

**DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
FY2018 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT
February 24, 2017**

SUBCOMMITTEE MEMBERS:

Rep. Dan Ortiz, Chair	Rep. Drummond	Rep. Fansler
Rep. Johnston	Rep. Kopp	Rep. Parish
Rep. Spohnholz	Rep. Talerico	Rep. Thompson

SUBCOMMITTEE MEETINGS:

The House Finance Budget Subcommittee for the Department of Education and Early Development held twelve meetings with the department during the review of the FY18 budget request.

RECOMMENDATIONS:

The Chair of the House Finance Budget Subcommittee for the Department of Education and Early Development recommends that the House Finance Committee accept the Governor's FY18 Amended Budget with further amendment(s):

The budget **without** amendment totals:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$48,040.0
Designated General Funds (DGF)	26,071.5
Other Funds	57,620.8
Federal Funds	241,157.5
Total	\$372,889.8

The Unrestricted General Fund difference from FY15 Management Plan to the FY18 Governor Amended budget is a reduction of \$21,133.2 million, a decrease of 30.6 percent

Positions:

Permanent Full-time	279
Permanent Part-time	15
Temporary	4
Total	298

The following budget amendments are submitted by the subcommittee chair to the House Finance Committee for consideration:

- 1) Reduction of \$70.0 in General Funds in the Boarding Home Grants line item. This reduction reflects declining use of the Stipend portion of the Boarding Home Grants program. The Boarding Home budget funds two programs: 1) the Secondary Boarding Home Stipend Program; and 2) the larger School District Operated Residential School Program. This amendment does not impact School District Operated Residential Schools. It reduces GF authorization for the Stipend program to more closely align with actual costs.

Governor's Budget Amendments

- 2) Reduction of \$52.8 in Alaska Technical and Vocational Education Program (TVEP) authority. TVEP is funded by .16 percent of employee contributions to the unemployment insurance trust fund administered by the Department of Labor. The taxable wages collected have declined more rapidly than originally anticipated and allocations to regional training centers specified in AS 23.15.835 will be decreased. TVEP funds in the DEED budget support the Galena Interior Learning Academy.
- 3) Increase of \$10,172.6 Federal Receipts for child nutrition programs including the National School Lunch Program, School Breakfast Program, and Summer Food Services Food Services Program. Increased federal receipt authority is needed for acceptance of the increase in United States Department of Agriculture (USDA) grant funds.
- 4) Increase of \$197.3 in Alaska Student Loan Corporation (ASLC) Receipts to cover health insurance adjustment for Alaska Postsecondary Commission staff that provide loan servicing for the Alaska Student Loan Corporation.

The budget **if these amendments are adopted** totals:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$47,970.0
Designated General Funds (DGF)	26,018.7
Other Funds	57,818.1
Federal Funds	251,330.1
Total	\$383,136.9

If these amendment are adopted the Unrestricted General Fund difference from FY15 Management Plan to the FY18 budget is a reduction of \$21,203.2 million, a decrease of 30.7 percent.

STATUTORY RECOMMENDATIONS

The Subcommittee reviewed the Public School Trust Fund which is currently one revenue source for the Foundation Program. There is no specific approach being advanced at this time. There is, however, recognition that the Fund is not maximizing earnings potential and a review of restructuring options is warranted with the goal to increase revenues available to support public education.

OTHER INFORMATION:

The Subcommittee discussed a variety of issues during the meetings. Those that I have not put forward for consideration by the House Finance Committee include, but are not limited to:

Several amendments were discussed that would have reduced or eliminated early learning programs. Proposals included elimination of funding for Pre-Kindergarten Competitive Grants, reduction in Pre-Kindergarten Grants by 25%, and reduction in Parents as Teachers by 20%. Members discussed the merits of early learning and its importance in a comprehensive educational system. Members supporting the reductions spoke to the need for state budget reductions in the face of the state's fiscal situation and saw Pre-K a lower priority than other constitutionally mandated services.

2An amendment was discussed that would have eliminated funding for implementation of Chapter 2 SLA15, commonly referred to as Bree's/Erin's Law.

An amendment was discussed that would have reduced funding for Online With Libraries. These funds support internet and videoconferencing services to public libraries across the state.

The above amendments failed in advisory subcommittee votes.

ATTACHED REPORTS

Transaction Detail -
Allocation Summary – House Structures

Respectfully submitted,

Representative Dan Ortiz, Chair

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Education and Early Development

	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
K-12 Support												
Boarding Home Grants												
H DOE 1 - Reduce Boarding Home Stipend Program by Underspent Amount	Dec	-70.0	0.0	0.0	0.0	0.0	0.0	-70.0	0.0	0	0	0
Offered by Representative Ortiz												
Reduces General Fund authority to reflect declining use of the Stipend portion of the Boarding Home Grants program. The Boarding Home budget funds two programs: 1) the Secondary Boarding Home Stipend Program; and 2) the larger School District Operated Residential School Program. This amendment does not impact School District Operated Residential Schools. It reduces UGF authorization for the Stipend program to more closely align with actual costs.												
1004 Gen Fund (UGF)		-70.0										
* Allocation Total *		-70.0	0.0	0.0	0.0	0.0	0.0	-70.0	0.0	0	0	0
** Appropriation Total **		-70.0	0.0	0.0	0.0	0.0	0.0	-70.0	0.0	0	0	0
Education Support Services												
Executive Administration												
H DOE 2 - School District Internet Access & Educational Opportunities	Wordage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Offered by Representative Ortiz												
It is the intent of the legislature that the State Board of Education report to the Alaska Legislature with findings and recommendations to ensure equity and affordable access to high speed internet, broadband services, and connectivity to all School Districts in Alaska. Further, it is the intent of the legislature that the State Board of Education address this in context of its Best Practices Initiative.												
* Allocation Total *		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Total **		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Teaching and Learning Support												
Student and School Achievement												
GA 4 2/15 Alaska Technical and Vocational Education Formula Funding	Dec	-52.8	0.0	0.0	0.0	0.0	0.0	-52.8	0.0	0	0	0
The Alaska Technical and Vocational Education Program (TVEP), is funded by												

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Education and Early Development

	<u>Trans</u> <u>Type</u>	<u>Total</u> <u>Expenditure</u>	<u>Personal</u> <u>Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital</u> <u>Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
Teaching and Learning Support (continued)												
Student and School Achievement (continued)												
GA 4 2/15 Alaska Technical and Vocational Education Formula Funding (continued)												
0.16 percent of employee contributions to the unemployment insurance trust fund. The taxable wages collected have declined more rapidly than originally anticipated. A reduction in TVEP authority is required in order to not overspend the fund. This is a new item for FY2018. It was not included in the FY2018 Governor's Budget due to timing of updated revenue collection projections.												
TVEP, established under AS 23.15.830, provides non-competitive grants to institutions that are part of a statewide vocational training system. Institutions provide technical and vocational training programs that align with workforce regional demands.												
The Department of Labor and Workforce Development (DOLWD) manages the TVEP administration, including projecting available revenue for distribution. DOLWD's proposal for the TVEP distribution in the FY2018 Governor's Budget assumed flat TVEP revenue FY2016 through FY2018. There was a carryforward balance from unspent prior year TVEP distributions at the end of FY2016 that was anticipated to be sufficient to cover reduced revenues in FY2017 and FY2018. Actual revenue collections through the first two quarters of FY2017 indicate taxable wages are declining faster than what was anticipated prior to the start of the fiscal year. An overall adjustment of \$1,319.2 is needed, bringing the total available for distribution to \$11,970.1.												
The Galena Interior Learning Academy's distribution is set by AS 23.15.835(d), and will receive \$478.8, or four percent, of total receipts available. This decreases the Galena Interior Learning Academy's authority by \$52.8 from the FY2017 distribution level.												
	1151 VoTech Ed (DGF)	-52.8										
* Allocation Total *		-52.8	0.0	0.0	0.0	0.0	0.0	-52.8	0.0	0	0	0

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Education and Early Development

	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
Teaching and Learning Support (continued)												
Child Nutrition												
GA 5 2/15 Additional Child Nutrition Grants from the US Department of Agriculture	Inc	10,172.6	0.0	13.3	3,165.6	15.0	0.0	6,978.7	0.0	0	0	0

Due to increased growth in the National School Lunch Program, School Breakfast Program, and Summer Food Service Program additional federal receipt authorization is needed for acceptance of the increase in United States Department of Agriculture (USDA) grant funds. These are 100% USDA funds and do not require an increase in state general funds or additional staff. This is a new request for FY2018. It was not included in the FY2018 Governor request because at the time of budget development it was unknown whether an amendment request would be necessary due to pending information from the U.S. Department of Education.

The Child Nutrition Programs (CNP) has experienced significant program growth in the National School Lunch Program, School Breakfast Program, and Summer Food Service Program, as well as continued growth in remaining programs. The programs have been impacted by an overall shift in economic status of children served, with an increase of children meeting the Alaska adjusted poverty guidelines, resulting in a substantial increase in the federal reimbursement rate. It is anticipated that CNP will continue to receive these same grants, as well as a technology grant, which will increase the need for additional federal authority. Additional federal receipt authorization is needed for acceptance of the increase in United States Department of Agriculture (USDA) grant funds.

CNP growth is expected to continue beyond 2017. The funds are from a block grant, which provides claim reimbursement money to schools, child care facilities, etc. The department receives incremental receipts throughout the year based on USDA estimates on the department's CNP actuals. The federal receipts are received by weekly draws. These are 100% USDA funds and do not require an increase in state general funds. The department has existing, 100% federally-funded positions, which provide oversight and management for the various food programs; no additional staff will be required.

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Education and Early Development

	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Teaching and Learning Support (continued)												
Child Nutrition (continued)												
GA 5 2/15 Additional Child Nutrition Grants from the US Department of Agriculture (continued)												
Without this additional authority, the department will not be able to accept the grant or provide reimbursements to Alaska school districts and other agencies for food and nutrition programs. Affected services and recipients include statewide food service programs that provide meals to economically disadvantaged Alaskans.												
1002 Fed Rcpts (Fed) 10,172.6												
* Allocation Total *		10,172.6	0.0	13.3	3,165.6	15.0	0.0	6,978.7	0.0	0	0	0
Early Learning Coordination												
H DOE 3 - Early Childhood Programs												
Offered by Representative Ortiz												
It is the intent of the legislature that the State Board of Education evaluate and make recommendations on strategies to secure access to quality early educational opportunities for all Alaskan children. Further, it is the intent of the legislature that early learning be prioritized by the Department and State Board of Education as they set long term strategies to address Alaska's educational challenges.												
* Allocation Total *		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Total **		10,119.8	0.0	13.3	3,165.6	15.0	0.0	6,925.9	0.0	0	0	0
Alaska Student Loan Corporation												
Loan Servicing												
GA 6 2/15 FY2018 Health Insurance Rate Increase												
Alaska Student Loan Corporation (ASLC) contracts with the Alaska Commission on Postsecondary Education (ACPE) for loan servicing and pays for these services with ASLC receipts. The health insurance increase was												

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Education and Early Development

	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
Alaska Student Loan Corporation (continued)												
Loan Servicing (continued)												
GA 6 2/15 FY2018 Health Insurance Rate												
Increase (continued)												
added to ACPE's interagency receipt funding line within the appropriation but												
not within the ASLC's appropriation, which funds ACPE. This amendment												
provides FY2018 funding based on an FY2017 supplemental request of \$115.1.												
	1106 ASLC Rcpts (Other)	197.3										
* Allocation Total *		197.3	0.0	0.0	197.3	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Total **		197.3	0.0	0.0	197.3	0.0	0.0	0.0	0.0	0	0	0
*** Agency Total ***		10,247.1	0.0	13.3	3,362.9	15.0	0.0	6,855.9	0.0	0	0	0
**** All Agencies Total ****		10,247.1	0.0	13.3	3,362.9	15.0	0.0	6,855.9	0.0	0	0	0

Column Definitions

HSub Amends (House Subcom Amendments) - House Finance Subcommittee Amendment Proposals submitted to the House Finance Committee.

**2017 Legislature - Operating Budget
Allocation Summary - House Structure**

Numbers and Language

Agency: Department of Education and Early Development

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec	
K-12 Aid to School Districts				
Foundation Program	1,217,257.6	1,217,257.6	0.0	
Pupil Transportation	72,619.8	72,619.8	0.0	
Additional Foundation Funding	0.0	0.0	0.0	
Appropriation Total	1,289,877.4	1,289,877.4	0.0	
 K-12 Support				
Boarding Home Grants	7,553.2	7,483.2	-70.0	-0.9 %
Youth in Detention	1,100.0	1,100.0	0.0	
Special Schools	3,563.9	3,563.9	0.0	
Appropriation Total	12,217.1	12,147.1	-70.0	-0.6 %
 Education Support Services				
Executive Administration	1,037.0	1,037.0	0.0	
Administrative Services	1,671.3	1,671.3	0.0	
Information Services	921.9	921.9	0.0	
School Finance & Facilities	2,203.4	2,203.4	0.0	
Appropriation Total	5,833.6	5,833.6	0.0	
 Teaching and Learning Support				
Student and School Achievement	160,466.4	160,413.6	-52.8	
State System of Support	1,847.7	1,847.7	0.0	
Teacher Certification	932.7	932.7	0.0	
Child Nutrition	63,796.1	73,968.7	10,172.6	15.9 %
Early Learning Coordination	8,566.7	8,566.7	0.0	
Pre-Kindergarten Grants	2,000.0	2,000.0	0.0	
Appropriation Total	237,609.6	247,729.4	10,119.8	4.3 %

**2017 Legislature - Operating Budget
Allocation Summary - House Structure**

Numbers and Language

Agency: Department of Education and Early Development

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec
Commissions and Boards			
Professional Teaching Practice	303.0	303.0	0.0
AK State Council on the Arts	2,768.5	2,768.5	0.0
Appropriation Total	3,071.5	3,071.5	0.0
 Mt. Edgecumbe Boarding School			
Mt. Edgecumbe Boarding School	11,014.0	11,014.0	0.0
Appropriation Total	11,014.0	11,014.0	0.0
 State Facilities Maintenance			
State Facilities Maintenance	2,322.7	2,322.7	0.0
EED State Facilities Rent	1,068.2	1,068.2	0.0
Appropriation Total	3,390.9	3,390.9	0.0
 Libraries, Archives & Museums			
Library Operations	9,555.9	9,555.9	0.0
Archives	1,261.7	1,261.7	0.0
Museum Operations	1,708.6	1,708.6	0.0
Online with Libraries (OWL)	661.8	661.8	0.0
Live Homework Help	138.2	138.2	0.0
Appropriation Total	13,326.2	13,326.2	0.0
 Alaska Postsecondary Education			
Program Admin & Operations	18,868.4	18,868.4	0.0
WWAMI Medical Education	3,070.8	3,070.8	0.0
Appropriation Total	21,939.2	21,939.2	0.0
 AK Performance Scholarship Awd			
AK Performance Scholarship Awd	11,750.0	11,750.0	0.0
Appropriation Total	11,750.0	11,750.0	0.0

**2017 Legislature - Operating Budget
Allocation Summary - House Structure**

Numbers and Language

Agency: Department of Education and Early Development

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec	
AK Student Loan Corporation				
Loan Servicing	11,946.7	12,144.0	197.3	1.7 %
Appropriation Total	11,946.7	12,144.0	197.3	1.7 %
Agency Total	1,621,976.2	1,632,223.3	10,247.1	0.6 %
Funding Summary				
Unrestricted General (UGF)	1,297,126.4	1,297,056.4	-70.0	
Designated General (DGF)	26,071.5	26,018.7	-52.8	-0.2 %
Other State Funds (Other)	57,620.8	57,818.1	197.3	0.3 %
Federal Receipts (Fed)	241,157.5	251,330.1	10,172.6	4.2 %

Column Definitions

18Gov (FY18 Governor Request) - Includes FY18 Adjusted Base plus the Governor's operating budget bill requests for increases (increments), decreases (decrements), fund source changes, and language transactions submitted by the Governor on December 15, 2016.

HSub Rec (Subcommittee Recommendations) - House Finance Subcommittee Recommendations to the House Finance Committee.