

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 16, 2018

8:01 a.m.

MEMBERS PRESENT

Representative Harriet Drummond, Chair
Representative Justin Parish, Vice Chair
Representative Jennifer Johnston
Representative Chuck Kopp
Representative David Talerico

MEMBERS ABSENT

Representative Ivy Spohnholz
Representative Lora Reinbold (alternate)
Representative Geran Tarr (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 339

"An Act relating to the base student allocation; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 233

"An Act relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit; providing for an effective date by repealing the effective dates of secs. 3, 5, 7, 10, 14, 16, 18, 21, 23, 25, 28, 30, 32, 35, 37, 39, 42, 44, 46, 49, 51, 53, and 55, ch. 92, SLA 2010, sec. 14, ch. 7, FSSLA 2011, secs. 15, 17, 19, 21, 23, and 25, ch. 74, SLA 2012, sec. 49, ch. 14, SLA 2014, secs. 37, 40, 43, and 46, ch. 15, SLA 2014, and secs. 26 and 31, ch. 61, SLA 2014; providing for an effective date by amending the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 339

SHORT TITLE: INCREASE BASE STUDENT ALLOCATION
SPONSOR(s): REPRESENTATIVE(s) GARA

02/09/18 (H) READ THE FIRST TIME - REFERRALS
02/09/18 (H) EDC, FIN
02/16/18 (H) EDC AT 8:00 AM CAPITOL 106

BILL: HB 233

SHORT TITLE: EDUCATION TAX CREDITS; SUNSET; REPEALS
SPONSOR(s): REPRESENTATIVE(s) TUCK

04/15/17 (H) READ THE FIRST TIME - REFERRALS
04/15/17 (H) EDC, FIN
02/16/18 (H) EDC AT 8:00 AM CAPITOL 106

WITNESS REGISTER

REPRESENTATIVE LES GARA
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint titled "Education Matters".

REPRESENTATIVE CHRIS TUCK
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as prime sponsor of HB 233.

SUSAN FOLEY, President
University of Alaska Foundation
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 233.

ROBERT ONDERS, M.D., J.D., M.P.A.; President
Alaska Pacific University (APU)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 233.

BRADLEY HARRIS, PhD;
Associate Professor of Marine Biology
Alaska Pacific University (APU)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 233.

MIKE SATRE, Manager
Government and Community Relations
Hecla Greens Creek Mine;

Board Member, Council of Alaska Producers
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 233.

BRANDON SPANOS, Deputy Director
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 233.

DAN STICKEL, Chief Economist
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 233.

ACTION NARRATIVE

[8:01:33 AM](#)

CHAIR HARRIET DRUMMOND called the House Education Standing Committee meeting to order at 8:01 a.m. Representatives Drummond, Talerico, Kopp, Parish, and Johnston were present at the call to order.

HB 339-INCREASE BASE STUDENT ALLOCATION

[8:02:27 AM](#)

CHAIR DRUMMOND announced that the first order of business would be HOUSE BILL NO. 339, "An Act relating to the base student allocation; and providing for an effective date."

[8:02:55 AM](#)

REPRESENTATIVE LES GARA, Alaska State Legislature, said he appreciated being able to share what schools were currently experiencing with inflation-adjusted funding at \$90 million less than in 2015.

REPRESENTATIVE GARA turned to slide 1, titled "Education Matters, IT'S TIME TO INCREASE THE BSA." The slide contained a Nelson Mandela quote, "Education is the most powerful weapon we can use to change the world."

8:03:25 AM

REPRESENTATIVE GARA turned to slide 2, titled "Lost Opportunity: Lost Forever," which read as follows [original punctuation provided]:

Students can not come back to repeat the 4th grade ... once we fix the budget crisis.

REPRESENTATIVE GARA emphasized that the effects of budget cuts on children would result in permanent damage.

REPRESENTATIVE GARA turned to slide 3, titled, "HB 339: A Modest Increase," which read as follows [original punctuation provided]:

This bill would increase the BSA by \$100. It is co-sponsored by Education Chair Drummond and Reps. Spohnholz, Kawasaki, Tuck, Josephson, and Parish.

REPRESENTATIVE GARA explained that the base student allocation (BSA) of \$100 was the amount that the legislature has traditionally increased funding, when it has increased funding. He recalled that education had "flat funding" throughout the 1990s and education funding was experiencing the same effects now. He asked what impacts that would have on education.

8:04:20 AM

REPRESENTATIVE GARA turned to slide 4, titled "Juneau Superintendent Dr. Mark Miller Put It Well," which read as follows [original punctuation provided]:

"Over the past five years, the BSA has been nearly flat. Over that same time, my operating expenses from the general fund have increased nearly 10% . . . We have used our general fund balance to survive the last couple of years ... we are now being forced to consider severe cuts to try to fill a \$3 million hole ... A \$100 BSA student increase would not solve this problem, but it would go a long way to help."

REPRESENTATIVE GARA said any school districts with reserves, such as Juneau, have used their reserves to "dampen" the effects of flat or lost funding. The Juneau School District (JSD) has lost a significant number of teachers, class sizes have increased, and

the district has reached a point that it no longer has the reserves to offset deeper cuts.

[8:04:41 AM](#)

REPRESENTATIVE GARA turned to slide 5, titled "K-12 Formula funding, FY-15-19 (Nominal dollars), which consisted of a bar chart. He explained the graph represented actual dollars not adjusted by inflation, mostly reflected by the loss of \$43 million budgeted in 2015.

REPRESENTATIVE GARA turned to slide 6, titled "The Loss is Greater When You Consider Inflation: \$90 Million." He stated that the Legislative Finance Division estimated that the state education funding was \$90 million lower than in 2015 when considering inflation. He said, "Those are dollars."

[8:05:15 AM](#)

REPRESENTATIVE GARA turned to slide 10, titled "Cuts Have Hit Students Across the State," which read as follows [original punctuation provided]:

In Anchorage, since 2013:

- 394 FTE positions have been cut (a 9.3% reduction)
- 216 of these were teachers
- The remaining were mostly teacher assistants
- Classroom sizes have increased and will continue to
- ...

REPRESENTATIVE GARA stated that since 2013, Anchorage has lost nearly 400 fulltime equivalent (FTE) positions; approximately half teachers along with many teacher's assistant positions. He related that an English as a second language teacher did not think it was possible to adequately teach by herself with existing staff levels.

REPRESENTATIVE GARA turned to slide 11, titled "At The Same Time in Anchorage...", which read as follows [original punctuation provided]:

- Special education enrollment is up 3.2%
- Intensive needs enrollment is up 8.6%
- Preschool enrollment is up 34%
- And many fixed costs, such as health care, have skyrocketed.

REPRESENTATIVE GARA said that at the same time enrollment has increased for some of the most expensive students who also deserve equal education. He reported that the base student allocation (BSA) was close to \$6,000 per student but special education student costs were at \$29,000. He pointed out that under federal law those students deserve an equal opportunity to reach their potential.

[8:06:25 AM](#)

REPRESENTATIVE GARA turned to slide 12, titled "Mat-Su Faces Similar Cuts," which read as follows [original punctuation provided]:

- Cut \$8.4 million in FY 18, resulting in the loss of 87 FTE positions
- Expects to face an \$8 million deficit in FY 19
- The district has cut 247 FTE teachers, classrooms aides and classroom assistants since 2013, a 9.3% cut
- Also cut roughly 8 special education instructors

[8:06:56 AM](#)

REPRESENTATIVE GARA, reviewing slide 12, estimated that most of the 87 FTE cuts would be teachers.

REPRESENTATIVE GARA turned to slide 13, titled "Eagle River High School Student," which read as follows [original punctuation provided]:

Annual pink slips cause her mother, a teacher, to think about leaving Alaska. This is a teacher who has won a Milliken Educator Award.

REPRESENTATIVE GARA emphasized this slide highlighted the biggest problem that transcends education and the economy, which was that the best teachers are thinking about leaving. When schools lose their best teachers, the schools can no longer teach to the standards that would meet our expectations. He said, "I think it's fair to say that parents and educators do not see a commitment to public education coming from the state right now."

[8:07:43 AM](#)

REPRESENTATIVE GARA turned to slide 14, titled "Anchorage Student at Stellar," which read as follows [original punctuation provided]:

Her brother at Romig Middle School feels with 30 students in his biology class, he'd be disruptive if he asked all his questions.

REPRESENTATIVE GARA elaborated that this student walked out of class on many days feeling that he had not been able to ask all the questions he needed to ask.

[8:08:09 AM](#)

REPRESENTATIVE GARA turned to slide 15, titled "Anchorage Alaska School Board Member," which read as follows [original punctuation provided]:

To avoid additional teacher cuts, the district has taken away course planning periods for teachers. Estimated cuts from future flat funding (budgets have not yet been adopted):

- 91 more FTE teacher losses in FY 19
- 107 more FTE teacher losses in FY20

Admin and support already cut by 28.5%, includes teacher training.

REPRESENTATIVE GARA asked members to realize that "flat funding is a cut." He stated that Anchorage, as well as most school districts, have tried to focus on administrative cuts. The next cuts would impact teachers, classrooms, and curriculum as flat funding continues.

[8:09:09 AM](#)

REPRESENTATIVE GARA turned to slide 16, titled "Wrangell High School Student," which read as follows [original punctuation provided]:

School no longer provides 3 years of foreign language, which is required by many colleges. Consequently, needs to take non-interactive, on-line courses and watch videos. No teacher engagement.

REPRESENTATIVE GARA characterized non-interactive, on-line courses, and watching videos as being "reading, not learning."

8:09:40 AM

REPRESENTATIVE GARA turned to slide 17, titled "15-year-old JDHS student," which read as follows [original punctuation provided]:

Class sizes are increasing. Hears people and peers talk about leaving Alaska. Is discouraged.

REPRESENTATIVE GARA referred to this as a "brain drain" from the State of Alaska, and wondered if this was the legacy that this legislature wanted.

8:10:00 AM

REPRESENTATIVE GARA turned to slide 18, titled "Juneau School District Rep," which read as follows [original punctuation provided]:

Flat funding means recent losses of:

- nurses
- Tlingit language teachers
- classroom and special ed teachers

It is threatening burn-out of the best teachers. Class choice is down. Classes sizes are up.

REPRESENTATIVE GARA reminded members of the science teacher who reported that her science class size increased from 28 to 32 students in middle school, which was the breaking point for her to provide individual education. He emphasized the need to teach to the student and not "bulk teach."

8:10:42 AM

REPRESENTATIVE GARA turned to slide 19, titled "Juneau School Board Member," which read as follows

- District has cut 92 teacher and other positions
- Facing continued cuts without inflation-adjusted funding
- Cut Middle School counselors for 100 students from 2 - 1
- Want to train to higher standards but "administration" cuts includes cuts to teacher instructional coaches.

REPRESENTATIVE GARA, reviewing slide 19, commented that the cuts will largely be deeper in the classroom as the superintendent

previously testified at an earlier hearing. The state has been asking teachers to teach to higher standards; however, cuts to administration equated to training teachers to teach to higher standards that has a direct impact on the classroom.

[8:11:15 AM](#)

REPRESENTATIVE GARA turned to slide 21, titled "Anchorage School District CFO," which read as follows [original punctuation provided]:

- Class sizes are up
- Eliminated funds for teacher professional training
- Cut 122 positions last year
- Cutting support for gifted students
- Have focused past cuts outside the classroom as much as possible
- Future cuts will hit the classroom harder

REPRESENTATIVE GARA stated no student was more equal than other students, for example, schools are losing support for gifted students.

REPRESENTATIVE GARA turned to slide 22, titled "AEA Re and Teachers," which read as follows [original punctuation provided]:

- At schools without high income parents, cuts hit harder
- Combining ESL and IEP students in same classes

REPRESENTATIVE GARA recalled a teacher at Clark Middle School, one of the lower income schools in Anchorage, told him that the school combined English as a second language and IEP [Individual Education Program]. These student groups do not have the same needs, he said. He characterized some schools resorting to "bulk teaching."

[8:12:13 AM](#)

REPRESENTATIVE GARA turned to slide 23, titled "Kenai Peninsulas School District," which read as follows [original punctuation provided]:

- No music taught in many schools now
- Have tried not to cut teachers, have cut elsewhere
- Future cuts WILL hit teachers

REPRESENTATIVE GARA cautioned members that cutting teachers was coming and that the Kenai School District has exhausted its reserves. Since 2009, the state has enjoyed one strong year of school funding and the rest have been close to flat funding, he said.

[8:12:46 AM](#)

REPRESENTATIVE GARA turned to slide 24, titled "Cordova," which read as follows [original punctuation provided]:

- Spreading teachers too thin
- No nurses
- Chemistry not offered every year. This affects college applications.
- One student could not fit chemistry in schedule last, can't take chemistry this year, will have to wait another year.
- Can't realistically teach ESL students with only 1 teacher

REPRESENTATIVE GARA stated a student in Cordova must wait two years to take chemistry and she expressed concern that this would adversely affect her college application. He emphasized that these cuts impact students and their ability to reach their full potential and be part of an educated work force that will move this state forward.

[8:13:24 AM](#)

REPRESENTATIVE GARA turned to slide 25, titled "Seward High School and Soldotna Prep," which read as follows [original punctuation provided]:

- 1 music teacher for combined middle and high school in Seward
- Soldotna Prep - no choir or band, or art classes.

REPRESENTATIVE GARA said that things like music matter and that children do not go to school just to learn the three Rs.

REPRESENTATIVE GARA turned to slide 26, titled "Let's not make this mistake." He offered his belief that an undereducated child or one not educated to reach his/her potential "is a child who's lost."

[8:14:15 AM](#)

REPRESENTATIVE GARA offered to correct an earlier estimate he gave for the BSA increase of \$100, which he had indicated was approaching \$30 million; however, the fiscal note calculation using current student counts estimates the BSA at \$25 million.

[8:14:37 AM](#)

REPRESENTATIVE GARA turned to slide 27, titled "Thank you," which read as follows [original punctuation provided]:

Thank you for your commitment to Alaska's youth.

REPRESENTATIVE GARA said the state does not currently have a plan to eliminate the \$2.5 billion budget deficit. Of course, legislators have their own ideas, but a fiscal plan does not exist. Students cannot wait for the state to solve fiscal problems, he said. His presentation was an effort to "paint a picture" for the committee that illustrated the issues many school districts throughout the state face with the base student allocation (BSA).

[8:15:58 AM](#)

REPRESENTATIVE GARA referred to a letter from [Shannon Johnson-Nanalog, Iliamna community member and mother], and read several sentences, "I have seen our Lake and Peninsula District save and cut with the flat funding we have received now in the past 4 years. We have eliminated programs and then last year we had no choice but to cut school days off our school calendar." He offered his belief that this was not any way to move education forward. He concluded by stating that this was a statewide problem.

[8:17:09 AM](#)

REPRESENTATIVE KOPP asked for further clarification that in fiscal year [FY] 15 the legislature distributed \$43 million "outside" the [foundation] formula.

REPRESENTATIVE GARA responded that he thought that was a fair way to state it. He clarified that the additional funding was distributed through the [foundation] formula under the formula's calculation as to which districts received the money, just like the BSA; however, it was not made as an increase to the BSA itself. That additional funding went to school districts as though it was [foundation] formula funding.

8:17:41 AM

REPRESENTATIVE KOPP related his understanding that it was a one-time appropriation; that it was not in the budget in a previous FY and it was not after FY 15. He pointed out that the legislature increased the BSA by \$50 BSA in FY 16 and again in FY 17. By using the one-time appropriation of \$43 million in FY 15 as a baseline, it appeared that the legislature was dropping the ball. Although he did not disagree that the state needed money for education, he clarified the state has increased the BSA.

REPRESENTATIVE GARA acknowledged that it was fair to say it that way. He acknowledged substantial debate happened when the legislature passed the bill in 2015. Many legislators felt that the declining money in out years was not appropriate and it would result in budget cuts to schools. He clarified that the \$43 million was distributed through the formula, but it was not included in the annual BSA. He added that there was "outside" funding that was to be distributed through the formula in the following year. Although he and Representative Drummond objected to the deletion of that funding; the funding was deleted. There was supposed to be funding in the next two years "outside the formula" to be distributed through the BSA, but that funding was "wiped out of the budget in 2016 and 2017." It was not supposed to disappear the way it did. He said, "There would be a lot of back and forth between school districts about whether losing \$43 million is not losing \$43 million," he said.

8:20:09 AM

REPRESENTATIVE KOPP said he was interested in what was being used as a baseline since he viewed FY 15 as a one-time cash infusion. He offered his belief that the point could be made in other ways. Without including the \$43 million - the one-time case infusion - it appeared that the funding would show year-by-year improvements.

REPRESENTATIVE GARA said he did not want to argue about funding, acknowledging there are many ways to consider funding. For example, he could have added in money spent for school construction, which is funding that was not directed to the classroom. Instead he wanted to focus on how funding has impacted schools, including reductions of approximately 400 teachers and staff in Anchorage, with an estimated additional 100 cuts to teachers this next year. The money was not as important

as what is happening to school, which has resulted in lost courses, teachers, nurses, and lost opportunities.

[8:21:40 AM](#)

REPRESENTATIVE KOPP offered that Representative Gara raised important issues. He stated that the number one cost driver in education was healthcare. Instead of aggressively reforming the way to take care of teachers and staff and figuring out how to more optimally pay the costs, the state just finds more money in the BSA. He said this underscored why the state must look at better ways to review the highest cost drivers to avoid increasing appropriations to wrestle with very serious funding problems. He said he thinks that our teachers do suffer. He indicated that health care was the most critical issue the state needed to address since that drives the cost in every school district.

REPRESENTATIVE GARA agreed with Representative Kopp on health care costs. He did not think any bills comprehensively change health care costs. The state needs to get serious about health care costs, he said.

[8:23:00 AM](#)

CHAIR DRUMMOND interjected that the highest budget cost for any school district was for people, next to health insurance. She offered her belief that as health insurance costs increase teachers are cut. This was no way to run school districts, she said.

[8:23:23 AM](#)

REPRESENTATIVE JOHNSTON asked whether the Anchorage School District (ASD) 34 percent increase in preschool was for preschool students with IEPs.

REPRESENTATIVE GARA offered to research and respond; however, he thought it reflected overall preschool costs.

[8:23:52 AM](#)

REPRESENTATIVE JOHNSTON related her understanding that the ASD was innovative with preschool by allowing non-profit preschools to use ASD facilities. She said the ASD's superintendent has publicly said this was the best method because it provided quality preschool to more students for less funding.

REPRESENTATIVE JOHNSTON remarked that she got a different perspective when students and school boards visited her office this year. She reported that there are some exciting things going on in the state, including exciting innovations and cross-fertilization among school districts. Although she would like to think this happens when the state has a lot of money it does not. She heard from students sharing fascinating stories. She said, "I didn't hear all the doom and gloom you did." She reiterated that some exciting things were going on. She asked whether Representative Gara had been part of the education challenge. In terms of health care, she argued that many legislators were actively working on health care. It takes time to address. In terms of a fiscal plan, she noted that both houses had a majority vote for percent of market value (POMV). She hoped that the legislature would be able to achieve a POMV because it would be a start of a fiscal plan.

[8:26:32 AM](#)

REPRESENTATIVE GARA indicated he has also heard from students who were thriving, and from parents whose children are thriving, and teachers who are doing their best. He argued that it did not make up for the fact that chemistry was only offered every two years in some schools nor did it make up for students not being able to ask questions in class because the classes are so large. He offered his belief that schools were doing the best they can with what they have. He applauded educators who were doing so. He said there was a difference between parents who are fully engaged with their children and those who are not. He characterized it as a dividing line that has always existed. He did not think that the legislature was doing what it could to give students in Alaska the ability to achieve their full potential.

REPRESENTATIVE GARA said he would not deny that lots of good things were happening. While some things were being addressed in terms of health care, he felt the legislature lacked a comprehensive effort to make meaningful reductions on health-care costs. He applauded the efforts being made, in terms of the price transparency bill. He said he thought it would take a statewide and community effort to solve that will take time.

[8:28:23 AM](#)

REPRESENTATIVE JOHNSTON offered her belief that the Municipality of Anchorage has passed the best transparency bill.

[8:28:32 AM](#)

REPRESENTATIVE PARISH asked why the legislature should let the value of our students' education be gnawed away at by inflation.

CHAIR DRUMMOND expressed concern to hear that special education students were in the same classes as ESL [English as a Second Language] students. She characterized it as abominable. She asked for further clarification on the cost for special education students.

REPRESENTATIVE GARA recalled that in the mid-2000s, funding was increased to approximately \$29,000.

[8:29:19 AM](#)

CHAIR DRUMMOND pointed out that intensive needs' enrollment was up 8.6 percent. She said this group included medically fragile children that require nursing assistance and other services that cost \$70,000 per year. She offered her belief that preschool enrollment was up because income is also down. She predicted that more kids are eligible for programs such as Head Start and other similar programs due to socioeconomic conditions. She expressed an interest in hearing from the ASD on preschool enrollment. She said that we need to have additional preschool classes.

REPRESENTATIVE GARA said that what resonated most with him was that a child who does not receive the education he/she needed in 6th grade would not come back five years later for it.

CHAIR DRUMMOND announced that HB 339 would be held over.

HB 233-EDUCATION TAX CREDITS; SUNSET; REPEALS

[8:30:41 AM](#)

CHAIR DRUMMOND announced that the next order of business would be HOUSE BILL NO. 233, "An Act relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit; providing for an effective date by repealing the effective dates of secs. 3, 5, 7, 10, 14, 16, 18, 21, 23, 25, 28, 30, 32, 35, 37, 39, 42, 44, 46, 49, 51, 53, and 55, ch. 92,

SLA 2010, sec. 14, ch. 7, FSSLA 2011, secs. 15, 17, 19, 21, 23, and 25, ch. 74, SLA 2012, sec. 49, ch. 14, SLA 2014, secs. 37, 40, 43, and 46, ch. 15, SLA 2014, and secs. 26 and 31, ch. 61, SLA 2014; providing for an effective date by amending the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014; and providing for an effective date."

[8:31:06 AM](#)

REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, thanked members for hearing the bill today. He stated that HB 233 would extend the education tax credit program from December 31, 2018 to January 1, 2025 and ensure that the credits that exist in statute today will continue to support our education programs and institutions.

REPRESENTATIVE TUCK stated that the education tax credit program would allow private businesses to make charitable contributions to support public and private education in Alaska. Private businesses can fund institutions and programs throughout Alaska with direct monetary contributions or provide equipment and supplies. He said the objective was to help the next generation. He related that the fishing, mining, construction and oil and gas industries can contribute to education programs and institutions but can also foster student' interest in career opportunities. He characterized the education tax credit as a direct connection between businesses, our education system and students.

[8:32:48 AM](#)

REPRESENTATIVE KOPP remarked that he was excited about this bill. He said that he had heard from several industries, including Hecla Mining Company, Greens Creek and oil and gas industries. He agreed that this makes education directly responsive to the needs of the local communities and it promotes a strong Alaska labor: local labor and local hire. He characterized it as a great policy to move forward. He offered his complete support for HB 233.

[8:34:07 AM](#)

SUSAN FOLEY, President, University of Alaska Foundation, stated she has submitted a letter of support for HB 233. The University of Alaska (UAA) has been one of the highest recipients of contributions of education tax credits. The impact has been significant. She related that many companies in Alaska would like to support education in Alaska. These companies

strategically engage in multi-year planning to have impact over a sustained period of a time. They also want their employees to see the results of their contributions. She characterized the six-year extension of this bill as very important because it enables companies to partner with educational institutions and to institute and foster programs. She found the multi-year aspect of HB 233 as allowing companies to be influential.

MS. FOLEY stated that the University of Alaska Foundation has received feedback from corporations that the way the education tax credit program was structured creates a major incentive for their donations. The structure allowed corporations to see the direct impact of their donations and receive recognition for their support. This enables them to partner in significant programs that will benefit their future business enterprise. Finally, for an academic institution, the long-term nature of this extension was important because it takes time to start programs, get them running efficiently, recruit students, and bring things to fruition. She acknowledged and appreciated the work legislators make.

[8:38:36 AM](#)

ROBERT ONDERS, M.D., J.D., M.P.A.; President, Alaska Pacific University (APU), offered his support for HB 233. He characterized this bill as providing a critical connection between industry, education, and students. This bill facilitates community-based research that engages students with industry and the external community, which was an essential component of education at Alaska Pacific University (APU).

[8:39:28 AM](#)

BRADLEY HARRIS, PhD; Associate Professor of Marine Biology, Alaska Pacific University (APU), offered his support for HB 233. He reiterated the importance of this bill in terms of APU's educational profile. He related his experience as a professor.

DR. HARRIS said he has seen industry resources go directly to support student outcomes. He said that the tax credit program was working as designed. It has provided opportunities for students in Alaska to obtain a high-quality education in areas that directly align with needs within Alaska. He stated that this program provided opportunities for world class education and research opportunities and created a "win-win" solution for educational institutions, industry, and students.

[8:40:38 AM](#)

DR. HARRIS offered to outline four things that highlighted the strategic components of the tax credit program. First, the tax credit program has allowed professors, such as himself, to recruit and support excellent students throughout Alaska and outside Alaska. He said this was particularly important in natural resource fields, which are highly competitive fields. He pointed out that the tax credit program provides tuition and project support, which are critical elements when recruiting students. Second, the program has allowed the university to invest in strategically important research areas, in particular, applied research projects require high levels of engagement from practicing professionals; for example, researchers from federal and state agencies and other universities are drawn to Alaska because of the type of research being performed. Our students benefit from this, he said. These robust and strategic partnerships can be developed with state, federal, industrial, and private partners and ultimately produce new levels of funding.

DR. HARRIS said the third thing was that since the university has ongoing projects it can submit proposals, which have experienced a high-rate of success, which results in value-added growth in these programs. Finally, APU has been expanding research and education with partnerships in the nation and worldwide. He related that APU had researchers from Cornell University, the Smithsonian, National Oceanic and Atmospheric Administration, the US Geological Survey, US Fish & Wildlife Service and ADF&G actively working with students to address natural resources issues important to Alaska. He referred to a letter in members' packets that contained a list outlining some very specific outcomes including listing home towns of students and where they are working. He said that list was a small subset of students that were being impacted by the tax credit program in HB 233. He hoped that would illustrate his point that the tax credit program works. He asked members to please support HB 233.

[8:43:22 AM](#)

MIKE SATRE, Manager, Government and Community Relations, Hecla Greens Creek Mine; Board Member; Council of Alaska Producers, stated that his wife has also spent 20 years working in the Juneau School District. The work this committee does directly affects his family and he appreciated members' service.

MR. SATRE offered general comments on tax policy. The legislature holds many discussions on tax policy. We know that we can tax things to curtail activities that are not beneficial to our communities or the legislature can provide incentives by rolling back taxes. He characterized the education tax credit as a means to encourage industry to invest in Alaska's educational system, both at the secondary level and with our universities by forming partnerships. This benefits companies but also the regions companies operate in to build community and capacity. He offered his belief that one of the private sector's challenges was recruitment and retention of an Alaskan work force. As Alaska works to grow its economy, that challenge will become even greater. This has been something that Hecla Greens Creek mine has recognized, that attracting Alaskan workers provides a stable work force since they stay longer and contribute to their community.

MR. SATRE said he also recognized that posting a job opening would not necessarily provide the highly skilled, highly-educated work force Greens Creek mine needs. The industry does not have the capacity to provide all the training necessary; however, the universities do. In 2011, Hecla Greens Creek looked to partner with the University of Alaska [Southeast] (UAS) to develop a program called "Pathways to Mining Careers." This program starts with a college course that high school juniors and seniors take that provides a broad survey of hundreds of career opportunities in the mining industry. This program provides students with an educational foundation for choices they may make when choosing their professions. Once they take that course, Hecla Greens Creek tries to direct interested students into a two-year diesel mechanic degree program at the Career and Technical Education program at UAS. He emphasized that the diesel mechanic represented one of the mine's greatest needs. He characterized the diesel mechanic program as a high-tech profession that requires specialized training. Hecla Greens Creek provides scholarships for students, an internship, and ultimately hopes students will choose them as an employer. Between 2011-2016 over 200 students have taken the entry level course, with 13-14 students completing the two-year degree program. Further, many of these students have chosen to work for Greens Creek mine, live in Juneau, and provide for their families.

[8:46:55 AM](#)

MR. SATRE offered that his company has also endowed scholarships at the University of Alaska Fairbanks and geology scholarships at the University of Alaska Anchorage, and Hecla Greens Creek works

with secondary schools in the region to develop interest. He urged members to support this bill and pass it on to the next committee of referral. He acknowledged that the program would sunset at the end of the year, making it very difficult to bring this valuable tax credit into existence. He appreciated Representative Tuck introducing this bill.

[8:47:35 AM](#)

CHAIR DRUMMOND asked whether the partnership with UAS begins with junior and seniors in high school and was not limited to post-secondary training.

MR. SATRE responded that current students were more aware of educational tracks and professions much earlier, so the company felt it was important to start its program to benefit high school students to give them an opportunity to follow a pathway that will benefit them.

CHAIR DRUMMOND commented there was a theory that states that students in second or third grade know what they want to do as adults. She closed invited testimony.

[8:49:37 AM](#)

REPRESENTATIVE PARISH asked for further clarification on the types of business that uses the tax education credit.

[8:50:16 AM](#)

BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue (DOR), responded that in 2016, 37 companies used the education tax credit, varying from oil and gas and mining to banking and retail sector. He said that any corporate income tax payer with qualifying donations could use the education tax credit.

REPRESENTATIVE PARISH was hoping to learn about the average size of the companies using the education tax credit program.

MR. SPANOS said that most companies were large multi-state or multi-national companies.

REPRESENTATIVE PARISH asked if he had any idea about the smallest company.

MR. SPANOS deferred to Mr. Stickle.

[8:52:02 AM](#)

DAN STICKEL, Chief Economist, Tax Division, Department of Revenue (DOR), stated that the primary business are large businesses. He pointed out that these companies must be large enough to have a significant corporate income tax liability to apply these types of credits. The primary beneficiaries would be large resource-oriented companies.

[8:52:27 AM](#)

REPRESENTATIVE KOPP offered his belief that these would be the same companies producing the same employees that make this community work; ones that fund everything.

CHAIR DRUMMOND reiterated these companies must be large enough to have a significant corporate income tax liability in order to make contributions like this.

MR. STICKEL agreed.

[8:52:58 AM](#)

REPRESENTATIVE PARISH expressed an interest in exploring ways for the smaller companies to participate, as well. He was unsure of the threshold but said that currently the sweet spot for donations seemed to be \$300,000. He would like to see that lowered. He stated that the amount of the credit was 50 percent of contributions of not more than \$100,000; 100 percent up to \$300,000 of contributions; and 50 percent of the amount of contributions that exceed \$300,000 [as per AS 43.20.014 (12)(b)]. He recalled the cap was \$5 million. He related his understanding this could discourage companies that could not reach the \$300,000 "sweet spot" from participating. He said he thought that some smaller businesses in the state would be interested in participating in a program that promotes education in the state for excellent causes.

[8:54:41 AM](#)

CHAIR DRUMMOND acknowledged that the names of the companies was confidential information. She said that if those companies wanted to identify themselves, nothing would prevent them from doing so; for example, Hecla Greens Creek or the other companies that visited her office and revealed themselves as participants who helped create jobs and training in Alaska.

MR. SATRE agreed that was correct.

[8:55:16 AM](#)

CHAIR DRUMMOND encouraged companies to identify themselves if they so choose.

[8:55:33 AM](#)

CHAIR DRUMMOND announced that HB 233 would be held over.

[8:55:45 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 8:56 a.m.