

HOUSE FINANCE COMMITTEE
January 27, 2011
1:33 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative David Guttenberg
Representative Mark Neuman
Representative Tammie Wilson
Representative Les Gara (via teleconference)
Representative Reggie Joule

MEMBERS ABSENT

None

ALSO PRESENT

Cora Campbell, Commissioner, Department of Fish and Game; Kevin Brooks, Director, Division of Administrative Services, Department of Fish and Game; Les Morse, Acting Commissioner, Department of Education and Early Development; Elizabeth Nudelman, Director, School Finance and Facilities, Department of Education and Early Development; Anna Kim, Director, Division of Administrative Services, Department of Education and Early Development; Representative Alan Austerman.

SUMMARY

Budget Overviews:

Department of Fish and Game
Department of Education and Early Development

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^BUDGET OVERVIEW: DEPARTMENT OF FISH AND GAME

CORA CAMPBELL, COMMISSIONER, DEPARTMENT OF FISH AND GAME (DFG), introduced staff from the department. She presented a PowerPoint presentation titled "Alaska Department of Fish and Game Overview." Slide 1 highlighted the department's mission statement, which was based on Article 8 of the Alaska State Constitution and Title 16 of the Alaska statutes. She relayed that DFG had six core services (slide 3): (1) Harvest management was measured by commercial harvests, the purchase of hunting and fishing licenses, angler days, and user success; the service provided individuals with the opportunity to utilize fish and wildlife resources. (2) Stock assessment ensured sustainability and the harvestable surplus of fish and wildlife; the service was measured by escapement goals, threshold harvest and catch levels, and through wildlife surveys. (3) Customer service provided accurate and meaningful information to all customers.

Commissioner Campbell continued to discuss the core services of the department: (4) Public involvement included the public in the management of fish and wildlife resources; the service was primarily measured by the participation of Alaskans in the Board of Fisheries and Board of Game process. (5) State sovereignty protected the state's ability to manage its fish and wildlife resources. The department worked to maintain the state's sovereignty through its participation in federal land management processes, the Endangered Species Act, critical habitat designations, federal subsistence board processes, and other. (6) Habitat Protection provided fish and wildlife protection during permit and project review; DFG worked to ensure that developers were in compliance with the permits it issued.

Commissioner Campbell addressed a list of commissioner's office responsibilities on slide 4. Many of the items were federal or international and related to the management of federal fisheries off Alaska's shores and of fish and wildlife stocks that crossed borders. Slide 5 included a DFG organizational chart. The chart included the commissioner, two deputy commissioners, six divisions,

board support, the Commercial Fisheries Entry Commission, and the Exxon Valdez Oil Spill Trustee Council.

Co-Chair Thomas asked where Kelly Hepler could be found on the DFG organizational chart (slide 5). Commissioner Campbell responded that Mr. Hepler's position was not shown on the chart. She explained that the position resided under the commissioner with the deputy commissioners.

Commissioner Campbell listed the DFG divisions on slide 6:

- Commissioner's Office
- Division of Commercial Fisheries
- Division of Sport Fish
- Division of Wildlife Conservation
- Division of Subsistence
- Division of Habitat
- Division of Administrative Services
- Boards Support Section
- Independent Agencies
 - o Commercial Fisheries Entry Commission
 - o Exxon Valdez Oil Spill Council

Commissioner Campbell added that the Division of Subsistence focused on research and the Division of Habitat was primarily responsible for permitting. Slide 7 provided a look at where the department's permanent regional offices were located throughout the state. She noted that the slide did not include all summer field camps or research locations. The chart was color coded to indicate the divisions present at each location.

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Commissioner Campbell provided additional detail for each section within the department, beginning with the commissioner's office (slide 8). There were 10 full-time commissioner's office positions, which were funded with approximately 1 percent of the department's operating budget. The Commercial Fisheries Division was the largest and had 314 full-time and 450 seasonal positions and made up 34 percent of the operating budget. The division was responsible for commercial fisheries research and management, some subsistence fisheries, permitting for aquaculture projects, and participation and support for the Board of Fisheries.

Co-Chair Thomas queried the whereabouts of Sue Aspelund, Director of the Commercial Fisheries Division. Commissioner Campbell replied that Ms. Aspelund was attending the division leadership meeting in Anchorage.

Representative Guttenberg wondered whether DFG conducted research in anticipation of legislation that was continuously introduced each session. He referenced a bill that would have allowed gooey ducks to be introduced west of Yakutat, which the department had opposed two years in a row based on the unknown effects the species would have on the environment. He felt that it was unhelpful when answers from the scientific community had not been researched and were uninformed.

Commissioner Campbell responded that DFG was cautious about introducing species outside of their naturally occurring habitat. She had met with the bill sponsor Representative Paul Seaton and explained to the committee that the bill had an economic development element. She discussed that it was difficult to conduct comprehensive research on unanticipated impacts; however, DFG was reviewing what was known about the species in order to provide reasonable information regarding potential risks.

Representative Guttenberg believed the first step involved establishing a baseline for the location that would be impacted.

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Co-Chair Stoltze remarked that he would be happy to hear a variety of bills in committee including fisheries management and policy legislation.

Commissioner Campbell pointed to the Division of Sport Fish on slide 10. The division worked to protect and improve the state's recreational fisheries resources including, sport, personal-use, and some subsistence fisheries. Additionally, the division provided support to the Board of Fish process. Operational funding was derived primarily from federal excise taxes that were matched from the sale of fishing licenses, stamps, and other. There were 231 full-time and 204 part-time positions, which represented 25 percent of the DFG budget. She noted there was a disparity between the number of full-time positions and total positions due to the seasonal field work research and technician jobs.

Representative Wilson asked how much revenue came from fishing licenses.

KEVIN BROOKS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, responded that the total revenue from fishing and hunting licenses was approximately \$23 million per year. The department would follow up with a breakdown of fishing license revenue.

Co-Chair Thomas asked whether the Division of Sport Fish had more than two hatcheries. Commissioner Campbell responded that the division had a bond for the construction of a hatchery in Fairbanks and Anchorage. The hatcheries would provide recreational fishing opportunities and the construction was funded by a license surcharge.

Commissioner Campbell pointed to slide 11 related to the Division of Wildlife Conservation, which was responsible for the management of wildlife, the wildlife survey, hunting opportunities, hunter safety education, and Board of Game support. The division housed 186 full-time positions and represented approximately 22 percent of the DFG operating budget.

Commissioner Campbell provided detail on the Subsistence Division (slide 12). The division conducted research on the customary and traditional uses of Alaska's resources and provided the information to DFG and the Boards of Fisheries and Game. The division had 22 full-time employees and represented approximately 3 percent of the department's operating budget. She discussed the Habitat Division featured on slide 13. The division was responsible for issuing permits for activities in anadromous waters and represented approximately 3 percent of the DFG budget.

Commissioner Campbell addressed the Division of Administrative Services on slide 14, which was directed by Kevin Brooks and was responsible for logistical support and the development of the DFG capital and operating budgets. She discussed the Board Support Section shown on slide 15. The section provided logistical support to the Boards of Fisheries and Game and to the 82 local advisory committees throughout the state that provided input to the boards. A significant amount of support work was required, given that the Board of Fish met approximately 5 times per year (with

additional teleconferences) and the Board of Game met 3 times per year (with additional teleconferences).

Co-Chair Stoltze wondered whether the large public participation in the Mat-Su advisory committee election meetings (approximately 1000 attendees) was similar to participation throughout the state. He asked whether increased support was provided for committees with high public participation.

Commissioner Campbell responded that 1000 public attendees did not represent a typical level of participation. She expounded that large turnouts were more common in areas near large populations and were a more recent phenomenon; therefore, the division was working to adjust its support for the advisory committee election meetings in the relevant areas.

Co-Chair Stoltze thought people were generally supportive of department policies.

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Representative Neuman believed that many of the advisory committees had members with up to 30 years of relevant experience; however, he thought that some of their advice was ignored at the departmental level. He wondered whether the commissioner intended to solicit and utilize the advice of advisory committee members.

Commissioner Campbell responded that the advisory committees represented an important part of the board process, given their local expertise and knowledge of their specific geographical area. She agreed that the advisory committees were a tremendous resource, which she hoped to utilize.

Commissioner Campbell directed attention to slide 16 related to the Commercial Fisheries Entry Commission and the Exxon Valdez Oil Spill Council. Each independent agency represented approximately 2 percent of the department's operating budget. Slide 17 represented the numerous increments received by the department in FY 11. She referenced a detailed handout titled "Status of FY 11 Increments for the Department of Fish and Game" (copy on file). She moved to slide 18, which included two graphs that showed the FY 12 budget breakdown by division and fund

source. The budget graph (left graph) illustrated that the management divisions (commercial fisheries, sport fisheries, and wildlife conservation) represented the largest portion of the DFG budget. The largest fund sources included the general fund, federal funds, and fish and game fund (right graph).

Co-Chair Stoltze referenced current legislation, which would impose a fee on an Alaska resident personal-use fishery or subsistence activity. He did not like the idea and wondered whether the department was looking at the proposed fee as a potential revenue source. He asked whether DFG thought an access fee for personal use or subsistence should be implemented for all Alaskans.

Commissioner Campbell answered that it was up to the legislature to decide whether it wanted to implement a fee. She added that the department could provide fiscal notes to show the bill's impact if it was heard.

Co-Chair Stoltze believed that the question was a values question. He emphasized the importance of the issue and communicated that 27,000 to 28,000 Alaskan families participated in the personal use and subsistence fisheries. He expressed intent to pursue the question at a later time if the commissioner did not have a comment.

Commissioner Campbell continued on slide 19: "FY 12 Budgeted Positions." She discussed the large difference between the full-time positions and total positions within the department. She added that the management divisions housed the bulk of the positions. She concluded the presentation with a department contact list (slide 20).

Representative Doogan wondered why the Division of Commercial Fisheries had more employees than the Division of Sport Fish, given his belief that more people participated in sport fisheries.

Commissioner Campbell answered that the resources required to manage fisheries were not always proportional to the number of individuals who participated in the respective fishery. Commercial fisheries involved a wide variety of species throughout the state and sometimes required more intensive stock assessment and management. The higher number of employees within the commercial fisheries

division was not reflective of the number of participants or the importance of the fishery.

Representative Doogan asked whether specific job classifications required more employees in one fishery compared to another. He thought that the difference in the number of employees between the two divisions was oddly disparate.

Commissioner Campbell responded that DFG would provide a detailed staff breakdown between the two divisions. She added that there were certain jobs within one division that did not necessarily have a counterpart in another division (e.g. commercial fisheries had employees tasked with managing a scallop fishery; however, sport fish did not).

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Representative Edgmon recalled testimony from the prior commissioner who had discussed the occurrence of "brain-drain" or loss of experience within some agencies. He wondered whether the agencies were experiencing the problem.

Commissioner Campbell responded that the concern was still relevant; there was a significant portion of the workforce that was retirement eligible in the next few years. There was a substantial pay disparity between a state biologist position and a federal biologist position. In recent years the department had committed to a focus on workforce development, recruitment, and retention.

Representative Edgmon asked whether the department had addressed the problem in a formal way. He wondered whether there had been studies or assessments to better understand the impact on the department's ability to carry out its missions.

Commissioner Campbell responded that recent work had been conducted on the salary comparison and the department would work with the administration on the issue. She furthered that the development of an internship program was underway, which would help recruit college students interested in working for DFG. She discussed non-salary related ways to address the problem including, knowledge transfer and mentoring programs within the department and an effort to

provide professional development opportunities for department staff.

Representative Joule wondered how successful the joint state and federal management of subsistence had been. He asked whether the entities had been collaborating or conflicting and whether efforts had been duplicated or pooled.

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Commissioner Campbell answered that DFG did participate with the federal managers and subsistence board process to ensure that state fishery and wildlife managers had the appropriate data. The department worked to coordinate with the programs to prevent the duplication of effort. She noted that the divergent regulations between the state and federal programs were still a source of confusion for people wanting to take advantage of the opportunities.

Representative Gara wondered whether the department had a role in enhancing public access with the cooperation of private land owners. He discussed that the department had not actively maintained or enhanced the public's access to fishing streams. He cited Montana Creek and Willow Creek in the Mat-Su Valley, Deep Creek and the Anchor as examples and explained that the sites all had large amounts of undeveloped, privately held land. He believed that public access would be lost in the future if an easement was not negotiated with the land owners. He added that fishing guides on the Kenai River had been advocating for a permit requirement to float the upper portion of the river. He explained that guides would receive half the permits and the remaining permits would be for Alaskan residents. He asked whether DFG was concerned that access would be limited for public users if permits became required.

Commissioner Campbell responded that the Division of Sport Fish had a section tasked with access issues. She believed that the preservation of public access to fishing was an important departmental function and DFG worked with the Department of Natural Resources (DNR) to secure the access. She offered to discuss the Kenai River issue after she learned more about the subject.

Representative Neuman asked how the department planned to pursue active game management.

Commissioner Campbell replied that the department had received funding in the past for the intensive management programs. There were currently a number of the resource intensive programs, which had shown successful results. The wildlife increment in the governor's FY 12 budget was focused on the completion of the new Region 4; a large region that had included most of Southcentral and Southwest Alaska had been divided in order to provide both areas with adequate resources and attention.

Representative Neuman wondered whether DFG intended to pursue funding to help the Alaska Moose Federation with the grooming of trails away from highways in order to reduce moose-car collisions and to increase moose habitat.

Commissioner Campbell answered that there was not a designated increment in the FY 12 budget specific to the Alaska Moose Federation's efforts. She appreciated the federation's work towards improved moose populations and highway safety.

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Co-Chair Stoltze commended the department on its work on the intensive management and had heard positive feedback from user groups. His concerns had been primarily related to fish management.

Co-Chair Thomas discussed that DFG had transplanted 600 sea otters in Southeast Alaska in the 1960s. He communicated that the number had increased to 3000 in 2003 and 10,000 in 2010. He noted that the state's attorney general was suing the federal government for its designation of endangered species protective areas, but Alaska was responsible for the creation of the sea otter issue. He explained that subsistence divers throughout Southeast were all in competition with the otters for clams and other. He wondered how the state would get out of the predicament that it had created. He added that the department could follow up on the question at a later time.

Representative Guttenberg referenced the bison's introduction to the Interior and wondered about current efforts that would change its designation from endangered to experimental.

Commissioner Campbell replied that DFG was still working on the designation with U.S. Fish and Wildlife. She explained that DFG was progressing on plans for the areas where the bison could be introduced. She vocalized that Alaska had enough issues with endangered species and DFG wanted to obtain assurances that the introduction of a species would not create impediments to development projects.

Vice-chair Fairclough told a joke related to fishing. She referenced the proximity of bear habitat near Eagle River and along the Rover's Run trail in Anchorage and asked about the conflict between wildlife and public access to trails.

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Commissioner Campbell responded that in recent years there had been many discussions about the appropriate balance between public access to recreational areas and safety as a result of negative interactions between humans and wildlife. The department had a role in the issue, but the right to public access was generally the decision of the land owner or manager. She explained that the department provided land managers with risk reduction advice related to trail construction.

Vice-chair Fairclough discussed that close-up images of wildlife in advertisements targeting tourists did not help them to understand that the animals were dangerous. She wondered whether the state had considered a program that would notify tourists about the dangers of wildlife. She referenced constituents who were interested in walking a trail, which DFG may have issued advice on. She wondered how to simultaneously mitigate risk and increase the safety of individuals while providing opportunities and access to Alaska's outdoors.

Commissioner Campbell responded that the department made an effort to educate people about wildlife safety; it posted materials at trailheads and provided brochures in visitor centers. She did not know whether there were other opportunities to expand the educational program. She noted that the department would be interested in any ideas on how to better distribute the materials.

Vice-chair Fairclough asked whether there was a standard formal process for posting trail closures at trail heads.

Commissioner Campbell replied that the department had an internal document that it referred to for recommended measures on the issue of trail closures. She explained that it was not the department's decision to allow access to a trail because DFG operated in an advisory role to land managers; however, the department took the responsibility of providing advice very seriously, given that in many cases the advice was taken seriously. She emphasized the importance of departmental follow up in the days or weeks subsequent to a negative interaction to ensure that the closures did not remain in place indefinitely.

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Co-Chair Stoltze opined that Craig Fleener [DFG Deputy Commissioner] and Rick Rydell could help solve some of the problems. He deemphasized the public opinion and special interest aspect and explained that Mr. Fleener had an effective common sense approach to game issues, wildlife encroachments, and problem solving prioritization.

Representative Edgmon commented that he would speak to Mr. Fleener about the bear problem in Kokhanok. He thanked Bruce Twomley for his service to the Commercial Fisheries Entry Commission.

Co-Chair Thomas discussed that Haines had a problem with bears becoming tourist attractions in state parks. He had met with DNR to discuss the installation of a \$1 million bear-viewing platform and parking lot. He explained that bear safety was the state's responsibility and could cost it a significant amount of money if a person was mauled; the state had been lucky and no accidents had occurred thus far. He thanked the commissioner and asked DFG to send any requested information to the finance staff email with a copy to the co-chairs.

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^BUDGET OVERVIEW: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

LES MORSE, ACTING COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (DEED), introduced department staff. He began a PowerPoint presentation titled "FY 2012 Operating and Capital Budget" and noted the state education policy statute on slide 2. He detailed that the department's purpose was to ensure that students would succeed in their education and their work, shape worthwhile lives for themselves, exemplify the best societal values, and help them to be effective in making the world a better place (slide 3). The statute took a broad approach to education and included more than just the general focus on reading, writing, math, and science. He read a DEED mission statement in the budget document, which was "to provide a quality standards-based instruction to improve academic achievement for all students." Several years earlier DEED had a group of stakeholders build a broader education plan mission statement, which included how students would contribute to their communities upon graduation.

Acting Commissioner Morse highlighted core services of the department on slide 4:

- Provide and evaluate a comprehensive student and school standards, assessment and accountability system based on student, school, educator, and culturally responsive standards
- Provide and support standards-based professional development and mentoring for Alaska's educators
- Provide a statewide program to ensure all students have the foundational skills required for success
- Secure and award educational funding to school districts and other educational organizations
- Providing high quality [performance] data to school districts and stakeholders

Acting Commissioner Morse elaborated that a significant part of the department's work was to ensure that education standards were outlined. Local districts developed curriculum and put forward the instruction to make certain that students met the standards. He discussed that the statewide mentoring program was offered to teachers and principals who were new to the state.

Acting Commissioner Morse highlighted that DEED priority programs fell under three groupings (slide 5):

1. Education Accountability: Implement an Education Accountability system that ensures Alaska students achieve high academic standards at quality schools through the implementation of departmental programs and operational support
2. Quality Schools: Ensure schools develop and maintain their capacity to increase student achievement by providing professional development; providing a statewide system of support; and, provide a Work Ready/College Ready program so that students have the skills necessary to be adequately prepared after high school
3. Active Partnerships: Provide opportunities for, and collaborate with governmental, private and faith-based organizations to engage in Active Partnerships in pursuit of state educational goals

Acting Commissioner Morse noted he would discuss the Division of Teaching Learning Support, which fell under grouping 1 (above). Grouping 2 related to schools that were struggling or underperforming and utilized DEED staff and retired teachers to help students with math, science, and literacy. He relayed that a strong partnership had been created with the Department of Labor and Workforce Development (DLWD) and the University of Alaska to help with Work and College Ready programs. He noted that other active partnerships included those with local libraries statewide.

Acting Commissioner Morse moved on to discuss several pie charts (slides 6-8). The first pie chart focused on the DEED operating budget general fund: 5 percent of the budget went to agency operations and 95 percent went to K-12 formula programs (slide 6). The second chart outlined FY 12 agency fund sources: 73 percent came from federal funding and paid for agency and school operations (slide 7). For example, 90 percent of the Division of Teaching and Learning Support budget of \$165 million went to directly educating students. The third chart showed the overall operations of K-12 by fund source for FY 12: 82 percent came from general funds, 15 percent came from federal funds, and 3 percent came from other.

Acting Commissioner Morse illustrated the department structure on slide 9, which was headed by the State Board of Education and Early Development. The board met four times per year and had several audio conferences as well.

Mark Hanley would take over as commissioner the following week. The Division of Teaching and Learning Support was the largest division and represented the core of the department's work with K-12 school districts. The division included approximately 90 employees and was directed by Cynthia Curran. The Division of School Finance and Facilities received foundation program and major maintenance capital and was headed by Elizabeth Nudelman. Linda Thibodeau was the director of the Division of Libraries, Archives and Museums, which was headquartered in Juneau (there were smaller library facilities in Anchorage and Sitka).

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Co-Chair Thomas asked whether a recent bond initiative would completely fund the new archive facility.

Acting Commissioner Morse responded that the bonds represented approximately 20 percent of the necessary funding for the facility. The department was in the design process, which had been funded by prior legislative appropriation.

Co-Chair Stoltze observed that the Board of Education and DFG commissioner selection process was different from that of other departments. He wondered whether the board solicited candidates or was given a name.

Acting Commissioner Morse answered that discussions with the governor's office had led the board to interview Mr. Hanley. Subsequently the governor accepted the board's recommendation to appoint Mr. Hanley to the position.

Co-Chair Stoltze compared the board's selection process to the process used by DFG.

Representative Edgmon remarked that there had been solicitation process for the joint boards of DFG. He wondered whether DEED had a similar solicitation requirement or whether it was able to take the governor's recommendation.

Acting Commissioner Morse replied that the board was not required to conduct a solicitation; it was required to interview a candidate, select a candidate, and forward a name to the governor for approval. He was aware that the

chairman of the board had spoken with the governor's office, but had no further details.

Co-Chair Stoltze commented on the solicitation process for other agencies including the Board of Regents.

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Acting Commissioner Morse continued to discuss the DEED structure (slide 9). The Division of Administrative Services was directed by Anna Kim. The Division of Mt. Edgecumbe High School was directed by Randy Hawk, which was a boarding school in Sitka that housed approximately 400 students. He discussed the three DEED Commissions and Boards (slide 10). The Professional Teaching Practices Commission located in Anchorage was directed by Patricia Truman and had two employees. The Alaska State Council on the Arts was directed by Charlotte Fox and had 6 employees.

Co-Chair Stoltze asked about the composition of the Professional Teaching Practices Commission and whether it handled disciplinary and license suspensions.

Acting Commissioner Morse responded that the commission handled any disciplinary actions against individuals who had teacher or administrative certification in Alaska. The commission met regularly and included a superintendent, a principal, and six teachers. Violations of the Professional Teaching Practices Ethics Act were investigated by the commission's executive director and were heard by the board, which would determine any disciplinary action or dismissal of a case.

Co-Chair Stoltze wondered what types of disciplinary issues the board handled (e.g. criminal, competency, or other).

Acting Commissioner Morse responded that a public report was compiled annually, which DEED could provide to the committee. He relayed that the types of complaints varied and included illegal actions, helping students to cheat on a test, inappropriate behavior with a student, and other. Less serious offenses could result in a reprimand, but not a loss in certificate.

Co-Chair Stoltze wondered whether a teacher would have to break the law to have their license revoked in Alaska.

Acting Commissioner Morse clarified that a teacher did not have to break the law to lose a license. He referred to a case in which a teacher had lost her teaching certificate after helping students on a statewide exam.

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Acting Commissioner Morse continued to discuss the commissions and boards (slide 10). The Juneau-based Alaska Commission on Postsecondary Education was directed by Diane Barrans. He pointed to department line items from the governor's FY 12 budget on slide 11:

- The Executive Administration had five staff members.
- The Administrative Services Division included Administrative Services and Information Services and had 16 staff.
- The Division of School, Finance and Facilities had 13 staff.
- Student and School Achievement, State System of Support, Statewide Mentoring Program, Teacher Certification, Child Nutrition, and Early Learning Coordination were all included in one division and had a staff of 94, which was the core of the department. Student and School Achievement included slightly over \$10 million of which, \$7.6 million went to the department's assessment contracts and work. There was \$165 million in federal funds, 90 percent of which went to school districts through special education funds or Title 1 funds (money to support economically disadvantaged students in schools).
- There was slightly over \$50 million in federal funding budgeted to Child Nutrition Services of which, \$49 million went to grants to directly fund child nutrition services.
- The Professional Teaching Practices Commission had two staff.
- The Alaska State Council on the Arts had six staff.
- Mt. Edgecumbe Boarding School and State Facilities Maintenance were part of Mt. Edgecumbe High School in Sitka and had 53 staff.
- State Facilities Rent was department-wide.
- Library Operations, Archives, and Museum Operations had a staff of 66.
- The last three items on the slide related to the Alaska Commission on Postsecondary Education, which had a staff of 101.

Co-Chair Thomas asked whether there had been any dropouts in the WWAMI [Washington, Wyoming, Alaska, Montana, and Idaho] program. Acting Commissioner Morse responded that Diane Barrans would provide the information to committee members.

Co-Chair Thomas was interested in hearing about the success of the program. Acting Commissioner Morse would ask Ms. Barrans to follow up with the detailed information.

Representative Doogan asked how the budget allocation had been derived for the Performance Scholarship Awards (slide 11). Acting Commissioner Morse answered that he would follow up with the requested information. He noted that the department worked very closely with the Alaska Commission on Postsecondary Education and had modeled the program after the experience of other states.

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Acting Commissioner Morse directed attention to slide 12, which outlined FY 12 budget items for K-12 formula programs. The Foundation Program represented the largest of the budget items. Other programs included Boarding Home Grants, Youth in Detention, Special Schools, Pupil Transportation, the Alaska Challenge Youth Academy (operated under a separate state agency), and School Debt Reimbursement.

Acting Commissioner Morse highlighted FY 12 capital budget items on slide 13. Capital budget items included deferred maintenance at Mt. Edgecumbe High School and capital projects including assessment work on abandoned school sites, the Stratton library roof and side replacement, and a school construction project. He noted that there had not been a school construction in the capital budget for a number of years and that the project included a renovation and addition to the Quinhagak school. The budget also included 14 major maintenance grants projects.

Representative Wilson asked what criteria were considered when the maintenance list was developed and noted that Fairbanks schools had not made the list despite their maintenance needs.

Acting Commissioner Morse answered that there was specific evaluation criteria. He could not speak to individual districts, but could provide a list of submitted projects and the evaluation criteria that were used. Slide 13 only showed the top 14 maintenance projects on the state's list.

Representative Wilson wondered whether a borough's ability to put its own funding towards maintenance projects was a factor included on the criteria list.

ELIZABETH NUDELMAN, DIRECTOR, SCHOOL FINANCE AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, answered that the department ranked projects submitted by district's each fall. She explained that a district's ability to receive bonding approved by voters was not a criterion. She added that the division could follow up with more detail.

Co-Chair Stoltze asked about the severity of the Sidney Huntington School fire and whether it would be handled immediately, through the Legislative Budget and Audit Committee, or other.

Acting Commissioner Morse clarified that the department had been in constant contact with the district following the fire and DEED staff were scheduled to meet with the superintendent the following day. The damage was estimated between \$2 million and \$3 million and DEED was working to determine how much insurance would cover. The damaged building was designated for vocational education and was separate from the other school facilities. The department had been keeping the Office of Management and Budget informed and was working to determine what was necessary to move forward.

Representative Edgmon asked how past legislation (SB 237) relating to energy standards in new schools would impact the Quinhagak school construction. He also wondered whether provisions in the bill related to major maintenance projects.

Ms. Nudelman responded that the division would follow up with detailed information.

Representative Edgmon had previously been on the House Energy Committee and believed the bill's provision relating

to energy efficiency requirements in new schools was long overdue.

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Representative Gara discussed that the FY 12 foundation formula funding had not been increased from the prior year and wondered how flat funding education would allow for any improvements to the education system. He relayed concern that without an increase there would be fewer teachers and support staff in a system that was not working well. He noted that due to underfunding in Anchorage the Kids in Transition program, which helped homeless youth graduate, would have to cut back its two-person staff down to one.

Acting Commissioner Morse answered that there was a \$12.5 million increase in funding; however, because it was the fourth year of a five-year cost differential, Anchorage would not see the increase. He thought the Kids in Transition program had potentially been paid for with federal funds. He added that there were some federal funds that districts still had access to, which were included in the budget.

Representative Gara reiterated his concern about the flat funding of education. He noted that rural districts in their last year of cost differential would be forced to use some of the money aimed at cost differential to keep up with inflation. He believed that money intended to catch districts up would have to be used for districts to stay even.

Acting Commissioner Morse replied that school superintendents would need to analyze their budgets to become more targeted and to determine where efficiencies could be created. He had worked in schools for 17 years and believed it was important to target available resources in order to make a difference in student achievement.

Representative Gara asked whether the commissioner had any recommendations.

Acting Commissioner Morse answered that the department was working on several ways to advance achievement statewide; however, it was hard to make a broad statement about budget recommendations without looking at specific issues and districts.

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Acting Commissioner Morse pointed to slide 14, which pertained to federal funding from the American Recovery and Reinvestment Act (ARRA). The department had been administering the numerous programs, which had been challenging. Stimulus funding from the ARRA that had paid for the majority of the programs was required to be used by September 2011. Some of the funding had been spent and other money had been encumbered by districts to spend prior to the September deadline. The department was required to provide the federal government with a report on jobs saved and the most recent quarter was shown in the last column on slide 14.

Representative Wilson wondered what would happen to the 359 jobs that had been created or saved after the federal funding was gone. She thought there had been hopes against using the money for jobs.

Acting Commissioner Morse responded that some of the jobs were temporary and in other cases districts would reprioritize their budgets if the new positions were important. He explained that DEED had encouraged one-time expenditures. Districts had also been required to sign a document that included the legislature's intent language to ensure that they understood that the legislature did not intend to provide additional funding later.

Representative Doogan wondered how the Temporary Emergency Food Assistance program had spent more than had been received.

ANNA KIM, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, responded that the ARRA funding was also helping with the current Temporary Emergency Food Assistance program; therefore, expenditures may have been included by mistake.

Representative Guttenberg wondered why none of the money available for the Broadband Technology Opportunity program had been spent and how there were four temporary positions listed under the program.

Ms. Kim answered that the broadband grant had recently been authorized by the Legislative Budget and Audit Committee.

The four temporary positions were included because they would be established for the duration of the grant.

Representative Guttenberg asked where the technology grants would be used. Ms. Kim responded that DEED would provide the information to the committee.

Acting Commissioner Morse furthered that the grant was for state libraries to bring broadband access to local libraries throughout the state. The state had worked with the Rasmuson and Gates Foundations to secure the grant, which began in December 2010 and would not expire in September 2011 like the others.

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Representative Neuman thought that broadband grants had been offered through public libraries and wondered why DEED was involved. Acting Commissioner Morse answered that the Division of Libraries, Archives and Museums provided support for community libraries throughout the state.

Acting Commissioner Morse touched on key challenges going forward (slide 15):

- Continuous academic growth for all students, including closing the achievement gap in reading, writing, math and science
- Refine state standards and assessments

Acting Commissioner Morse elaborated that DEED planned to implement a strong literacy plan for students in the next few months. The department was excited about work with DLWD and the university. He expounded that DEED was working with districts on underachievement issues and on the Moore lawsuit. Standards had been revised in 2005 and if revisions took place in the next year assessments would be impacted in 2015 for 10 years.

Representative Joule asked whether the high school qualifying exit exam was used as an assessment tool.

Acting Commissioner Morse answered that the exit exam did fall under the state standard component. Specific standards were assessed on the required exam that was given two times per year.

Representative Joule believed that at one time the exam had reflected material at the 8th grade-level; he wondered whether that had changed.

Acting Commissioner Morse replied that the language arts components were primarily at 9th and 10th grade-levels, the math portion was currently a mixture of 8th, 9th, and 10th grade. The department was working to increase the standards from the 10th grade to 12th grade-level and was coordinating with freshman-level teachers to determine what should be included in the standards to prepare students for vocational school, university, or other. He believed the process of refining the standards would have an impact on the exam material.

Co-Chair Stoltze discussed that in past years the tests had not been required for graduation, but were testing beyond the current level. He believed that DEED had spent approximately \$1 million designing a test that a significant portion of the bureaucracy wanted to fail. He thought the test had always been intended to be a basic proficiency test and nothing more.

Representative Costello asked whether DEED knew Mr. Hanley's vision for the department, specifically regarding the high school drop-out rate. She believed that the education system failed students who dropped out and wondered about plans to engage the students in classrooms.

Acting Commissioner Morse responded that he had spoken with Mr. Hanley and they agreed on the need to address issues around literacy at a much younger age. He relayed that there were clear and effective programs that the state should utilize. Some of the programs were scripted and were not fun to teach, but they worked. He believed Mr. Hanley would be very interested in career and technical education to ensure students would be prepared for the various types of educational opportunities subsequent to high school. It was important to provide students with a broader sense of opportunity following high school in order to increase their interest and engagement in the classroom.

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Representative Joule asked how many children were home schooled or attended private school in Alaska and wondered whether the number was an indication of the confidence

people had in the state system. He talked about how the throughput of oil ultimately impacted the level of education formula funding and wondered whether DEED or the board had discussed what would happen if levels of funding could not continue to be sustained.

Acting Commissioner Morse responded that he did not know the number of students attending private schools because the schools were not required to report their enrollment numbers. He explained that there were families who privately homeschooled their children and homeschool families who registered through one of the 14 statewide correspondence schools. He estimated that there were approximately 6,500 to 7,000 homeschool students who fell into the latter category, but the number did not account for students taking correspondence classes within their own districts. He believed that the question related to future funding levels would require significant dialogue and attention. He noted that the issue had been raised around federal stimulus money that would not be continued in the future. He believed it was important to determine what the system did well and to do it in a focused way.

Representative Joule remarked on the tendency for people to believe that things would continue to happen as they always had. An increase in boarding school enrollment throughout the state and potential future budget constraints could result in the need for change. He wondered whether there was a dialogue with school districts or with the department about how the state delivered education in a way that could resemble a boarding school format. He believed continued discussion about alternatives was necessary and would help people to realize that change was not always as bad as they may have initially thought.

Acting Commissioner Morse replied that there were currently three boarding schools in Alaska including, Mt. Edgecumbe High School, Galena, and Nenana. He did not know how close the schools were to their capacity, but believed the schools offered a good alternative for some students. He had visited the schools in Mt. Edgecumbe and Galena and was impressed by programs including the career and technology educational programs at Galena. He noted that the discussion had occurred; however, there had not been a conversation about the long-term direction of the issues. He agreed that the conversation needed to occur and would follow up with Mr. Hanley.

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Representative Wilson was concerned that the exit exam included a 10th grade standard and that students who passed the test were led to believe they were ready for college. She thought the test should include 11th and 12th grade standards and believed that limiting the test to a lower standard was sending the wrong message to students. She emphasized the importance of a focus on K-12 education.

Acting Commissioner Morse answered that statutory language outlined that the purpose of the test was "to give a basic competency test of essential skills." Historically there had been extensive community dialogue about what a competency test of essential skills was. He believed whether the test was appropriate for current students was a different question.

Co-Chair Thomas wondered whether an effort to improve the 38 percent to 40 percent failure rate was included in the department's key challenges.

Acting Commissioner Morse responded that the effort to improve the failure rate was included in the continuous academic growth and effective use of instructional time categories. He relayed that the improved use of instructional time would increase students' opportunity for instruction by qualified teachers.

Co-Chair Thomas wanted to make certain that the reduction of the failure rate had been included on the department's list of goals.

Acting Commissioner Morse responded in the affirmative. The department believed the graduation rate needed improvement. He pointed to small improvements, but agreed that a graduation rate of 66 percent meant that 34 percent of students were failing.

Co-Chair Thomas remarked that the state could not continue to award failure. He discussed concern that the 40 percent who failed could end up in prison. He had talked with DLWD and had learned that the department was working to encourage those individuals to look at vocational education as an option.

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Acting Commissioner Morse addressed the last of the department's key challenges related to the implementation of federal laws such as No Child Left Behind and ARRA (slide 15). He noted that No Child Left Behind would most likely be reauthorized sometime in the next one to three years. He highlighted the DEED accomplishments (slide 16), which included its work with the Alaska Commission on Postsecondary Education and DLWD on the Alaska Performance Scholarship, continued implementation of statewide teacher mentoring and administrator coaching, formative or practice assessments to track student skill levels throughout the year, implementation of the technical assistance program that helped districts facing challenges with students, and an implementation plan with DLWD and the university on college and career preparedness. He added that he had met with DLWD and university representatives earlier in the week regarding college preparedness.

Vice-chair Fairclough asked whether the state was working with the university to pursue the possibility of the assignment of an ID number to students that they would have throughout their entire school experience within Alaska, which would allow the state to see where inadequate education had been received. She asked for a job description of the \$200,000 budgeted position for a school health and safety coordinator, which would address family health and domestic violence (page 88 of the department short forms). She discussed a \$400,000 budget item aimed at providing positions to support students with reading, science and math. She detailed that similar, less expensive budget items had been included the past few years and requested an update on the success of the efforts. The legislature had been told the budget item had been to address the Moore case the prior year and to support No Child Left Behind during the current year. She noted that the department could get back to her with its response.

Representative Gara wondered whether the department had considered applying for federal Race to the Top funds that rewarded states for thinking outside of the box to encourage educational achievement. He noted that 40 states had applied for the funds and believed there did not seem to be specific places that the department was thinking outside of the box with the exception of the boarding school discussion. He wondered when the state would

permanently implement the pre-K program that was currently a pilot program. He emphasized that 40 other states had pre-K programs that included both classrooms and parents as teachers. He stressed that the success of the program was seen in better job and income rates, lower jail rates, higher graduation rates, et cetera.

Acting Commissioner Morse responded that 35 to 40 states had applied for Race to the Top funds and approximately 18 states had received funds from the program. The state had believed its chance for receiving the funding was low and the application cost was approximately \$250,000 to \$500,000; therefore, it had not applied. The availability of Race to the Top funds in the future depended on federal appropriation and the state would reassess whether to apply if funds became available. It appeared that states with strong local control had a more difficult time receiving the funds and that many states in the western U.S. had not received the federal money. The department was prepared to discuss work it had conducted over the past several years on pre-K and had included a budget component related to the issue. The department had brought data forward for the education subcommittee to review based on successful work that had been done. He thought that making pre-K available to all children required a broader policy conversation.

ADJOURNMENT

The meeting was adjourned at 3:53 PM.