

ALASKA LEGISLATURE

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In a 1990 case, *Rovira v. AT&T*, Judge Robert Patterson of the federal court for the Southern District of the State of New York ruled. "The plain words of the plan require a legal marriage rather than a putative or functional one." Sandra Rovira had sued AT&T citing a local New York City ordinance that bans discrimination on the basis of sexual orientation, a New York state law that bans discrimination on the basis of marital status, and AT&T's policy banning discrimination in both of those categories.

Patterson left it to the state legislature or labor-management negotiators to decide whether the definition of spouse should be expanded. While nothing prevented Rovira and other employees from seeking redress from AT&T or the legislature,

they compelling set of circumstances. Health benefits resonate with people in a way that nothing else does. That doesn't mean other benefits aren't important, but this case was designed to be the opening wedge."

Under the settlement, both gay and heterosexual domestic partners now receive the same health benefits available to spouses and dependent children.

Employers do not always treat all domestic partners equally, however. In 1991, Lotus Development Corporation extended domestic partner health care benefits for same-sex couples only, on the grounds that opposite-sex couples could qualify simply by getting married. The policy caused such an uproar



Many of the companies that have been most progressive in extending benefits are in vigorous, fast-growing sectors of the economy.

absent such efforts, ERISA took precedence.

"We argued that AT&T's promise not to discriminate on the basis of marital status and sexual orientation applied to the administration of its pension plan," says Suzanne Goldberg, a Lambda staff attorney. "The court ruled that ERISA preempted not only state and local law, but also the application of an employer's promise."

Even when the plan sponsor is a public entity, not covered by ERISA, and does not restrict the definition of beneficiary to spouses, the question arises as to just how many benefits the sponsor would be willing to extend to domestic partners.

In last year's settlement of a widely watched 1988 court case, *Gay Teachers Association, et al. v. The Board of Education of the City of New York*, post-retirement benefits were specifically excluded. The attorneys arguing the case decided to focus on obtaining health benefits—in part because the need for these could be readily understood by a wider public, but also to avoid any legal complications stemming from ERISA.

"When we filed this case in 1988 there was very little actual accomplishment, legal or otherwise, toward getting recognition of these benefits," says Wolfson. "The idea was to take the cleanest possible case and a

among Lotus employees that they generated enough electronic mail to crash the company's e-mail system. Management has yet to expand the coverage, however.

An inexpensive addition

The growth of defined contribution plans has made it easier to extend some level of retirement benefits to domestic partners, however, because the plan participant can designate the beneficiary—including a domestic partner.

"What ignited it for us in thinking about domestic partners and spousal equivalent benefits was our employee population," says Tomas Mathews, director of human resources at IDG. "We had a number of employees—gay and lesbian employees—is well as the rest of our population that brought the issue forward."

When IDG extended "spousal equivalent benefits" to its US employees in April of last year, the benefits included health and retirement. The company offers its roughly 5,000 employees worldwide a 401(k) plan, but with no employer contribution. While it is privately held, IDG also has an employee stock ownership plan that is virtually identical to those offered by publicly held employers. The stock



is valued annually by an outside accounting firm.

The ESOP and 401(k) beneficiary is the employee's spouse or spousal equivalent, unless they consent to another beneficiary being named. The only benefit domestic partners are now specifically excluded from sharing is a dependent life insurance policy. "We want to attract the best people we can get wherever they come from," says Mathews, and allowing their domestic partners to benefit from IDG's retirement programs was one way to facilitate this.

In an expanding business like computer magazine publishing, which often requires high levels of employee skills, changes in benefits at one company can prompt others to make similar changes in order to stay competitive. New York-based Ziff-Davis, an IDG competitor in magazine publishing, added health and retirement benefits for domestic partners some six months after IDG announced they would offer them, Mathews notes.

But Ziff-Davis says competitive issues were not the cause. "Ours was a philosophical decision much more than a competitive decision," says Sharon Silver, director of benefits. In fact, Silver says, Ziff-Davis had already decided to offer benefits to domestic partners before IDG implemented their benefit plan. The privately held company offers its 3,700 employees a 401(k) plan with a profit sharing feature.

Whatever their concerns about competition, employers say that adding domestic partner benefits helps to maintain the perception of the workplace as fair and to boost morale. "You've got to treat

1992. MPR matches employee contributions to its 403(b) retirement savings plan. And since MPR is self-insured and does not pay dependents' health coverage, its costs were low to begin with. Domestic partners pay their own premiums, but use their health coverage less than spouses and dependents, MPR officials found. So not only has extending health benefits to domestic partners proved inexpensive, MPR is "better off economically," Kigin says.

Tax issues, and a court case

The tax issues, particularly for the employee, are a different matter, however.

When the employee pays the premium for a domestic partner's health benefits there are no tax issues, says Peter Wilson, a principal at employee benefits consultant Alexander & Alexander in San Francisco. And when the employer pays the premium for an employee's spouse, the employee is not taxed. But if the employer pays the premium for a domestic partner, the Internal Revenue Service considers it part of the employee's taxable income.

The tax issues do not stop there. If the coverage is offered through a flexible benefits plan, the premium for a spouse can be paid with pre-tax dollars, notes John Woyke, a principal at Towers Perrin in New York. But under a flexible benefits plan a domestic partner does not meet the legal definition of a dependent, and the premium can only be paid with after-tax dollars, making the payment an out-of-pocket expense to the employee.

Additionally, the law treats spouses and domestic partners very differently upon the death of the plan participant. For instance, a \$2 million taxable estate would not be subject to estate taxes until after the death of the surviving spouse, assuming the entire estate is inherited by that spouse, according to Paul Vogel, an estate planning specialist at Price Waterhouse in St. Louis.

But only the first \$600,000 would be free of estate taxes if left to a domestic partner. The remaining \$1.4 million would fall into a 43% tax bracket.

Domestic partners could potentially also face a 15% excise tax on those amounts that the IRS determines are an "excess retirement accumulation." Only a spouse can elect to defer that tax until after his or her death. Additional options are available to a spouse that delay the assessment of income and

Employees and advocates remain impressed by the growing list of employers offering domestic partner benefits.

people fairly," says Thomas Kigin, general counsel at Minnesota Communications Group, the parent organization of Minnesota Public Radio. "That means equal pay for equal work. You avoid discrimination. You need to establish policies that create motivation and loyalty. By the same token, they have to be practical and economically efficient."

The radio station offered its 220 employees domestic partner health and retirement benefits in

estate taxes which would not be available to domestic partners. But the differing treatment of spouses and domestic partners may change—for same-sex couples, at least—depending on the outcome of a court battle currently being waged in Hawaii.

In *Baehr v. Lewin*, introduced in 1991, three same-sex couples are suing the state to win the right to marry under state law (see "Pension benefits for same-sex partners?" *Plan Sponsor*, May 1994). A victory would mean same-sex couples could marry and become spouses with the same legal standing as opposite-sex married couples.

Under the US constitution's "full faith and credit" doctrine, one state must recognize the official

states, including Hawaii, have sexual orientation as a protected class under their law, and no such protection is provided under federal law. In some states fierce opposition to these protections has flared up.

Indeed, if *Baehr v. Lewin* illustrates anything it is that the politics surrounding the movement to provide benefits to unconventional couples can exact a cost—as Apple Computer learned last year. The California-based company had sought \$750,000 in tax abatements over seven years to build an \$80 million, 700-employee plant in Williamson County, Texas, outside of Austin.

In an initial 3-2 vote the county commissioners rejected the deal, citing Apple's policy of extending

Domestic partners pay their own premiums, but use their health coverage less than spouses and dependents, MPR officials found.

action of another—such as marriage—absent a strong public policy reason, and so Hawaii's new definition of spouse would extend across the US.

The suit was dismissed by a lower court, but in May of last year Hawaii's Supreme Court ordered the lower court to hear the case, saying that under Hawaii's state constitution, to deny a same-sex couple a marriage license was "sex discrimination." The court placed the burden upon the state to show a compelling state interest, and no less restrictive means of achieving that interest, to justify such discrimination.

The effort faces daunting political opposition. Last April Hawaii enacted a bill affirming that the state's marriage licensing laws apply only to opposite-sex couples. In an obvious poke at the Supreme Court, the bill's preamble states, "Any change in these laws must come from either the legislature or a constitutional convention, not the judiciary." But the bill also established a commission to "examine the precise legal and economic benefits" that are denied to same-sex couples, and how the Hawaii legislature could extend benefits to those couples short of allowing same-sex marriage.

Meanwhile, a trial is scheduled in *Baehr v. Lewin* for the lower court next April. With appeals assured on any ruling favored by either side, a decision is expected in 1996 from Hawaii's highest court.

Whether the other 49 states would extend "full faith and credit" to Hawaiian marriage certificates granted to gay couples is a thorny issue. Only eight

benefits to the domestic partners of its employees. One commissioner went so far as to suggest that Apple could not follow this policy in Texas, where sodomy remains a crime. Ultimately, one commissioner changed his vote and Apple went ahead with the new plant—but only after the county garnered national press and Texas Governor Ann Richards intervened.

A win in the Hawaiian case could bring that sort of explosive fight to the national level, gay advocates say. "My sense is that if the Hawaii case comes out with a decision in favor of gay marriage there will be national opposition and Congress will enter the fray," says Greg King, communications director at the Human Rights Campaign Fund (HRCF), a Washington, DC-based gay lobbying group. "Congress, as it is currently constituted, will oppose it."

This is not to say that domestic partnership benefits would face the same fate. HRCF polling data indicates that people in the US tend to have a basic sense of fairness that is offended by discrimination and inequality. The fund has found "broad support" for domestic partnership benefits, despite minimal support for "gay marriage."

"There's a underlying sense among the electorate that discrimination is wrong, but that marriage is special," King says. "What we might end up with is a situation with a call against gay marriages, but a recognition that some sort of fairness has to be enhanced by supporting domestic partnership." 95

Plan

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Stewart D. Lawrence and John J. Fadel

"Total Compensation" Plan Design: The Dollars and Sense of Adding Domestic Partner Health Coverage

Benefits, employee -
Domestic partners
1994

Domestic partner coverage has been receiving a good deal of media attention lately as private—and public—sector employers have begun to add domestic partner coverage to their health benefit programs. More than 60 organizations now offer domestic partner coverage; most have been introduced over the past few years. Many other groups that are now considering offering health benefits to spousal equivalents of employees want to know how others have assessed the costs associated with extending these benefits and what their experience has been to date. In estimating costs for extending benefits to domestic partners, two questions must be asked and answered:

1. Will the cost of adding a domestic partner be the same as adding a spouse?
2. How many employees will enroll a domestic partner for coverage?

The answer to the first question is straightforward—to date, experience demonstrates that the cost of

adding a domestic partner is the same as the cost for adding a spouse. But the second question, dealing with enrollment, can only be answered by considering certain variables, such as the size of the group, the eligibility criteria established and the cost to the employee.

The cost experience study discussed in this article represents information that may be helpful for plan sponsors who are formulating policy on whether or not to offer domestic partner benefits. It has been compiled by The Segal Company based on information provided by organizations sponsoring domestic partner benefits and on other independent research.

BACKGROUND

According to the United States Bureau of the Census, in 1970, there were 21.4 million single adults in the U.S. By 1990, there were 40.4 million single adults, an increase of almost 89 percent in just 20 years. Apparently, many of these "single" people do not live alone. Estimates by the Census Bureau are that in 1990, almost 5 percent of the more than 94 million households in the U.S. consisted of two unrelated adults who identify themselves as "partners"—a term that is not defined by the Census Bureau. In 40 percent of the house-

holds with two unrelated adults of opposite sexes, the householder is in the 25- to 34-year age group that is often the focus of employers' recruitment efforts. Similarly, in 32 percent of the households with unrelated, same-sex partners, the householder is a member of that key age group.

Employers have begun to recognize these relationships by extending health coverage to domestic partners—often defined as adults who share an emotional, physical, and financial relationship similar to that enjoyed by married couples but who either choose not to marry or cannot legally marry.

Many of these employers are being more assertive in promoting workforce diversity and have already implemented nondiscrimination clauses in human resource policies. Offering health benefits to domestic partners may be considered a natural extension of these policies.

DOMESTIC PARTNERSHIP COSTS

Private-Sector Cost Experience

It is true that when dependents are added to a health plan, costs increase. But the percentage increase, based on the size of the benefits budget, may be very small. At Stanford University, for example, the annual cost of extending health coverage for

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domestic partners was recently estimated at \$100,000. This was only 0.4 percent of a \$24 million budget for health care.

Stanford University began covering domestic partners in February 1993. When the university approached its three HMO carriers with the request for this coverage, the carriers' initial response was to increase costs by charging an additional amount based on the assumed added risk of covering domestic partners. Their intention was to "rate load" between 0.6 percent and 1 percent. Stanford challenged the carriers, and ultimately all loading was dropped. One HMO, however, did charge a flat rate fee of \$5,000 to extend benefits to domestic partners.

It is not necessarily true, however, that covering a domestic partner adds more risk than covering a spouse. This may be good news for those organizations that are considered offering domestic partner coverage. There are at least two reasons why this is not a surprising result. Domestic partners are less likely to have children (and, therefore, have fewer dependents to cover) and they are likely to be younger, on average, than the group as a whole.

Many organizations fear that a disproportionate number of AIDS-related claims will arise from covering domestic partners. However, of the health benefit plans examined by the Bureau of National Affairs in 1991, none have experienced an AIDS-related claim filed by a domestic partner of an employee. Sponsors

of these surveyed plans claim that their initial concerns regarding the high costs and risks of such coverage were unfounded. Other independent research has yielded the same conclusion.

While AIDS-related claims may be inevitable for some of these plans, it is important to note that many health plans already provide coverage for AIDS and that the average cost of treatment has been between \$50,000 and \$70,000 for the individual's lifetime. This amount is not insignificant, but other illnesses can be more expensive. For example, two weeks in intensive care following a heart attack can cost in excess of \$50,000, not including surgery, related expenses, and follow-up care.

Further evidence of the cost of other catastrophic illnesses can be found. Research conducted by Lotus Development Corporation and The Segal Company as part of the development of a domestic partner benefits program for Lotus indicated the following:

1. The cost of covering AIDS is less than that of other catastrophic illnesses. Some average costs of care per case are:
 - Heart disease: \$50,000 - 70,000
 - Cancer: \$30,000 - 100,000
 - Premature birth: \$70,000 - 1,000,000
 - AIDS: \$50,000 - 70,000

2. There is no significant difference

in the cost of covering same-sex versus heterosexual partners.

3. The risk of fraud is minimal. In addition to financial risks inherent in the domestic partner contract (e.g., each domestic partner could be held liable for the other's debts; it could be used in partition suits), an employee who signed a contract fraudulently would lose his or her job. Both these are strong deterrents.

The Segal Company/Lotus study is supported by the experience of Consumers United Insurance Company, which offers domestic partner coverage in every program it offers. It has done so for the past nine years. Consumers United offers the programs at the same cost whether spouse or a domestic partner is covered. The company's claims experience shows no difference between covering a spouse or a domestic partner.

The *Village Voice* (a week newspaper published in New York City), which introduced benefits for domestic partners in 1982, reports that covering a domestic partner costs the same as covering a married spouse. When the *Voice* started covering domestic partners, its health plan was self-insured; it has since switched to an insured situation. Its carrier, Group Health Inc. (GHI), New York, covers domestic partners

1. GHI is a not-for-profit health care service organization that provides both indemnity and managed care coverage to insured groups.

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of the *Village Voice's* covered employees at the same rate as for any other single employee.

International Data Group, Levi Strauss, and Silicon Graphics also recently began offering domestic partner benefits. Even though their experience has been somewhat limited, they have reported that they do not foresee any significant rise in health costs from the benefits that have been extended to domestic partners.

Public Sector Cost Experience

The City of Berkeley, California, began providing benefits to domestic partners through its own indemnity plan in 1985, the first city in the U.S. to do so. Because of a lack of statistical data, Kaiser Permanente and the HEALS HMO plans offered to city employees delayed domestic partner coverage until 1987, and extended it only when an additional 1.5 percent "rate loading" was added to the normal premiums. This surcharge was discontinued in 1989, after the City was able to demonstrate four years of domestic partner coverage without any claims for AIDS or other catastrophic illness. Since the City's rates have not been adversely affected, the cost to the City is limited to the premium costs associated with the additional dependents. This amounts to \$125,000 per year.

The City of Seattle, Washington, has included the domestic partners of City employees as eligible dependents in the City's medical and dental plans since 1990. According to the

Wall Street Journal (December 29, 1992), the cost for insuring employees' unmarried partners is less expensive than covering employees' spouses. In 1991, the Group Health Cooperative HMO added a 3.0 percent surcharge to the monthly premium for domestic partner coverage; the Pacific Health HMO added a 4.2 percent surcharge, and Washington Dental added a 1.2 percent surcharge. As of January 1, 1992, both HMOs and Washington Dental Service dropped the surcharge and based premiums solely on the number of enrollees. The Santa Cruz Metropolitan Transit District and Santa Cruz County, California, extended medical benefits to domestic partners in 1987 and 1990, respectively. Both plans are self-insured and to date have reported no unusual claims experience.

LIKELY ENROLLMENT OF DOMESTIC PARTNERS

The second component of the cost—how many domestic partners will enroll—depends on the size of the group, eligibility criteria, and the cost to the employee. For groups that have put this coverage in place, the enrollment had varied from less than 1 percent of the employee population to 9 percent. Plan sponsors that include both opposite-sex and same-sex couples have been at the higher end of this range. Experience shows that when sponsors offer health coverage to both groups, opposite-sex couples are more likely to enroll (see Exhibits 1 and 2).

Experience also shows that many employees with domestic partners have not enrolled them in their employers' health plans. Most probably this is because many domestic partners already have coverage elsewhere and because the cost of coverage is taxable to employees. Several IRS Private Letter Rulings have stated that an amount equal to the fair market value of the cost of providing coverage to a domestic partner must be imputed, that is, added to an employee's wages for purposes of withholding and payroll taxes.

Private Sector Enrollment Experience

For private sector employers that have extended benefits to domestic partners, the numbers enrolled have been small. In June, 1993, Levi Strauss reported that 0.3 percent of eligible employees (200 out of 25,000) enrolled a domestic partner in their plan. As of June 1993, Montefiore Medical Center in the Bronx, New York, says that only 0.29 percent of their employees (20 of 7,000) enrolled in domestic partner coverage. (Montefiore limits their coverage to same-sex partners.) Lotus's experience has been consistent with these figures. As of January 1993 14 (0.45 percent) of its 3,100 employees signed up for domestic partner benefits, which are available only to same-sex couples.

The *Village Voice* is at the high end of the range, with 9.4 percent of employees enrolled in domestic partner coverage. As of January 1993 the

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EXHIBIT 1.

Enrollment Statistics by Type of Domestic Partners and Number of Domestic Partners Enrolled

	Same Sex	Opp. Sex	Total Number of Employees	Year
<i>Private Sector Employers</i>				
Lorus	1**	N/A	3,100	1/93
Montefiore Medical Center	20*	N/A	7,000	6/93
Village Voice	5	11	185	1/93
Levi Strauss	30	120	25,000	6/93
<i>Public Sector Employers</i>				
Berkeley, CA	20	105	1,475	4/93
West Hollywood, CA	10	5	180	7/93
Santa Cruz, CA	2	8	650	5/93
San Francisco, CA	**	**	30,342	1/92†
Seattle, WA	143	333	3,000	7/93

* Available only to same-sex partners.

** San Francisco did not release data on number of same-sex and opposite-sex partners enrolled. They reported a total of 177 dependents (including children) enrolled as of 1/92.

† Most recent data available.

Source: The Segal Company

EXHIBIT 2.

Enrollment Statistics by Type of Domestic Partners and Percentage of Total Eligible Employees Enrolled

	Same Sex	Opp. Sex	Total	Year
<i>Private Sector Employers</i>				
Lorus	0.45*	N/A	0.45	1/93
Montefiore Medical Center	0.29*	N/A	0.29	6/93
Village Voice	3.30	5.10	2.40	1/93
APA	0.33	0.33	0.66	
Levi Strauss	0.32	0.48	0.80	6/93
<i>Public Sector Employers</i>				
Berkeley, CA	1.40	7.10	3.50	4/93
West Hollywood, CA	5.60	3.30	3.90	7/93
Santa Cruz, CA	0.31	2.76	3.10	5/93
San Francisco, CA				
Seattle, WA	2.30	4.70	7.10	6/92†

* Available only to same-sex partners.

† Most recent data available.

Source: The Segal Company

Voice reported that of 185 employees, 17 couples were enrolled, six of them same-sex and 11 opposite sex.

PUBLIC SECTOR ENROLLMENT EXPERIENCE

Public-sector employers have generally experienced higher enrollment than private sector employers. In the City of Seattle, as of July 1993, approximately 5.9 percent of employees (476 of 8,000) eligible for benefits had enrolled as domestic partners in the city's health plan. Of the employees registered, approximately 70 percent (333) were opposite-sex partners while 30 percent (143) registered same-sex partners.

As of April 1993, the City of Berkeley, California, had 1,475 employees, of whom 125 had enrolled for domestic partner benefits. Of these, 20 (1.3 percent of all employees) have same-sex partners while 105 (7.1 percent of all employees) have opposite-sex partners. Sixteen (8.9 percent) of the 18 employees of the City of West Hollywood, California, enrolled domestic partners as of July 1993. Six were opposite-sex couples; ten were same-sex.

As of May 1993, of 650 employees of Santa Cruz, California, 20 had signed up for domestic partner benefits. Two are same-sex couples (0.3 percent); 18 are opposite-sex couples. The City of San Francisco, California, indicated that 3,701, or 12 percent of the City's more than 30,000 employees, have domestic partners. However, only 161 partners and dependent children had actual

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signed up for benefits as of January 1, 1992, and more recent data have not been released.

CONCLUSION

Most organizations that already cover domestic partners are confident that the risk of incurring additional catastrophic cost is minimal. The

number of employees who actually enroll a domestic partner remains small in most cases. Some already have coverage through their own employer, and the after-tax cost of the benefit tends to keep enrollment down.

Employers who are considering the addition of domestic partner ben-

efits should carefully examine potential cost increases, within the context of actual expense, rather than instinct or guess. They should, instead, understand that extending health benefit coverage to domestic partners of employees is an important human resources decision that requires sensitivity and careful planning.

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Domestic Partner Benefits Are Catching On . . . Slowly

Employers' experiences show providing benefits for domestic partners costs no more than doing so for heterosexual married couples.

By Aurora Mackey

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Benefits, employee - Domestic partners

A growing number of private and public companies nationwide have begun offering medical and other benefits to the unmarried "domestic partners" of employees. Employers are extending these benefits to respond to employees' needs and preclude potential discrimination charges.

WHY EXTEND BENEFITS?

The number of households with couples living together outside of marriage is rising, according to a 1991 survey on domestic partners by Hewitt Associates, benefits consultants in Lincolnshire, Ill. The U.S. Census Bureau estimates that 4.2 million households or 4.6% of the 91 million households in the United States, are made up of unmarried couples. Almost 2.6 million of these households are made up of gay and lesbian couples. This means that 3.4 million adults have a domestic partner, according to Hewitt.

Aurora Mackey is a freelance writer based in Los Angeles.

Some employers, especially those that have nondiscrimination clauses that include sexual orientation, say offering domestic partner benefits is an issue of parity.

"Our position was to make our benefits equitable," says Bill Keegan, spokesperson for Apple Computer Inc., which made same-sex domestic partner benefits available to its 12,500 employees worldwide last year. "We don't want to define what a family is."

Others say they take pride in offering the best benefits, and consider offering benefits to domestic partners as another way to attract or retain employees.

"A lot of companies also simply want to be responsive to employees' needs," says Loralie Van Sluys, a Hewitt researcher. "My company, for instance, began offering domestic partner benefits this year after employees asked for it."

Since 1991 Van Sluys has been tracking which companies offer domestic partner benefits. She says the majority of companies that do so tend to be in high-tech or creative industries, such as computers

or entertainment.

But other companies are interested as well. Gary Cormier, senior human resource manager at Lotus Development Corp., a computer software company in Cambridge, Mass., which began offering what it calls "spousal equivalent" benefits in 1991, says his company receives between 50 and 75 calls each month from businesses across the country that are considering offering the benefits.

Currently, more than 70 major companies offer domestic partner benefits for gay partners, including Lotus, Silicone Graphics Inc., MCA Inc., Microsoft Inc., Viacom Inc., Apple Computer, and HBO Inc.

The majority of companies offering domestic partner benefits do so solely to partners of gay and lesbian couples, says Van Sluys. However, some companies, such as Ben & Jerry's Homemade Inc. and Levi Strauss, have extended health care benefits to unmarried heterosexual couples.

Few companies cite legal pressures as a motivator. Instead, Van

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Sluys says, geographic location is more likely to be an influence, especially where laws explicitly prohibit employment discrimination on the basis of sexual orientation. Growth of domestic partner benefits has been strongest in California and the East Coast, she says. Currently, Van Sluys says, eight states have enacted laws that prohibit employment discrimination on the basis of sexual orientation, and 70 cities and counties have passed legislation prohibiting discrimination. Also, several municipalities have approved initiatives that allow unmarried heterosexual or homosexual couples to register as domestic partners. They include Minneapolis; San Francisco; Ithaca, N.Y.; and Madison, Wis.

Late last year, New York became one of the latest states to open up the way for offering domestic partner benefits when the Department of Insurance lifted its 54-year prohibition against providing health insurance to domestic partners. California amended its insurance code to prohibit such discrimination in 1991, and Hawaii, Massachusetts, and Wisconsin all have since enacted similar legislation.

But sometimes the law isn't always the catalyst. In 1991, Montefiore Medical Center in New York became the largest private employer in the country to provide health benefits to the partners of gay and lesbian employees, after the hospital's staff talked with members of the American Civil Liberties Union's Gay Rights Project.

Based on statistics for the population in general, hospital staff learned that as many as 900 employees—or 10% of the hospital's workforce—could be eligible for the benefit.

"Research shows that committed gay and lesbian couples last year. Health coverage is identical to that offered to married employees, and is offered under the company's self-insured indemnity plan.

Does offering domestic partner benefits make sense for companies financially? While many companies are reluctant to reveal their cost-benefit analysis, some trend data indicate that it isn't any more expensive than offering benefits to married couples.

"The company decided it made good financial sense; we wouldn't have offered it if it had been exorbitantly expensive," says Apple's Keegan, who declined to reveal the number of employees who have registered for the benefits or the types of claims that have been filed.

Bryan Simmons, a spokesperson for Lotus, would say that, as of last month, about 20 of the company's 3,300 U.S. employees had registered for the benefits. The company's claims experience, he says, "has been what we expected from research—that committed gay and lesbian couples were at no greater risk for catastrophic illness." In fact, at Levi Strauss, the cost per covered life for the group covered by domestic-partner benefits was significantly lower than that of heterosexual couples.

TOWARD PARITY

Although there are no laws directly requiring employers to make the exact benefits available to domestic partners that the spouses of employees receive, Van Sluys says the companies that do provide domestic partner benefits—about 50 Fortune 500 companies so far—do so with the intention of providing the same coverage. Viacom, an entertainment company in New York with 5,000 employees, began offering domestic partner benefits to same-sex

LOW NEW ENROLLMENT

Even when companies do offer the benefit, a small percentage of employees actually sign on. Stanford University calculated that less than 1% of its employees would apply for the benefits, which appears to have matched the experience of several other companies and municipalities.

According to a 1993 report by the Segal Company, an employee

benefits company in New York, the percentage of employees who register for domestic partner benefits tends to be less than 5% of the company's workforce, although it isn't unusual for it to be below 2%.

When the city of Seattle instituted health coverage for both gay and lesbian and unmarried heterosexual couples in 1990, for example, it predicted an estimated 300 workers would sign up and allocated \$430,000 for the benefit. A year later, fewer than 200 had asked for the benefit.

COST IS A CONCERN

Of major concern to many companies, of course, is the cost of insurance. Some also fear exposing themselves to the exorbitant costs of covering AIDS victims—which also is one reason some insurers have refused to cover domestic partners.

So far, however, companies such as Lotus and Apple Computer report such fears are unfounded.

"That's definitely a bias that people in general tend to have—that AIDS cases could drive costs up," says Cormier. "But we haven't seen it. In fact, we have not seen any negative financial impact."

Dale Grant, vice chair of the Segal Co., says there currently is no evidence that coverage of same sex partners is any more costly than for the population at large.

"You typically have fewer dependents and no maternity costs, which can involve a lot of cost if you have high-risk pregnancies," Grant says.

Another factor is enrollment. Not all eligible employees sign up for the benefits, either because their partners already have insurance through another job, or they opt not to make their sexual prefer-

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erence or living situation known. Gay rights advocates have estimated that only one homosexual employee in 10 reveals his or her sexual preference in the workplace.

Nevertheless, many insurers willing to cover domestic partners moved cautiously. Concerned about the lack of underwriting experience and the lack of control over the risk pool, many initially levied a surcharge to cover expected additional claims, according to a the Hewitt report on domestic partner benefits. Only after several years experience had failed to justify it, Grants says, was the surcharge dropped.

WHO PAYS?

Some employers that have been particularly concerned about the cost of extending domestic partner benefits have asked employees to pay the entire cost of covering their domestic partners. In other cases, when health care benefits are offered under a flexible benefits plan—those in which employees pay all or part of the cost of dependent coverage—the coverage for domestic partners is included.

The Seattle Symphony recently announced it would extend health care benefits to same- and opposite-sex domestic partners, basing its plan on that offered by the city of Seattle. The orchestra's traditional indemnity plan was replaced with a PPO offered by the Travelers Cos., Hartford, Conn. The orchestra's artistic administrator says that, under the PPO plan, in-network services will be covered at 90% and out-of-network services at 80%. Management also will cover 100% of the health care premiums, as well as any increase in the plan's base premiums up to a

Recently,
when Apple
considered
building a plant

in Williamson

limit of 15%.

At Lotus, Cormier says the employee has to pay for the coverage with after-tax money, which is about \$1,350 a year. The main reason, he says, "is because the IRS doesn't recognize domestic partners. If a married employee wanted to cover his spouse, for example, he could pay with pre-tax money."

In 1991, Lotus reportedly spent

about \$30,000 in annual premiums to insure 12 "spousal equivalents." None of that was tax deductible because of the IRS' stance on unmarried partners. In private letter ruling 9034048, the IRS said that an employer's contribution to the insurance coverage of an employee's domestic partner is not excludable from the employee's gross income.

According to the IRS, employers must report income in the employees' W-2 forms, based on the fair-market value of their domestic partner benefits, even if the benefits aren't used.

And while it isn't required by law, Grant of the Segal Co. says most employers that extend the benefits to employees' domestic partners also make COBRA benefits available.

But while the tax implications for employees are seemingly clear, there is greater uncertainty regarding the tax ramifications for employers. If a company's group health coverage is funded through a voluntary employee beneficiary association, for example, then offering coverage to domestic partners could cause the employer to lose its tax deduction under that code.

COMMUNITY PRESSURES

Aside from employers' concerns about covering the costs of AIDS, some employers worry about the negative effect that offering such coverage to gay and lesbian employees could have in their communities, or with customers and stockholders. That fear is not unfounded, especially in view of the recent furor that erupted when Apple's domestic partner policy became known in conservative Williamson County, Texas.

"The community essentially thought it was not in keeping with the moral climate there," says Keegan.

"But we said we are committed to this, that we are progressive, and that we are in a competitive industry and need to remain so," Keegan says. Eventually, the county backed down.

But other companies report little or no backlash. Of several hundred letters received by Lotus, for example, 80% have been positive. Within the companies, the response also has tended to be positive.

"I've heard people say that they don't understand what all the fuss is about," says one Apple employee who asked not to be identified. "We're part of an organization doing the right thing, and I'm glad to be a part of a company like that. It's coverage for human beings."

Simmons of Lotus adds that attitudes have changed dramatically in the last three years, and that companies instituting domestic partner benefits today would likely have a much easier time of it. "Three years ago, insurers were nervous. There were a lot of assumptions made about what the costs would be. That's now been demystified."

DEFINITIONS

Issues employers need to address are crafting a workable definition of what constitutes a domestic partner; assessing what the additional cost of awarding benefits will be, and how those costs will be shared between employer and employee; determining what the tax treatment would be for benefits provided to domestic partners; and staying abreast of emerging legislative, regulatory, and judicial

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Domestic Partner Benefits

initiatives that could influence the programs. (See "Facing Domestic Partner Issues," February.) Simmons says employees who apply for domestic partner benefits are generally held to "a much higher eligibility standard" than married employees. Often, they are required to sign an affidavit of "spousal equivalency," or asked to document that they are financially codependent. They are required to reside together during the period of coverage, and to prove that they have been living together for a period of time—usually six months to a year. Some employers require employees to sign an affidavit promising to reimburse the employer for the cost of providing benefits if their domestic partner is not "legitimate." And, if the couple breaks up, Simmons says, the



employee is not allowed to add a new person to the policy for one year.

Meanwhile, there's a growing cadre of employees at major companies, including AT&T, American Express Co., RJR Nabisco Holdings, NYNEX, and The Walt Disney Co., among others and pressuring their employers to institute domestic partner benefits.

"No one is predicting that domestic partner benefits ever will be big or widespread. There clearly will be some companies that will sit on the fence and do nothing," says Van Sluys.

However, she adds, "As the workforce continues to diversify, this may be something that a lot of companies realize they simply need to do." ■



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Domestic partner benefits pose new challenges for employers

By Andrew D. Sherman and John J. Fadel
The Segal Co.

EMERGING ISSUE ANALYSIS

EMLOYERS THAT want to attract and retain highly productive employees must address the benefits needs of an increasingly diverse work force. While most employers have benefits designed for traditional families, and more attention is being paid to working parents, some employers are beginning to offer benefits for nontraditional families. Some employers, in particular those with young and diverse work forces, have extended benefits to domestic partners — same-sex or unmarried opposite-sex couples.

The U.S. Census Bureau estimates that unmarried couples represented 4.2 million households in 1993. Of these, 1.5 million households were composed of same-sex couples.

The number of organizations offering domestic partner benefits has increased tremendously in recent years. During the past year, Microsoft Corp., Apple Computer Inc., Home Box Office, Viacom and New York City added domestic partner benefits. Universities such as Yale, Stanford, Harvard and the University of Pennsylvania also offer benefits. For the most part, such benefits are confined to entertainment and high-technology companies, as well as academic institutions and municipal governments.

Mixed Corporate Reactions

The issue is not without controversy.

Employers that offer domestic partner coverage say these benefits help attract and retain employees who

are looking for fairness and equity. In some companies, gay and lesbian employee groups have requested such benefits.

Other employers have decided not to offer domestic partner benefits for various reasons, including the fear of cost increases or of a backlash for what may be considered "condoning certain lifestyles," the lack of data indicating a need for such benefits or a conservative corporate culture.

Employers that offer domestic partner benefits say they have found that the programs do not cause a dramatic rise in costs, and are no more difficult to design and administer than existing benefits programs.

Last November, Apple faced a showdown with government officials in Williamson County, Texas, where the company was planning an \$80-million complex. In a highly publicized confrontation, some elected officials denounced Apple's policy of offering domestic partner benefits as contrary to community values, and they pressured the company by threatening to vote against tax breaks. Apple stood its ground, and the tax breaks were approved.

Employers that offer domestic partner benefits say they have found that the programs do not cause a dramatic rise in costs, and are no more difficult to design and administer than existing benefits programs. Furthermore, those offering such programs note that they allow employers to demonstrate nondiscriminatory em-

ployment policies and recognize a diverse work force.

Cost and Enrollment Considerations

The cost of providing health coverage to domestic partners concerns most employers, because adding dependents increases plan costs. Some employers expect a surge in claims for catastrophic illnesses.

Although long-term studies are not yet available because domestic partner benefits are so new, experience indicates that there is no sudden increase in claims, such as for AIDS-related illnesses. A 1991 Bureau of National Affairs survey, the most recent conducted on the subject, showed that none of the surveyed em-

ployers that offered domestic partner coverage experienced an AIDS-related claim filed by an employee's domestic partner.

When the City of Berkeley, Calif. first offered domestic partner

benefits in 1985, its HMO imposed a 2 percent loading fee to protect itself from potential catastrophic costs. The HMO dropped the surcharge after the city demonstrated four years of domestic partner coverage without any claims for AIDS or other catastrophic illness.

AIDS-related claims average \$119,000 according to the most recent federal "AIDS Cost and Utilization" survey. Other medical problems can be more expensive. A premature birth, for example can cost as much as \$1 million. Some groups, including the City of Seattle and HBO Inc., claim that covering domestic partners is less expensive than covering a spouse. Lotus Development Corp. and Levi Strauss & Co confirm that domestic partner coverage costs the same or less

Continued on next page

Continued from previous page

than covering a spouse or other dependent.

Many insurance carriers still consider coverage for domestic partners risky and may increase rates. Stanford University, which began covering domestic partners in February 1993, met some resistance from its three insurance carriers. The carriers charged a premium based on the assumed added risk of covering domestic partners. Their intention was to "rate load" between 0.6 percent and 1 percent. Stanford challenged the carriers and ultimately all loading was dropped. One carrier, however, added a \$5,000 surcharge to the university's premium to extend benefits to domestic partners.

Experience shows that participation in domestic partner benefits programs is quite low. Domestic partners are likely to work and already receive coverage through their own employer, and an employee usually is faced with additional income tax on the value of the benefit unless the domestic partner meets a specific Internal Revenue Code definition of "dependent." For example, only about 1 percent of Levi Strauss' employees have elected domestic partner coverage (both same- and opposite-sex couples) since the benefit was first offered in 1992. Similarly, at the University of Iowa, only 16 (0.11 percent) of 14,000 total eligible employees enrolled in the domestic partner benefit program (same-sex couples only). In the City of Seattle, 476 (5.9 percent) of 8,000 eligible employees enrolled (same- and opposite-sex couples).

Many employees consider their companies' offering of the benefit a "safety net" and goodwill gesture, even though they do not plan to use it.

Many companies only offer domestic partner benefits to same-sex couples as a way to limit enrollment. Employers that do not extend benefits to unmarried opposite-sex couples may do so because this group has a legal avenue to benefits — marriage.

Implementation

Defining the term "domestic partner" under the plan is important. Partners typically sign an affidavit attesting to some or all of the following parameters: they live together; have a long-standing, close, personal relationship; are respon-

Experience shows that participation in domestic partner benefits programs is quite low.

sible for common living expenses and each other's welfare; if possible, are registered in a municipality as domestic partners; are not legally married or are not the domestic partner of anyone else; and are not more closely related than would be allowed legally for marriage.

Some programs require additional documentation, including proof of a common address, joint financial interests, such as bank accounts, and for dependents of domestic partners, proof of child-birth or adoption.

Senior management's public support for the program can establish a positive setting and contribute to its success.

Plan Design Issues

Defining coverage is key. At the outset, some employers offer only one or two benefits and add more comprehensive coverage at a later date. For example, Apple first offered family bereavement and sick leave, adoption assistance, a child care resource and referral service, access to the company's fitness center and relocation benefits to domestic partners. Medical plan coverage, mental health



benefits, prescription drugs and other supplementary benefits were added later. Lotus, on the other hand, changed all of its benefits and human resources policies at the same time.

Tax Implications

Tax implications are another plan design issue. Domestic partners do not meet the Internal Revenue Code's definition of a dependent and are not legal spouses.

IRS Private Letter Rulings indicate that an employee would be taxed on the value of the coverage provided to a domestic partner.

Employers that offer benefits through Section 125 plans face certain design issues relative to the use of pretax dollars. Tax implications vary for employers depending on the funding mechanism.

Administration

A well-designed domestic partner benefits program requires careful administration. Maintaining employee confidentiality is key because some employees are sensitive about revealing their sexual orientation to co-workers and management.

Plan provisions should be communicated clearly to employees. Employees should understand how long a domestic partner relationship must be in place before benefits are available, what benefits are covered, how to apply for them, how to terminate coverage and whether continuation rights, such as those provided by the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), are available.

In addition, employers may stipulate that employees wait a specified amount of time between ending one domestic partner relationship and establishing a new one before providing benefits.

Modest Cost, Appreciated Coverage

Experience to date shows that cost increases are modest and that affected employees appreciate the coverage.

More than 100 companies and organizations are known to offer domestic partner health benefits, and many other companies and organizations are offering other types of benefits. Although benefits vary, the practice is growing as employers recognize nontraditional families within their work forces and the need to provide unique benefits to recruit and retain employees.

B

HOUSE COMMITTEE REPORT

4/21/95

(7)

Date Referred: March 20, 1995

FURTHER REFERRALS:

Judiciary

Date of Committee Action: 4/18/95

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 226

HOUSE BILL NO. 226

REPEAL OF MARITAL STATUS PROTECTIONS

"An Act permitting the provision of different retirement and health benefits to employees based on marital status."

recommends it be replaced with the following committee substitute

CS HB 226 (HES)

[] the same title [X] a new title

[] additional referral to _____ Committee [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) _____ [] fiscal note(s) _____

[] zero fiscal note(s) _____ [X] zero fiscal note(s) Admin/All Depts. 3/20/95

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i> G. DAVIS			✓	
<i>[Signature]</i> Bunde			✓	
<i>[Signature]</i> TOOHEY	✓			
<i>[Signature]</i> Uzey				✓
<i>[Signature]</i> ROBINSON			✓	
<i>[Signature]</i> BRICA			✓	
	(1)		(4)	(1)

CO-CHAIR'S SIGNATURE *[Signature]*
Bunde

HOUSE COMMITTEE REPORT

4/26/95
Finance
(ref added 4/25/95)

Date Referred: April 21, 1995

FURTHER REFERRALS:

Date of Committee Action: 4/24/95

The JUDICIARY Committee considered:

HB 226

HOUSE BILL NO. 226

MARITAL STATUS AND RETIREMENT BENEFITS

"An Act permitting the provision of different retirement and health benefits to employees based on marital status."

recommends it be replaced with the following committee substitute CS HB 226 (Jud) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____
Admin/all Dept. 3/20/95

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
Brian S. Porter	Porter			✓	
John Uzey	Uzey				✓
John Green	Green				✓
Alan Bunde	Bunde			✓	
David Toohy	Toohy	✓			
David Finkelstein	Finkelstein			✓	
Bettye Davis	B. Davis			✓	
		(1)		(4)	(2)

CHAIR'S SIGNATURE Brian S. Porter

HOUSE COMMITTEE REPORT

3/20/95

(7)

Date Referred: March 3, 1995

FURTHER REFERRALS:

HESS
Judiciary

Date of Committee Action: March 18, 95

The STATE AFFAIRS Committee considered:

HB 226

HOUSE BILL NO. 226

REPEAL OF MARITAL STATUS PROTECTIONS

"An Act permitting the provision of different retirement and health benefits to employees based on marital status."

recommends it be replaced with the following committee substitute _____ [] the same title [] a new title

[] additional referral to _____ Committee

[] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

[] fiscal note(s) _____

[] fiscal note(s) _____

[x] zero fiscal note(s) _____

[] zero fiscal note(s) _____

Admin/All dept's

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<u>Janette James</u>	James	✓			
<u>Richard Porter</u>	Porter	✓			
<u>Joseph Green</u>	Green	✓			
<u>Ivan Robinson</u>	IVAN	✓			
<u>Caren Robinson</u>	Robinson				✓
		(4)			(1)

CHAIR'S SIGNATURE Janette James
James

FISCAL NOTE

No. 1

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Bill Version: HB 226
(H) Publish Date: 3/20/95

Revision Date: _____
Title: An Act permitting the provision of different retirement and health benefits to employees based on marital status.
Sponsor: Kelly, Rokeberg
Requestor: State Affairs, Health, Education & Social Services...

Department Affected: All State Agencies
BRU: All State Agencies
Component: All State Agencies

COMPONENT SERIAL NO. 64

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE:

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 95) cost: \$ zero

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

The state's health insurance plan extends coverage by statute [AS 39.30.090(a)(2)] to employees, their spouses, and their eligible dependent children. Domestic partners are not considered to be eligible for health insurance benefits. This bill would reinforce the rights of employers, including the state, to exclude domestic partners from health insurance benefits despite a recent court decision, which ordered the University of Alaska to extend health insurance coverage insurance benefits to domestic partners. This decision has been appealed.

Prepared by: Robert F. Stalnaker *Janet Parker for*
Division: Retirement & Benefits

Phone: 465-4470
Date: _____

Approved by Commissioner: Mark Boyer *Mark Boyer*
Agency: Department of Administration

Date: 3/13/95

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HB

230

HFIN

FILE

BY: Rep. Brown

Failed 2-8
AMENDMENT

TO: CS HB 230 (Fin) version M dated 3/22/96

Page 1, line 5

Delete: "714,832,400"
Insert: "717,861,600"

Page 2, line 8

Delete: "30,214,800"
Insert: "33,244,000"

Funds pupil transportation at foundation projected level for FY'97

ROLL CALL
HOUSE FINANCE COMMITTEE

MEETING OF 3/27/96

SUBJECT DOE Amendment #

MEMBER	YES	NO
KELLY		✓
KOHRING		✓
MARTIN		✓
MULDER		✓
NAVARRE		
PARNELL		✓
THERRIAULT		✓
BROWN	✓	
GRUSSENDORF	✓	
HANLEY		✓
FOSTER		✓

TOTAL

PASSED: 2
FAILED: 0

FINANCE COMMITTEE REPORT

(11)

Date Referred: March 17, 1995

FURTHER REFERRALS:

Date of Committee Action: 3/27/96

The FINANCE Committee considered:

HB 230

HOUSE BILL NO. 230

APPROP: FY 96 & FY 97 EDUCATION PROGRAMS

"An Act making appropriations to the Department of Education for support of kindergarten, primary, and secondary education and for community schools programs for fiscal year 1996 and fiscal year 1997; making appropriations from the constitutional budget reserve fund under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 230 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Richard J. ...</i>	Foster	X			
<i>Mark Hanley</i>	Hanley	X			
<i>Mark ...</i>	Mulder	X			
<i>Terry Martin</i>	Martin	X			
<i>Sean Pannell</i>	Pannell	X			
<i>Lee Kohring</i>	Kohring	X			
<i>Ben ...</i>	Grossendert				X
<i>Jay Brown</i>	Brown				X
<i>Tim Theriault</i>	Theriault	X			
<i>Michelle Kelly</i>	Kelly	X			
<i>Michelle ...</i>	Uabarro				X

CHAIR'S SIGNATURE *Mark Hanley* *Richard J. ...*

Adopted
31 261 96

9-LS0396\M
Utermohle
3/22/96

CS FOR HOUSE BILL NO. 230(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Funding Information:	General Fund	\$657,495,500
	Other Funds	<u>57,336,900</u>
		\$714,832,400

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations to the Department of Education for support of
 2 kindergarten, primary, and secondary education and for community schools
 3 programs for fiscal year 1997; and providing for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. The sum of \$714,832,400 is appropriated from the general fund and from
 6 other funds in the amounts listed to the Department of Education for the purposes expressed
 7 and allocated in the amounts listed for operating expenditures for the fiscal year ending
 8 June 30, 1997:

	FUND SOURCE	AMOUNT
9		
10	General fund	\$657,495,500
11	Public school trust fund (AS 37.14.110)	11,855,900
12	School fund (AS 43.50.140)	2,690,000
13	Federal receipts - P.L. 81-874	20,791,000
14	Federal receipts other than P.L. 81-874	22,000,000

	PURPOSE	ALLOCATION AMOUNT
1		
2	Foundation program	\$649,835,800
3	Child nutrition/student lunch program	22,000,000
4	Cigarette tax distribution	2,690,000
5	Tuition students	1,731,200
6	Boarding home grants	185,900
7	Youth in detention	800,000
8	Pupil transportation	30,214,800
9	Schools for the handicapped	3,721,300
10	Community schools	500,000
11	Additional district support	3,149,400

12 * Sec. 2. This Act takes effect July 1, 1996.

* to Be added under
additional support

Attachment #1

3/27/96 pm

CODE	EXPENDITURE CLASSIFICATION	FY 95 ACTUAL	FY 96 AUTHORIZED	FY 97 ADJ BASE	FY 97 GOVERNOR
75025	Total Lands, Buildings, Non-structural Improvements				
	Interagency Transfers (non-add)				
77000	Total Assistance, Grants, and Benefits	3,639.8	3,228.7	3,228.7	3,149.4
	Interagency Transfers (non-add)				
78000	Total Miscellaneous and Debt Service				
	Interagency Transfers (non-add)				

FUNDING SOURCES

1002	Federal Receipts				
1003	General Fund Match				
1004	General Fund	3,639.8	3,228.7	3,228.7	3,149.4
1005	General Fund Program Receipts				
1037	General Fund Mental Health				
1007	Interagency Receipts				

CODE	DESCRIPTION	EXPLANATION	FY 96 AUTHORIZED	FY 97 ADJ BASE	FY 97 GOVERNOR
77400	Supplementary funds to single site school districts to cover perceived shortfalls in the existing foundation formula. Allocations are based on FY97 projections and are as follows:		3,228.7	3,228.7	3,149.4
	Aleutian Region \$40.2	Hydaburg \$98.2			
	Annette Island \$177.5	Kake \$137.3			
	Cordova \$168.4	Kashunamiut \$147.6			
	Craig \$172.0	Klawock \$161.0			
	Dillingham \$212.9	Nenana \$152.5			
	Galena \$158.6	Nome \$257.4			
	Hoonah \$126.3	Pelican \$51.2			
		Petersburg \$210.5			
		Skagway \$120.2			
		St. Mary's \$145.8			
		Tanana \$117.1			
		Unalaska \$186.1			
		Wrangell \$159.2			
		Yakutat \$149.5			

**LANDS, GRANTS, AND
MISCELLANEOUS**
Form C700
Revised 8/1/95

AGENCY Department of Education

BRU K-12 Support

COMPONENT Additional District Support #155

Page 1 of 1

Revised Date:

FY 97

000046

April 11, 1995

Dear Legislators,

I am emphatically for full funding for education. Our budget does not spend as much on education as 45 other states. Are we going to let our children become disadvantaged educationally?

Fairbanks has a good reputation for superior education and we should continue to educate our children. I know funding allocation is a tough job but I'm pleading for this important issue.

Marsha Munnell

Box 81155

Fairbanks, AK 99708

(907) 455-6673

4/11/95

I support HB 230 for full funding
of education.

Margaret G. Lund
382 Vicle Dr
Fairbanks Ak 99712

April 11, 1995

Jackie Martin
PO Box 195
Ester, AK 99725

To: Interior Delegation Members

I am writing to let you know that I am in support of FULL FUNDING for education in Alaska. I believe that now, more than ever, our schools need the full support of the Legislature's funding structure. Schools teachers, and parents are facing real challenges as we enter the next millenium. We need full and complete education support in dollars and attitude!

Sincerely,

Jackie Martin

Jackie Martin
(907) 479-7384

711 Dalton Trail
Fairbanks, A
11 April 1995

To House Legislators:

I wish to urge you to support full
funding for education in Alaska.

Our schools cannot sustain the
high level of excellence with mere
flat funding. Please support us.

Thank you very much.

Sincerely,



Cynthia Davis

711 Dalton Trail
Fairbanks, AK 99709
(907) 479-0306

4/11/95

Dear Legislators

As a parent of a school age child
I am concerned about funding.

I urge you to support full funding
for Education in Alaska

Thank you

Jim Pedusa
1757 Rise Rd
Eggs AK 99709
479-0709

4-10-95

To Interior Delegates!

Please support full funding
for education in Alaska.

Our children are our
future. The rate of return
(investing in our children) is
to be considered & its good use
of state dollars. Pay now or
pay later, kids cost $\$$. Let's
have our dollars work wisely.

Blair Schind

2436 Nugget Loop

Fairbanks Ak.
99709

907. 4556397

April 11, 1995

Gail Koepf
2830 Beverly Lane
Fairbanks, AK 99709
(907) 455-6837

Dear Legislators,

Please support Full Funding for education this year. Alaska state funding for education is one of the lowest percentage wise in the country. I have been part of the Fairbanks public schools for 8 years as parent volunteer + PTA board member. My children have been in classes of over 30 students in elementary grades when the recommended maximum is 20!

I am willing to pay state income tax, a sales tax or give up my P.F.D. check for our kids' future. Alaska has a great but challenging future - we need a population who can meet this challenge!

Thank you for your time + attention to this matter.

Sincerely,

Gail Koepf

②

4/11/95

To Interior Delegates -

My husband and I are very concerned about recent threats to education budgets. We are very involved with our children and their school, and feel that for our community, and our future, education is the most important place we can put our dollars. As budget cuts are made in our school, our children seem to lose educational programs that greatly affect the quality of learning. We would like to strongly encourage you to fully fund education in our schools! These funds will be well spent on our children, and our future.

Sincerely,

Jean Tilly
3842 Hardluck Dr.
Fairbanks, AK 99709

455-6143

Ⓢ

April 11, 1995

To: Interior Delegation

As a mother of 2 pre school aged children, I want to encourage you to fund education to the fullest extent.

Historically, Alaska's education budget has been cut, due to inflation and costs, nearly 30% in the past 7 years.

Research statistics tell us that there is a direct correlation between a state's financial commitment to education, and its students' test scores on the SAT.

Our future in Alaska demands well educated children. I urge you to support full-funding and put education as your #1 priority.

Sincerely,

Deborah Wilkinson

185 Gold Mine Trail Fairbanks, AK 99712

(9)

**THE FOLLOWING PAGES MAY
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THE POOR QUALITY OF THE ORIGINAL**



ALASKA STATE LEGISLATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE Finance Committee
 COMMITTEE ON H3 230 DATED 4/12/95
 BILL SUBJECT

I was here to testify at 1:30pm on the 230 and that
 I was here by 2:30pm - and I was there and
 like to see to you about education funding. By calling
 this bill a "flat funding bill", many people are
 interpreting that you will be forward funding \$61,000
 for two years based on the foundation unit. I am
 calling this bill a "flat funding" but you are misleading
 Alaskan voters. By the Alaskan Constitution you are mandated
 to fund all Alaskan students which includes funding
 for new students. I believe that you would be grossly
 negligent in not recognizing this. I hope I can have
 another chance to talk to you about this.

SIGNED Carol Mowes
 TESTIFIER

Fairbanks Council of PTA's
 REPRESENTING (OPTIONAL) U

PO Box 9 Ester AK 99725
 ADDRESS/PHONE NUMBER

479-3247

Karen Kallen-Brown
P.O. Box 85
Cold Bay, Alaska 99571

March 24, 1995

House Finance Committee
State Capitol Building
Juneau, Alaska 99801

Dear Committee Members:

I am writing to urge you to support (or even increase) full funding of the Foundation Formula for our schools. I recognize that funding in tight and that cuts must be made somewhere. But, I urge you to make them elsewhere. The quality of education in Alaska had been deteriorating due to the de facto cuts imposed by rising inflation. Our children are our future. Denying them adequate preparation for life is asking for a disastrous future.

As a parent of two children in Alaskan public schools, I can tell you it is imperative that class enrollments are not allowed to increase. Our schools have been struggling with ever-tightening budgets for a number of years. During this time, class sizes have increased, support staff and special programs have been reduced, and more and more students with special needs are being included in the regular education classrooms. In addition, more and more parents are working and/or coping with social problems that prevent them from being active supporters of their children's education. Without adequate teachers and support staff to accommodate our students' diverse needs, our youth will not have equal educational opportunity to succeed. If our students do not experience academic success, they will not be prepared to be productive members of our society as adults. If we do not have a well-trained workforce, Alaska and our nation will not be competitive in the world market.

My sons have experienced home-schooling through one of the rural school districts, and public school classes in both urban and rural schools. In the urban schools, my sons were not given adequate attention because the teachers were busy with disturbed students who demanded their attention by acting out. My sons, who were following directions, did not get attention. This happened in several classrooms with teachers whom I consider excellent so I do not think it can be attributed to any shortcoming on their part. By the end of the third year, my oldest son was acting out and receiving lots of negative attention. (This is a pattern repeated by a significant percentage of our bright students--the ones we need to train to be our future leaders. 10-30% of high school dropouts are these bright students, a tragic waste of our resources and significant drain on society. Many gang leaders test out to be gifted students who have tuned out and are wasting their leadership abilities on illegal activities.) You can see why I, as a parent, was in a panic, wondering what had become of my cooperative, high-achieving son who was now sullen and defiant. My youngest son was simply lost and made no academic gains.

So, I moved and put my sons in a small rural school where they are doing much better.

However, the teachers are so overworked (teaching so many age and grade ranges) that the program falls short of ideal. My oldest son is very academically advanced and is now taking some high school classes. However, when I see how overworked the teachers are, I must wonder whether they will be able to provide the challenging advanced math and science courses he will need when he is of high school age. Frankly, I do not see how that could be possible at the current level of staffing. When I see how stressed the teachers are already, trying to accommodate the needs of such a broad range of students, I wonder whether there will be any continuity in the educational program with the high teacher turnover common to rural schools because of this stress. Further, I worry about the social pressures my son and other pre-teens experience when they are grouped with students many years older than them for the entire school day. (The class ranges from 10-year olds to 18-year olds.) I know the older students are often frustrated at the amount of time the teachers must spend with the younger students.

We have reached the point of diminishing returns in our educational programs. We need to provide adequate funding to meet the ever-increasing needs of our students and society. I urge you to fund education adequately to ensure that **every** Alaskan child has equal opportunity to excellent educational programming so Alaska's future will hold promise.

Thank you very much for your consideration of my concerns.

Sincerely,

Karen Kellan Brown

Randy Brown
P.O. Box 85
Cold Bay, Alaska 99571

March 24, 1995

House Finance Committee
State Capitol Building
Juneau, Alaska 99801

Dear Committee Members:

I am writing to urge you to support (or even increase) full funding of the Foundation Formula for our schools. I am especially concerned that proposed funding levels will result in a decrease in pupil/teacher ratio for young children. This will be disastrous since this is the time that children begin reading, a skill essential to school success in all areas.

As the parent of a second grader, I can tell you that large class sizes in kindergarten and first grade resulted in my son's inability to read. My son just did not get enough attention or quality instructional time to make academic gains. Efforts were made to remediate for this deficiency through a Chapter I reading program. Finally, this year I moved to a rural location where the class size would be smaller. Even with the enormous strain of a class range of five grades, my son receives more attention. He is now thriving and is reading far above grade level instead of well below it.

I have serious concerns over how overworked teachers in the small multi-grade rural schools are. I also have concerns about young children being exposed to age-inappropriate ideas by older students who are in the same classroom. I do not believe public schools can even approximate a reasonable educational program if additional cuts are made. There is no excess left to cut in our local school. In fact, an earlier reduction eliminated one teaching position, which is why the current teachers and students are exposed to the constant daily stress of being in too broad an age/grade spread to meet their developmental needs, especially in the social realm.

Please fund education adequately. Our future, as well as our children's, is at stake. Thank you for your consideration of my concerns.

Sincerely,

Randy Brown



3 '85

Post-It™ brand fax transmittal memo 7671 # of pages 1

To	Mark Haveler	From	Don Bremner
Co.		Co.	
Dept.		Phone #	
Fax #		Fax #	

March 24, 1995

House Finance Committee Member

RE: HB-230

Dear Recipient:

Whereas, HB-230 lists the following schools in Southeast Alaska: Annette Island, Craig, Hoonah, Hydaburg, Kake, Klawock, Pelican, Petersburg, Skagway, Wrangell and Yakutat, and whereas HB-230 will substantially cut State funding to these schools which will decrease the number of teachers and other educational activities needed by the students attending these schools to achieve a satisfactory level of learning, and whereas these communities cannot afford these cuts and do not have the capability to replace the State funds, now therefore be it **RESOLVED**, that Yak-Tat Kwaan, Inc. offices would like to let you know that we are strongly opposed to any funding cuts to the single site schools as proposed by HB-230.

We would like to see the State Legislature fund these schools at least at the same level as last year.

Sincerely,

Don Bremner /JK
Don Bremner, President
YAK-Tat Kwaan, Inc

cc: Yakutat School District
City and Borough of Yakutat
Alaska Association of School Boards
rf

HOUSE BILL 230

Dear House or Senate Members,

We can't afford to have our instructional unit reduced here on the Kenai Peninsula. Please don't cut our funding because we don't have enough now.

It is very important that you don't pass House Bill 230!!!

We don't have enough supplies to properly run our schools. We have taken about a 20% reduction in our supply budget for next year and can't afford a future reduction. The district is now forced to cut our nursing staff, and being a remote site it is very important that we have the one visit a month we have now. The District is asking all students to pay thirty dollars for books and materials, and this amount could increase if another \$600,000 is cut from our budget. Many parents can't afford a fee at all. If you pass this bill it will increase our pupil teacher ratio because more teachers will have to be cut, and this will hurt the students education.

Please don't pass this bill!!!

Sincerely,
Kachemak Selo School Staff, PTA & Students
Homer Alaska, KPBSD

Jekla Fefelov

Virginia Reutor

Gary Lambert

Dominika Reutor

Scott Simpson

Andy Re

David Kalugin

Sharon K. Conley

Deb Re

Hionia Konev

Solomonina Fefelov

Lida Konev

Vareliisa Reutor

Sharon Re

Randy Casner

Danil Reutor

Michael Konev

Silverst Kippman
Adora Kuznetsov

Alena Re

Mel Reutor

Anna Reutor

Andy Re

Keya Re

Judy Martich

Mark

RICKY A. MARTIN
PO BOX 37129
TOKSOOK BAY, ALASKA 99637

05 APRIL 1995

HOUSE FINANCE COMMITTEE
ALASKA STATE LEGISLATURE
JUNEAU AK 99801

SUBJECT: SUPPORT OF HOUSE BILL 230.

Dear House Finance Committee,

As a conservative Republican I would like to express to you my FULL SUPPORT FOR HOUSE BILL 230. Waste in our public schools must be halted! To give you an example of the waste, I found the attached document in my box at school. The document was, to my understanding, faxed to all school sites from our district office, likely at the expense of PUBLIC FUNDS. After receipt at our school site it was then duplicated and placed in all of the teachers boxes.

Perhaps if schools would spend more time teaching students and not spending money sending out "ACTION ALERTS!" then it is possible that the results would improve. The major issue in the Alaskan schools is how to get more money, not how to use it for effective programs once they have it.

Please VOTE YES on HOUSE BILL 230.

Sincerely,



RICKY A. MARTIN

ATTACHMENTS (2)

MAR 24 '95 19:39

↑ FAX HEADER

Richard
P.1/5



LEGISLATIVE BULLETIN AASB Legislative Network
 Association of Alaska School Boards • 316 West Eleventh Street, Juneau, Alaska 99801 • 907/586-1083

Friday, March 24, 1995

ACTION ALERT!

LEGISLATURE PREPARES TO SHORTFUND EDUCATION

Attached please find a Legislative Action Alert regarding House Bill 230. If passed, HB 230 will fund K-12 education at the same dollar amount for 1995-96 and 1996-97 at this year's level.

The bill is currently in House Finance Committee. At this point in time, we are asking school board members, administrators, and members of the public to send postcards and letters to members of the House Finance Committee supporting full funding at the \$61,000 Instructional Unit level.

Public Opinion Messages (POMs), while not quite as effective as post cards or letters, may also be called in or faxed to the Legislative Information nearest to your district. Also, please contact your local PTA, Chamber of Commerce, Borough Assembly, and other influential community members to apprise them of the situation and its impact on your community and to enlist their active support.

Legislators need to hear from a broad cross section of their constituencies.

A sample action alert is attached for your use. We would encourage you to share it with others in your school district who may be willing to send in messages.

Please encourage petitions and letters from the ASB and Councils in the Village — Sue

Carl Rose, Executive Director
 Association of Alaska School Boards

Action Alert!

Oppose HB 230 Support full funding for education at the \$61,000 Instructional Unit level

HB 230, an Act making appropriations to the Department of Education for support of kindergarten, primary, and secondary education and for Community Schools programs for fiscal year 1996 and fiscal year 1997 passed the House Health, Education and Social Services (HESS) Committee. This legislation, if passed, will fund K-12 education at this year's funding level for the next two years. No additional funding would be provided for increased enrollment. In effect, this would prorate the Instructional Unit value from \$61,000 to under \$59,935 for FY96, and \$58,720 for FY97.

Attached please find a DOE impact statement. The impact of HB 230 on your district appears on that statement. Estimates show that HB 230 will result in a total loss of \$13.4 million statewide in FY96 and \$29.4 million statewide in FY97.

Gov. Knowles introduced legislation several weeks ago which would fully fund the Instructional Unit value at the \$61,000 level. Be aware that the education appropriation is part of Gov. Knowles' budget plan, which means the whole budget has to be passed for education to go through at that level. We would like to see education pulled out of the overall operating budget and addressed separately. Our chances are better if education funding is separate so we aren't in the position of having to defend the entire budget and having our influence on education funding diluted.

ACTION NEEDED

HB 230 is currently in House Finance. Members of the House Finance Committee need to hear from the public that they oppose HB 230 and support full funding of education at the \$61,000 level.

Please send a postcard or a letter to members of the House Finance Committee today.

Sample Messages:

- Please support K-12 education funding at a minimum of a \$61,000 Instructional Unit level to meet the instructional and program service needs of our schools. I urge the legislature and the governor to work together in achieving this goal.
- Please support the governor's education budget for full funding of education at the \$61,000 Instructional Unit level. Sound educational programs and practices will be cut from our schools if this funding level is not maintained.
- I oppose HB 230. Please support full funding of education at the \$61,000 Instructional Unit level.

Please consider adding a personal note at the bottom of the postcard. Sign your full name and provide your mailing address. Please send AASE a copy of the message sent along with a list of legislators who were contacted, for purposes of monitoring.



STATE of ALASKA

Delta Junction Legislative Information Office

P.O. Box 1189
Room 210, Jarvis Office Center
Delta Junction, AK 99737
(907) 895-4236

Fax: (907) 895-5017

April 11, 1995

TO: House Finance Committee

Please accept the enclosed original(s) of written testimony for the House Finance Committee teleconference hearing that was scheduled on 4/11/95.

Copy of this testimony was transmitted to your committee via fax on 4/11/95.

Thank you,

A handwritten signature in cursive script that reads "E. A. Sarver".

Elizabeth A. Sarver
Information Officer

Enclosures: 4

FAX TO : 895-5011



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name

committee on HB 230, dated 4/11/95
bill/subject

Please don't cut opportunities for children. Vote AGAINST HB230. Vote YES on the Governor's budget for school funding. For years education has been cited as the undeserved scapegoat for all of the ills of our society. Over the past two years our Nation, and subsequently, our State have decided to make education a priority with programs such as Goals 2000, and Alaska 2000. You have already invested time and resources into studies and a plan of action. Now, you want to throw all of that away with these proposed cuts. As past budget cuts have hit the schools, I have watched supplies and resources dwindle, while teachers paid for more and more of their student's needs out of their own pockets. Here again, it seems that government is spouting lofty goals without supplying the funds to support these goals! Yet, isn't it funny that the blame NEVER seems to rest at your door? I work in a school where a majority of the students participate in the FREE and REDUCED lunch program. Many of these same children come to school HUNGRY, hardly a contributing factor of optimal learning! We see a need for the ADDITION of a breakfast program, NOT a CUT in the current program! As a body, you have stated repeatedly that as a nation, our future is in our children, our MOST VALUABLE RESOURCE! Yet, you refuse to accept the responsibility of investing in that future! Please demonstrate your renewed commitment to our children. Vote AGAINST HB230, and vote YES on the Governor's budget for education. Thank you for your time and consideration in this matter.

Signed: Jackie Nelson-Ligarde
Testifier

President, DGESPA
Representing (Optional)

HC 60 Bx 4180, Delta Jct, Ak.
Address

895-4217
Phone No.



Alaska State Legislature

FINANCE

Please enter into the record my testimony to the _____
 committee on HB230 , dated _____
 bill/subject _____ committee name
 APRIL 11, 1995

I strongly urge you to support K-12 education funding at a minimum of the \$61,000 Instructional Unit level. We absolutely need this funding to meet the instructional and program service needs of our schools. We are at a basic level now; the "extra" programs have disappeared since 1986.

Too many dollars are being threatened at the local and state and federal level for us to continue offering our students an adequate education. Cuts will pull dollars from programs and supplies in order to pay increases in utility, insurance and equipment bills due to inflation.

Our students must be able to compete with others on a global level. In order to do so, they need the opportunity to have access to the latest information and technology. This cannot be had on trimmed budgets. Cuts will necessitate hiring fewer personnel thereby driving up class sizes. Research has shown that when classes are too large, students can be less active and, therefore, less effective learners.

Support the governor's education budget for full funding. Our citizenry needs the legislature and the governor working together.

Signed: Mary R. Cosovan _____

 Representing (Optional)
 HC60 BOX 3050, DELTA JUNCTION, AK 99737

 Address
 (907)895-4886

 Phone No.

1995 Alaska State Legislature Form

4-11-75

Dear Representatives Hanley, Foster, Mulder,
 Parnell, Kelly, Sherrill, Martin, Kohring
 Brown, Gussens, Newberry
 Please support the governor's education
 budget for full funding of education at
 the \$6,000 instructional unit level.

I am a teacher in the Lower Kuskokwim
 School District. My son is a Gifted
 and Talented student who was a "chronic"
 underachiever. I brought him here
 from New Mexico three years ago because
 several Alaskans had told me about
 the excellence of the state's education.
 It was true - he makes A's in math now!
 Please support Alaska's reputation for
 student learning - financial cut backs always
 hurt kids in the long or short term or both.

Yours very truly,
 Janet Van Norman

Janet Van Norman
 35 Old Village Rd
 Kasigluk AK 99609
 (907) 477-6034 wk.
 (907) 477-6720 home
 The Akvak School
 Juniors and Seniors:

- Shirley Babin
- Ann Marie Charles
- Grace Brink
- Sharon Slim
- Rosaleen Brink
- Nick Kaula Jr.

[Handwritten signatures and scribbles]

[Large scribbled signature]

[Signature: Gerald...]



Alaska State Legislature

Please enter into the record my testimony to the Hansen Finance committee name
 committee on NB230 , dated 4-11-95
 bill/subject

Please consider this bill as a step backward for public education. We cannot continue to educate our students, with less and less funding. We are striving to maintain adequate levels in our programs to ensure a student that will have school to work or school to college abilities. This bill makes that goal less likely with each year of re-direction to other funding. Please do not support this bill.

Signed: Doris Fales

Testifier

Delta/Gracey School District

Representing (Optional)

P.O. Box 527 Delta Jct. AK 99737

Address

895-4502 (home) 895-4658 (school office)

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE
 committee name
 committee on HB 230 dated 4/11/95
 bill/subject

I APPRAISE THE TASK AND YOUR APPROACH TO SPENDING
 REDUCTION IN THE STATE. PUBLIC EDUCATION HAS TO
 BE FULLY FUNDED. WITH NO CHANGE IN THE FOUNDATION
 FORMULA SCHOOLS ARE LOOKING AT ACUT IN STATUS
 QUD. PLEASE BURY THIS BILL IN COMMITTEE FOR
 THE SAKE OF OUR CHILDREN.

Signed *Dan Beck*
 Testifier

Dan Beck Asst Super. Delta/Greely Sch.
 Representing (Optional)

BA 545 DELTA JCT. AK 99737
 Address

895-4852
 Phone No.

ALASKA GATEWAY SCHOOL DISTRICT
P.O. BOX 226
TOK, ALASKA 99780
Phone: (907) 883-5151

FAX COVER SHEET

TO: Mark Hanley
ATTN: House Finance Comm.
DATE: 4/11/95 TIME: 3:00 AM
FAX NO: 4652418 SENDER'S INITIALS/NAME: DON WATSON
SUBJECT: SB 132

Transmission contains this cover sheet and 1 page(s)

REMARKS: To be read before
Committee

Fax # Eagle-547-2303; Northway-778-2221; Tok School-883-5155;
Tanacross-883-4291; District Office-883-5154.

April 11, 1995

To: Mark Hanley, Chairman of the House Finance Committee

From: Tok Area Teachers

Re: SB 132

We have read this proposal and would like to express our dismay at the implications to education and educators should it be implemented. What a step backward for all of us! It definitely appears that some of the provisions are nothing short of vindictive, and we would like to register a formal protest and ask that you carefully reconsider all aspects of this bill.

Public Opinion Message

April 11, 1995

TO House Finance Committee

FROM Nancy Harris, President
Petersburg Board of Education

RE HB 230

The Petersburg Board of Education supports full funding of the Instructional Unit. We oppose HB 230, which would decrease the Instructional Unit value and cause more cuts to education in our district. We are asking for the maximum local contribution for FY '96 from our city council. We are ready to work with legislators on needed educational improvements and meaningful change in the education funding system. Let's tackle these problems before taking steps that will further penalize children in our state.

Leighann Brown

P.O. Box 672
TOK, ALASKA 99780-0672

TO OUR HONORED PERSONS IN GOVERNMENT:

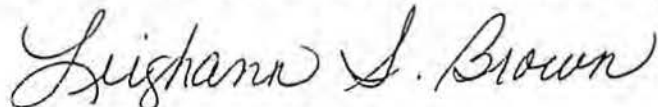
I AM A MOTHER OF 3 TOK SCHOOL STUDENTS, AND VERY PROUD OF OUR NEW SCHOOL THAT WAS LONG OVER-DUE. THANK YOU!

I AM WRITING IN RESPONSE THAT OUR STATE FUNDING FOR OUR CHILDREN MAY BE CUT. IN A RURAL AREA (AS YOU KNOW) THERE IS NOT MANY OF EXTRA-CURRICULAR ACTIVITIES TO DO AND THE SCHOOL IS THE ONE PLACE THAT CHILDREN CAN GO, AND THERE IS ALWAYS SOME KIND OF ACTIVITY GOING ON. WITH FUNDS BEING CUT OUR CHILDREN WILL BE CUT OUT OF A LOT ACTIVITIES, SUCH AS MUSIC, ART AND SPORTS, WHICH ARE AS IMPORTANT AS THE REQUIRED SUBJECTS.

CAN WE PLEASE FIND DIFFERENT AND INNOVATIVE WAYS TO FIND FUNDING FOR OUR SCHOOLS. ONE WAY COULD BE TO START A LOTTERY LIKE MANY OTHER STATES HAVE THAT GO TO FUND EDUCATION.

WE ALL LOVE OUR CHILDREN AND KNOW THAT TIMES NOW ARE HARDER THEN EVER AND WE NEED TO WORK WITH OUR CHILDREN AND MAKE SURE THAT THEIR FUTURE IS AS GOOD AS OURS HAS BEEN AND GIVE THE THE EDUCATION THAT THEY DESERVE. LETS NOT TAKE IT FORM THE ONES WHO NEED IT THE MOST.

AGAIN, THANK YOU FOR YOUR CONCERN.



LEIGHANN S. BROWN

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



SPONSOR STATEMENT

House Bill No. 230

"An Act making appropriations to the Department of Education"

HB 230 is an integral part of the House Finance Five-Year Budget Plan, designed to reduce the State of Alaska operating budget by \$250 million dollars. A fiscal gap of \$522 million dollars is being projected for FY96.

Education, along with health and social services and state employee salaries and benefits, make up 75% of the budget. In order to reach the target reduction of \$70 million for FY96, reductions must be made in these categories as well as the remaining 25% of the budget.

HB 230 is the K-12 support appropriation to the Department of Education for FY96 and FY97. This amount is identical to the funding approved for FY95 by the Budget Conference Committee.

By forward-funding education in this manner, the Legislature has provided secured funding for two years, allowing the districts to prepare more adequately for providing programs with less money per student.

William D. and Carol G. Kane
 1000 WOODCREST CIRCLE
 WASILLA, ALASKA 99654
 PHONE: (907)-376-2467

Teleconference Testimony - HB 230

3/14/95

2:00 P.M.

To: Co-Chairpersons
 Representative Cynthia Toohey and/or Representative Con Bunde
 Health, Education and Social Services,
 Finance Committee

From: Carol G. Kane *CGK*
 1000 Woodcrest Circle
 Wasilla, Alaska, 99654
 Phone: (907) 376-2467

Thank you for the opportunity to participate in this teleconference today. I would also like to extend my appreciation to each of you for giving your time and personal resources on behalf of Alaskan citizens.

I am a taxpayer, property owner, educator and have been a resident of Alaska for the past 13 years. My husband and I value the quality of life in Alaska and plan to live here the rest of our lives. I have had the opportunity to have a leadership role in education through our professional organizations at the local, state, and national levels. I am proud to be an Alaskan educator. I believe that we provide exemplary educational programs for students regardless of where they live or their ethnic origin. Educators today have met and will strive to meet the challenges in the future presented by society. We have accepted full responsibility to provide curricular and co-curricular programs which will enable students to become productive citizens of the 21st century. Additionally, out of necessity, and because we are empathetic caregivers, we provide family life support by escalating proportions.

I am alarmed to realize the current language proposed in HB NO. 230 would result in a reduction in the funding level for FY 96/97. For FY96, the current level of funding should be no less than currently funded for FY95. We must not hold hostage the education of students in this state because we have not allocated funding to meet our constitutional obligations. To allow adequate planning and assessment, I would propose that we look at options to determine how education will be funded after the next fiscal year and in future years.

The current funding allocation, with high emphasis on the property owners must be revisited. Because we educate all children, it would seem equitable that a combination of revenue resources be utilized to determine a fairer and more appropriate funding formula. I do not believe in a free ride. Yes, in Alaska we must get on the bus, pay our fare by generating new funding and reallocate that which we already utilize for revenue. I would propose that the revenues might include a combination of the following based on a percentage allocation for the full education formula:

- %age Federal Resources
- %age Education Tax - to be paid by every citizen (senior citizens exempt at 60 yrs.)
- %age Permanent Fund - to be paid by every citizen (no exemption for senior citizens)
- %age Property Tax - to be paid by all property owners (not personal property)

Where possible, education appropriations would go directly to the school district and not through the borough political structure. I believe that we should provide a funding structure for a two year budget appropriation for every district. This would eliminate the annual "knee jerk" panic that encompasses the public, educators, and legislators. The expanded two year funding allocation would allow for better planning and an improved educational community.

I am willing to work with a committee to review this funding dilemma and hopefully the development of a new formula that would result in long term stability. Collectively, we can provide what our children need today for tomorrow's work force.

Again, thank you for your consideration of my input.

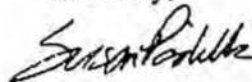
3/14/95

*Alaska State Legislature**Members of the Legislature,*

I am submitting my written comment on HB 230. I am writing as a concerned parent, urging you to vote down HB230, and support the education of the children in our state. As a 20 year resident of the state of Alaska, I have witnessed the continual ease at which our legislature reduces its responsibility to our children's education. The state funding for education the last few years has remained stagnate, while the cost of education continues to rise. The educational funding unit has never kept up with inflation which has lowered the actual amount to school districts over the years. Communities, such as Sitka, have struggled to keep up. The continual deterioration of these funds every year has had a detrimental effect on the educational system. School District budgets now are forced with providing quality education with fewer and fewer dollars. The legislatures need only to attend school budget hearings to understand that programs are being cut, classroom sizes are increasing, buildings are deteriorating all at the expense of the students we are trying to educate. Where are the priorities of the legislature? Campaign rhetoric is always full of promises for increased support of education. Where is all the action that goes along with these promises? Where is the support? As communities, such as Sitka, are struggling with their own finances it is important that our legislature promote the need for education, and send a message to all communities that education is one of the most important services we can provide to our children. By continually cutting back on its funding you are sending a clear message that the children of our state are not a priority, that education is not important. I urge you not to hold the educational funding at its current levels. By doing so you are targeting the children who only have one shot at their education. If we don't do the best job possible to educate them we have all failed.

Thank you for taking my testimony, and I urge you to vote down HB230.

Sincerely,



*Susan Padilla
312 Wortman Loop
Sitka Alaska 99835*



Alaska State Legislature

Please enter into the record my testimony to the House Health Education + Social Services
committee name

committee on HB 230, dated March 14, 1995
bill/subject

My husband and I have two students in the Fairbanks North Star Borough School District, I have been an active PTA member and volunteer in our schools since 1983.

I am strongly opposed to cuts to education. The foundation formula has not been increased for 4 or 5 years. That means our buying power has continually decreased over the past 4 or 5 years. Further cuts are not justified; indeed, they are unconscionable. School Districts across the State are scrambling for resources. Please don't further undermine education! Our children are Alaska's future. They are worth the investment; the future of Alaska depends on well educated citizens.

Further, the provision of HB 230 that would deny school districts increased funds when they experience an increase in students makes no sense at all. When you have more students, it costs proportionally more to educate them well.

The popular notion that all areas of government should "feel the pain" of decreased revenue is difficult to defend when our children's education is carelessly put on the chopping block. I'd far rather see cuts come in the area of new roads. Education is the best investment we can make!

Signed: GAIL HATTAN

Testifier

FAIRBANKS Council of PTAs | Self

Representing (Optional)

992 Willow Grouse Rd

Address

Fairbanks, AK 99712

March 16, 1995

TO: House HESS Committee
Rep. Cynthia Toohey, Chairperson
Rep. Con Bunde
Rep. Al Vesey
Rep. Gary Davis
Rep. Tom Brice
Rep. Karen Robinson

FROM:

Jackie Dailey #780-4539
5959 Sunset St.
Juneau, Alaska 99801

RE: HB 230

As a Site-Based Council and a PTA member, and a parent of a student at Harborview/Capital School, I strongly recommend a NO vote.

We have experienced reductions even though our enrollment has increased. The parent group has raised substantial \$ to pay for basic needs-there is no more fat!

✓ JUNEAU
LIC



Alaska State Legislature

Please enter into the record my testimony to the House Hearing committee name

committee on HB230 bill/subject dated March 16, 1995

Don't pass house bill 230 due to the fact that the education level in Kodiak is not adequate to the needs of a larger student body. Classes are big enough as it is and can't handle a bigger capacity of students without the financial aid from the legislature. I ~~strongly~~ am strongly against HB230 and I encourage you all to vote against it.

Signed: Melissa Dorman

Testifier

Student at Kodiak High

Representing (Optional)

775 d Pt Retreat way (99615)

Address

(907) 487-4967



Alaska State Legislature

Please enter into the record my testimony to the House Affairs committee name

committee on HB 230 dated March 16, 1995
bill/subject

To whom it may concern:

My concern as a student is that Bill 230 should not be passed. This would drop funding of many programs that kids here in Alaska need to keep them busy. Teachers work hard and need their jobs. \$61,000.00 to \$57,000.00 that drop would be detrimental to my and my classmates education.

Do not pass HB 230 !!!!!!

Signed: Sarah Dneastor
Testifier

Kodiak Highschool
Representing (Optional)

205 A Race Rock Ct. Kodiak Ak 99615
Address

1(907)487-2406



Alaska State Legislature

Please enter into the record my testimony to the

House Floor
committee name

committee on HB-230
bill/subject

dated March 11, 1995

Please Don't pass bill HB-230, It will greatly affect my education and my ability to be accepted to the Air Force Academy. I think that Alaska is a great place to recieve a good education and with the budget cuts, education levels will definateley go down severely. Our high school need extra money not only for extra-curricular activities but for our academic activities as well. I urge you to vote against HB-230.

Signed: Michelle J. Taber

Testifier

Student At Kodiak High School.

Representing (Optional)

773-Lk. Louise Drive Apt. F/Kodiak, AK 996

Address

957-487-9771



Alaska State Legislature

House Hess

Please enter into the record my testimony to the _____ committee name

committee on HB 230 dated 3/16/95
bill/subject

Please do not pass HB 230, regarding our school classes. ~~They are~~ A cutting of the moneys from \$61,000 to \$57,000 is drastic. It will greatly affect my education. And no new moneys on newly enrolled students will hurt our learning. Also, our school's students are very athletic, we wouldn't want to see the budget drop, we'll never be able to compete on mainland.

Signed: *Juanita M. Wisch*
Testifier

Kodiak High School Student Body
Representing (Optional)

1326 A Ismailov
Address

(907) 486-2869



Alaska State Legislature

Please enter into the record my testimony to the

House of Representatives

committee name

committee on

HB 230

bill/subject

dated

March 16, 1995

In regards to the House Bill 230, I truly feel that this bill should not be passed. If this bill is passed, it will decrease our means of education. It will also cut the budget in our club and sports programs. These students at Kodiak High School keep involved in the school through these programs. If these clubs and sports are cut, there will more students doing things they shouldn't be doing. So please take in consideration my opinion on the House Bill 230 and not pass it.

Signed:

Bernardina F. Ruelas

Testifier

Kodiak High School Student Body

Representing (Optional)

1517 E. Main St. Kodiak, Ak 99615

Address

(907) 486-6585



Alaska State Legislature

Please enter into the record my testimony to the

House - Hess
committee name

committee on HB230
bill/subject

dated March 16, 1995

Concerning HB230, I am strictly against it. I encourage you to vote against this bill because it will greatly affect the education of the students at our school district. Parents already have a hard time getting an education in a class room of thirty students and more.

Signed: Shirley Ranta
Testifier

KODIAK HIGH SCHOOL STUDENT BODY
Representing (Optional)

P.O. Box 3222
Address

(907) 486-5092

MAR-13-95 MON 15:30

KODIAK LIO

FAX NO. 9074865264

P. 04



Alaska State Legislature

Please enter into the record my testimony to the House Class committee name
 committee on HB 230 dated 3/16/95
 bill/subject

As a parent of four students
 in the Kodiak School District
 I strongly urge you to vote
AGAINST HB 230! This would greatly
 affect the education of my children. Class
 size is important to maintain at reasonable
 numbers as well as individual help for all
 students.

Signed: Bob & Anne Waltham
 Testifier
Parents
 Representing (Optional)
Box 3001 Kodiak, AK
 Address
486-6823



ALASKA COUNCIL OF SCHOOL ADMINISTRATORS

326 Fourth St., Suite 404, Juneau, AK 99801-1101 • (907) 586-9702 • (800) 478-9702 • FAX (907) 586-5879

POSITION STATEMENT

HB 230

"An Act making appropriations to the Department of Education for support of kindergarten, primary, and secondary education and for community schools programs for fiscal year 1996 and fiscal year 1997:....."

The Alaska Council of School Administrators is opposed to HB 230.

Rational: Schools across Alaska have been struggling with the continued demands placed on them. They have had to absorb continuing increased costs in maintenance and operation of the schools. They have had to adjust to the continued reductions in funding from all levels of support for their schools.

Alaska's schools are in a constant state of reform. Whether it is through technology or the development of competency tests and measurements, schools have searched for more effective and meaningful applications to the teaching and learning of young people in this state. Their commitment is to continue that reform as new information is available and finances permit.

Professional educators have participated in the development of performance standards which have been developed on the state level. These standards have become and will continue to be a part of the reform movement across Alaska. Schools across Alaska have had to deal with more complex children within a complex society such as school violence, child abuse, dysfunctional families, and children with drug and alcohol disorders.

It is our belief that the state's budget problems can not be balanced on the children of Alaska. Their education and health and well being must be above and beyond the desire to cut the budget. Instead, we believe we need to look at how we can preserve what we have rather than how we will weaken the opportunities they currently have. The State of Alaska is currently giving wonderful benefits to it's citizens for living in this great state. Through the permanent fund dividend program, the longevity bonus program and the lack of a state income tax, Alaska has created a perception among many people that a democracy does not cost it's citizens anything.

For the past several years, the budget for education has been continually balanced by existing revenue sources. During this same period of time, there has been a constant reminder that at some time in the not too distant future, we all will have to make significant cuts to the budget.

We need to direct our efforts at maintaining the services we are currently offering to our young people. This is accomplished by making some hard decisions regarding the potential revenue stream we have yet to implement rather than how much can we take apart what we have worked so hard to build.

Let us take on the hard issues of generating needed revenue from the dividend program or the longevity program or the implementation of the state income tax. It is time. The future is not a bright future for our young people if we don't.

Stephen T. McPhetres, Executive Director



Alaska State Legislature

Please enter into the record my testimony to the

H. G. Hill, H. G. Hill

committee name

committee on

HB 230

dated

March 16, 1995

bill/subject

On behalf of the Kodiak High School student body, I would like to share my concerns about this bill. Please do not pass HB 230. If the school budget decreases it will affect many things that are very important - not only me, but the other students, also.

Signed:

Larylie Parrilla

Testifier

Kodiak High School

Representing (Optional)

P.O. Box 0359 Kodiak, AK. 99615

Address



Alaska State Legislature

Please enter into the record my testimony to the House Heads
 committee name
 committee on HB 230 dated 3-14-95
 bill/subject

To Whom It may Concern:
 Do not pass HB230; cutting the school budget. Our classrooms are packed as it is and there would less of a chance to achieve academic excellence. The elementary schools are also at a maximum and they are the ones that are going to see most of the effects.

Signed: Lucia Nicole Hill
 Testifier

Kodiak Highschool Student
 Representing (Optional)

323 Eskine Kodiak, AK, 99615
 Address

(907) 486-4289 (907) 486-4885



Alaska State Legislature

Please enter into the record my testimony to the

House Affairs

committee name

committee on HB 230

bill/subject

dated March 16, 1995

On behalf of the Kodiak student body I would like to express my feelings toward Bill 230. Please do not pass House Bill 230. Due to our school's capacity and our classrooms size, with this bill, our learning will be cut back. Teachers will be replaced with lesser education abilities. This bill will greatly affect my education to learn as well as the other students and teachers on my island. We may only be an island, but, due to this fact we only have 1 Junior High School and one High School so if you cut this bill for every student we get 1 teacher will be lost. Please on behalf of Kodiak High School do not vote for HB 230.

Signed: Monira Reed

Testifier

KODIAK High School Student

Representing (Optional)

P.O. Box 242, Kodiak, Alaska 99615

Address

907-486-2330



Alaska State Legislature

Please enter into the record my testimony to the HOUSE - Hess
committee name

committee on HB 1230 dated March 16, 1995
bill/subject

To whom it may concern:

I am writing to you not only as a student, but also as a very concerned citizen. By passing this bill you will be doing irreparable damage to our future. You will be stunting the learning growth of the current students as well as our future students. This really scares me as a future parent!! This bill not only affects our students, but our teachers too. Our teachers will be losing out on money by teaching here, instead of being able to make a living! Once again, I am urging you not to pass HB 230.

Thank you.

Signed: Diane Moore
Testifier

Student Body & Concerned Citizens
Representing (Optional)

Box 8763 Kodiak, AK 99615
Address

486-2684



The Aleutians East Borough School District

**PO Box 429
Sand Point, Alaska
99661**

March 16, 1995

To: House HISS Committee

From: Chick Beckley, Director of Technology & Area Principal
Aleutians East Borough School District

Re: HB230

Committee members,

I am writing to express my strong opposition and the opposition of parents and the local school boards of False Pass, Cold Bay, and Nelson Lagoon to HB230. The bill effectively decreases the funding for education in the communities. It will result in a decrease in services. The net effect of this decrease in funding will be diminished educational opportunities to our students.

At a time when our state, and nation, are engaged in establishing educational standards, and striving for excellence and accountability, HB230 proposes to severely curtail those efforts. Instead of moving toward schools which will be able to provide students with the skills needed to compete in a rapidly changing and technological world, HB230 proposes to make it ever more difficult even to maintain current programs.

HB230 is not in the best interest of Alaska's children and communities, and not in the best interest of Alaska. We damage only ourselves and our future prospects for productive and competent citizens by reducing educational funding at a time when schools are

already facing tremendous challenges and mandates with regard to educational services

I urge you on behalf of the schools and constituents of our communities to reject the decreases in funding proposed by HB230.

Department of Education
Foundation Program

Columns >>>

	A	B	C	D	E	Column C less Column A	Column C less Column B	Column E less Column A	Column E less Column D
	FY95 Entitlement	Proj. FY96 Entitlement	FY96 prorata at \$59,935	Proj. FY97 Entitlement	FY97 prorata at \$58,720				
ADAK	151,336	-	-	-	-	(151,336)	-	(151,336)	-
ALASKA GATEWAY	4,916,797	4,887,002	4,794,837	4,812,582	4,618,052	(121,960)	(92,165)	(298,745)	(194,530)
ALEUTIAN REGION	563,747	468,929	459,717	395,119	378,156	(104,030)	(9,212)	(185,591)	(16,963)
ALEUTIANS EAST	3,577,702	3,668,008	3,594,363	3,756,458	3,595,490	16,661	(73,645)	17,788	(160,968)
ANCHORAGE	192,541,978	193,378,262	189,230,087	197,679,372	188,638,009	(3,311,891)	(4,148,175)	(3,903,969)	(9,041,363)
ANNETTE ISLANDS	1,373,918	1,590,831	1,544,780	1,648,171	1,547,441	170,862	(46,051)	173,523	(100,730)
BERING STRAIT	14,408,678	16,029,589	15,687,596	16,528,569	15,777,765	1,278,918	(341,993)	1,369,087	(750,804)
BRISTOL BAY	1,522,798	1,607,266	1,564,240	1,626,786	1,533,944	41,442	(43,026)	11,146	(92,842)
CHATHAM	2,432,153	2,570,427	2,513,833	2,605,807	2,483,325	81,680	(56,594)	51,172	(122,482)
CHUGACH	1,602,079	1,702,254	1,670,283	1,707,134	1,638,506	68,204	(31,971)	36,427	(68,628)
COPPER RIVER	5,216,868	5,083,704	4,993,499	5,066,014	4,873,559	(223,369)	(90,205)	(343,309)	(192,455)
CORDOVA	2,581,326	2,526,337	2,468,944	2,562,937	2,438,700	(112,382)	(57,393)	(142,626)	(124,237)
CRAIG	2,275,901	2,238,425	2,194,685	2,315,895	2,219,360	(81,216)	(43,740)	(56,541)	(96,535)
DELTA/GREELY	5,646,127	5,345,312	5,235,873	5,198,302	4,969,504	(410,254)	(109,439)	(676,623)	(228,798)
DENALI	3,046,313	3,165,755	3,104,794	3,229,195	3,096,317	58,481	(60,961)	50,004	(132,878)
DILLINGHAM	2,944,758	3,181,710	3,113,390	3,185,370	3,038,971	168,632	(68,320)	94,213	(146,399)
FAIRBANKS	72,756,477	73,441,843	72,003,603	74,649,643	71,525,450	(752,874)	(1,438,240)	(1,231,027)	(3,124,193)
GALENA	1,386,517	1,633,032	1,599,570	1,853,852	1,773,961	213,053	(33,462)	387,444	(79,891)
HAINES	2,055,774	2,148,434	2,101,627	2,197,844	2,095,791	45,853	(46,807)	40,017	(102,053)
HOONAH	1,861,376	2,033,340	1,995,447	2,051,030	1,969,246	134,071	(37,893)	107,870	(81,784)
HYDABURG	974,863	977,600	960,049	974,550	937,090	(14,814)	(17,551)	(37,773)	(37,460)
IDITAROD	5,021,515	5,383,540	5,279,106	5,665,970	5,431,837	257,591	(104,434)	410,322	(234,133)
JUNEAU	22,477,537	21,620,872	21,119,896	21,470,202	20,403,322	(1,357,641)	(500,976)	(2,074,215)	(1,066,880)
KAKE	1,285,536	1,234,626	1,210,504	1,235,236	1,183,571	(75,032)	(24,122)	(101,965)	(51,665)
KASHUNAMIUT	1,728,969	1,992,534	1,952,863	2,085,864	1,997,446	223,894	(39,671)	268,477	(88,418)
KENAI	44,172,161	45,572,050	44,528,350	47,060,450	44,770,418	356,189	(1,043,700)	598,257	(2,290,032)
KETCHIKAN	9,622,006	9,538,838	9,303,377	9,568,118	9,062,938	(318,629)	(235,461)	(559,068)	(505,180)
KLAWOCK	1,507,424	1,538,094	1,508,881	1,571,034	1,507,262	1,457	(29,213)	(162)	(63,772)
KODIAK	14,064,184	13,980,967	13,682,767	13,891,297	13,256,249	(381,417)	(298,200)	(807,935)	(635,048)
KUSPUK	4,759,302	5,153,104	5,053,143	5,209,224	4,993,126	293,841	(99,961)	233,824	(216,098)
LAKE AND PENINSUL/	6,741,477	6,629,909	6,503,664	6,626,249	6,356,115	(237,813)	(126,245)	(385,362)	(270,134)
LOWER KUSKOKWIM	32,863,715	34,598,211	33,911,446	36,891,201	35,335,238	1,047,731	(686,765)	2,471,523	(1,555,963)
LOWER YUKON	11,558,409	13,909,963	13,608,174	14,543,753	13,873,980	2,049,765	(301,789)	2,315,571	(669,773)
MAT-SU	55,397,110	59,695,528	58,502,962	63,467,158	60,773,087	3,105,852	(1,192,566)	5,375,977	(2,694,071)
NENANA	1,497,731	1,579,050	1,550,295	1,599,790	1,537,455	52,564	(28,755)	39,724	(62,335)
NOME	4,724,803	4,436,072	4,349,008	4,264,052	4,084,092	(375,795)	(87,064)	(640,711)	(179,960)
NORTH SLOPE	10,066,016	10,143,860	9,863,286	10,702,620	10,081,069	(202,730)	(280,574)	15,053	(621,551)
NORTHWEST ARCTIC	16,268,410	16,430,911	16,102,028	16,749,941	16,033,930	(166,382)	(328,883)	(234,480)	(716,011)

Department of Education
Foundation Program

Columns >>>

	A	B	C	D	E				
	FY95 Entitlement	Proj. FY96 Entitlement	FY96 prorata at \$59,935	Proj. FY97 Entitlement	FY97 prorata at \$58,720	Column C less Column A	Column C less Column B	Column E less Column A	Column E less Column D
PELICAN	544,061	553,514	542,875	557,174	534,260	(1,186)	(10,639)	(9,801)	(22,914)
PETERSBURG	3,196,745	3,205,611	3,135,374	3,323,341	3,168,575	(61,371)	(70,237)	(28,170)	(154,766)
PRIBILOF	1,710,468	1,783,135	1,745,306	1,867,925	1,783,770	34,838	(37,829)	73,302	(84,155)
SITKA	6,923,549	6,824,882	6,667,241	6,647,372	6,316,521	(256,308)	(157,641)	(607,028)	(330,851)
SKAGWAY	696,726	706,706	688,069	664,006	625,702	(8,657)	(18,637)	(71,024)	(38,304)
SOUTHEAST	4,194,007	4,025,197	3,946,632	3,714,097	3,557,529	(247,375)	(78,565)	(636,478)	(156,568)
SOUTHWEST	5,713,680	6,570,578	6,436,505	6,954,268	6,652,898	722,825	(134,073)	939,218	(301,370)
ST. MARY'S	1,182,937	1,015,273	995,475	983,553	942,353	(187,462)	(19,798)	(240,584)	(41,200)
TANANA	1,109,422	1,110,997	1,089,495	1,110,997	1,064,964	(19,927)	(21,502)	(44,458)	(46,033)
UNALASKA	1,680,423	1,749,247	1,700,971	1,788,287	1,683,475	20,548	(48,276)	3,052	(104,812)
VALDEZ	3,289,736	3,388,504	3,297,649	3,431,204	3,235,101	7,913	(90,855)	(54,635)	(196,103)
WRANGELL	2,638,591	2,616,324	2,560,284	2,676,714	2,554,483	(78,307)	(56,040)	(84,108)	(122,231)
YAKUTAT	1,290,931	1,239,920	1,215,915	1,257,000	1,204,970	(75,016)	(24,005)	(85,961)	(52,030)
YUKON FLATS	5,428,884	5,648,541	5,538,558	5,812,021	5,570,455	109,674	(109,983)	141,571	(241,566)
YUKON/KOYUKUK	6,884,158	6,987,850	6,847,866	7,028,110	6,726,922	(36,292)	(139,984)	(157,236)	(301,188)
YUPIIT	3,769,090	4,078,749	3,991,983	4,097,659	3,911,201	222,893	(86,766)	142,111	(186,458)
STATE CCS	3,573,655	3,808,383	3,741,892	3,928,126	3,781,304	168,238	(66,491)	207,650	(146,822)
Mt. EDGE CUMBE	1,810,784	1,586,000	1,558,310	1,518,290	1,461,541	(252,474)	(27,690)	(349,243)	(56,749)
Other	4,442,816	5,386,260	5,376,642	5,386,260	5,332,213	933,826	(9,618)	889,397	(54,047)
TOTALS	\$627,674,453	643,401,860	629,938,009	659,393,193	629,938,009	2,263,556	(13,463,851)	\$2,263,556	(\$29,455,184)

This spreadsheet estimates foundation entitlements for fiscal years 1996 and 1997. The 1997 estimates include an adjustment to the instructional units based on the average change in units for a two year period, FY94 to FY95 and FY95 to projected FY96. The 1997 estimates do not include adjustments for changes in required local effort or impact aid deductions.

TO: Representative Mark Hanley, Co-chair Finance Committee
FAX: 907-465-2418

FROM: Shirley J. Bishop, Legislative Liaison *SJB*
Unalaska City School Board
FAX: 907-581-3434

DATE: April 11, 1995

RE: HB 230

I urge you to oppose HB 230 and to support full funding for education of Alaska's children. Contrary to what some legislators believe, Alaskans do not want the state budget balanced at the expense of our children's education.

Our schools in Unalaska have grown an average of 12% with a total growth of 58% in the past 5 years. HB 230 allows no additional funds for additional students, and keeps education funding for FY 96 & 97 at the FY 95 level. Combined with the effect that other bills under Legislative consideration might have if enacted, this will cause us to cut programs for children as well as staff positions.

The City of Unalaska has many infrastructure needs as well. Urban legislators need to understand this when they attempt to redistribute our local Education dollars into urban schools. Is the Legislature going to "level the playing field" by supporting City of Unalaska infrastructure projects so that monies are available locally for educating our children?

I respectfully request that you support full funding @ the \$61,000 Instruction Unit for Education and that you oppose HB 230.

Thank you for your consideration.



Regional Citizens' Advisory Council / 750 W. 2nd Ave., Suite 100 / Anchorage, Alaska 99501-2168 / (907) 277-7222 / FAX (907) 277-4523

"Citizens promoting environmentally safe operation of the Alyeska terminal and associated tankers."

April 11, 1995

Representative Mark Hanley, Co-Chair
 Representative Richard Foster, Co-Chair
 House Finance Committee
 State Capitol
 Juneau, Alaska 99801-1182

Dear Representatives Hanley and Foster,

I am writing in support of House Bill 233, which among others, would extend the Hazardous Substance Spill Technology Review Council (HSSTRC). The RCAC's mission is "citizens promoting the environmentally safe operation of the Alyeska terminal and associated tankers." RCAC is certified as an alternative council under Section 5002 of the Oil Pollution Act of 1990. The work of the RCAC is guided by its contract with the Alyeska Pipeline Service Company and the Oil Pollution Act of 1990. RCAC has 18 member organizations representing communities and boroughs impacted by the 1989 Exxon Valdez oil spill, as well as commercial fishing groups, Alaska Native interests, and environmental, aquaculture and business organizations. The HSSTRC was created after the Exxon Valdez oil spill and was a recommendation of the Alaska Oil Spill Commission. The purpose of the Council is to address through research the severe lack of oil spill technology encountered following the Exxon Valdez spill.

Since that time, the HSSTRC has successfully led or cooperated in numerous research projects. These include, in FY 93, projects on remote sensing, chemical product protocol testing, and in situ burning. In FY 94, HSSTRC co-sponsored with CISPRI a workshop on oil in broken ice; and in FY 95, projects include emergency cargo pumping system; oil remediation in ice using biosurfactants, freshwater biodegradation of oil, and small vessel and harbor refueling spill prevention. Each of these are important projects to enhance Alaska's ability to address its responsibilities as a developer, producer, transporter, and user of petroleum products.

We request your support of HB 233 and the HSSTRC.

Sincerely,

William M. Walker, President

c.c.

House Finance Committee Members
 Commissioner Gene Burden, DEC
 Gary Bader, Alyeska Citizens' Group Liaison Manager
 Paul Richards, Alyeska Corporate Affairs
 RCAC Directors

HB

232

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 28, 1995

FURTHER REFERRALS:

Date of Committee Action: _____

The FINANCE Committee considered:

HB 232

HOUSE BILL NO. 232

ECONOMIC DEVELOPMENT TAX CREDIT

"An Act establishing an economic development tax credit; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	BP	DNP	NR	AM
Died in Committee				

CHAIR'S SIGNATURE _____

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. CS HB232 (STA)

Revision Date: April 12, 1995
 Title: An Act establishing an economic development tax credit
 Sponsor: Representative Kott
 Requestor: House State Affairs

Department: Commerce and Economic Development
 BRU: Alaska Industrial Export and Development Authority
 Component: _____
 COMPONENT SERIAL NO. 1234

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Guy Bell, Director Phone: 465-2505
 Division: Administrative Services Date: 4/12/95
 Approved by Commissioner: William L. Hensley Date: 4/12/95
 Agency: Commerce and Economic Development

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