

SENATE FINANCE COMMITTEE
February 16, 2017
1:33 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Mike Dunleavy
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Michael Johnson, Commissioner, Department of Education and Early Development; Heidi Teshner, Director, Administrative Services, Department of Education and Early Development.

SUMMARY

^DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT FY 18
OPERATING BUDGET OVERVIEW

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MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced himself.

HEIDI TESHNER, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced herself.

Commissioner Johnson discussed the PowerPoint, "Alaska Department of Education and Early Development FY2018

Governor's Budget Overview Senate Finance Committee" (copy on file). He addressed slide 2, "Alaska State Constitution -Alaska Statutes":

Alaska Constitution Section 7.1 -Public Education
To establish and maintain a system of public schools.

Department Mission: To ensure standards-based instruction to improve academic achievement for all students.

Key Functions: Fund, provide oversight and support, set standards, assess students towards standards.

State Education Policy -AS 14.03.015
It is the policy of this state that the purpose of education is to help ensure that all students will succeed in their education and work, shape worthwhile and satisfying lives for themselves, exemplify the best values of society, and be effective in improving the character and quality of the world about them.

Governing Statutes -Alaska Statutes Title 14

Commissioner Johnson looked at slide 3, "Alaska's Mission and Vision for Public Education":

Mission Statement
An excellent education for every student every day.

Vision Statement
All students can succeed in their education and work, shape worthwhile and satisfying lives for themselves, exemplify the best values of society, and be effective in improving the character and quality of the world about them. AS 14.03.015

Commissioner Johnson highlighted slide 4, "State Board of Education and Early Development's Strategic Priorities":

1. Amplify student learning
2. Inspire community ownership of educational excellence
3. Modernize the education system
4. Ensure excellent educators
5. Promote safety and well-being

Commissioner Johnson discussed slide 5, "Organizational Chart." He noted that he was currently working through recommendations which included revisions to the organization structure.

Ms. Teshner addressed slide 6, "FY2018 Governor's Budget." She remarked that the slide showed a breakdown between the formula programs and agency operations.

Co-Chair MacKinnon requested a breakdown of agency operations.

Ms. Teshner continued to discuss slide 6. She noted that the UGF funding was 80 percent of the entire department's funding; but 97 percent of its UGF were the K-12 formula programs. She stated that all the K-12 formula programs were "pass through" grants to school districts and other grantees. She remarked that the slide showed the department's budget by fund source: 82 percent were general funds, 15 percent were federal funds, and 4 percent were other funds.

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Ms. Teshner looked at slide 7, "FY2018 Governor's Budget." The slide showed the K-12 formula programs broken up by their results delivery units and the components associated with those units. She stated that there was UGF, federal funding, and the \$20 million in other funds [Public School Trust Fund] within the foundation formula.

Senator von Imhof remarked that there was a concern about how the minimum wage had affected the transportation. She noted that the funding stream had remained relatively stable, but the minimum wage provided a "jump up." She wondered if that issue would be addressed in the presentation. Ms. Teshner replied that the presentation did not address that specific issue. She remarked that the minimum wage was affecting the districts who entered into a new contract or renew their contract.

Co-Chair MacKinnon queried the definition of "special schools." Ms. Teshner replied that special schools component included the Special Education Services Agency, including the Alaska School for the Deaf and Providence Heights School.

Ms. Teshner continued to discuss slide 7. She pointed out that, aside from the foundation program, the K-12 formula program were within UGF. The total formula funding was \$1.3 billion.

Co-Chair Hoffman queried the most recent rewrite in the foundation formula. Ms. Teshner replied that it was in 1999.

Senator Micciche queried the source of the "other funds." Ms. Teshner replied that it was the Public School Trust Fund.

Ms. Teshner displayed slide 8, "FY2018 Governor's Budget." She noted that the slide showed the education support services, results delivery unit, and the teaching and learning support.

Ms. Teshner highlighted slide 9, "FY2018 Governor's Budget." She stated that the results delivery units on the slide were the commissions and boards: The Professional Teaching Practices Commission and the Alaska State Council on the Arts. The slide also showed the Mt. Edgecumbe Boarding School; State Facilities Maintenance; and the Alaska State Libraries, Archives and Museums.

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Senator Dunleavy queried the current student population of Mt. Edgecumbe. Ms. Teshner responded that the current population of Mt. Edgecumbe was approximately 400 students.

Ms. Teshner looked at slide 10, "FY2018 Governor's Budget." She stated that the slide concluded the list of the breakdown of the department. The slide was the Agency and Operations portion of the budget. She noted that the slide showed the Alaska Postsecondary Education Commission, Alaska Performance Scholarship Awards, and the Alaska Student Loan Corporation.

Ms. Teshner addressed slide 11, "FY2018 Governor's Budget by Structure." The slide was a visual representation of the department's budget by structure. She noted that the large blue portion was the formula programs, at 80.3 percent of the overall budget.

Ms. Teshner highlighted slide 12, "FY2018 Governor's Budget by Line Item." She stressed that 95 percent of the overall budget of \$1.6 billion were grants. The grants included Foundation; Pupil Transportation; Boarding Home; Statewide Residential; Special Schools; Youth in Detention; Title I; Title II; Title III; 21st Century; Special Education; Carl Perkins; Child Nutrition Services; Head Start; Best Beginnings; Parents as Teachers; Pre-Kindergarten; and other non-formula grant programs.

Ms. Teshner discussed slide 13, "FY2018 Governor's Budget by Line Item (All Funds)." The slide represented a breakdown of the personal services. She remarked that \$11.5 million was the K-12 administrative support: Education Support Services (ESS) and Teaching and Learning Support (TLS). The green portion represented the \$9.8 million for the Alaska Commission on Postsecondary Education (ACPE).

Ms. Teshner looked at slide 14, "FY2018 Governor's Budget by Line Item (UGF Only)." She shared that 98 percent of the UGF were pass-through grants; 1 percent were personal services; and 1 percent were other lines.

Ms. Teshner highlighted slide 15, "FY2018 Governor's Budget by Line Item (UGF Only)." The slide represented a breakdown of the personal services. She remarked that approximately 46 percent was the K-12 administrative support; 44 percent was the Library, Archives and Museums; 8 percent was Mt. Edgecumbe; and 2 percent for the Alaska State Council on the Arts.

Ms. Teshner looked at slide 16, "FY2018 Governor's Budget." The slide provided information on the budgeted position. The left side showed that the governor's budget would employ 298 Alaska in full-time, part-time, and non-permanent positions. She noted that there was a reduction of 18.8 percent of the workforce, equating to approximately 69 positions, since the FY 13 Management Plan. The right side of the slide showed the graphical representation of the budget for the FY 18 positions.

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Ms. Teshner addressed slide 17, "FY2018 Governor's Budget Highlights":

Foundation -Fully funded at the statutory Base Student Allocation (BSA) of \$5,930; Total: \$1,217,257.6

Pupil Transportation -Funding maintained at the FY2017 funding level of \$72,619.8 (this is \$6,409.8 or 8.8 percent below the estimated statutory formula)

Administrative Services -Transfer 1 PFT position to Department of Administration for Shared Services of Alaska Implementation

\$9.5 Other decrement -savings from Shared Services of Alaska Implementation

Information Services -\$110.0 Other decrement to reduce uncollectible inter-agency receipt authority and delete 1 PFT position

Transfer 1 PFT position to Department of Administration for Centralized Office of Information Technology Implementation

State System of Support -\$250.0 UGF one-time increment request for the Innovative Best Practice Initiative

Alaska State Council on the Arts -Transfer 1 PFT position to Department of Administration for Shared Services of Alaska Implementation

\$6.6 decrement [\$2.1 Fed; 4.5 G/F Match] -savings from Shared Services of Alaska Implementation

Ms. Teshner addressed slide 18, " FY2018 Governor's Budget Highlights":

Mt. Edgecumbe High School (MEHS) -\$100.0 UGF increment request for the warm storage and maintenance costs for the new MEHS Aquatic Center

Library Operations -Transfer 2 PFT position to Department of Administration for Shared Services of Alaska Implementation

\$25.6 UGF decrement -savings from Shared Services of Alaska Implementation

Vice-Chair Bishop queried the reference for the annual operating cost. Ms. Teshner replied that the \$583,000 was the projected annual operating cost for the pool.

Co-Chair MacKinnon remarked that the administration had shut down most mega projects in Alaska, and reprioritized spending. She noted that there was another pool within one or two miles of the Mt. Edgecumbe pool. She stressed that the legislature was told that the state would pay zero maintenance costs for the pool. Commissioner Johnson replied that there was an exploration of partnerships for the operation of the Mt. Edgecumbe pools, so there did not need to be an operations budget request. He deferred to Ms. Teshner.

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Ms. Teshner furthered that that the current pool had been in operation for 40 years, so it was reaching the end of its life. She stated that there would be costly renovations to bring the current pool up to standards. She shared that there were conversations to help identify revenues to go toward the operations and maintenance of the new pool. There was only about \$100,000 to \$200,000 identified depending on whether the city decided to maintain the older pool.

Co-Chair MacKinnon wondered whether it would be prudent to halt work on the pool to ensure underlying support for the new pool. She felt that the pools would be in competition with each other for a revenue source. Ms. Teshner replied that the city had reached out to Department of Transportation and Public Facilities (DOT/PF) about the operations and maintenance of the pool. She shared that there may be an agreement with the city during the construction of the pool.

Senator Micciche looked at page 9, and the total Mt. Edgecumbe budget was \$11.14 million with 400 students. Ms. Teshner agreed.

Senator Micciche surmised that the per student cost at Mt. Edgecumbe was \$27,500. He wondered how that compared with other Alaska students on an average basis. Ms. Teshner replied that she did not have that information currently. She stated that, of the \$11 million, one-half was for the residential component of Mt. Edgecumbe. The foundation funding was from the other funds of \$6 million.

Senator Micciche felt that the state was offering a substantial amount of high-cost services to the students of Mt. Edgecumbe, and spending approximately \$27,500 per student. He felt that even with separating the residential costs, Mt. Edgecumbe was a high-cost facility. He wanted to bring those costs down. He queried the status of the construction of the new facility. Ms. Teshner replied that she did know the status, except that construction was moving forward. She shared that she had visited the site in December, and there were base walls and a roof.

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Senator Olson wondered whether there was an issue with scheduling some students into the municipal pool. Ms. Teshner replied that she was not aware of that issue.

Senator Olson asked whether the new pool was the same size of the existing pool. Ms. Teshner replied that the Mt. Edgecumbe Aquatic Center was larger than the existing pool.

Senator Olson queried a comparison of the operating expenses between the two pools. Ms. Teshner replied that the existing pool's operating costs were approximately \$240,000. She stressed that the pool was connected to the middle school, so there was a shared wall.

Senator Olson asked whether there was a comparison with other pools in the state. Ms. Teshner agreed to provide that information.

Senator Olson wondered whether Ms. Teshner was familiar with the other pools in the state. Ms. Teshner responded that she was not familiar with the other pools in the state.

Vice-Chair Bishop queried a breakdown of the actuals on the \$500,000 operating costs for the pool. Ms. Teshner agreed to provide that information.

Co-Chair MacKinnon stressed that not much work had been done on the project. She wondered if expending the capital funds was the best option. She felt that halting the project was the most prudent option from a finance perspective. She wondered if there was a way to lower the cost upon completion of the project. Commissioner Johnson replied that he had asked similar questions. He stressed

that he was new to his job, so there may be some that know more about the history of the pool. He stated that he did not have the authority to halt that construction, because it was part of a Go Bond. The pool was not a request from either DEED or Mt. Edgecumbe. He agreed to examine the pool costs.

Ms. Teshner furthered that \$100,000 would maintain the facility without water.

Co-Chair MacKinnon asked for clarification of that information. Ms. Teshner replied the \$100,000 UGF request was for operational expenses without water.

Co-Chair MacKinnon remarked that the annual maintenance operational costs for the pool was \$583,000. She wondered whether that was included in the budget, or only the \$100,000 for the pool without water. Ms. Teshner stated that the \$100,000 was the only amount in the budget used toward the \$583,000.

Co-Chair MacKinnon surmised that the \$100,000 would be a recurring cost to maintain the unfilled pool. Ms. Teshner agreed.

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Ms. Teshner continued to discuss slide 18:

Program Administration and Operations (Alaska Commission on Postsecondary Education) -\$625.1 Other decrement and delete 7 positions (4 PFT and 3 NP)

\$125.0 DGF increment request for the Alaska Education Grants, which is a needs-based grant program that is set in statute to equal half the amount allocated to the APS

Transfer 1 PFT position to Department of Administration for Shared Services of Alaska Implementation

\$7.8 Other decrement -savings from Shared Services of Alaska Implementation

WWAMI Medical Education -\$106.0 DGF increment request to cover program contractual increases

Alaska Performance Scholarship (APS) Awards -\$250.0
DGF increment request to cover the expected demand
increases

Senator Olson noted that there had been discussions regarding eliminating the WAMII program. He wondered what would occur with the receipts, with elimination of the program. Ms. Teshner responded that the designated receipts would remain the Higher Education Fund.

Senator Olson stated that \$106 million would remain in the Higher Education Fund. Ms. Teshner agreed.

Senator Olson wondered what would happen with the \$3 million on page 10. Ms. Teshner responded that the \$3 million would remain in the fund for appropriation.

Senator Dunleavy remarked that the slide represented fund source shifts. Ms. Teshner replied that the fund sources currently noted on slide 18 were currently in the FY 17 budget. The WAMII program was paid through the Higher Education Fund in FY 17, with an increase in FY 18.

Ms. Teshner discussed slide 19, "Department of Education and Early Development." The slide provided a comparison from FY 15 through FY 18. She noted that the top chart was for all funds, between formula and non-formula programs. She stated that the formula program showed a \$79.4 million decrease from the FY 15 management plan to the FY 18 governor's proposal. This was due to the removal of the one-time funding from the previous legislature's HB 278.

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Senator von Imhof wondered whether the department examined all the school district's budgets and compared how they managed their funds. Ms. Teshner replied in the affirmative.

Senator von Imhof asked whether there were reports that showed trends, and identified personnel benefit costs. Ms. Teshner replied that the data was available, and agreed to provide that information.

Senator von Imhof wondered whether districts were connected with each other to share information. Ms. Teshner responded that DEED annually examined the districts' operating

budget, and their actual audits. The department tried to spot anomalies within each district, and there was an examination to see what may have caused the change.

Ms. Teshner continued to highlighted slide 19. She noted the \$21.6 million decrease. She noted that the department had eliminated programs such as the Alaska Native Science and Engineering Program (ANSEP) funding; the Alaska Learning Network (ALN); and the statewide mentoring programs. There were reductions in the content specialists and travel.

Ms. Teshner highlighted slide 20, "Alaska K-12 Funding." The slide showed the change in the Base Student Allocation (BSA) over time.

Ms. Teshner addressed slide 21, "Average Daily Membership (ADM) History." The chart showed the regular ADM and the correspondence ADM.

Co-Chair MacKinnon looked at slide 20, and wondered whether the outside money was fuel triggers. Ms. Teshner replied that the one-time moneys were funds that either was for security within districts or money for the adjusted average daily membership.

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Vice-Chair Bishop wondered where the charter schools would be included in the ADM. Ms. Teshner replied that charter schools would be within the regular ADM count.

Senator von Imhof queried the annual AMP testing. Commissioner Johnson replied that the process for selecting a new state assessment was begun the previous summer. He stated that there was a question of why the state would be involved in testing. He shared that there were three primary reasons for the state testing: 1) to inform parents, policy makers, and public on how the schools were performing; 2) data for school improvement; and 3) to ensure equitable access to a quality public education. The chosen test should maximize that purpose, and minimize the amount of time students would be away from instruction to take the assessment. An assessment called "PEAKS" was chosen in partnership with the Data Recognition Corporation (DRC) who had previously provided standards based assessments. The district test coordinators were meeting

with department staff to prepare for the administration of the test in March and April.

Senator von Imhof wondered whether the assessment would be through pen and paper or electronic submission. Commissioner Johnson replied that the districts would make that choice.

Co-Chair MacKinnon looked at slide 21, and noted that there was more downward trend until a 2016 increase followed by a decrease in 2017 and 2018. She queried a change for the calculation on ADM that may have impacted 2016. Ms. Teshner replied that there was no change to the calculation of the ADM. The counts were provided by the district, and there were more students gravitated toward the correspondence ADM versus a brick and mortar ADM.

Co-Chair MacKinnon wondered why there would be a growth in ADM with the low unemployment rate. She asked whether students could possibly be counted twice. Ms. Teshner replied that there was a rigorous duplication to ensure that the counts were not duplicated.

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Co-Chair Hoffman stressed that examining the UGF provided very little flexibility for the committee.

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Senator Dunleavy looked at slide 21. He noted the downward trend in student enrollment. Commissioner Johnson did not understand the concern.

Senator Dunleavy felt that there was a slow decline in student population in the state, as the state population was aging. He noted that there may be a migration to alternative schools, but noted the increase in costs.

Co-Chair MacKinnon echoed that the state was facing a \$3 billion deficit, so there was help needed from all Alaskans.

Vice-Chair Bishop shared the same concerns as Commissioner Johnson.

Senator von Imhof stressed that the budgets of the school districts was important to examine.

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Senator Olson shared that his family prioritized education. He noted that some of the committee members had small children, so there was a personal concern with education.

Commissioner Johnson shared that the governor had expressed that the state needed to rethink Alaska's public education system. The process would include the legislature. The process was not another study of the problem, but the process of prioritizing the solutions.

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RECONVENED

Co-Chair Hoffman discussed the following day's agenda.

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ADJOURNMENT

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The meeting was adjourned at 2:39 p.m.