records for every state agency.

Co-Chair Stoltze clarified that the bill stated "every agency" as opposed to "every state agency."

Ms. Lord-Jenkins deferred the question to Ms. Leibowitz.

Co-Chair Stoltze requested an opinion about the policy's intent from Ms. Lord-Jenkins.

Ms. Lord-Jenkins replied that the policy intended to have the statute conform to other provisions allowing access to information from investigated agencies. She noted that the "state agency proviso" would limit the reach. She mentioned other limited records that were not accessible.

[10:03:53 AM](#)

Vice-Chair Neuman asked which agencies were reviewed. He wondered the scope of the ombudsman's abilities during a complaint. He mentioned that some municipalities had considered property taxes related to the gas line. He

wondered if a complaint from a municipality would yield the ability for the ombudsman to review confidential gas line materials.

Ms. Lord-Jenkins replied that the ombudsman had statutory authority to review each agency of the state government regarding the gas line issues and individual community concerns. She admitted that her office was more apt to view citizen complaints. She stated that individual communities would be better rectified in a court of law. The ombudsman could not force an agency to pay a fine or compensation to an aggrieved party.

[10:06:31 AM](#)

Vice-Chair Neuman asked about the ombudsman's ability to review terms by the Legislative Budget and Audit division. He wondered if a complaint related to the appropriate nature of building contracts could be reviewed by the ombudsman.

Ms. Lord-Jenkins interpreted the statute to allow the investigation of legislative agencies with the exemption of the Office of Victims' Rights. She mentioned occasional complaints related to legislative agencies and aides. She interpreted that the ombudsman would have access to the mentioned contracts as would the Legislative Council.

Vice-Chair Neuman referred to section 6, page 3 and "the procedure shall be followed by the office in a professional." He asked if the section referred to all state agencies.

BETH LEIBOWITZ, OFFICE OF OMBUDSMAN, JUNEAU (via teleconference) requested question clarification. She stated that section 6 addressed procurement for the ombudsman office.

Vice-Chair Neuman understood. He asked about the authority related to the terms "otherwise erroneous."

[10:10:22 AM](#)

Ms. Leibowitz replied that "otherwise erroneous" was a catch-all category that was rarely used. She mentioned the other appropriate terms related to complaints such as "arbitrary, oppressive, unfair, and contrary to law."

Co-Chair Stoltze did not disagree with the bill. He opined that the legislation included good policy provisions. He noted that the fiscal notes were discussed earlier in the meeting.

10:11:36 AM

Vice-Chair Neuman MOVED to REPORT CSHB 127 (JUD) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 127 (JUD) was REPORTED out of committee with a "do pass" recommendation and with two new zero fiscal notes from the Department of Administration, one new zero fiscal note from the Legislature and one new zero fiscal note from the Department of Corrections.

#

ADJOURNMENT

The meeting was adjourned at 10:12 a.m.