

HOUSE FINANCE COMMITTEE
March 27, 2009
8:37 a.m.

[8:37:08 AM](#)

CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 8:37 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas, Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Richard Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Mike Maher, Director, Division of Administrative Services, Department of Environmental Conservation; Larry Persily, Staff, Co-Chair Hawker; Les Morse, Deputy Commissioner, Department of Education and Early Development; Mark Lewis, Director, Administrative Services, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 199 "An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

HB 199 was heard and HELD in Committee for further consideration.

[8:38:01 AM](#)

#hb199

HOUSE BILL NO. 199

"An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

Co-Chair Hawker noted that this hearing addresses non-transportation items in the stimulus package. He requested that committee members feel free to discuss additional unscheduled components.

[8:40:45 AM](#)

Co-Chair Hawker listed the documents: "Items Not Included in the March 19 Economic Stimulus Bill" and "Alaska Department of Labor and Workforce Development" "American Recovery and Reinvestment Act Unemployment Insurance Modernization March 27, 2009" and the programs to be discussed: education, environmental conservation, revenue, and employment insurance modernization.

[8:43:27 AM](#)

Representative Gara requested information from the administration regarding federal "strings attached." He admitted finding very few "strings" himself.

Representative Kelly requested that written testimony from Tim Stanton be included in members' packets. Co-Chair Hawker assured that all submitted written comments were included.

[8:46:13 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, addressed Representative Gara's question. She related that some items in HB 199 require statutory and regulatory changes. Any sub-recipient falls under state requirements. The state must assemble an internal team to track and meet the additional requirements placed on the federal grant programs. Other sub-recipients will be asked if they can meet the required assurances.

Ms. Rehfeld explained the expectation to target the one-time funds and seek benefits for Alaskans that do not build the expectation for state general funds when the federal funds are no longer available. She noted that new information from the federal government is continuously forthcoming. The current focus is achieving the best information possible for the best decision making process. She informed that written guidance received from the United States Department of Energy stating that the required assurances apply to the state energy program only and exclude weatherization and energy efficiency grants.

[8:49:45 AM](#)

Ms. Rehfeld recommended viewing each assurance noting requirements at state and local levels. She hoped that the hearing could generate necessary information.

Co-Chair Hawker asked if the committee is wasting time holding the hearing without the governor's input. The governor may choose to not pursue these funds. He wished to have assurance that the governor is receptive to working with the legislature.

Ms. Rehfeld relayed that the governor wishes to have a public discussion and the legislative process is part of that discussion. She believed that the hearing was a positive use of committee time.

[8:52:11 AM](#)

Representative Kelly requested a list of new employees required for the implementation of the stimulus funds. He wished for communication with the governor. He made a point that "productive" could result in declining stimulus funds. He expressed concern about the increasing budget.

[8:54:26 AM](#)

Co-Chair Stoltze found the process productive and wished to continue the dialogue and dispel hyperbole. Co-Chair Hawker agreed that the process was important.

Representative Gara rejected the governor's idea that the stimulus money is a "bribe".

[8:56:55 AM](#)

Co-Chair Hawker suggested beginning with item #34 " Air Non-Point Mobile Source Stimulus" with the Department of Environmental Conservation (DEC). This is a \$2 million item with projects including diesel emission reduction and increased fuel efficiency of stationary source diesel power generation in Alaska villages.

Ms. Rehfeld reported that the Department of Environmental Conservation (DEC) currently has an existing program with a small grant. Through the economic stimulus package, approximately \$2 million is available for a competitive grant program to help meet emission standards by upgrading generation capabilities. She explained that DEC does not have granting authority, which necessitates a statutory change.

[8:59:47 AM](#)

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, explained the details of the Air Non-Point Mobile Source in the air quality division. He acknowledged the small grant currently available, which is utilized in the Department of Transportation and Public Facilities (DOT) for railroad use. He requested a statutory change.

Co-Chair Hawker asked if new funds or positions would be required for the program. Mr. Maher replied that no new funds or personnel are required.

Representative Austerman asked if prepared legislation was available for discussion. Mr. Maher responded that the legislation was pending appropriate language.

Representative Gara asked for the name of the grant program. Mr. Maher replied that the name was Air Non-Point Mobile Source grant. Representative Gara asked to know the amount of the grant. Mr. Maher responded \$2 million and the required statutory change.

[9:03:21 AM](#)

Representative Gara suggested improving energy efficiency in existing diesel plants and wondered if these funds could be utilized. Mr. Maher responded yes. Representative Gara asked if the intention was to use the funds to improve energy efficiency in existing diesel plants. Mr. Maher noted that a grant program for the purpose specified must be identified, but the DEC has no objection to the concept.

Representative Fairclough inquired about the cost of fuel following the measure of emissions in rural Alaska. She wondered if the addition of low sulfur fuel would raise the cost of fuel in rural Alaska.

LARRY PERSILY, STAFF, CO-CHAIR HAWKER, opined that the cost of fuel would remain constant. He explained the goal of restructuring already existing diesel plants for increased efficiency. There is no requirement to convert diesel to low-sulfur fuel. Representative Fairclough believed the fuel costs increased in Anchorage following the addition of low-sulfur fuel. She commented that public testimony mentioned the use of byproducts from fish oil and other waste vegetables as potential methods of energy reduction.

Co-Chair Hawker added that the program is not limited to low-sulfur diesel. Mr. Maher replied that a wide range of alternatives are available for consideration. He mentioned the various technologies available from the Environmental Protection Agency (EPA).

[9:06:25 AM](#)

Representative Kelly voiced concern about this program increasing fuel burning expenses in rural areas. He opined that more regulation would not stimulate the economy.

Mr. Maher said these grants are applied for by each community with collective decisions made about how best to utilize the funds. Representative Kelly reiterated concern about added regulations. He maintained that smog was not a problem in rural areas, yet other problems do exist.

[9:08:52 AM](#)

Representative Salmon asked if the villages could apply for the grants. Mr. Maher replied yes.

Representative Salmon asked about the intended goal for the \$2 million. Mr. Maher replied that the goal is to lessen diesel emissions in a variety of ways. He emphasized that the department would work with the communities to improve air quality for people living near the diesel plants.

[9:10:10 AM](#)

Mr. Persily highlighted one benefit of the grant program is increasing fuel efficiency by lessening emissions. Representative Salmon mentioned that some of the villages are limited in resources and specialized parts might lead to excessive future costs.

Representative Joule thought the funds required no specific commitment. Mr. Maher reported that the department would work with the communities if they choose to apply. He noted that the goal was efficiency, not increased costs. Representative Joule asked if applying for funds would commit the community to converting to low-sulfur fuel. Mr. Maher stated that the application for the funds would not lead to that commitment.

Representative Kelly quoted the Alaska Village Electric Cooperative (AVEC) stating that "coupling use of ultra low sulfur diesel with oxidative catalyst or particulate traps, development and use of fish oil and vegetable oil, biodiesel and installation of anti-idling technologies" all concern him. He thought more personnel would be required as well. Mr. Persily offered to provide research about the prior use of the grants along with alternative uses for the \$2 million.

[9:15:16 AM](#)

Representative Foster did not see employment generated in the bush areas as a result of HB 199. He pointed out that

the money in this bill would generate funding for urban areas.

Co-Chair Hawker asked if the money would do any good. Mr. Maher thought the grants and the efficiencies would save money.

Representative Joule used the term "smart grid" as it applies to generators. He wondered whether the application qualified for this money. Mr. Maher responded that while the smart grid system is possible, the grant program is not yet established. The division does not currently have grant authority and has not explored the details. Representative Joule noted that unanswered questions exist.

Mr. Maher hoped that communities would apply for the grants. He reiterated that interested communities and the division would communicate the details regarding the grants.

[9:19:56 AM](#)

Representative Gara summarized that the grants would be used to help communities and to increase the efficiency of diesel plants. Mr. Maher agreed that efficiency is the intent. Representative Gara pointed out that the governor has the opportunity to use the money appropriately.

[9:21:59 AM](#)

Representative Fairclough asked what "Air Non-Point Mobile Source Stimulus" means. She listed the goals to reduce diesel emissions and improve fuel efficiency. She asked what non-point means. Mr. Maher offered to research the term and report to the committee.

Mr. Persily added that the grant program is optional for communities. He also offered to seek detailed information for the committee regarding the grant's name.

[9:23:42 AM](#)

Representative Foster spoke of misleading earmarks for the bush. He maintained that the money will be used to fund experts from urban areas. He requested that funds be sent directly to the bush for the short term.

[9:24:59 AM](#)

Vice-Chair Thomas reported that he receives four to five emails a day about the expense of fuel in his district. He stressed that the state should accept the money in order to address this problem.

Representative Foster wished for prior communication from the department regarding the item. Co-Chair Hawker did not know if the departments were free to speak to legislators about this issue.

[9:27:22 AM](#)

LES MORSE, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, reported on the organization of the funds. The formula funds include items #4, #5, and #7, which would increase the amount of money in currently existing programs. The funds would be distributed to districts through the current formulas.

Co-Chair Hawker asked which formula. Mr. Morse responded that #4 is the Elementary Secondary Education Act (ESEA) as authorized by No Child Left Behind. The second item includes Title IID or funds to support the integration of technology in education. He continued that item #7 addressed the Individual Disabilities and Education Act (IDEA) or special education funds. The funds are formula funds that would require current authorization.

[9:31:27 AM](#)

Mr. Morse reported on item #8 addressing state stabilization funds. He noted that the funds were new. He stated that the funds require assurances. These assurances include progress toward rigorous college standards and assessments, establishing a pre-K to college career data system, improvements in teacher effectiveness and distribution of highly qualified teachers, and intensive support and effective interventions for the lowest performing schools in the state.

Mr. Morse reported that the assurances were designed to supplement a gap. If a gap does not exist, the funds would be distributed to local agencies related to Title 1 dollars.

[9:35:05 AM](#)

Co-Chair Hawker summarized that the money must first be used to "backfill" if there has been a reduction in program funding. Mr. Morse concurred with Co-Chair Hawker.

Representative Fairclough expressed concern that the vice president of the Alaska Federation of Natives would sue the state if Alaska does not provide equitable funding for schools. Mr. Morse clarified that the funding is adequate and the unresolved item is not a question.

Co-Chair Hawker strongly suggested that every legislator read the Moore Decision in its entirety.

[9:37:35 AM](#)

Vice-Chair Thomas asked about item #8 and the repair and modernization of school facilities. He wondered if the \$93 million could address the major maintenance list with the legislature in compliance. Mr. Morse understood that a district could make the individual decision to address all of their major maintenance issues as long as the decisions comply with the law. Vice-Chair Thomas asked if the legislature could employ sidebars to require specific use of the funds. Mr. Morse said the intent was to allow local school districts to make those decisions.

Vice-Chair Thomas thought participation in the stimulus package would benefit smaller school districts. Mr. Persily said the Federal Department of Education anticipates the release of more information regarding stabilization funds on Monday. Mr. Persily clarified that Part A of the fiscal stabilization (\$93 million) is the portion discussed now. He explained that Part B (\$20.7 million) has been accepted by the governor at the discretion of the legislature.

Co-Chair Hawker asked if it is possible to accept Part B without accepting Part A. Mr. Persily understood that Part B cannot be accepted without Part A. Co-Chair Hawker asked Mr. Morse if that was his impression as well. Mr. Morse stated that the department was without a clear answer to the question, but he hoped for additional guidance from the federal government.

[9:41:10 AM](#)

Representative Austerman requested the written information cited by the department. Mr. Morse offered to provide his briefing statements that were also presented to the school districts. He informed that the United States Department of Education has released briefing sheets as well. He offered to provide the requested information to the committee. Co-Chair Hawker offered to distribute the upcoming information and ensure that it becomes part of public record.

Representative Salmon referred to the proposed use of the money. He wondered if the money could be used for operation expenses. He mentioned that the school district in Tanana is in financial trouble and he wondered if the money might be used to help. He asked about the distribution system for the funds. Mr. Morse responded that only item #8 is being discussed now and operating expenses would not be allowed. One exception is teachers funded for Title I or special education. The funds are distributed based on the relative amount received in Title I. Co-Chair Hawker requested a brief explanation of Title I.

[9:44:45 AM](#)

Mr. Morse explained that Title I funds serve economically disadvantaged students. Co-Chair Hawker asked if all schools qualify. Mr. Morse said all qualify, but two districts have not applied for the funds.

Representative Joule spoke of major maintenance issues versus the challenge of meeting graduation rates and opined the funds should go toward student enhancement rather than building maintenance.

Mr. Persily pointed out that the Federal Department of Education would distribute 50% of the Title I and special education funds next week. Co-Chair Hawker clarified that the funds will be distributed if accepted and appropriated.

[9:48:08 AM](#)

Representative Kelly questioned Parts A and B. He understood that Part A was also categorized as item #8 and Part B is a portion of the \$34 million in item #7. He asked about Part B and its location in the committee packet. Mr. Persily answered that Part B is not included on the list because the governor approved it. Co-Chair Hawker announced that Part B is found in the spreadsheet of "included items."

Co-Chair Hawker asked if the funds would lead to stronger or weaker schools. Mr. Morse replied that any funding requires a plan that focuses on student achievement. He believed in a potential for a positive impact with focused planning.

[9:51:01 AM](#)

Co-Chair Hawker posited a positive hypothetical situation of measured improvement in the schools. He wondered what happens in two years when the funding level is decreased. Mr. Morse agreed that decreased funding could present a potential problem without forced proper planning. Oversight in distribution of funds and follow up are essential. He recommended seeking appropriate uses for one-time dollars. He agreed that the risk exists without proper planning.

Co-Chair Hawker added that the planning process should include an exit strategy. Mr. Morse reported that any plan must include "what will you do when the money is gone".

Representative Kelly had a problem trusting that a system that fails to graduate 4 out of 10 students will provide planning for a delicate exit. He wondered if \$500 on the Base Student Allocation (BSA) would be a problem. He commended the governor on her acceptance of the funds that she did deem helpful. He worried about an exit strategy.

Larry Persily sympathized with Representative Kelly but education is the largest item in the stimulus bill. He noted that he was working with Senator Murkowski on this issue on the federal level. Remember these are one-time funds so they need to focus on short term investments and one-time programs.

Co-Chair Hawker acknowledged these cited comments were received from federal agencies required to administrate the funds. He asked if the department has a sense of their ability to exercise legislative intent in appropriating these funds.

[9:58:41 AM](#)

Mr. Morse stated that the department had a responsibility and accountability to the federal dollars. He admitted a greater challenge with the acceptance of stabilization dollars.

Representative Crawford requested focus on the goal of educating Alaskan children. It is also a deficit when Alaskan students fail to graduate, as important as financial deficit. He opined that an exit strategy was not possible as the birth rate in our country has increased, which will increase the number of students requiring an education. He recommended increasing teachers and aides as opposed to new carpet in the classrooms.

[10:01:49 AM](#)

Representative Austerman mentioned the public testimony indicating that one-time money can be used to train teachers. He asked if a requirement to spend a portion of the funds on teacher training might be implemented.

[10:03:03 AM](#)

Mr. Morse did not know if it was that simple. Many programs are designed to help students with disabilities. He recommended the provided approach, especially with one-time funds. He opined that other strategies might prove difficult to find. The specific requirement must comply with federal law.

[10:04:04 AM](#)

Co-Chair Hawker warned that the committee would not proceed beyond the education component of the bill today. He recommended a Saturday meeting.

Representative Foster discussed the current national emergency. He commented on those Americans who are out of

work. He requested items that aid in recovery now, as opposed to future recovery.

[10:05:55 AM](#)

Mr. Morse explained that most decisions are made at a local level. He recommended targeting programs toward certain students. Building a system may require hiring a specialist teacher who then would teach the rest of the staff. This could be capacity building. He recommended better use of technology in Alaska to provide teachers with better content or build infrastructure for the program. School districts understand how to plan for grants.

[10:08:27 AM](#)

Representative Foster supported Mr. Morse's comments. He asked if the department can foresee hiring for jobs in areas like Nome.

[10:09:26 AM](#)

Mr. Morse recalled potential programs in Representative Foster's district. He was unsure about the origin of the teachers hired. He noted that paraprofessionals are often trained from in rural communities. He noted that progress was necessary for educational transitions and head-start programs. The key to success is careful planning and wise use of money. He stated that Commissioner Ledoux feels strongly that the funds must impact student achievement.

[10:10:36 AM](#)

Mr. Persily noted that the Department of Education (DOE) has provided guidance for the use of special education funds, which includes purchasing equipment and training professional staff for the school district. He noted that there are many opportunities for creativity. One of the allowable uses suggested is for districts to work with employers in the community to develop job placements for students with disabilities.

[10:11:21 AM](#)

Co-Chair Hawker agreed that allowable use of the funding includes physical improvements in classrooms and classroom structures which have the potential to precipitate additional employment in the community. Mr. Morse agreed.

Representative Gara asked if the department believes that acceptance of the funds will enhance student achievement.

Mr. Morse responded that the intent is to work with the school districts on planning targeted assistance to impact student achievement.

Representative Gara clarified that hiring teachers is an action supported by the committee. He continued that if a school district decides to hire people in a time of economic crisis, then that is the best way to enhance education.

[10:13:10 AM](#)

Mr. Morse noted that the allowable uses for the funds are well defined. The department's interest is the improvement of student achievement.

Representative Gara pointed out that Title 1 schools have parent outreach coordinators who work to involve parents. He understood that the process works. He presented one use for the Title I money as hiring additional temporary staff to encourage even greater parent involvement, which will lessen future spending. Mr. Morse believed that would be an allowable use of the Title I dollars. Representative Gara asked if the department has an impact on the decision or does it rest with the school districts. Mr. Morse responded that the department distributes dollars based on the districts' plans. Representative Gara encouraged use of funds for parent outreach.

[10:15:31 AM](#)

Vice-Chair Thomas requested that the funds be used to address Alaska's increased dropout rate. He requested a list of Alaskan schools' dropout rates. He opined that funds for major maintenance were also important.

[10:17:37 AM](#)

Representative Austerman recalled a prior discussion about the 62 percent dropout rate. He understood that the No Child Left Behind Act creates a barrier in reporting the actual dropout rates. He also requested an accurate number regarding dropout rates. He wondered how acceptance of the stimulus funds might further complicate reporting requirements.

[10:19:30 AM](#)

Mr. Morse addressed the graduation rate. He explained that the measure for graduation rate is the number of students that graduate within four years. The baseline data required by the federal government is becoming clear with some new baseline documentation. He understood that the requirement is progress in certain areas. Alaska has made the necessary progress in the required areas. With thorough understanding

of the baselines, the department feels confident that the requirements can be met.

Representative Kelly asked if the legislature can stipulate conditions for the use of grants.

MARK LEWIS, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, stated that he did not believe the state could introduce additional requirements. Mr. Persily agreed that additional requirements not included in federal law could not be added. He commented on how stern intent language could be. Co-Chair Hawker thought the federal language forthcoming would address the issue further.

[10:23:30 AM](#)

Co-Chair Stoltze wondered if there could be a contract or documentation, memoranda of understanding, with the school district as to the use of the money. He wondered if the funds would actually remain temporary. He referred to a letter from the superintendent of the Anchorage School District indicating that the funding is not temporary. He voiced concern about future events without the additional funds. He expressed interest in making policy decisions versus micromanaging school district spending decisions.

[10:27:01 AM](#)

Co-Chair Hawker emphasized the importance of addressing this legislation in a timely manner.

HB 199 was heard and HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 10:29 AM.