

HOUSE FINANCE COMMITTEE
March 8, 2019
1:34 p.m.

1:34:13 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

Representative Tammie Wilson, Co-Chair
Representative Kelly Merrick

ALSO PRESENT

Heidi Teshner, Administrative Services Director, Department of Education and Early Development, Office of Management and Budget; Lacey Sanders, Budget Director, Office of Management and Budget; Michael Johnson, Commissioner, Department of Education and Early Development; Bryan Fisher, State Coordinating Officer, Homeland Security, Department of Military and Veterans Affairs.

SUMMARY

HB 39 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 39 was HEARD and HELD in committee for further consideration.

HB 40 APPROP: MENTAL HEALTH BUDGET

HB 40 was HEARD and HELD in committee for further consideration.

HB 53 APPROP: SUPP; CAP; DISASTER RELIEF

HB 53 was HEARD and HELD in committee for further consideration.

HB 54 APPROP:SUPP; REAPPROP; CAP; AMEND; REPEAL

HB was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb39

#hb40

HOUSE BILL NO. 39

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 40

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

[1:35:13 PM](#)

HEIDI TESHNER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, provided a PowerPoint presentation titled "FY2020 Governor's Amended Budget" dated March 8, 2019 (copy on file). She began with two bar charts on slide 3 showing funding and budgeted position comparisons between the FY 19 management plan and the FY 20 governor's amended budget for the Department of Education and Early Development (DEED). The left chart showed the funding

comparison with the DEED FY 19 management plan budget on the left. The total was just over \$1.6 billion, made up of \$1.483 billion general funds: \$1.321 unrestricted general funds (UGF) and \$26.5 million designated general funds (DGF), which accounted for 81 percent of the total. Additional funds included \$64.8 million in other funds and \$251 million in federal funds (15 percent of the overall budget). The department's FY 20 governor's amended budget was slightly over \$1.3 billion. Total general funds accounted for just over \$1.031 billion: \$1.013 billion UGF and \$18.8 million DGF, which accounted for about 76.8 percent of the overall budget. Other funds were \$61.6 million (4.6 percent of the total) and federal funds were \$250.2 million (18.6 percent of the total). The governor's FY 20 amended budget was \$320 million less than the FY 19 management plan (a reduction of about 19.3 percent).

Ms. Teshner addressed the chart on the right that showed DEED's budgeted position comparison between the FY 19 management plan and the FY 20 governor's amended budget. In FY 19 there had been 289 total positions and the FY 20 proposal was 282 positions. The reduction included 5 full-time positions associated with the Alaska State Council on the Arts (the governor proposed to eliminate the council), 1 permanent position associated with the governor's proposed elimination of the Online With Libraries program, and the transfer of the administrative services director position to the Office of Management and Budget.

[1:38:56 PM](#)

Ms. Teshner addressed notable changes impacting the General Fund (GF) on slide 4. The first bullet showed a reduction to statewide support in the form of a 50 percent executive branch travel reduction totaling \$146,600 GF (the total DEED travel budget was \$353,000). The second bullet showed a reduction to the foundation formula program of \$269 million. The proposal would repeal the appropriation made under HB 287 [legislation passed in 2018] that was scheduled to take effect on July 1, 2019. The proposal would underfund the formula but would make no change to the Base Student Allocation (BSA). The funds would be prorated based on AS 14.17.400(b). She added that the BSA equivalent of the reduction was \$4,880. The current BSA was \$5,930.

Ms. Teshner reviewed the last bullet on slide 4 that showed the governor's proposed elimination of one-time future

funding of \$30 million to school districts. The proposal would repeal the appropriation made under HB 287 with a scheduled effective date of July 1, 2019.

[1:40:33 PM](#)

Ms. Teshner advanced to slide 5 and addressed the proposed withdraw of funding from the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program totaling \$3 million. She read from the slide:

- Total appropriation funds 80 WWAMI students (20 students per year for a total of four years)
- Program is delivered at the University of Alaska Anchorage via the University of Washington, School of Medicine
- From calendar year 2014 through calendar year 2018, the percent of graduates practicing in Alaska has decreased from 84% to 61%

Vice-Chair Ortiz asked if the data cited in the last bullet point was an apples-to-apples comparison. He had heard the 84 percent figure included individuals from out of state who had come to Alaska to work, whereas the 61 percent figure only included Alaskans participating in the [WWAMI] program who returned to Alaska.

Ms. Teshner replied that she had not heard the statement Vice-Chair Ortiz had referenced.

Vice-Chair Ortiz read from an Anchorage Daily News (ADN) newspaper article:

The 84 percent figure was large because the calculation included Alaskan students and students from other WWAMI states who ended up in Alaska, while the 61 percent figure included Alaskan students only.

Vice-Chair Ortiz noted the information in the article was according to the WWAMI program.

[1:43:08 PM](#)

Ms. Teshner replied that she would follow up.

Representative Sullivan-Leonard highlighted the incredible need for positions in Alaska. She believed the WWAMI program had been successful and had resulted in Alaskans coming back to work as physicians in-state (including Mat-Su). She had been a strong supporter of the WWAMI program. She asked what would take WWAMI's place if the program went away.

Ms. Teshner replied that the students participating in the program would have to compete against a larger number of applicants. She believed the 20 individuals applying for the program would have to compete against approximately 7,000 other applicants if the program was eliminated.

Vice-Chair Ortiz asked if the term "compete against" meant competing for admittance into the University of Washington medical program or competing for scholarships. He noted that part of the program allowed students to have 50 percent of their costs covered as long as they returned to work in Alaska.

Ms. Teshner replied that she was referring to competing for admittance into a medical school. She used a hypothetical example where 7,000 individuals applied for a medical school program that only had 100 spaces available. She clarified she was not referring to competition for scholarship money.

Vice-Chair Ortiz asked for verification that the elimination of the program would mean Alaskan students would no longer have 50 percent of their tuition costs waived by returning to work in Alaska.

Ms. Teshner replied affirmatively.

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, added the proposal had been put forward as each of the agencies identified their core services. The elimination of funding was not about the program's value. She explained the department's focus was on K-12 services; the WWAMI program fell outside DEED's core services.

[1:46:42 PM](#)

Vice-Chair Johnston asked if the program was potentially a core service for the Department of Health and Social Services (DHSS).

Ms. Sanders replied that it was a fair question. She did not know that DHSS would be the best location. She reported that the program was delivered through the University of Alaska and she suggested there could be conversations about whether it was valuable to place the program there.

Vice-Chair Johnston asked if Alaska would be the only state that had no medical program for its residents if the WWAMI funding was eliminated.

Ms. Sanders answered she would have to follow up.

Vice-Chair Johnston requested a spreadsheet showing programs offered in other states.

Ms. Sanders agreed to follow up on the request.

[1:48:20 PM](#)

Ms. Teshner continued to address slide 5. She reported that 60 percent of WWAMI students return to practice [medicine] in Alaska. She noted that Alaska had a shortage of physicians and the declining return of students was a primary reason for the governor's proposed funding reduction. She elaborated that Alaska needed 60-plus physicians each year to meet demand, while the WWAMI program only contributed 14-plus physicians annually. She addressed the last bullet on slide 5 and reported that the Alaska Performance Scholarship (APS) was continued in the budget with a change in fund source from the Higher Education Investment Fund to UGF.

Vice-Chair Ortiz shared that he had received a question from a student constituent about the proposed funding source change. He appreciated the fund would continue. He asked if the change in fund source would change how the program operated.

Ms. Teshner replied there would be no change to the program; it would continue as established in statute. The only change was the fund source.

Representative Sullivan-Leonard asked for the current balance of the APS account.

Ms. Sanders replied that the balance was approximately \$450 million.

Vice-Chair Johnston pointed out that the focus of the budget was on core missions. She wondered why funding the APS fell outside the mission of the current funding source [Higher Education Investment Fund]. She believed the fund had synergy with the APS because it applied to many of the same students.

Ms. Sanders asked if Vice-Chair Johnston was speaking to the APS.

Vice-Chair Johnston answered in the affirmative. She spoke to the proposal to change the fund source.

Ms. Sanders replied that the proposed fund source change from the Higher Education Investment Fund to UGF was due to the administration's proposal to eliminate quasi-dedicated funds. She elaborated that the administration would introduce legislation to eliminate quasi-dedicated funds, which included the Higher Education Investment Fund. The proposed budget changed the funding source to enable the continuation of the APS program after the Higher Education Investment Fund was eliminated.

Vice-Chair Ortiz questioned whether there was opportunity cost to making the change. He asked for verification that the funds currently came from the Higher Education Investment Fund.

Ms. Sanders replied in the affirmative.

Vice-Chair Ortiz asked if the Higher Education Investment Fund balance was currently \$400 million.

Ms. Sanders replied the fund balance was approximately \$450 million.

Vice-Chair Ortiz asked if the APS assistance had been paid for with return on investments, allowing the fund principal to remain intact.

Ms. Sanders replied that the fund had initially been established to pay for the APS. However, past legislation had utilized the funds for other items outside the statutory purpose. She could not speak to the eroding of

the balance of the fund's principal. She reported that the amount of funds being utilized had been increasing over the years to be utilized for other programs. She highlighted the purpose of quasi-dedicated funds. She explained that although the fund was set up for a specific purpose, the legislature had the power of appropriation and could utilize the funds for other purposes. The change would transfer all the funding from the Higher Education Investment Fund into the GF and allowed the program to compete with other programs for funding. She stated it was a priority of the administration and the program would continue.

[1:54:47 PM](#)

Vice-Chair Ortiz believed the benefit of investment returns would be lost if the Higher Education Investment Fund was eliminated because the General Fund was not invested for earning returns.

Ms. Sanders answered that she was not an investor, but she agreed with the logic that the returns may not be as good as those earned in the Higher Education Investment Fund. The administration believed quasi-dedicated funds should be eliminated and that programs should compete for general funds on an even playing field.

Representative Josephson was confused about the statement that programs should compete. He cited Ms. Sanders' testimony that there had been some use of quasi-dedicated funds for purposes outside of their original intent. He asked for verification that historically there had been a legislative understanding there was some vulnerability and nothing was dedicated.

Ms. Sanders replied that the administration's point was that none of the funds should be dedicated. She believed there was often an understanding that statutory designated funds could only be used for a specific purpose. She highlighted that there were no constitutional dedicated funds. She thought the proposal to eliminate the quasi-dedicated funds would provide clarity that there was only one fund source.

Representative Josephson understood the intent, but he believed each of the [quasi-dedicated] funds, including the Power Cost Equalization Fund (PCE) had been designed for a

legislative purpose that succeeding legislatures had recognized and largely honored by not dissolving them. His concern was that conceptually the public would view "these things" differently. He was concerned about the competition the programs would face for funding [if the fund source was changed to GF]. He wondered if the move was a forerunner to the programs' eventual dissolution. He asked why he should not be worried that the programs would be dissolved.

Ms. Sanders responded that she could not convince anyone or make statements about what could happen in the future. The budget proposal was to continue the programs. She detailed that the proposal was merely an opportunity for the legislature to have clarity in its budget. She stated that the public may not understand that the funds were not dedicated for that purpose. She could not speak to the future and claim that things would not be eliminated or changed. She continued that the legislature had the power of appropriation. She elaborated that all projects should compete for equal funding and it was the legislature's role to determine what was a priority.

[1:59:24 PM](#)

Ms. Teshner moved to slide 6 that included reductions to early learning programs:

- Pre-Kindergarten Programs & Other Early Learning Grant Programs (-\$16,847.7 GF)
 - (\$6,853.0) GF Head Start Grants
 - Head Start grantees are required to have a 20 percent match on their federal grants
 - Match must come from non-federal sources; can be in kind donations or a cash match received from their parties or contributed by the grantee
 - There is no requirement for State funding
 - This appropriation has served as that match on their federal Head Start grants

Ms. Teshner noted that Head Start entities received approximately \$46 million in federal funds. She expounded that DEED did not have oversight over those funds or the associated matching funds. Alaska was one of a handful of states that provided matching funds to Head Start grantees. She highlighted that Head Start programs were still operating in states that did not provide matching funds.

Co-Chair Foster asked if the state's \$6.8 million leveraged the \$46 million in federal funds.

Ms. Teshner replied that the state funding did not leverage the full amount. She detailed that 5 of 16 Head Start agencies [in Alaska] received waivers from the federal government that exempted them from meeting the 20 percent federal match. The department distributed the funds that were primarily, but not always, used towards the federal match.

Vice-Chair Johnston asked if other states had other government entities (e.g. counties or boroughs) that provided matching funds.

Ms. Teshner responded that she did not know and would follow up on the question.

Vice-Chair Ortiz asked how much of the \$46 million [in federal funds] was leveraged by the \$6.85 million [in state funds]. He asked if \$25 million sounded accurate.

[2:03:16 PM](#)

Ms. Teshner replied that she had not done the math and did not have a clear answer.

Vice-Chair Ortiz asked to hear from the DEED commissioner on the issue that he referred to as a policy call. He noted that Commissioner Johnson had served as commissioner during the previous administration as well. He recalled that the commissioner had worked on a program to improve schools but could not recall the name.

MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, answered that Vice-Chair Ortiz was referring to the Alaska Education Challenge.

Vice-Chair Ortiz recalled the challenge included focusing on literacy by the third grade.

Commissioner Johnson replied that one of the five goals was for every student to read proficiently by the end of third grade.

Vice-Chair Ortiz asked how a reduction to the accessibility to Pre-K programs throughout the state helped achieve the goal of the overall challenge.

Commissioner Johnson restated the question. He hoped that whatever happened with the state's budget that access was not necessarily reduced. He relayed that DEED had recently received a grant for over \$2 million to expand access. He elaborated that whatever happened to the state budget, the department would continue to work to provide as many resources and opportunities as possible. Secondly, districts had a number of options for providing the services (some used state resources, some had tuition based programs, and some worked in cooperation with their municipalities). He added that he would not characterize the cuts as being helpful, as he would not expect someone to characterize using the PFDs from families as being helpful, or taxing families that were already eating paycheck to paycheck as being helpful. He stated that a sustainable budget would be helpful, which he believed was true of Pre-K and the goal of reaching third grade reading. Whatever the change was to the budget would not change the department's goal of students reading by third grade.

Vice-Chair Johnston remarked that if the state only provided 20 percent matching funds, it would mean a large portion of federal funds would be left on the table. She requested to see the federal grants that would be impacted. She referenced Ms. Teshner's testimony that some of the funds would go to programs that did not pay the 20 percent match. She was interested how much federal funding would be forsaken.

[2:08:07 PM](#)

Ms. Teshner clarified that the \$46 million in federal funds went directly to Head Start grantees; the funds did not pass through DEED. The department had not heard that the reduction would put the federal funding at risk. The grantees would receive the funds but would have to make up

the match through in-kind contributions or within their own budgets.

Vice-Chair Johnston noted that in an earlier response Ms. Teshner had stated that some grantees were not using the funding for their 20 percent match [for federal funds]. She asked where the money was or was not being used for the 20 percent match. She wanted more clarity on the consequences.

Ms. Teshner clarified that 5 of the 16 Head Start grantees had a waiver and were not required to meet the 20 percent match. The grantees with waivers still received some of the \$6.8 million (which had typically been used as a match) but did not use the funds towards their match.

Vice-Chair Johnston requested the monetary breakdown.

Co-Chair Foster asked for a list of all 16 [Head Start] programs and detail on which of the 5 had waivers. He assumed all 16 grantees received a piece of the \$6.8 million. He requested specifics on how much the grantees could potentially lose in federal funds.

[2:10:43 PM](#)

Representative Josephson asked for verification that for every \$1 the state contributed, \$7.50 was received through the federal Head Start program.

Ms. Sanders clarified that the \$6.8 million was put forward by the state for the Head Start programs. She explained that some of the programs had their own in-kind contributions. She detailed it was necessary to look at the whole picture; the state funding was only a piece of the match requirement.

Representative Josephson had heard the administration say it did not know how local communities would respond to the budget and what monies communities would raise to maintain the services currently provided. He asked if anyone had checked to see how the 16 programs would respond to needing to come up with almost \$7 million.

Ms. Teshner believed DEED staff had recently had conversations with the Head Start agencies. She would get the information from those individuals and would follow up with detail on how the reduction would impact the agencies.

Representative Josephson termed how he thought former U.S. Senator Ted Stevens would handle a situation as the "Stevens doctrine." He believed Senator Stevens would "let Washington be Washington" and would bring home the revenue Alaska was entitled to under current rules and laws. He was gravely concerned the state would be leaving countless dollars on the table in program after program. He wanted to know the match was a real thing that was achievable.

Co-Chair Foster had spoken with his local Head Start agency, that was under the umbrella of the regional Native organization. The agency was currently using other funds to fund the program and help with its match. It sounded to him like the agency was already accessing any other funding it could. He did not know where else the agency could get the matching funds unless the city helped cover funds. He knew the issue was a concern for the agency.

[2:13:40 PM](#)

Representative Carpenter remarked that the committee was looking at K-12 education but was discussing a Pre-K program. He asked if a Pre-K program was a core requirement for K-12 education.

Commissioner Johnson replied that the department was the Department of Education and Early Development. He reported that in the Moore case [Moore vs. State of Alaska], Judge [Sharon] Gleason noted the importance of Pre-K but stated in that case it was not a constitutional mandate.

Ms. Teshner reviewed the remainder of slide 6:

(\$1,200.0) GF Early Learning Grants

- Funds currently serving 419 students in 9 school districts
- Added in FY2018 as one time increment for Pre-Kindergarten programs affected by the Moore Settlement and added to base budget in FY2019
- Funding is not sufficient to serve the Pre-Kindergarten population on a statewide basis

Ms. Teshner added that the funds along with a \$2 million reduction to Pre-K grants (included on slide 7) were not sufficient to serve Pre-K statewide.

[2:15:43 PM](#)

Vice-Chair Johnston asked when the state's responsibility for the Moore settlement was over.

Ms. Teshner replied the settlement had been finalized in FY 17.

Vice-Chair Ortiz asked for further detail about the last bullet point on slide 6: Funding is not sufficient to serve the Pre-Kindergarten population on a statewide basis.

Ms. Teshner replied that the bullet point went in line with the \$2 million reduction to the Pre-K grant [on slide 7]. She detailed that Pre-K grants started out as a pilot program intended to grow from \$2 million to \$10 million over time. She elaborated that the funding had never expanded beyond \$2 million. The addition of the \$1.2 million [one-time Pre-K increment added to the FY 19 base budget] allowed DEED to expand the program slightly, but the program continued to only serve a small percentage of Pre-K students statewide.

Vice-Chair Ortiz asked if the explanation was a justification for removing the funds.

Ms. Teshner replied that it was one justification. Additionally, the programs were not in statute.

[2:17:42 PM](#)

Representative Josephson remarked that only looking at constitutionally mandated programs could quickly collapse the government. He asked if the Moore settlement actually detailed that the obligation to contribute something as part of the Pre-K program was time limited. He thought it seemed like an odd thing for a judge to write. He asked if the judge had actually specified the state needed to care more about Pre-K for a given period of time only.

Commissioner Johnson suggested the Department of Law may be better equipped to answer questions about a settlement. He reported that the [Moore] settlement did have timeframes,

but he did not characterize the judge or agreement as specifying that Pre-K was important only for a certain amount of time.

Co-Chair Foster asked Commissioner Johnson for a brief description of the Moore settlement and how it sought to establish equity in the quality of education.

Commissioner Johnson agreed and encouraged the committee to get further detail on the settlement from the Department of Law. He shared a quote [by the judge] from the case, "The primary question in this case is whether the public education system in Alaska is constitutionally adequate." He elaborated that throughout the case the judge noted funding was only one element and she had not found the funding was inadequate. The judge had found that DEED was not providing adequate oversight to districts where students were not proficient.

[2:21:00 PM](#)

Ms. Teshner turned to slide 7 and continued to address the governor's proposed reductions to Pre-K and other early learning grant programs:

- (\$320.0) GF Best Beginnings Grant
 - 27 Imagination Libraries serving 107 communities
- (\$474.4) GF Parents As Teachers Grant
 - Four grantees serving approximately 159 children in 134 families in 6 communities

Representative Sullivan-Leonard asked if there had been conversations with nonprofits that would be willing to support the Best Beginnings and Imagination Library programs. She reported that a Rotary chapter in Mat-Su contributed a substantial amount to the Imagination Library program.

Ms. Teshner responded that she had not had any conversations about the issue and would check with department staff to see if there had been any discussions. She thought there were nonprofits that would be more than willing to help support the continuation of the program.

Vice-Chair Johnston disclosed that her daughter-in-law was on the Best Beginnings board. She elucidated that Best

Beginnings is a nonprofit and was constantly out working to raise funds and get further support from other groups.

Ms. Teshner reviewed the final items on slide 7:

- (\$2,000.0) GF Pre-Kindergarten Grants
 - Funds currently serving 504 students in 11 school districts
 - Started out as a pilot Pre K program in FY2010
 - Funding is not sufficient to serve the pre-Kindergarten population on a statewide basis

- (\$6,000.0) GF remove one time multi-year (FY2019 and FY2020) increment for Pre-Kindergarten Grants
 - FY2019 serving 231 students in 6 school districts
 - FY2020 expected to serve 761 students in 9 school districts

Ms. Teshner elaborated on the proposal to remove one-time multi-year funding. She detailed the increment had been removed from the FY 20 base budget because the full increment had been received in FY 19 for the two years. She clarified that the same six districts participating in FY 19 would participate in FY 20 with the addition of three more districts.

[2:24:27 PM](#)

Vice-Chair Ortiz discussed how the state was constitutionally mandated try to provide a quality education for K-12 students. He asked if there was any evidence to suggest that investments made at the Pre-K level reduced education costs for K-12.

Commissioner Johnson responded there was strong evidence that reading proficiency by the end of third grade was more efficient for the system and more productive for the student. He spoke about Pre-K and noted that the legislature could find a host of advocates for Pre-K and another host of individuals who would say the impact of Pre-K diminished over time. There was research on both sides of the issue. Additionally, there was research associated with universal and targeted education and whether it helped some students more than others.

Vice-Chair Ortiz pointed to Commissioner Johnson's position as the commissioner of DEED and his past experience as a

superintendent and teacher. He asked from that perspective whether Commissioner Johnson believed Pre-K helped provide better outcomes for students in grades K-12.

Commissioner Johnson answered that Pre-K was one factor in a student's success by the third grade. He reported that the factor may make a difference for some students and not others. He detailed that targeted Pre-K had shown to be very helpful in places throughout the U.S. He reiterated that Pre-K was one element of preparing kids for school.

[2:27:52 PM](#)

Vice-Chair Ortiz agreed. He asked about other critical components.

Commissioner Johnson asked for clarification.

Vice-Chair Ortiz was interested in detail on components that were critical for a student's success.

Commissioner Johnson replied there were as many components as there were differences in students. He provided examples including family, health, community, economics, the quality of the curriculum and instruction. He stated there were endless factors in kids' lives that contributed to success. He added that funding was only one factor.

Vice-Chair Ortiz clarified his understanding that Commissioner Johnson had stated that Pre-K (not just funding) was one factor. He shared that from his experience as a former educator, teachers did not have a lot of input on family and economics, but they did have input on Pre-K. He acknowledged the importance of the other components. He asked for the accuracy of his statements.

Commissioner Johnson asked Vice-Chair Ortiz if the question was whether DEED had influence over whether a student received Pre-K.

Vice-Chair Ortiz nodded.

Commissioner Johnson replied that he believed the legislature had influence over whether students had Pre-K because it controlled the budget. He stated that the department merely implemented the budget provided by the legislature. He stated that the department would do

everything possible to support Pre-K opportunities throughout the state with whatever resources the legislature decided to appropriate.

[2:30:13 PM](#)

Representative LeBon recalled that when he had served on a school board, the board had received annual requests to enroll four-year-olds. The board had always denied the requests because once an age exception was granted, it would need to be granted for everyone. He asked for verification that the Pre-K program had been designed for the four-year-old group.

Ms. Teshner replied the program had been designed for three and four-year-olds.

Representative LeBon asked if the program had been launched in the previous year. He cited the information on slide 7 stating that in FY 19, 6 school districts and 231 students had been served.

Ms. Teshner asked if Representative LeBon was referring to the \$6 million [the governor's proposal to remove a \$6 million one-time, multi-year increment for Pre-K grants (slide 7)].

Representative LeBon responded affirmatively.

Ms. Teshner clarified that the \$6 million had been a one-time additional grant to help expand the Pre-K program. The grant was intended to expand the \$2 million grant and the \$1.2 million on slide 6. She explained that slides 6 and 7 broke out the pots of money and the number of students the program was serving. She referenced the \$6 million increment and detailed that in FY 19, 231 students would be served in 6 school districts.

Representative LeBon stated from the perspective of a past school board member he was concerned about the idea of rolling out a program that would not be sustained in the future. He asked what the department had been hoping to learn and whether it had been supportive of the program. He asked if there were any early results about the success of three and four-year-olds in the 6 school districts that served as a model for the program. He asked if it was too early to have the results.

Ms. Teshner responded that it was too early to have results. She explained the intent behind the grants was for districts to provide innovative ways to provide Pre-K. She detailed that if districts applied for the grants, they had to show the ability to provide something they could sustain in the long-term (when state funds were no longer available).

Representative LeBon asked about the time duration for the program.

Ms. Teshner replied it was a two-year grant.

Representative LeBon wondered if it was enough time to measure success. He asked how success was defined.

Commissioner Johnson replied it would be a reasonable amount of time to determine success for the students enrolled in the programs. He was uncertain it would be a reasonable amount of time to make broad conclusions about Pre-K programs.

Representative LeBon remarked that if a program was rolled out, the state should be ready for every school district to want to enroll four-year-olds. He would have been cautious about accepting the grant without a good feeling about sustainability and whether there was a desire to continue a program in the future.

[2:34:21 PM](#)

Representative Josephson stated it appeared that if the state abandoned its Pre-K programs it would be one of six states without Pre-K. He understood eliminating Pre-K was not necessarily the governor's proposal and that there could be other in-kind contributions or nonprofits; however, it moved in the direction of not having Pre-K. He did not want to debate the efficacy of Pre-K. He detailed that Head Start had begun around 1965 under Lyndon Johnson's Great Society. The programs had existed since that time and were established in 45 states. He asked for verification that "we're not really saying that it doesn't have value, right?" He believed the value of the program was undeniable. He reasoned it was a policy call to say that the state could not afford it.

Commissioner Johnson would let OMB speak to policy calls about what was or was not included in the budget. Whatever the final budget looked like - school districts would have to go through a similar process. He stated it was not always a "this is important or unimportant, but what's most important." He would not argue that Pre-K was unimportant.

Co-Chair Foster noted that school districts did not all have the Pre-K program. He asked how each school district had been chosen to receive the funds. He wondered if there had been a desire to achieve regional diversification and balance. Alternatively, he wondered if districts had been selected based on a need for improvement or if districts had merely applied for a chance to receive the grant.

Commissioner Johnson answered that Pre-K included several programs in the state. One part was from the Moore settlement that targeted funds to claimant districts associated with the case. Head Start was another Pre-K program that DEED did not necessarily regulate or control, though that money had supported some of those programs in the past. There were other district-initiated and sponsored programs that had been developed throughout the state. The Pre-K picture in the state was bigger than what was represented in the presentation.

[2:38:09 PM](#)

Co-Chair Foster referenced the administration's earlier testimony that a number of Alaska State Council on the Arts positions would be eliminated. He informed the committee there was a representative from the agency in the room who was available for any questions.

Representative LeBon asked about the WWAMI program. He highlighted that the program listed 205 active borrowers who received benefits from the program. He asked how many of the active borrowers were practicing in Alaska.

Ms. Teshner replied that she did not know and would follow up.

Co-Chair Foster respected that everyone had a different opinion about how programs were funded. He understood that one perspective was that if something could not be provided for everyone that it should not be provided to anyone. His philosophy was that the state should embrace and build on

the small numbers that existed. He understood it was policy call for the legislature to make.

HB 39 was HEARD and HELD in committee for further consideration.

HB 40 was HEARD and HELD in committee for further consideration.

#hb53

HOUSE BILL NO. 53

"An Act making supplemental appropriations for fire suppression activities and restoration projects relating to earthquake disaster relief; capitalizing funds; and providing for an effective date."

2:40:19 PM

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, highlighted that the administration had introduced two supplemental bills on January 28 (the statutory deadline). She indicated she would first speak about HB 53. She introduced a PowerPoint presentation titled "HB 53 - Disaster Relief Supplemental Overview" dated March 8, 2019 (copy on file). The items in the bill were related to the 2018 Cook Inlet earthquake and included capitalization of the Disaster Relief Fund, Federal Highway Administration (FHWA) funding within the Department of Transportation and Public Facilities (DOT), and state facilities costs not covered by insurance. Additionally, the bill included funding for FY 19 fire suppression activity under the Department of Natural Resources (DNR). The total bill was \$139 million, comprised of \$102 million in requested federal receipt authority and \$37.3 million in general funds (matching funds and direct unrestricted general funds).

Ms. Sanders advanced to a bar chart on slide 4 showing a historical summary of disaster supplemental appropriations from FY 14 to FY 19. She reported that disasters were unpredictable, and the funding needed from year-to-year varied depending on events and the Disaster Relief Fund balance. The administration was concerned about the current level of the disaster fund. As of March 5, the balance was currently an unobligated \$362,900, which was projected to be fully expended by April 1, 2019 (slide 5). The

Department of Military and Veterans Affairs (DMVA), Division of Homeland Security and Emergency Management managed the fund and was diligently analyzing the outstanding disasters to make funding available for the Cook Inlet earthquake response. The urgency of the legislation was due to the low fund balance.

[2:43:44 PM](#)

Ms. Sanders looked at a high level overview of items in the bill (slide 6). The first item of \$7.9 million was for DNR fire suppression. The amount that had historically been in the operating was low and not sufficient; it was anticipated that approximately \$7.9 million would be needed heading into the fire season. The second item was an appropriation to DOT totaling \$65 million in FHWA federal receipts with a match requirement of \$6.5 million. The funding would be used to work on roads damaged by the earthquake; it was a multi-year appropriation - the supplemental request would allow the work to occur sooner and would enable the state to continue to collect federal receipts for the work into FY 20.

Ms. Sanders reviewed a \$1 million UGF appropriation to DOT for costs not covered by insurance for state facilities (item 3, slide 6). She elaborated that DOT and the Department of Administration (DOA) were working with DOA's Division of Risk Management to address all the facility damages. There were some things deemed not coverable by insurance. For example, part of the funding would go to repair damage to a correctional facility parking lot. Additionally, administrative costs associated with buildings and broken items in buildings were other examples of items covered by the appropriation.

Ms. Sanders addressed the last item was a fund capitalization of the Disaster Relief Fund for \$21,901,700. She detailed the fund balance was anticipated to reach zero in the near future. The department was asking for federal authority related to what was allowed by the disaster declaration. The administration recognized the redundancy; the operating bill allowed any receipts received on behalf of a disaster to be deposited into the Disaster Relief Fund, but HB 53 was an opportunity to clarify the necessary amount. She noted that the numbers were estimates. The \$21.9 million was based on an estimate that had been revised after the signing of the disaster declaration. The

amount specific to the Cook Inlet earthquake had been reduced to \$12 million. The administration was requesting to continue the \$21 million appropriation in anticipation of any potential spring disasters. The goal was to ensure there was money available in the fund to allow quick response time to any disasters in the near future.

[2:48:03 PM](#)

Co-Chair Foster asked what the fund balance had been the previous April.

Ms. Sanders did not have the balance from the previous year, but offered to provide the information. She detailed there had been several appropriations to the Disaster Relief Fund to try to increase the balance because the amount appropriated over several years was very low. She believed \$10 million had been deposited in 2018 and \$2 million had been deposited in 2019. She noted the funds had all been utilized.

Vice-Chair Johnston requested a 10-year lookback of the fund balance.

Ms. Sanders replied that DMVA had the information and OMB would provide it.

Representative Josephson asked whether school districts were eligible for any of the funds.

Ms. Sanders deferred the question to DMVA.

[2:49:42 PM](#)

BRYAN FISHER, STATE COORDINATING OFFICER, HOMELAND SECURITY, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, answered that school districts, local governments, and certain nonprofits were all eligible for disaster relief funding.

Representative Carpenter referenced insurance claims related to the earthquake that had been denied. He wondered about the state's process for scrutinizing whether a denial to pay was legitimate. He remarked that insurance companies liked to not pay when possible.

Ms. Sanders replied that the items addressed by the proposed funding increment were not eligible for insurance coverage. She clarified that it was not a situation where claims had been denied. She reported that the DOA Division of Risk Management worked on insurance claims and may have additional information to provide.

Ms. Sanders moved to slide 7 and addressed two supplemental amendments that had been submitted to the legislature on March 6. She relayed that OMB was still working with agencies to work through the needs and on the costs identified related to the Cook Inlet disaster. She elaborated that DOT was requesting \$1 million for administrative activities associated with surface transportation; the costs were not covered by FHWA or the Federal Emergency Management Agency. For example, funds would go towards costs associated with administrative staff working to support any engineers or surveyors that may not be covered by FHWA. The second item was \$1 million in federal funding for the Department of Labor and Workforce Development related to the Disaster Unemployment Assistance Program. She elaborated that individuals who had interruption to work could apply for individual assistance or self-employment funding. The department had some existing authority but needed the additional \$1 million to ensure the funding was provided to eligible individuals.

Co-Chair Foster remarked that the committee would try to get the bill passed quickly.

HB 53 was HEARD and HELD in committee for further consideration.

#hb54

HOUSE BILL NO. 54

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; and providing for an effective date."

[2:53:45 PM](#)

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, addressed the supplemental request legislation that fell outside of the disaster need. The bills were separate in anticipation of needing to move the disaster legislation

more quickly. She provided a PowerPoint presentation titled "HB 54 - FY2019 Capital and Operating Supplemental Overview" dated March 8, 2019 (copy on file). She began on slide 3 and reviewed items covered by the bill including reductions in spending, formula program adjustments, salary adjustments related to the classification of trooper positions, operating adjustments, capital projects, and several transfers back to the General Fund. The total bill was \$110.4 million, made up of \$92 million in federal funding, \$17.7 million in other funds, and \$51,800 in general funds.

Ms. Sanders provided a historical comparison of supplemental appropriations (excluding disasters) from FY 14 to FY 19. She noted that supplemental requests varied from year-to-year and explained that costs could be unpredictable.

[2:55:51 PM](#)

Ms. Sanders referenced a spreadsheet outlining FY 19 supplemental requests ["HB 54 - FY2019 Supplemental Requests" released January 28, 2019 (copy on file)]. She noted she had briefly reviewed the items during a House informational meeting in the past. She offered to review the items or take questions.

Vice-Chair Johnston looked at item 16 related to Medicaid funding. She remarked that in the past, large supplementals could be driven by underfunding Medicaid. She asked if the proposed amount would be sufficient.

Ms. Sanders replied that OMB had worked frequently over the past several months with the Department of Health and Social Services (DHSS) to identify what the need was and should be. She reported that OMB believed the funding was sufficient to meet Medicaid claims through the remainder of the fiscal year.

Vice-Chair Ortiz asked how the majority of the \$15 million [in Medicaid funds] was dispersed. He wondered who benefitted from the funds.

Ms. Sanders answered that she was not a Medicaid expert, but it was her understanding the funds went towards payments due to Medicaid providers. She clarified the funding was to get through the end of the fiscal year to

reimburse providers for costs incurred in the current fiscal year and not to end payments and shift them into the next fiscal year.

2:58:00 PM

Representative Josephson looked at item 18 [related to Village Public Safety Officer (VPSO) program] and asked if the reduction was due to the inability to hire [VPSOs] and spend the money.

Ms. Sanders clarified the reduction would align VPSO program funding. It was the administration's understanding that grantees receiving the funding were not able to fully use the funds on an annual basis due in some part to the inability to fully fill the VPSO positions.

Co-Chair Foster stated that the prior year the legislature had included language in the operating budget that specified any excess funds would go towards recruitment and retention of VPSOs. He asked if any efforts had been made to increase recruitment and retention of VPSOs.

Ms. Sanders recalled through conversations with the Department of Public Safety that the department was working on the issue. She would follow up with the department to learn what efforts had been made.

Representative Carpenter asked about a \$5 million reduction from the Alaska Gasline Development Corporation (AGDC) [item 27, page 2].

Ms. Sanders responded that when OMB was working on supplementals it had asked each agency to review the funding they had been allocated for the current year and the funding they had available in funds. She detailed that AGDC contributed \$5 million back to the General Fund; the funds were in excess of what AGDC needed to get through the end of the fiscal year. The agency was working on what its plan moving forward would be. She clarified that the reduction did not mean the agency would not come back to the legislature for funding in the future once it had a developed plan.

Representative Knopp stated that the [administration's] request had come in before the Federal Energy Regulatory Commission (FERC) had moved the process back by four months

for the environmental impact statement (EIS), which would extend AGDC's timeframe. He asked if the administration believed AGDC could get through with the remaining funds.

Ms. Sanders responded that it was her understanding that AGDC's remaining funds were sufficient to get the agency through the end of the fiscal year.

Representative Carpenter asked when the money had been identified and when the administration had been notified to include it on the spreadsheet.

Ms. Sanders answered that supplementals had been put forward on January 28. She shared that if there was a concern, AGDC would reach out to OMB; she had not heard anything from the agency.

[3:01:53 PM](#)

Vice-Chair Ortiz pointed to item 12 - a \$20 million reduction to DEED [for the repeal of one-time state aid to school districts for FY 19]. He referenced discussion in an informational hearing about the distribution of funds to the district. He recalled hearing the distribution would be made as soon as some type of action was taken by the legislature.

Ms. Sanders replied in the affirmative. She detailed that the funding would be distributed if the legislature took action and the requested repeal proposal was not moved forward.

Vice-Chair Ortiz stated it was his understanding that the previous legislature had already taken the necessary action for the \$20 million to be distributed to districts. He thought the scenario presented was a catch-22. He believed action was only necessary if the legislature decided not to distribute the money. He asked if the legislature could issue an intent statement indicating its desire to follow the action taken in 2018.

Co-Chair Foster replied that the item could be left out of the supplemental that would ultimately be passed by the House. Additionally, the House could issue a sense of the House or the House and Senate could issue a joint resolution to send a message of the legislature's intent.

Vice-Chair Ortiz remarked that action on the supplemental would be necessary [to provide clarity on the issue]. He remarked that districts were in limbo until action was taken on the bill. He asked if there was action the legislature could take outside the supplemental to allow the distribution of the funds.

Co-Chair Foster responded that he did not envision taking months to pass the supplemental. He estimated it may be one month. He noted that if there were issues in the meantime, the committee could talk about the options. He did not believe the supplemental process would be drawn out.

HB 54 was HEARD and HELD in committee for further consideration.

Co-Chair Foster canceled the 9:00 a.m. meeting for the following Monday. He reviewed the schedule for the following week.

#

ADJOURNMENT

[3:06:12 PM](#)

The meeting was adjourned at 3:06 p.m.