

SENATE FINANCE COMMITTEE
February 22, 2018
9:02 a.m.

9:02:55 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Pete Ecklund, Staff, Senator Lyman Hoffman; David Teal, Director, Legislative Finance Division; Brittany Hartmann, Staff, Senator Anna MacKinnon; Michael Johnson, Commissioner, Department of Education and Early Development.

SUMMARY

SB 104 EDUCATION CURRICULUM

SB 104 was HEARD and HELD in committee for further consideration.

SB 168 APPROP: SUPPLEMENTAL OP.; FUND; AMENDING

SB 168 was HEARD and HELD in committee for further consideration.

#sb168

SENATE BILL NO. 168

"An Act making supplemental appropriations and other appropriations; making an appropriation to capitalize a fund; amending appropriations; and providing for an effective date."

9:03:19 AM

Co-Chair Hoffman informed the committee that in past years the supplemental bill had been incorporated into the capital budget; and in the current year the committee intended to address the supplemental bill early. He believed that addressing the bill early was a positive move for the agencies. He indicated that an identical companion bill was expected to arrive from the other body the following week.

Co-Chair MacKinnon MOVED to ADOPT the proposed committee substitute for SB 168, Work Draft 30-GS2781\D (Wallace/Martin, 2/20/18).

Co-Chair Hoffman OBJECTED for discussion.

PETE ECKLUND, STAFF, SENATOR LYMAN HOFFMAN, reminded the committee that supplemental items were requested in the governor's original operating and capital budget requests on December 15, 2027. On January 31, 2018 he introduced a standalone supplemental bill. He noted that the committee had held overviews on all the governor's supplemental requests.

9:06:07 AM

Mr. Ecklund addressed that the high level figures included in the bill were \$67.7 million in all funds, \$49.5 million in Unrestricted General Funds (UGF), \$5.1 million in Designated General Funds (DGF), and \$13.1 million in other funds.

Mr. Ecklund addressed the spreadsheet document "FY 2018 Supplemental Bill" (copy on file). He reported that item 2 was in the amount of \$453.5 thousand for the Public Defender Agency. He delineated that the agency experienced a reduction in Criminal Rule 39 fee revenue, exceeding the ethical number of maximum caseloads. The funds were

necessary to replace the reduced program receipt revenue, maintain staffing levels, and reduce the caseload. He turned to the item 3 for \$10,447.6 million for the Department of Corrections (DOC), Institution Director's Office and offered that the funds were necessary to meet institutional shortfalls from overestimating the reduction in offender populations due to passage of SB 91 - Omnibus Crim Law & Procedure; Corrections [CHAPTER 36 SLA 16 - 07/11/2016]. He highlighted item 4 amounting to \$10,341.5 million for DOC, Institution Director's Office. He noted that the funding was needed to meet increased inmate health care costs. He reviewed item 5 for the Department of Environmental Conservation (DEC), Solid Waste Management for increased Program Receipt Authority in the amount of \$35 thousand. The department increased its fees effective October 27, 2017 and the increased receipt authority was necessary to collect the additional revenue. He moved to item 6 for DEC, Air Quality for decreased Program Receipt Authority in the amount of \$35 thousand. He addressed item 7 for the Department of Revenue (DOR), Alaska Permanent Fund Corporation (APFC) Investment Management Fees request of \$5 million for Investment and Custody Fees. He underlined item 8 for the Legislature, Administrative Services totaling \$121.3 thousand in Program Receipt Authority and Expenditure for Contractual Lease Cost Increases.

Mr. Ecklund continued with item 13 for the Department of Commerce, Community and Economic Development (DCCED), Alaska Reinsurance Program that was a repayment of \$25 million from Premera to the Reinsurance Program. He turned to item 14 and noted that it was the only capital budget item in the supplemental. The item was for DCCED in the amount of \$8.125 million in Statutory Designated Program Receipts for the Alaska Energy Authority Volkswagen Settlement that represented the state's portion of the settlement for emission problems.

[9:10:38 AM](#)

Senator von Imhof observed that item 13 corresponded to Section 4 (a) in the bill that showed the sum of \$30 million versus the \$25 million on the spreadsheet. Mr. Ecklund explained that the original appropriation was \$55 million, and the current version modified the amount to \$30 million, which was a difference of \$25 million.

Mr. Ecklund continued to address the Supplemental summary spreadsheet. He turned to item 15 for the Department of Education and Early Development (DEED), Executive Administration that extended a grant for Every Student Succeeds Act (ESSA) support funding. The request extended the date for expending the funds. He reviewed item 16 for Special Appropriations; Judgments, Claims, and Settlements in the amount of \$322 thousand for a DEC Wage and Hour settlement. He noted that item 17 was an open-ended language appropriation for FY 18 Judgments and Settlements. He presented item 18 that pertained to a Fund Capitalization for the Community Assistance Fund. He detailed that the statutes dictated that if there was no FY 18 appropriation to the fund the balance would total \$60 million, and one-third of the balance would be distributed to communities in FY 19 in the amount of \$20 million. The supplemental originally proposed to use \$30 million in one-time funds from the Power Cost Equalization (PCE) Endowment Fund using FY 17 earnings for FY 19. The statute mandated that FY 17 earnings were intended for the FY 19 budget. Therefore, the current supplemental proposed to appropriate \$30 million in one-time funding from the Alaska Comprehensive Health Care Fund for the Community Assistance Fund bringing the balance from \$60 million to \$90 million and providing the \$30 million payout to communities.

Co-Chair Hoffman stated the amount would bring the program back on track.

Senator Olson asked about the effect on the Power Cost Equalization Endowment Fund. Mr. Ecklund replied that the FY 17 earnings would be available to pay FY 19 PCE costs, community assistance, renewable energy, and other items in the capital budget per statute. Senator Olson was concerned what the balance of the fund would be after the supplemental appropriation. Mr. Ecklund stated that the appropriation in the supplemental did not expend PCE funds.

[9:14:52 AM](#)

Co-Chair MacKinnon interjected that the chairman had presented a way to ensure that the PCE fund was not overdrawn as it had been in the past. She elaborated that the PCE Fund maintained a lower expectation on returns to ensure adequate funding for its main purpose; to stabilize energy costs in rural Alaska. Additionally, she and Co-Chair Hoffman had carried two pieces of legislation the

previous session that protected the PCE endowment and "rolled off" funds for community assistance if the endowment earnings were sufficient. The returns in the previous year allowed a \$30 million draw from the fund in FY 19. The administration had proposed to take an additional \$30 million from the PCE fund, which threatened to overdraw of the fund. The current version of the supplemental proposed the legislature's original intent; excess PCE earnings would start to fund the Community Assistance Fund and possible energy projects statewide in FY 19. Therefore, the current version of the supplemental employed another source of funding for FY 18.

Co-Chair Hoffman pointed out that when Office of Management and Budget (OMB) Director, Pat Pitney had presented the budget she spoke of transparency. He had informed Ms. Pitney that the governor's budget had short-funded the PCE program and a "couple" other items. He specifically noted that if the \$30 million was expended from PCE for FY 18 then a \$60 million deposit would be necessary the following year. The current supplemental transaction was attempting to get the fund balances "back on track."

[9:17:51 AM](#)

Senator Micciche asked if the committee would review the purpose of the Community Assistance Program. He was not sure that Alaskans were aware of how the funds were used. He discussed the use of funds for emergency response services for people utilizing roads in the jurisdiction of small rural communities, which was the only source of state support for the communities.

Co-Chair Hoffman thought the topic was expedient. He recounted that the previous community assistance fund was too heavily dependent on state resources and became unaffordable to maintain. Three years earlier the Co-Chairs of the Senate Finance Committee, Senator MacKinnon and Senator Kelly reduced the program by 50 percent, so it could be more affordable for the state, but still be able to provide services to many communities. He agreed that the subject should be revisited in a future meeting. He added that he had cautioned the administration that the governor's original budget placed a large financial burden on the state with his proposed \$30 million draw. He reiterated his effort to get the program back on track.

[9:20:22 AM](#)

Co-Chair MacKinnon stated that given the state's fiscal situation, it might be helpful to discuss the inception of the PCE program. She thought some might not understand the genesis of the program. She delineated that many years ago the legislature had "heavily invested" in capital projects (dams) in urban Alaska to provide a lower cost stable energy supply. In an effort to support rural communities, the legislature had established an "investment model;" an endowment set up like the corpus of the Permanent Fund. She reiterated that the PCE fund was adjusted to allow the "rolling off" of funding to urban communities through community assistance. The entire state was benefitting from the saved assets, but the original function of the program was to ensure the equitable investment of resources throughout the state.

Senator von Imhof asked for an explanation of how the funding worked.

Co-Chair Hoffman explained that when the \$60 million per year distribution for the Community Assistance Program was reduced to a \$30 million per year distribution the communities were given an additional two year's notice. Therefore, an additional \$60 million appropriation was necessary bringing the total to \$90 million. The \$30 million would be matched with an additional \$30 million appropriation to guarantee the amount communities would receive for the two years. Senator von Imhof asked if the money would no longer be available in approximately FY 20 or FY 21. Co-Chair Hoffman answered in the negative. He continued that next year a \$30 million appropriation was necessary. He reminded the committee that the amount was subject to appropriation by the legislature.

Senator Micciche shared that when the fiscal crisis developed he wanted to shut down the revenue sharing program. However, as he reviewed the public value of the program he appreciated the changes made to save the program. He strongly endorsed an informational meeting about PCE and the CAP programs.

[9:25:26 AM](#)

Mr. Ecklund continued to review the supplemental summary. He addressed Item 19, which was a Fund Capitalization for

the Disaster Relief Fund increased from \$2 million to \$4 million. The increase was necessary due to the low balance of the disaster relief fund and the estimated amount needed for spring 2018 disasters. He stated that currently the balance of the fund was \$1.5 million, and the administration typically kept \$5 million in the fund.

Senator Micciche asked if there had ever been a problem appropriating additional funds when the fund was used for significant disaster response. Mr. Ecklund stated that the recommended balance of the fund was \$5 million and if the fund ran out of money he was unsure whether merely a ratification or a special session was necessary to appropriate more funding. Senator Micciche was struggling with the appropriation because he was uncertain the state could afford to "tie up" the money.

Co-Chair Hoffman was not sure that the funds were being "tied up." He viewed the funds as a "safety measure."

[9:27:44 AM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, stated that historically funding for disaster relief had been intermittent and jumped between large and small appropriations. He recalled that \$32 million was deposited into the Disaster Relief Fund 5 years prior. Subsequently, the balance had since fallen from over \$30 million down to the current \$1.5 million. He determined that the legislature faced a choice of a higher annual funding rate or a large lump sum when necessary. Given the fiscal situation, the recommendation was to increase the annual deposit to \$4 million and hope the amount was sufficient.

Senator Micciche supposed that the administration had the authority to spend on emergency response over the amount of the fund. He offered that he viewed the funding differently under the climate of constrained spending. He favored keeping funding in accounts that earned interest rather than depositing large amounts of funding in accounts that accrued nothing. Mr. Teal had neglected to mention that it was possible to spend more money than was in the fund, but the amount was limited to \$1 million. He reasoned that if the balance was too low when disaster struck, additional funding beyond the \$1 million authority was subject to appropriation.

Co-Chair Hoffman interjected that it was important to be able to respond to a disaster no matter what part of the state the disaster happened. He considered the appropriation a small amount of insurance for the protection of Alaskan citizens.

Senator Micciche agreed with Co-Chair Hoffman. He thought it was time to reevaluate the \$1 million in over-spending authority and felt that it was insufficient.

Co-Chair MacKinnon asked if Mr. Teal had a figure for the use of the fund in the previous year. Mr. Teal would provide the numbers.

[9:32:30 AM](#)

Mr. Ecklund continued to discuss the Supplemental document. He addressed Item 20 for Fund Transfers into the Alaska Marine Highway System (AMHS) Fund in the amount of \$23,918.2 million. He remarked out of the \$30 million appropriated from GF to the AMHS fund for FY 2018, only \$6,081,800 was available to transfer due to the associated contingent language. The appropriation back-filled the short fall. He moved to item 21 for Fund Transfers to the Civil Legal Services Fund for \$10.4 thousand. He reviewed item 22 for Salary and Benefit Adjustments. He reported that after the prior session was over, contract agreements had been reached with the Fairbanks Firefighters Union, IAFF Local 1324 and the United Academics - American Association of University Professors, American Federation of Teachers without any monetary impacts.

Senator von Imhof referenced item 21 and asked why there was no amount of UGF listed. Mr. Ecklund corrected that the amount was \$10.4 thousand and not million.

Mr. Ecklund noted that the remaining items were ratifications that did not add to the budget. He indicated that ratifications "straightened out" prior years accounting.

[9:34:54 AM](#)

Senator Stevens referenced the Disaster Relief Fund and wanted to see the longer term use of the fund - for the prior five years. Co-Chair Hoffman agreed to provide the information.

Co-Chair Hoffman WITHDREW his objection. There being NO further OBJECTION, it was so ordered. The CS for SB 168(FIN) was ADOPTED.

Co-Chair Hoffman handed the gavel to Co-Chair MacKinnon.

[9:36:34 AM](#)

AT EASE

[9:39:04 AM](#)

RECONVENED

#sb104

SENATE BILL NO. 104

"An Act relating to the duties of the state Board of Education and Early Development; and relating to school curriculum."

[9:39:04 AM](#)

Co-Chair MacKinnon informed the committee that the Committee Substitute (CS) for SB 104(FIN) was moved from committee on April 14, 2017. The committee would be rescinding its action in moving the bill out of committee and would then adopt a new CS.

Vice-Chair Bishop MOVED to RESCIND the action of the committee to report CSSB 104(FIN) from committee on April 14, 2017. There being NO OBJECTION, the bill was before the committee for consideration.

Vice-Chair Bishop MOVED to ADOPT the proposed committee substitute for SB 104, Work Draft 30-LS0786\N (Glover, 2/21/18).

Co-Chair MacKinnon OBEJCTED for discussion.

Co-Chair MacKinnon spoke to the CS. She stated that the committee had been working with the Department of Education and Early Development (DEED) and school districts to improve student success and test scores. The state continued to have challenges in competing both at the national and global level. Over the course of the previous summer, the department "undertook Alaska's Education Challenge." She explained that the reason she wanted to take a "second look" at the legislation was to examine the

best recommendations to improve student outcomes. In consultation with the department and the commissioner, the bill requested what she considered was possible to achieve. She announced that the bill would enable the state to do better with the investments the state made versus doing more with less. The bill provided improved access to the best curriculum in the United States (US) and the world and empowered the state Board of Education to adopt the best curriculum and offer flexibility to local school districts with enough time to adopt and review the curriculum.

[9:43:42 AM](#)

BRITTANY HARTMANN, STAFF, SENATOR ANNA MACKINNON, spoke to the CS. She explained that SB 104 allowed DEED, in consultation with school districts, to find the best curriculum for English/Language Arts and Math from around the world in three tiers; tier 1 was the highest quality. Once reviewed and approved by the state Board of Education, the curriculum will be tested as part of a pilot program in five districts (2 rural and 2 urban) around Alaska for two years to determine its effectiveness. The districts chosen for the pilot program would receive the curriculum paid for by the state, not exceeding 150 times the school formula's average daily membership (ADM) or \$10 million. She elucidated that if the new curriculum improves student outcomes, school districts, if they so choose, would be granted 3 school years to request the curriculum and funding would be distributed in the order of requests in addition to one-time funding of 150 times the districts ADM not to exceed \$6.7 million per year.

[9:44:44 AM](#)

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:45:35 AM](#)

MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, expressed his excitement over the bill. He declared that the legislation was "well-conceived and informed by the challenges of the past," recognized current realities, and shared a vision for the future. The best practices were discovered through participation in the Alaska Education Challenge. He stated that the legislation used curriculum as a lever for support and a lever for

improvement. He stated that the department was looking forward to the positive impact the bill would have on students.

Senator Stevens referenced a provision that extended the requirement for curriculum review from every 6 years to every 10 years. He asked for the rationale. Commissioner Johnson replied that the rationale had multiple factors. He explained that the requirement did not prevent adopting or reviewing a curriculum in a shorter time frame. He noted that many curricula had digital components and the content was frequently updated. The content of some subjects such as math did not change dramatically over time and the 10 year time period created efficiencies.

[9:49:11 AM](#)

Senator Olson referenced Senator Stevens' point, and wondered if rapid technology advancements changed more frequently than a period of 10 years, which might lower test scores. Commissioner Johnson agreed that much would change over a ten-year time frame. He thought that in terms of purchasing a curriculum it was important to be mindful of the risk of too many changes in too short of a time frame. He thought the argument could be made that the bill's time frame provided stability for a curriculum that addressed student's needs.

[9:51:08 AM](#)

Ms. Hartmann addressed a Sectional Analysis for CSSB 104 (version N) (copy on file):

Section 1 AS 14.07.030:

The Department may not require a school district to review their curriculum more than once in a 10-year period.

Section 2 AS 14.07.180:

(a) The Board of Education must establish standards and a procedure for the review, ranking, and approval of math and English language arts curricula for school districts to use in each grade level.

(b) The Department shall review math and English language arts curricula from Alaska, other states, and other countries. The department has until July 1, 2019 to identify the

three best curricula in these subjects for each grade level and the best practices for teaching each subject.

(c) The Board of Education shall approve curricula currently being used by the five best performing schools (two urban schools and three rural schools) according to the scores of the 2018 Performance Evaluation for Alaska's Schools assessments (PEAKS).

(d) The Department may submit the curricula that they find to be the best (under section b), to the Board of Education for approval, if the Department deems the curricula appropriate, aligned with education standards, and results in improved academic achievement for students.

(e) The Board may approve of the curricula submitted by the Department (under section d) as long as it is consistent with the standards established by the Board of education under (a) of this section. The Department shall rank the approved curricula in 3 tiers. Tier 1 is the curricula that the Department ranks the highest for each grade level.

(f) The Department shall conduct a two-year pilot program beginning in the 2019 school year to test the appropriateness and effectiveness of the tier 1 curricula approved. The Department shall select 5 school districts to participate in the pilot program (at least 2 rural schools and 2 urban schools) and those districts will be given no more than a combined total of \$10 million to purchase and implement the curricula.

(g) If the Department deems the curricula appropriate and effective, the Department shall make the curricula and one-time incentive payments available to all school districts starting in school year 2021 and ending in the school year of 2023. If a school district chooses Tier 1, they will receive a one-time appropriation. This appropriation is available for all districts and shall not exceed a combined total of \$6,700,000 for all districts that apply each year. This incentive payment will be available for 3 years, however districts will only receive a one-time payment. The Department shall award incentive payments in the order of which the request is received. The incentive payment will not exceed 150xADM.

Ms. Hartmann delineated that the \$30 million fiscal note was predicated on the number of students statewide, roughly

129 thousand and multiplied that by 150 divided over 5 years.

[9:54:58 AM](#)

Ms. Hartmann continued to address the Sectional Analysis:

(h) The Department shall publish all curriculum currently used by all school districts, on the Department's website. Included in that curriculum will be the 3 tiers of the English language arts and math curriculum adopted.

(i) The Department shall submit an electronic report to the legislature providing information on the curricula that each school district has adopted.

(j) All payments for the pilot program and curricula adoption are subject to appropriation. This section provides the definitions for "rural", "school district" and "urban".

Sections 3-5 AS 14.08.111, AS 14.14.090, and AS 14.16.020:

Conforming language requiring school boards to review all textbooks and instructional materials at least once every 10 years.

Section 6 AS 14.07.180(f), 14.07.180(g), 14.07.180(j):
Repeals the pilot program and the one-time incentive payments on July 1, 2024.

Sec. 7 4 AAC 05.080(e):

Annuls the regulatory requirement of a local school board having to evaluate their curriculum every 6 years.

[9:57:01 AM](#)

Co-Chair Hoffman addressed Section 2(h), which pertained to publishing all curriculum currently used by all school districts. He asked whether the requirement included the curriculum developed because of the bill. Ms. Hartmann answered in the affirmative. She stated that all three tiers established through the legislation would be published online.

Co-Chair MacKinnon interjected that the goal was to provide an incentive program of best practices. She found that the

larger school districts were agreeing on a set of criteria that already existed. However, in the smaller districts it was more difficult to find the time or expertise to engage in the same process as the larger districts. She thought there was a disadvantage for smaller districts. She observed that sometimes salespersons from other states offered Alaska's smaller districts curriculum that was not supportable in a rural area. She emphasized that the bill would not impose a curriculum that did not fit into a local community. Rather the bill attempted to empower the state school board to help find curriculum that works in rural school districts and all districts as well. She thought curriculum was a foundational tool and hoped an empowered statewide school board that was provided resources could find the best practices, work with school districts, and utilize a pilot program to discover curriculum that worked. She reiterated that her hope was the statewide school board could identify a curriculum that offered Alaskan students an opportunity to compete globally.

[10:01:50 AM](#)

Senator von Imhof clarified that there was a difference between curriculum and state standards. She understood that the program was volunteer and did not impede on local control.

Co-Chair MacKinnon added that it was her hope that the bill would provide school districts the opportunity to use something vetted by the state school board and not be subject to the 6 year review process

Senator Stevens thought the bill was forward-looking. He had concerns. He commented on staff reductions at the department and wondered how it would achieve the goals of the bill. Co-Chair MacKinnon clarified that there would be a forthcoming fiscal note with three positions that were previously removed from the department, however the new job duties would be different in support of reading, writing, and math.

[10:05:03 AM](#)

Senator Micciche added that there would be "fairly significant contract dollars for some of the curriculum evaluation." Co-Chair MacKinnon indicated that the bill would need to have the support of the full legislature to

move forward. The goal was to reduce the costs to school districts and improve educational outcomes. She added that the fiscal note would be scrutinized but if adequate funding was not provided the goals would not be met.

Senator Stevens thought education was a unifying issue and applauded Co-Chair MacKinnon's efforts.

Co-Chair MacKinnon affirmed that the committee would continue to work with the department on the bill and fiscal note. She reported that Senator von Imhof wanted to ensure that the curriculum chosen by the state school board met the Alaska Standards, which was currently the board's responsibility.

Ms. Hartmann mentioned three other benefits of the bill. The bill would save school districts time and money through the extension of the curriculum review and paying for the curriculum, which freed up funding for other needs. The bill allowed for collaboration among school districts in both teacher training and professional development.

Senator von Imhof thought the Division of Student and School Achievement under DEED whose core mission was "to provide academic standards, academic assessments and accountability and assist schools by providing programs technical onsite and distance delivery support" would likely be affected by the bill. She noted that the division had a total of 41 staff, twelve positions were Education Specialist II, which were the positions that would be added by the bill. She thought it was important to take advantage of all the state's resources. She maintained that the bill's goals needed accountability, data collection, and collaboration between districts. She mentioned that some school districts used Power School software that was a platform for student information. She wondered if in addition to working with curriculum, the bill would address software to allow districts to communicate with each other.

[10:09:15 AM](#)

Vice-Chair Bishop voiced that besides the collaboration across school districts, he hoped the university would collaborate with the school board to ensure the curriculum was sufficient to carry the student into post-secondary education.

Co-Chair Hoffman agreed with Senator Stevens remarks. He thanked Co-Chair MacKinnon for taking leadership on the issue. He acknowledged that the topic of education solutions had been discussed for some time and believed the bill was a good approach.

Co-Chair MacKinnon reiterated that the legislation was a committee bill and appreciated members' work on the issue. She informed the committee that there was not currently an updated fiscal note for the CS.

Co-Chair MacKinnon discussed the agenda for the following day.

#

ADJOURNMENT

[10:11:37 AM](#)

The meeting was adjourned at 10:11 a.m.