

SENATE FINANCE COMMITTEE
February 7, 2011
9:00 a.m.

9:00:16 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Cathy Giessel; Representative Mike Hawker; Christy Harvey, Staff, Senator Wielechowski; Elizabeth Nudelman, Director, School Finance, Department of Education and Early Development; Robert Eason, Coordinator Food Services, North Slope School District; Carl Rose, Association of Alaska School Boards; William J. Streur, Commissioner, Department of Health and Social Services; Denise Daniello, Executive Director, Alaska Commission on Aging; Marie Darlin, Coordinator, AARP Task Force.

PRESENT VIA TELECONFERENCE

Gary Baldwin, Bethel; Amy Rouse, Director of the AK School Nutrition Association; Dolores Farrell, Self, Sitka; Therese Ashton, Principal, Wrangell Public School; Carol Comeau, Superintendent, Anchorage School District; Bob Crumley, Superintendent, Chugach School District; Ron Kreher, Director, Public Assistance, Department of Health and Social Services.

SUMMARY

SB 3 FUNDING FOR SCHOOL MEALS

SB 3 was HEARD and HELD in Committee for further consideration.

HB 16 EXTEND SENIOR BENEFITS PAYMENT PROGRAM

HB 16 was HEARD and HELD in Committee for further consideration.

#sb3

Senate Bill NO. 3

"An Act providing for funding for school lunch and breakfast."

[9:00:39 AM](#)

CHRISTY HARVEY, STAFF, SENATOR WIELECHOWSKI, introduced the PowerPoint presentation "Funding for Alaska's School Meals,"(copy on file).

Ms. Harvey detailed Slide 2: "Three Goals for the School Meals Bill,"

- More schools serving meals
- More kids in each school fed
- More nutritious meals served

Ms. Harvey quoted the statistic, "one out of every eight Alaska families struggles to put enough food on the table each year."

Ms. Harvey addressed Slide 5: "Hunger in Alaska 2010,"

- 74,000 Alaskans seek food assistance each year.
- 43 percent of households visiting food pantries in Alaska have a child under the age of 18.

Ms. Harvey discussed Slide 6: "Students In Need Not Being Reached,"

51,000 Alaskan Children are eligible for reduced or free lunch.

However:

- Six school districts do not offer breakfast or lunch.
- 15 percent of schools that do participate in the school lunch program do not offer breakfast.
- Overall, 60 percent of lower-income kids are not being reached by the school meals program.

[9:03:56 AM](#)

Ms. Harvey discussed the data on Slide 7: "Alaska in Bottom 10 for Participation." She pointed out that Alaska ranks ninth from the bottom of all 50 states in the participation of low-income children in the school meal programs. She added that many children have access to real food only through the school meal program.

Ms. Harvey continued with Slide 10: "Alaskan School Breakfasts Served FY 09-10." She explained that Alaskan schools served approximately 3.6 million breakfasts last fiscal year. The federal reimbursement has not kept up with the needs of the schools since the inception of the program. Many schools are therefore dipping into their operating budgets. The average cost to prepare a breakfast or lunch does not match the federal reimbursement rates as exhibited on Slide 11: "Current Breakfast Reimbursement Rates" and Slide 13: "Current Lunch Reimbursement Rates."

Ms. Harvey explained Slide 14: "The Need." She explained that despite federal subsidies, Alaska schools fall \$9 million short. She hoped that the proposed program would prevent the schools from dipping into their operating budgets. She understood that the legislature is tasked with stewarding Alaska's money. She wished to ensure that the investment was a wise one for the state.

[9:06:05 AM](#)

Ms. Harvey discussed Slide 16: "Investing in School Meals Provides a "Two-Fer" in returns." She explained that short-term returns on the investment include better academic performance, better behavior, better attendance, and better health. The long-term returns include better attendance, which equal lower dropout rates. Lower dropout rates equal

lower prison populations, higher graduation rates equal higher incomes, and lower obesity rates equal lower health care costs.

[9:07:17 AM](#)

Ms. Harvey mentioned that she had a bibliography of the studies quoted in her presentation, for those interested. She mentioned that various studies have shown that when kids are fed they perform better on comprehensive testing with better attention, memory and verbal fluency.

Ms. Harvey discussed Slides 22 and 23: "Better Behavior in School."

- Researcher noted a significant decrease in behavioral "oppositional scores" for students eating school breakfast. "Oppositional scores" measure whether or not students are likely to break the rules, have problems with authority or are quick to anger than most individuals in their age groups.
- Researchers found low-income students who ate meals at school were less likely to be hyperactive and had fewer behavioral or attention problems than their hungry peers.
- Researchers conclude that classroom breakfast works and that a pilot program in New York resulted in decreased hunger and improvements in factors critical to student learning such as tardiness and disciplinary referral rates.
- Increased school breakfast participation is associated with fewer emotional or behavioral problems. Teacher at school that increased participation in their school breakfast programs reported a positive change in student behavior (60%) and improved in student attentiveness (63%).

[9:09:24 AM](#)

Ms. Harvey discussed Slide 25: "Better Attendance."

- Higher Rates Of Attendance
 - Studies show that universal school breakfast program participation is associated with higher rates of attendance and declines in tardiness.
- Lower Rates Of Tardiness

- o Schools with increased participation in school breakfast programs had their proportion of children chronically tardy decreased by 67 percent.

Ms. Harvey addressed Slides 27 and 28: "Better Health."

- Lower Obesity Rates
 - o Girls from "food insecure" households are significantly less likely to become overweight (68 percent) if they participate in school lunch and breakfast programs.
- More Physically Active
 - o Students who ate breakfast daily were more likely to participate in physical activity three or more times a week than breakfast skippers.
- Alaskan Obesity
 - o 25.4 percent of Alaskans are currently considered "obese."
- The High Cost of Obesity
 - o Recent studies project that, if our national weight problem continues as it has been, obesity will cost the USA about \$344 billion in medical-related expenses by 2018, eating up about 21 percent of health-care spending.

[9:11:00 AM](#)

Ms. Harvey discussed the proposal of an increase of \$.35 for breakfast and \$.15 for lunch. She provided Slide 31: "Examples of Support," exhibiting all of the many supporters of the proposal.

[9:11:48 AM](#)

Ms. Harvey discussed Slide 33: "The Bottom Line,"

Senate Bill 3 is a solid investment in Alaska's future, providing both short-term and long-term payoffs for Alaska's students.

We spend a great deal of money on education in Alaska. This comparatively small investment will help our students reap the maximum benefits from our schools.

By setting our kids up for success now, we may be able to avoid costly problems in the future.

[9:12:15 AM](#)

Senator Thomas asked to know the threshold for both the reduced and supplemented rates. Ms. Harvey responded that the rate for a household size of 2 is \$33 thousand per year for reduced lunch and \$23 thousand per year for free lunch. She quoted \$51 thousand for the reduced price for a family of 4 and \$35 thousand for free meals. She explained that the figures exhibit the federal poverty level adjusted for Alaska.

Senator Olson expressed dismay at the figures presented which display children's lack of access to food. He asked about the distribution of these children throughout the state. Ms. Harvey responded that rural areas suffer greatly as the shipping is quite pricey. She pointed out one component of the bill which adjusts the numbers through the district cost factors to address the needs of rural schools.

Senator Olson commented on the sponsor statement and the proposed increases. He opined that an increase of 15 cents in rural areas was insignificant when compared to the high cost of transportation. Ms. Harvey agreed and responded that she wanted to add the necessary funds for the rural areas.

[9:16:11 AM](#)

Senator Thomas wondered if the federal maximum reimbursement was in literal form. Ms. Harvey explained that the quoted figure is the maximum amount based on need and reimbursed by the federal government. She added that a \$9 million gap exists between what is required and what is provided by the federal government.

[9:17:24 AM](#)

ELIZABETH NUDELMAN, DIRECTOR, SCHOOL FINANCE, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained the different components of the fiscal plan regarding the school lunch and breakfast program. She noted that the bill creates a new state program to provide supplemental state funding for the existing breakfast and lunch programs. Currently,

districts receive approximately \$32 to \$36 million in federal funding for the school lunch program. The total expenditures are approximately \$58 million. The required federal match for the program is \$492 thousand, which is met from the \$9 million transferred from school operating funds. The bill would not increase the number of students participating, but would provide approximately \$2 million to school districts to use for breakfast and lunch programs or to offset the \$9 million transferred from operating funds.

Ms. Nudelman discussed the fiscal note. Page one of the fiscal note shows \$2.1 million in 2012, \$2.3 million in 2013, \$2.3 million in 2014, \$2.4 million in 2015, \$2.5 million in 2016 and \$2.6 million in 2017. She continued to detail the fiscal note.

[9:21:44 AM](#)

Co-Chair Stedman asked about the fiscal impact of the six schools that do not offer the lunch or breakfast program. Ms. Nudelman responded that the six schools currently not offering the program are small schools and would require necessary equipment. She listed the various schools totaling 490 students.

Co-Chair Stedman asked if the schools that offer lunch alone might begin to offer breakfast if the legislation passes. Ms. Nudelman responded that additional hurdles must be overcome to provide the addition of breakfast programs for those schools currently without.

[9:23:43 AM](#)

Senator McGuire stated that she supports the bill sponsor's intention. She wondered about the methods used to encourage new interest in the program for schools not yet participating. She asked about including new children by providing for a state match. She asked about the potential of increasing the programs without additional students. She recommended that state and agriculture programs grow as a result of the program. She requested creative alternatives regarding the food choices in the program.

Co-Chair Stedman requested the percentages of students involved in the program for the various school districts.

Co-Chair Stedman asked about the administration's position on the bill. Ms. Nudelman answered that the administration does not have a position on the bill.

[9:26:41 AM](#)

Senator Olson recalled that the presentation listed that six districts did not offer either lunch or breakfast. He assumed that the entire district did not offer the program. Ms. Nudelman clarified that six school districts do not offer either breakfast or lunch. An additional ten districts do not participate in the breakfast program.

[9:27:56 AM](#)

Co-Chair Stedman pointed out the new fiscal note from the Department of Education and Early Development (DEED) reflecting a \$2,143,000 appropriation in FY 12. Funding for the program is not in the governor's budget.

[9:28:48 AM](#)

GARY BALDWIN, SUPERINTENDENT, LOWER KUSKOKWIM SCHOOL DISTRICT, BETHEL (via teleconference), discussed the need for Bethel to have access to the program. Many children would not eat any food until lunch if not for the breakfast program. Much of the current funding is intended for instruction purposes. He mentioned his district's comprehensive nutrition policies.

[9:32:12 AM](#)

AMY ROUSE, DIRECTOR OF THE AK SCHOOL NUTRITION ASSOCIATION (via teleconference), testified in support of the legislation. She pointed out the many children who are either homeless or in transition in our district. Each day, many children receive their only meal on school grounds. The funds included in SB 3 would help to provide the meals that many children have come to expect.

[9:35:15 AM](#)

DOLORES FARRELL, SELF, SITKA (via teleconference) testified in support of the legislation. She applauded the previous testimony. She opined that information regarding nutrition and supplementation of student nutritional needs must be offered prior to supplementation. She supported education

and the preparation of foods on site. She asked about the hurdles encountered by the schools wishing to provide breakfast to needy children. She proposed a method of reaching the children who need the food without compromising their self esteem.

9:37:48 AM

THERESE ASHTON, PRINCIPAL, WRANGELL PUBLIC SCHOOL (via teleconference), testified in support of the legislation. She noted that the Wrangell district superintendent was responsible for the student breakfast and lunch program. She stated that 60 percent of the school's students qualify for free or reduced prices. She pointed out that one complaint from students is that the portions are too small.

9:40:38 AM

CAROL COMEAU, SUPERINTENDENT, ANCHORAGE SCHOOL DISTRICT (via teleconference), echoed the prior testimony. She noted that 41 percent of the Anchorage School District's students qualify for free or reduced lunch. She pointed out the need for additional fruits and vegetables in the meals provided to the students. She opined that additional fruits and vegetables would make the meals more palatable for the students. She added that Anchorage has a system where they are able to provide occasional funds out of their general fund to students who do not qualify for free or reduced lunch. Students in her district are not identified as a free or reduced lunch recipient, which eliminates the embarrassment factor.

9:43:26 AM

BOB CRUMLEY, SUPERINTENDENT, CHUGACH SCHOOL DISTRICT (via teleconference), testified in support of the legislation. He stated that his district chose not to participate in the free and reduced lunch program. The district has instead, a free breakfast program funded out of their general fund. He stated that the breakfast is sometimes the only nutritious meal received by a student all day. He noted that the program increases attendance.

9:45:15 AM

ROBERT EASON, COORDINATOR FOOD SERVICES, NORTH SLOPE SCHOOL DISTRICT, testified in support of the legislation. He

explained that the current program is regulated well in his district. He noted that reauthorization will take place July 1, 2012 that will increase the cost of the lunch programs because of increased fruits and vegetables. The need for state support is thus increased.

[9:47:25 AM](#)

CARL ROSE, ASSOCIATION OF ALASKA SCHOOL BOARDS, stated that research suggests that hunger is a large distraction for students. He echoed the comments made by the sponsor at the meeting's onset. He spoke in support of the legislation. He mentioned a recent article from the Chicago Tribune regarding a free and reduced lunch and breakfast program.

[9:50:46 AM](#)

Senator Olson expressed concern regarding the palatability of the meals provided. He asked if the children were eating the meals or throwing them away. Mr. Rose responded that many different situations exist in schools regarding the nutrition provided. He mentioned fundraising efforts such as concession stands that might be in competition with school lunches. He felt that the majority of options including free and reduced lunches provide palatable choices. He commented that some of the school districts are unable to provide the food as they lack the necessary facilities.

[9:52:27 AM](#)

Senator Thomas asked about the identification of students regarding fee or reduced lunches. Mr. Rose answered that many school districts are aware of the potential embarrassment factor and remedy it in an appropriate manner.

[9:53:55 AM](#)

Co-Chair Stedman asked about the 35 percent of food that is rumored to be thrown away. He discussed the need for a Consumer Price Index (CPI) and sunset date for the program. He asked about the bill's effective date.

Senator McGuire asked about the communities that do not offer breakfast and lunch. Ms. Harvey offered to provide answers to the committee.

SB 3 was HEARD and HELD in Committee for further consideration.

#hb16

HOUSE BILL NO. 16

"An Act extending senior benefits."

[9:57:42 AM](#)

REPRESENTATIVE MIKE HAWKER stated that HB 16 extends the Alaska senior benefits payment program for an additional four years. The program was established in 2007 and will sunset June 30, 2011 without affirmative action during this legislative session. He stated that 10,093 elder Alaskans currently benefit from the program. The oldest recipient of the benefits is 105 years old. The established program provides monthly cash assistance to Alaska residents age 65 or older whose household income is less than 175 percent of the federal poverty guideline for Alaska. He explained the various tiers of the program. He stressed that HB 16 does not alter the current benefits; it merely extends the program four years. The program costs \$20 million per year and the legislation is a maintenance commitment. If the money appropriated by the legislature were deemed insufficient to meet the needs of the program, the Department of Health and Social Services (DHSS) is authorized in statute to reduce or eliminate the benefit available to the recipient in order to meet the most pressing needs of the state.

[10:03:41 AM](#)

Representative Hawker referred to a convincing handwritten constituent letter (copy on file). He believed that the bill should pass out of committee.

[10:05:02 AM](#)

Senator Thomas referred to the sectional analysis stating that the department may reduce or eliminate the cash benefit available to recipients based on the appropriations. He asked if the benefits would be reduced on a prorated basis. Representative Hawker responded that regulations regarding potential manifestations of the mentioned section have not yet been established.

Historically, ratable reductions are implemented as early as possible in a fiscal year, eliminating the need to prorate.

Co-Chair Stedman requested a department's perspective, and remarked that he did not anticipate any shortfall. He expressed interest only in a hypothetical answer.

WILLIAM J. STREUR, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, replied that he would provide the information at a later time.

[10:08:38 AM](#)

AT EASE

[10:09:50 AM](#)

RECONVENED

Senator Thomas asked about the "see delayed repeal note."

Representative Hawker referenced the Alaska statutes. He noted the footnote known as the "delayed repeal," which is the four year sunset addressed in committee.

Co-Chair Stedman asked if the administration supports the legislation. Mr. Streur replied that the administration supports the extension.

Co-Chair Stedman asked why there are six positions needed to extend the program. Commissioner Streur responded that the six positions are a continuation of the current staffing allocated to the program. Representative Hawker reminded that the program is an eligibility based program, which includes 10 thousand beneficiaries. The eligibility is dynamic and the number of employees is reflective of the amount of work necessary to manage the eligibility status of the beneficiaries.

Co-Chair Stedman asked how seniors are notified that the program exists. Commissioner Streur responded that the program is advertised on the state website and in local division of public assistance offices. He believed that both rural and urban accesses are similar.

[10:14:05 AM](#)

Co-Chair Stedman asked about qualifying issues for seniors in the Pioneer Home. Mr. Streur responded that seniors in the Pioneer Home are not eligible due to the establishment of the Pioneer Home fee. Since the majority of the residents in the Pioneer Home are Medicaid eligible, it is essential to maximize Medicaid. If a resident receives a subsidy, the money is then used to offset the Medicaid payment.

Co-Chair Stedman asked if seniors in the Pioneer Home who pay their own bills are included. He asked about those residents fortunate enough to have the liquidity to pay the substantial bills each month. He wondered if the Medicaid issue was impacted for those individuals. Mr. Streur offered to provide future information.

Co-Chair Stedman asked about those residents of the Pioneer Home who are without the additional funds needed for small luxuries.

10:16:30 AM

Senator Olson asked if benefits were granted to those people living out of state. Mr. Streur believed that the checks were for residents only.

Senator Olson asked about provisions regarding transport out of state for medical reasons. Representative Hawker stated that beneficiaries must be Alaskan residents. He explained that eight unidentified recipients were identified last year for leaving the state and the cases are currently in review.

Representative Hawker added that the program statutorily provides for recovery provisions for any benefits that were paid inappropriately as stated in AS 47.45.308.

Senator Thomas asked about electronic advertising methods in regard to seniors and low income seniors in rural areas. He expressed concern regarding the distribution of information.

10:19:30 AM

Co-Chair Stedman discussed the fiscal note from DHSS and the addition of \$1,968,000 in general funds. The administration is aware of the true cost of the program. He

believed it appropriate for the governor to bring forward a budget amendment to fund the item. He mentioned the two page spreadsheet exhibiting case summaries and the expenditure forecast.

RON KREHER, ACTING DIRECTOR, PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference) offered to respond to questions.

[10:21:32 AM](#)

DENISE DANIELLO, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON AGING, expressed support for the legislation. She noted that the bill provides funding for basic necessities for the seniors in Alaska. She noted that the commission supports this legislation and the extension for the benefits payment program. She stated that greater than 10,000 senior citizens receive benefits from the program. She stated that several areas in the state, including the North Slope borough, have citizens participating in the program.

MARIE DARLIN, COORDINATOR, AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP) TASK FORCE, emphasized that the senior benefits program allows seniors to remain in Alaska. She spoke in support of the legislation.

[10:25:34 AM](#)

Representative Hawker repeated one question raised by Senator Olson regarding those senior citizens currently living out of state. He explained that the question is addressed in the existing statute, Section 47.45.304. He recognized that the situation exists for certain seniors and did not want the limiting factor to lead to denied access. He noted that when a person leaves the state, they lose their benefits. The exceptions to that rule include receiving medical treatment out of state, the accompaniment of an individual's family member while receiving medical treatment outside of the state, and the ability for the department to make exceptions on a case by case basis.

[10:28:27 AM](#)

HB 16 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 10:29 AM.