

HOUSE FINANCE COMMITTEE
January 27, 2010
1:35 p.m.

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CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Larry Ledoux Commissioner, Department of Education and Early Development; Clark (Click) Bishop, Commissioner, Department of Labor and Workforce Development; David Stone, Deputy Commissioner, Department of Labor and Workforce Development

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 300 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 300 was HEARD and HELD in Committee for further consideration. The following departments presented overviews:

The Department of Education and Early Development
The Department of Labor and Workforce Development

HB 302 APPROP: MENTAL HEALTH BUDGET

HB 302 was HEARD and HELD in Committee for further consideration.

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#hb300

#hb302

HOUSE BILL NO. 300

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HOUSE BILL NO. 302

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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DEPARTMENT OF EDUCATION and EARLY DEVELOPMENT

LARRY LEDOUX, COMMISSIONER, DEPARTMENT OF EDUCATION and EARLY DEVELOPMENT (DEED), presented his staff. He highlighted some of the major focuses and initiatives of the department. He declared that the department is moving toward school reform to achieve graduation goals and more efficiency and accountability to the state. Commissioner Ledoux noted that next year the general fund budget will go up about \$60 million in response to HB273. He added that the budget includes the continuation of the preschool pilot program which is collecting data with the goal of every child coming to school ready to learn. He furthered that in the budget is the addition of three technical assistance positions in science, reading and math. He reported that leadership expertise in these areas was lacking statewide.

Co-Chair Hawker questioned how the three positions fit into the responsibilities the legislature has delegated the DEED under the *Moore vs. State of Alaska* suit. Commissioner Ledoux observed that an identified concern was the financial inability of some districts to provide this expertise.

Co-Chair Hawker alleged that the legislature is reluctant to grow the state's employment base. He asked if the agency actually does not have this expertise or is just looking to improve the capacity. He asked how vital the positions were. Commissioner

Ledoux replied that the positions were vital for many districts. He wanted to provide leadership to help change math and science attitudes throughout the state.

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Co-Chair Hawker asked what the specialist would do to change the attitudes. Commissioner Ledoux emphasized that specialists would provide leadership in local communities to identify curriculum and practices to improve math and science and then develop a model curriculum.

Representative Joule remarked that one of the proposals being considered is the governor's merit scholarship program. He inquired what these positions would do to help districts meet the criteria requirements for the scholarship.

Commissioner Ledoux declared there would be a connection. The new positions would help small districts develop their processes and programs to improve program delivery. Over fifty schools have twenty students or less which mean fewer teachers to teach a wide variety of subjects. There needs to be improvement for students in rural Alaska to access quality distance programs within a stable framework.

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Representative Austerman asked how many schools cannot meet the criteria for the governor's merit scholarship. Commissioner Ledoux believed that all schools could meet the program through distance delivery programs. He believed the utilization of those programs was limited by lack of leadership and program development. Representative Austerman asked what kind of leadership.

Commissioner Ledoux referred to that fact that some schools or districts can meet the challenges of creating good curriculums and others do not. Representative Austerman asked if he believed there was a lack of leadership in some schools or within the DEED. Commissioner Ledoux replied that he believed his office provided leadership, but wanted a good blueprint that could be followed when positions are replaced by new individuals. Commissioner Ledoux defined leadership as planning, taking advantage of available resources, and continuation in the job.

Representative Austerman followed up with his concern that the governor's merit program was not fair across the state.

Commissioner Ledoux agreed with the need for more equality throughout the state. Although he agreed it is more difficult for students in rural Alaska, he believed these students needed to step forward. He added that the leadership problem often was the result of the turnover of teachers and principals in many communities.

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Representative Fairclough inquired how the DEED is working with the university to improve distance learning opportunities inside of individual communities.

Commissioner Ledoux responded that the federal government has made millions of dollars available for broadband connectivity and the DEED has elected to work with the university instead of competing with them. He indicated that there is a shared employee who works out of Anchorage that helps coordinate applications to help increase broadband across the state.

Representative Fairclough asked the commissioner to assure the committee that there would not be any additional funding request to align in the same community's technology in the university system and technologies in the school districts.

Commissioner Ledoux responded that there would be no additional funding request from the DEED. The technology sharing is becoming net friendly. Representative Fairclough stated that some areas, such as the Dillingham, struggle with connectivity.

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Representative Foster asked if the DEED has assessed the equipment needed in rural areas to access the distance delivery programs, especially those necessary to meet the equity for the merit scholarship. Commissioner Ledoux remarked that technology surveys have been done, but not with respect to the delivery of distance courses. Many schools are connected by broadband, but the delivery of real-time synchronicity with teachers is limited because of the expense.

Co-Chair Stoltze commented on Commissioner Ledoux's idea of leadership, but wondered how the government promotes leadership. He asked for further elaboration on this program.

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Commissioner Ledoux responded that the intent would be to help build the capacity of local districts to manage and solve problems. Some districts do not have the capacity or all the tools in place because of leadership changes. The goal is to stabilize the leadership and give the districts the necessary tools.

Representative Gara asked about the college plan. He agreed it was well intentioned, but too much money was being spent with too little results. He noted a university regent study that estimated what would be needed to get youths into the university's academic and job training program. The study estimated that a statewide program for those with financial difficulties would cost the

state \$5 million to \$7 million. Representative Gara contended that the governor's plan costs \$20 million. He also noted that some of the money was being spent to send "C" students, whose parents could afford the tuition. He wondered if this was the best expenditure of money when there were other youths who just could not afford to go to the university. He asked the commissioner to talk about the comparative costs between the university study and the governor's proposal.

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Commissioner Ledoux responded that he could not speak to that individual study, but believed the governor's program was a contract between a student and the state. The scholarship program provides a motivation for students to work harder. He added that when working with young people there is a battle of attitudes for achievement and this program was a contract with a young person to encourage them to work harder. Commissioner Ledoux emphasized that many students are limited by the cost of tuition, but this scholarship would not fully fund a college education. The goal is to reward the student who takes on the task of a rigorous curriculum which would ensure greater success in college. He mentioned that with need-based students, the federal government has increased grants along with other available grants. He believed that parents and students need to start educating themselves early about available financial assistance.

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Representative Gara asked if the state should leverage whatever money is available. He wondered if full tuition was available under this scholarship plan.

Commissioner Ledoux expounded that the current design of the scholarship money is to pay for some of the expenses to attend college, but not the entire tuition.

Representative Gara asserted that many students do not have an ideal family to help them get this financial or scholarship information. Commissioner Ledoux agreed that not everyone has a family that provides this information. He believed that the schools have not always communicated with students and parents about the opportunities and decisions that need to be made. He contended that students and parents need to start forming a school plan by the 7th grade. His experience is that families have dreams for their children that do not stop because they are financially unable to afford higher education.

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Representative Gara emphasized that there are many children without parental support or guidance.

Co-Chair Hawker interjected that one of the biggest debates last year concerned federal stimulus money. There was great concern that this money not be used to raise expectations that more money would be provided by the state once federal stimulus money was gone. He asked the commissioner to report on the success of the department's compliance with this plan.

Commissioner Ledoux answered that in the grant applications for the schools it was made clear that the stimulus money was a one-time grant and they could not come back to legislature for more money. He noted that many districts are using the stimulus funds wisely in building infrastructure, consultant hiring, designing curriculum, and purchasing staff development. He added that some districts have used the funds to hire new teachers which will require them to reconfigure their priorities to keep these positions.

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Commissioner Ledoux reported that the stimulus funds did create a number of jobs in Alaska and there is the fear of who will pay for these positions when the funds run out.

Representative Doogan asked the commissioner for his confidence level that if a student in the 7th grade elects for vocational education all the necessary courses to finish school and obtain a good job will be there.

Commissioner Ledoux stressed that the earlier the conversations start, the better it will be for the students and parents. Many vocational programs have degraded from the 1960s. In the early days, Alaska had some of the finest vocational training in the world, but there are fewer career technical programs today. Money was moved out of career technology and new money will have to be found to infuse in the program. Middle school career and technical education has been removed from many schools. Commissioner Ledoux furthered that in the past, career education and technical education was translated as "work ready." He relayed that today's term was "Career Pathways" to move from the high school to the university for further in depth training. He added this only happens in the larger urban settings in Alaska. He noted that there were a few smaller communities looking at how to bring in students for career technical training. The Department of Labor & Workforce Development and the Department of Education & Early Development are working jointly on this issue. Commissioner Ledoux indicated that the three big players in vocational education are President Hamilton, Commissioner Bishop and himself. He believed if the conversations start early to provide students the opportunity to engage in career and technical programs, then students will be ready to pick a career and work hard to achieve it.

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Commissioner Ledoux asserted that if a child in sixth grade is one grade level behind in math and reading, has poor attendance, or negative behavior, then there is only a one in three chance that student will graduate.

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Representative Doogan asked how long before a student can rely on the K-12 school system to prepare him or her for vocational education.

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Commissioner Ledoux answered that it has to do with resources. At one time school districts received extra money for each student enrolled in career and technical education. Also vocational teachers were paid 5 percent more than other teachers to attract them to the classroom, but that money disappeared. The program will reach its goals faster if more money is specifically directed toward quality career and technical education that is directly aligned to the work force needs of Alaska. He acknowledged that the program will need to go forward without additional funding. There are many good ideas around Alaska communities, but they are often limited by the lack of resources.

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Representative Doogan voiced his concern about all of the proposed \$400 million in the governor's program going to college scholarships. He wanted something for those students who would not be attending college. He contended there were more concrete plans for students to receive the scholarship money for university education, but not for those who may want to enter vocational school. He wanted the money to be geared to those who might need it the most.

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Commissioner Ledoux elaborated that one of the problems in education is there are so many different philosophies on which direction should be targeted. School reform is difficult for this reason. He believed the governor's proposed scholarship that contains a strong vocational component, will catalyze development and insure the graduation goals. He commented on the list of priorities that the department is actively working on, "Initiatives of Alaska Department of Education & Early Development" (copy on file). The development of each one of these initiatives requires money that the commissioner knows is not available. He reminded the committee that 10,000 students pass through Alaska's school system each year, but he will not allow the lack of money to stop the leadership goals.

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Representative Doogan redefined his message. He contended that among the 10,000 students per year, some will go to college, but others will not. He contended that Alaska needs to provide some realistic opportunities for those students. He declared that he would fight for a significant amount of the governor's proposed \$20 million a year goes to go to students who want to pursue vocational education.

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Commissioner Ledoux agreed that the DEED will not achieve its goals without solid career and technical opportunities for students. He added that there is a part in the governor's proposed scholarship for vocational training.

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Co-Chair Hawker stressed that in his opinion the only place that the state puts money is into vocational education programs without much care for the state's gifted and talented students.

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Co-Chair Stoltze commented that he hoped the superintendents and school boards who agreed to the rules of the one-time stimulus money would not come back to the legislature looking for more funds for these projects. He referred to the Alaska Constitution where it states that the University of Alaska should be governed by a Board of Regents to formulate policy and appoint the president of the university. He viewed this passage could be read broadly. Co-Chair Stoltze agreed that 60 percent of students in the Alaska system were probably interested in the vocational education program and a governor who showed leadership could change policy by his appointments to the school board. He thought the university system could do better in this area.

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Representative Kelly remarked that great principals and superintendents, along with involved parents make a huge difference in the school system. He believed that Commissioner Ledoux really understands the problems and stressed he would vote to give the commissioner the three new positions he needs to move forward. He declared that the commissioner was a good man for the job and agreed that the leadership of great teachers and superintendents will move student performance forward.

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Co-Chair Hawker appreciated the spirited discussion on substantive issues that are eventually turned into numbers. Representative Joule thought much could be accomplished if the energy of the people and legislature could be harnessed.

Co-Chair Hawker encouraged the participation in the subcommittee process. Commissioner Ledoux agreed that the questions were helpful and he appreciated the committee's concerns. He emphasized that there is progress and good news in the system, not just problems and challenges.

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Co-Chair Hawker drew attention to the committee substitute draft for HB300 (FIN). He emphasized that the committee substitute is a zero change in anything appropriated in this bill, only how the individual fund sources are rolled up. He pointed out that this committee substitute, along with the original, are posted on the Legislative Finance website for comparison. He emphasized that it all nets to zero.

Co-Chair Stoltze MOVED to ADOPT CS for HB 300(FIN) (26-GH2823\S, Bailey, 1/26/10) as a working document for the committee. There being NO OBJECTION, it was so ordered.

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Co-Chair Hawker explained that the Mental Health Operating Budget reflects the amount The Mental Health Trust is providing and being appropriated into other budgets. This is still a zero change document, but the structure used by the governor's office is different from the one used by the legislature.

Co-Chair Stoltze MOVED to ADOPT CS HB 302(FIN), (26-GH2825\S, Bailey, 1/26/10) as a working document before the committee. There being NO OBJECTION, it was so ordered.

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Representative Kelly thanked Co-Chair Hawker and stated his support for the measure, which he believed puts the administration's and the finance committee's way of presenting things clearer to the public. Co-Chair Hawker thanked Representative Kelly, but gave credit to many others who facilitated this plan over the years.

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DEPARTMENT OF LABOR and WORKFORCE DEVELOPMENT

CLARK (CLICK) BISHOP, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced several members of his staff. He indicated that the department budget request is \$195 million

Commissioner Bishop indicated the good working relationship with Commissioner Ledoux and the University. He agreed that many school districts are meeting the challenge of career pathway alignment, but some schools need help. He acknowledged that there were students graduating who did not have all the necessary skill

needed. He supported a good career pathway plan between the Department of Education and Early Development (DEED) and the Department of Labor & Workforce Development (DLWD) that could continue even with administration or teacher turnovers.

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Commissioner Bishop acknowledged schools with good plans existed throughout the state. He believed it important to build on the good work he has seen in some districts. He referred to the gas line training program as helping to close the gap and move the workforce forward. There have been 113 identified gas line related occupations. He noted many positions were included in this plan including caterers and geologists. Commissioner Bishop reported he had named a pipeline administrator to oversee the gas line training plan. The public will have the opportunity to see the manpower numbers soon. He furthered that the work to determine the costs associated with gas line training will move forward. He emphasized that this training was not just for the gas pipeline, but future jobs in Alaska. He talked about developing a core drilling program for mineral exploration. The Department of Labor developed the first ever registered apprenticeship core drilling program in the United States or Canada. Thirty six entry level Alaskan core drillers were trained for resource based work; now ready to begin the second round of training.

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Representative Austerman referred to the Alaska Gasline Inducement Act (AGIA) work plan and noted this training is not just for the gas pipeline and asked for further information on how this training applies to other occupations.

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Commissioner Bishop remarked that the AIGA training plan can transform from occupation to occupation. He mentioned two other occupations have used this plan; the health care industry and green jobs occupations. He acknowledged it does not meet all occupations, but a good framework for many. Representative Austerman maintained that he wanted to make sure the training was not just limited to pipeline jobs, but other occupations necessary for Alaska's future.

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Representative Salmon asked what project was being worked on in the Tower Hill area north of Fairbanks.

DAVID STONE, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded the Livengood Gold project.

Co-Chair Hawker remarked that there is a lot of strategic work within the department, but also workforce development schools for actual training. Co-Chair Hawker wondered if all the state's schools should be placed under the DEED with the DLWD focusing primarily on strategy and workplace management.

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Commissioner Bishop responded that he liked the idea. Co-Chair Hawker asked what would be the advantages.

Commissioner Bishop remarked he would like further discussions on the subject. One of the things necessary in the training plan is coordination from K-12 through regional training centers. The Department of Labor has been coordinating regional training centers throughout the state for the past three years.

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Co-Chair Hawker voiced that he was looking at the future of the state and what would be in Alaska's best interest. He just wondered if there is a better way of doing things.

Commissioner Bishop reiterated that he would welcome further discussions. He indicated his support for higher education, but the statistics state that 23 percent of Alaska high school graduates successfully enter college and 70 percent need vocational training.

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Representative Gara remarked about the difficulty in seeing the unified picture of what is being done and where the gaps might be because everything is spread through many different departments. He wondered if there was a listing somewhere of where the gaps are in vocational training.

Commissioner Bishop indicated that through the gas line training program he wanted to achieve alignment to work together for the common goal. He hoped that after five years of training people in the state could see how it could work to become the benchmark for the future. He remarked that many people come to his department with different requests and his goal was to bring some coordination to vocational training.

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Representative Gara understood that a training plan to meet everyone's needs would be impossible to fund. He realized the department brings budget requests for what can be accomplished today, but the committee often cannot see where money might be needed in the future. He requested more information about future goals.

Commissioner Bishop agreed and remarked he would love to sit down with Commission Ledoux to discuss this matter.

Commissioner Bishop concluded that getting out information on the opportunities and services available to the people in the state is important. He wanted make sure that schools get the information out to the students in the rural districts.

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Representative Salmon asked the commissioner how the programs are tied with the very small rural communities.

Commissioner Bishop replied that it was a hard question to answer. He suggested sitting down to have a comprehensive talk with him at another time.

Co-Chair Hawker interjected that a document summary would be helpful to distribute to the committee.

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Representative Kelly noted that the commissioner is a strong proponent for the Western Access Corridor and he was pleased to see that the governor has added some additional funding. He added that a person without a job is often a person lost.

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Co-Chair Hawker had a technical concern about the budget. He noted that the department runs on many separate funds and was concerned about the sustainability rate for spending out of these funds. He believed there was a need to look at all the fund groups available to this department.

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Representative Austerman asked about the unemployment rate in Alaska for the past few years and the projected trends. Commissioner Bishop answered that Alaska's unemployment story is a success story. Alaska paid out \$274 million in unemployment in 1009; \$83 million in federal funds for extended benefits. He referred to the multi-colored U.S. map graph, UI Fund Solvency Measure-January 21, 2010 (copy on file). He remarked that Alaska is one of three states where the employee is taxed as well as the employer. Only two states are funded, Alaska and Washington. Alaska is at 8.8 percent unemployment rate. His goal is not to make double digit unemployment.

Representative Austerman asked for any future projections.

Commissioner Bishop forecasted a trend down of 1400 jobs this season, but not as bad as the 2400 lost last year. The Health

Care industry is looking to add 500 jobs. He reported he was optimistic about the future.

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Representative Salmon responded that there is greater unemployment in rural Alaska and wondered if the commissioner had any statistics. Commissioner Bishop replied he will provide updated unemployment statistics by region to the committee.

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Representative Fairclough reported that the forecast for Alaska's population is just under 700,000. She believed forecasting low unemployment may cause more people from the outside to migrate to Alaska who may not completely understand the full costs and challenges of residing here.

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Representative Foster thanked Commissioner Bishop for the help with rural Alaska and vocational education. He asked about health care jobs in rural Alaska.

Commissioner Bishop responded that he has not been to a community yet that does not have openings in health care. He mentioned that in Representative Foster's region there are potentially 100 new positions available. He observed that there are some real opportunities for young people who want to work and stay in the rural area.

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Representative Joule extended his appreciation to the commissioner for being aware and supporting efforts of the group in the Northwest Arctic magnet school. The school board has been working towards a paradigm shift regarding health care and education positions. Often when a position requires a higher degree of education those positions are often imported from outside. The focus of the magnet school is to take the idea of a boarding school and focus training in the three specific areas of health, education, and mining occupations.

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Representative Doogan believed Commissioner Ledoux is doing what the department needs to be done. He noted his continuing concern that whatever is done with vocational education be accomplished within the best financial plan and little duplication.

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Co-Chair Hawker reiterated that one of greatest challenges in the state is building replacement workers. Many Alaska jobs are

filled by outside workers and it is in Alaska's best interest to train replacement employees from the local communities.

Commissioner Bishop indicated that he was available to meet with any legislator to answer any questions or clarify any subject.

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Representative Gara agreed that Commissioner Ledoux has a proposal to get something done this year.

Representative Austerman maintained that the problem today in training people from local communities is that before Alaska became a modern state people in the local communities performed the jobs. Now there are so many regulations and standards of qualifications it has become more of a challenge.

#

ADJOURNMENT

The meeting was adjourned at 3:50 PM