

HOUSE FINANCE COMMITTEE
February 7, 2020
1:36 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick (via teleconference)
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Dayna Mackey, Administrative Services Director, Department of Fish and Game, Office of Management and Budget, Office of the Governor; Samantha Gatton, Deputy Operations Manager, Division of Administrative Services, Department of Fish and Game; Maridon Boario, Staff, Senator Lyman Hoffman; Heidi Teshner, Director, Finance and Support Services, Department of Education and Early Development; Patience Frederiksen, Director of Libraries, Archives and Museums; Dr. Lisa Skiles Parady, Director, Alaska Council of School Administrators; Representative Sara Rasmussen.

PRESENT VIA TELECONFERENCE

Doug Vincent-Lang, Commissioner, Department of Fish and Game; Representative Kelly Merrick.

SUMMARY

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 205 was HEARD and HELD in committee for further consideration.

HB 206 APPROP: MENTAL HEALTH BUDGET

HB 206 was HEARD and HELD in committee for further consideration.

CSSB 74 (FIN)

INTERNET FOR SCHOOLS

CSSB 74 (FIN) was HEARD and HELD in committee for further consideration.

FY 21 BUDGET OVERVIEW: DEPARTMENT OF FISH AND GAME

Co-Chair Foster reviewed the agenda for the day. He invited the testifiers from the Department of Fish and Game to the table.

#hb205

#hb206

HOUSE BILL NO. 205

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; 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. 206

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

^FY 21 BUDGET OVERVIEW: DEPARTMENT OF FISH AND GAME

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DOUG VINCENT-LANG, COMMISSIONER, DEPARTMENT OF FISH AND GAME (via teleconference), introduced the PowerPoint presentation: "FY 2021 Budget Overview: Department of Fish

and Game" (copy on file). He began with slide 2 titled "The Constitution of the State of Alaska," which reviewed the portion of the state's Constitution dealing with natural resources as follows:

Article 8 - Natural Resources; § 4. Sustained Yield

Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

The Alaska Statutes

Title 16. FISH AND GAME; Sec. 16.05.020.
Functions of commissioner.

(2) manage, protect, maintain, improve, and extend the fish, game, and aquatic plant resources of the state in the interest of the economy and general well-being of the state.

Mission Statement

To protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their uses and development in the best interest of the economy and the well-being of the people of the state, consistent with the sustained yield principle.

Commissioner Vincent-Lang turned to slide 3 titled "Alaska Department of Fish and Game Core Services:"

Management

Provide hunting and fishing opportunities, protect state's rights to manage its fish and wildlife resources, protect and improve habitat and access.

Stock Assessment and Research

Ensure sustainability and harvestable surplus, improve assessment and research capabilities,

invest in new technologies, anticipate changing conditions.

Customer Service and Public Involvement

Make improvements to information and education services, the Boards and other regulatory processes, licensing and permitting.

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Commissioner Vincent-Lang continued to slide 4 titled "Alaska Department of Fish and Game Economic Value:"

Sustainable Management of Fish and Wildlife Resources means \$12.4 billion dollars in economic value to Alaska!

Commissioner Vincent-Lang added that the Department of Fish and Game (DFG) managed the resources for sustainability and yield, to provide an economic benefit, and improve the wellbeing of Alaskans. He indicated that DFG received an approximate annual budget of \$200 million of which \$65 million were either Unrestricted General Funds (UGF) or General Funds (GF). The department turned the "investment" into over \$12 billion in economic value as follows: Commercial Fisheries returned \$5.6 billion; Sport Fishing returned \$1.9 billion; Wildlife \$4.6 billion; and Subsistence \$0.3 billion.

Commissioner Vincent-Lang turned to Slide 5 titled "Alaska Department of Fish and Game Regional and Area Offices." showing the locations of regional and area offices within the state. He spoke of the importance of serving remote locations.

Commissioner Vincent-Lang highlighted slide 6 titled "Alaska Department of Fish and Game FY 2021 Operating Budget Comparison," which displayed a bar chart of the FY 21 Operating Budget compared to previous management plans in FY 19 and FY 20. He offered that the department reduced GF in total by 4.2 percent between FY 19 and FY 21. He noted that the reduction minimized the impact on sustainability or investment returns. The department was able to meet all constitutional, statutory, and regulatory responsibilities.

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Commissioner Vincent-Lang moved to slide 7 titled "Alaska Department of Fish and Game FY 2021 Fund Source Breakdown by Fund Category." The slide depicted a pie chart of the percentage of core services funded by GF for FY 21. He noted that nearly half [46.3 percent] was expended on stock assessment and research, approximately 30 percent [27.1] went to management of surplus yields, and 20.2 percent to customer service and public involvement. The slide also contained a chart of DFG's funding streams. He reported that over 70 percent of the budget was derived from non-GF sources with the majority comprised of federal funds.

Commissioner Vincent-Lang continued to slide 8 titled "Department of Fish and Game Strategy for Reducing General Fund Authority:"

- Least impact to return on investment
- Availability of alternative funding
- Opportunity to enter in new partnerships

Commissioner Vincent-Lang related that he had asked the staff to evaluate DFG's programs according to the bullet points listed on the slide. The department was asked to identify programs that could save GF. He communicated that since much of the Division of Commercial Fisheries was most dependent on GF most of the impact fell on the division.

Commissioner Vincent-Lang reviewed Slide 9 titled "Alaska Department of Fish and Game FY 2021 Operating Budget Change Highlights:"

Division of Commercial Fisheries

- Southeast Regions Fisheries Management, (\$401.7) UGF, (1) permanent part-time
 - \$66.2 UGF and 1 permanent part-time position reduction to close Wrangell Office
 - \$19.9 UGF reduction to dive fishery stock assessment
 - \$315.6 UGF reduction to eliminate Southeast red king crab assessment
- Central Region Fisheries Management, (\$47.2) UGF

- \$47.2 UGF reduction to eliminate pike suppression
- AYK Region Fisheries Management, (\$299.6) UGF
 - \$299.6 UGF reduction of Bering Sea salmon research
- Westward Region Fisheries Management, (\$123.2) UGF
 - \$23.2 UGF reduction of management of Frazer Lake fish pass
 - \$100.0 UGF reduction to Westward region facility maintenance
- Statewide Fisheries Management, (\$159.0) UGF, (1) permanent full-time
 - \$159.0 UGF and 1 permanent full-time position reduction to aquaculture planning and permitting
- Division of Sport Fisheries
 - \$250.0 UGF reduction of support for license modernization
- Boards of Fisheries and Game
 - \$24.5 UGF reduction to travel for Boards supplemental meetings
- Habitat Section
 - \$24.0 UGF reduction to realize savings from position changes

Commissioner Vincent-Lang remarked that the slide listed the programs that were either eliminated or reduced. He hoped to find additional grant money for the Central Region pike suppression, Arctic-Yukon-Kuskokwim (AYK) Region, Bering Sea salmon research, and Westward Region management of Frazer Lake fish pass. He noted that the license modernization program was currently operating on a grant and was in the development stage. He offered that he would seek operational money in the future. He concluded the presentation.

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Representative Sullivan-Leonard asked why weirs were being removed in the upper Cook Inlet. Commissioner Vincent-Lang answered that the reduction happened in the prior year, but the count took place because the weirs were already operating. He relayed that the department was leaving one of three weirs in place. The counts at the weir were used for post-season assessments to determine how accurate the management decisions were and would not affect in-season management. He noted that he would be looking for additional funding through partnerships to keep one of the weirs open. He emphasized that the department could manage the fisheries under the current Board of Fish management plan guidance to meet escapement goals. Representative Sullivan-Leonard relayed that she would be monitoring the situation closely.

Commissioner Vincent-Lang thanked the committee and welcomed further questions.

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Vice-Chair Ortiz referred to slide 9 and asked for the total amount of the reductions for commercial fisheries. Commissioner Vincent-Lang responded that it was about \$900,000. He deferred to the Administrative Services Director.

DAYNA MACKEY, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF FISH AND GAME, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR responded that the amount was approximately \$1.3 million.

Vice-Chair Ortiz asked whether the department analyzed the impact of the \$1.3 million cut on the \$5.6 billion return on investment cited on slide 4. Commissioner Vincent-Lang replied that the largest impact would be from the elimination of the Southeast red king crab fishery. He noted that the fishery only occurred about 25 percent of the time over a decade. The department chose to cut from the Southeast red king crab assessment rather than from a fishery like Bristol Bay, which occurred annually. He offered to provide the return on investment figure for the years the red king crab fishery operated.

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Vice-Chair Ortiz thought that eliminating the red king crab assessment would prevent a personal use fishery from happening. He asked whether his statement was correct. Commissioner Vincent-Lang responded that it would not impact subsistence fisheries. Vice-Chair Ortiz clarified that it would impact the personal use fishery. Commissioner Vincent-Lang agreed with the statement. Vice-Chair Ortiz wondered how many personal use fishers would be impacted. Commissioner Vincent-Lang did not know and offered to provide the answer later. He furthered that his goal was to explore opportunities for using alternative options like designing a fishery that would allow DFG to collect assessment through a commissioner's permit. The permit would allow the department to use the fishery to obtain stock assessment information in a manner that allowed informed fishery management decisions for future openings. He noted that currently ADFG used the approach in Adak and Prince Willian Sound with Tanner crab.

Vice-Chair Ortiz asked about a \$19.9 thousand UGF reduction to the dive fishery stock assessment under the same Southeast Region list. He asked who would be impacted by the dive fishery reduction. Commissioner Vincent-Lang answered that the reduction impacted dive fisheries for Geoduck and Sea cucumbers, among others. Typically, the department sent divers down to make an assessment. He wanted to partner with the fisheries' divers to design a program that helped with the assessment as a way to keep the fishery open. He did not have the statistics for the number of people impacted but would provide the information. Vice-Chair Ortiz asked for clarification by what the commissioner meant by "help with the assessment." He inquired whether he wanted the divers to share the cost of the assessment and pay additional landing taxes. Commissioner Vincent-Lang responded affirmatively.

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Vice-Chair Ortiz asked about the closure of the office in Wrangell due to a lack of use. He shared that he had information that showed the office was heavily used. He asked for an explanation. Commissioner Vincent-Lang responded that he might have misspoke. He intended to say that the office was little used for the management of fisheries. He pointed out that DFG could manage the area's fisheries just as easily out of Petersburg. The department was modernizing its licensing through electronic licensing.

He argued that given the proximity to Petersburg, the Wrangell office could be closed without impacting stock assessment and management. He acknowledged that the office was heavily used by the community.

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Co-Chair Foster reported that Representative Merrick had joined the committee meeting online.

Co-Chair Johnston asked Commissioner Vincent-Lang to explain what the Sustainable Salmon Fund was.

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Commissioner Vincent-Lang clarified that the fund was a federal grant program focused on sustaining Alaska's salmon runs and protecting habitats. The fund allowed the department some flexibility in making awards for things it determined were priorities for sustaining Alaska's salmon resources. He related that the fund was used for pike suppression in relation to sport fishing and he wanted to expand it to protect commercial sockeye fisheries. Co-Chair Johnston asked for the annual amount of the grant.

Commissioner Vincent-Lang could not recall the total sum of the project. He would provide the information. Co-Chair Johnston asked whether all the grant money was encumbered by other projects. Commissioner Vincent-Lang replied that all the funds were awarded as grants in the prior year. He furthered that he had the opportunity to "shape the grant into the future" for priorities and planned to reshape it into priorities for UGF items that were reduced in the budget process.

Co-Chair Johnston wondered whether the state had matching money for the Pitman Robertson funds. Commissioner Vincent-Lang responded that he thought the department had a good process in place to ensure funding would not be lost in the future. He recalled that millions of dollars had reverted in previous years. He indicated that part of the department's strategy was to pursue grant proposals from the public for improved hunter access across the state. The

grantees would provide the matching funds. The option had helped to spend down some of the excess funds. Co-Chair Johnston recognized the value of the fund.

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Representative Wool queried about the 2 positions that were eliminated in the aquaculture planning and permitting under Statewide Fisheries Management. Commissioner Vincent-Lang responded that the person occupying one of the positions was retiring. The position will not be filled, and the responsibilities will be reassigned within the program. He was assured by the division that mariculture planning and permitting will not be impacted. He viewed mariculture as an additional way to provide economic opportunity for the state.

Representative Wool clarified that the House recently passed a mariculture bill that supported and encouraged the industry. He asked whether the commissioner was referring specifically to mariculture and not aquaculture. Commissioner Vincent-Lang responded in the affirmative.

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Representative Knopp asked about a reduction of \$250,000 for license modernization. He asked if the funding had to do with HB 260 (Fish & Game Licenses; Electronic Form) [Chapter 54 SLA 18 - 07/13/2018] that was adopted in February 2018. Commissioner Vincent-Lang explained that the reduction was money set aside to maintain the program after it was developed. He hoped that the amount to maintain electronic licensing would not be close to \$250,000. The development funding was still available, and the department planned to move forward with electronic licensing. Representative Knopp expressed concern that the project was not moving along very far. He recalled that the intent of the bill was to create an electronic display and he understood that the design was going a lot further. He was concerned with the projects slow progress in two years and wondered when it would be completed. Commissioner Vincent-Lang indicated that within the year phone displayed licenses should be ready. The new application would also include harvest reporting and other items associated with licensing. Representative Knopp reiterated his concern.

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Representative Wool relayed that when he went to get a license at a retail store, an employee had to manually enter in all the data, which was time consuming. He asked if that reflected an improvement or was part of modernization. Commissioner Vincent-Lang suggested that electronic licensing should make it easier for the user to apply online at home by entering all the necessary data. He suggested that having a vendor's employee enter data remained more efficient than using paper books where the department had to transfer all the information into the data base.

SAMANTHA GATTON, DEPUTY OPERATIONS MANAGER, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, interjected that for the prior two years DFG was transitioning to paperless licensing. Currently, stores and entities were in the process of complying, using the department's paperless application and licensing system called eVendor. The department was providing training and was no longer sending paper booklets to license vendors. The licensee's driver's license was scanned, and the entire transaction was done electronically. She added that the system realized a cost saving for the department.

Representative Wool suggested that the system was too cumbersome for an eVendor and some vendors might decide it was not worth offering licenses. He stated that a license could not be issued at home because a license needed to be verified. He thought going into the DFG office might be more efficient but not convenient. He asked whether the department received any "pushback" from retail vendors who thought the process involved too much work.

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Ms. Gatton responded that the retailers and entities "enjoyed the process." She indicated that the vendors were compensated and received \$1 for every application. Eliminating the paper saved the vendors time as well. She qualified that the system was still a "work in progress."

Commissioner Vincent-Lang offered that a person had the option to go online to apply for a license making it easier for the end user. Representative Wool appreciated the information.

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Representative Josephson looked at what had been removed from the operating budget by the veto and restored from the prior year. He noted that the vetoes maintained the reduction of roughly \$1 million from the Division of Commercial Fisheries and was currently proposing an additional cut of about \$1 million. He inquired whether the department received feedback on the prior year's cuts. Commissioner Vincent-Lang answered that he had not heard much feedback. He deduced that since the vetoes occurred in August many of the reduced items were already operational and services were continued. He thought that the impact would be felt in the current year's upcoming field season. He informed the committee that the department had already discussed partnership opportunities with the Bristol Bay Science Partnership to cover some of the work impacted by the reductions. He endeavored to continue mission critical work through partnerships, other opportunities, and federal funding. Representative Josephson wondered whether the full weight of the cuts would be felt in the upcoming fishing season. He asked whether the commissioner was concerned over the cuts. Commissioner Vincent-Lang stated that he could manage the department's mission critical functions and constitutional and statutory duties with the budget that was passed.

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Vice-Chair Ortiz understood that commercial fishing and DFG was down by over 20 percent UGF since 2015. He shared that at the time he became a legislator, the department had a stellar reputation with Alaska having world class managed fisheries. He stressed that the effort took investment and believed that the reduction in the investment over time had an impact on the ability for DFG to maintain its status. He cited the return on investment by commercial fisheries on slide 4 as \$5.6 billion. He surmised that as the state moved forward the market for Alaska's seafood products would increase as the world's population grew. He thought that in order to protect Alaska's current economic value and invest in the growth potential it was "counterproductive" to continue to reduce DFG support. Commissioner Vincent-Lang responded that because of tough financial times, the department has had to tighten its belt in ways that did not impact the core of the program. He believed that the core of the program "remained strong" and was "convinced" the department remained a "world class fisheries organization" and was a model to others. He

acknowledged that impacts would be felt but, overall, he was confident the department would be able to continue to fulfill its mission and provide a "good return on investment."

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Vice-Chair Ortiz related concerns he discovered during the prior fishing season. He indicated that there was a significant overestimate of the return of chum salmon throughout the state, which particularly impacted Southeast Alaska. The overestimate had a significant impact on the region's gillnetters and Seine fleet. He continued that no one at DFG had been able to explain the over-estimation. He suggested that an increase in the budget might be warranted in cases where errors in estimates or other management decisions occurred to determine the causes. Commissioner Vincent-Lang answered that it was clear that the overestimation had to do with something interrupting the fishery out in the ocean. He reported that the department "reprioritized" a fisheries scientist to study ocean survival questions. Currently, the department was developing a plan to better understand the problem. He believed that the department could not find the answer alone and needed to engage in partnerships and find federal or other dollars to find the answer.

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Representative Wool asked about the department's hatchery investments. He asked about investment trends and whether the department was trying to supplement the lacking numbers of fish. Commissioner Vincent-Lang asked a clarifying question. He inquired whether Representative Wool was speaking to private - nonprofit hatcheries across the state or the sportfish state hatcheries. Representative Wool responded that he was more interested in the private hatcheries. He was unfamiliar with how the private nonprofit hatcheries operated. Commissioner Vincent-Lang stated that the private nonprofit hatcheries were producing significant amounts of fish. One question was whether the pink or chum hatchery fish were straying and impacting Alaska's wild stocks. He mentioned an article he had written about 6 months prior discussing his cautionary approach that would not permit increased pink and chum salmon releases until the wild stock issue was understood. He noted that work was underway to study the issue in

cooperation with private industry and was two or three years into a five year study. Hatchery production for sport and commercial fisheries was important for times of low wild stocks but he cautioned that a careful measured approach to avoid impacts on wild stocks was warranted.

Co-Chair Foster thanked the commissioner and the other testifiers.

HB 205 was HEARD and HELD in committee for further consideration.

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AT EASE

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#sb74

CS FOR SENATE BILL NO. 74 (FIN)

"An Act relating to funding for Internet services for school districts; and providing for an effective date."

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Co-Chair Johnston relayed that the committee had already heard the bill during the prior session.

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MARIDON BOARIO, STAFF, SENATOR LYMAN HOFFMAN, provided a brief review of the bill. She highlighted that SB 74 increased the broadband requirement for schools from 10 megabits per second (Mbps) to 25 Mbps of download speed and provided the funding through the School Broadband Assistance Grant (BAG). Schools applied for a subsidy commonly known as "E-rate," that provided discounts of up to 90 percent of the school's internet costs and the BAG grant helped cover the remainder of the costs. She reported that about 170 schools in 30 school districts around the state would be impacted.

Co-Chair Johnston noted that Representative Sara Rasmussen had joined the meeting.

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Representative LeBon asked if some schools were being left out of the program. Ms. Boario responded that any school that still operated under 25 Mbps were included. She noted that some schools already had access to higher bandwidths. Representative LeBon asked whether all schools would be at a minimum of 25 Mbps and would be satisfied if the bill passed. Ms. Boario responded that the increase was a "start."

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Vice-Chair Ortiz asked if all schools in Alaska would be bumped up to 25 Mbps. Ms. Boario responded that 172 schools were not at 25 Mbps and would be covered under the bill.

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Representative Josephson inquired whether the money would supplant the money schools were currently spending on bandwidth. He wondered if schools would see a savings or an offset of funds for other purposes due to the program. Ms. Boario responded that currently a school applied for the federal grant program and a school district paid for the difference. The bill allowed for a school to apply for the increased bandwidth through the federal program and the BAG grant would cover the remaining costs.

Co-Chair Johnston interjected that the Department of Education and Early Development (DEED) would explain the program further.

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Representative Knopp recalled a discussion he had previously with a representative from GCI explaining the satellite technology and informing him that the infrastructure to increase the school's bandwidth was already in place. He was concerned about the \$7 million cost considering the current fiscal situation. He suggested that internet rates tend to increase and worried about the state sustaining the cost into the future. He was uncertain of his support for the bill.

Co-Chair Johnston commented about an article from the Alaska Journal of Commerce. She shared that Alaska's first low orbital satellite was going into operation in the current year that could possibly provide 80 Mbps to everyone in the entire state. She believed that it would be "a game-changer." She invited DEED to report on the disparity test and discuss the fiscal note.

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PATIENCE FREDERIKSEN, DIRECTOR OF LIBRARIES, ARCHIVES AND MUSEUMS, Department of Education and Early Development, introduced herself and reported that the fiscal note was approximately \$7 million, which was necessary to serve all the schools at 25 Mbps. She explained that the program was in existence since FY 2015. Every year the number of schools participating in the program was reduced. The schools discovered through the bid process that it was possible to get over 10 megabits at a lower cost than the amount of the BAG grant. Each year the number of schools needing the grant to get to 10 megabits decreased. She expected the scenario to keep repeating going forward. She expounded that as the broadband infrastructure in the state grew it increased bandwidth and lowered the cost of internet. She thought that the 10 megabit BAG program would wither away. The program started at 135 schools in 2016 and was currently down to 72 schools needing support in 2020. She thought the current trajectory would continue with the 25 Mbps program.

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Representative Carpenter noted that she had reported a decline in the 10 Mbps recipients. He wondered why participation decreased, if the price was declining or the school districts had budgeted more money for internet. Ms. Frederiksen reported that she was certain that it was due to the decreasing costs of internet in rural areas. She added that the program was strictly set at 10 Mbps and the schools could get higher amounts for less. Representative Carpenter wondered whether the schools currently paying for 25 Mbps or higher that were not currently on the list could apply for the program. Ms. Frederiksen responded that eligibility was established at under 25 Mbps. Schools at 25 Mbps or above were ineligible for the program. She anticipated that 173 schools were eligible to receive assistance to get to 25 megabits. Representative Carpenter

deduced that some schools were paying for their own internet and the state was paying for up to 25 megabits of internet for other schools. Ms. Frederiksen responded that the BAG program was "freezing" a school's internet bill. She provided an example of a school paying \$1 thousand per month for 20 Mbps. The BAG program was freezing the school's bill at the 20 Mbps cost and BAG was paying the remainder to 25 Mbps in combination with the E-rate. The school's bills would not increase through the life of the program. She related the same was true for the 72 remaining schools in the 10 Mbps program; their bills were frozen at 2014 levels and the E-rate and BAG programs were paying the rest of the bill.

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Representative Knopp looked at the situation in a different way. He suggested that the schools and state would stay on the program indefinitely if 25 Mbps was the highest amount of bandwidth available.

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Ms. Frederiksen explained the ways eligibility for the program was certified. The school district would apply for every school operating under 25 Mbps. The superintendent certified the application with their signature and submitted the application. The district simultaneously applied for the federal E-rate program. The department's E-rate coordinator reviewed the E-rate applications. The E-rate paid 70 percent to 90 percent of the bill for internet. She emphasized that both applications were scrutinized. The penalty for false information on the E-rate application could prohibit a school from receiving the E-rate. Representative Knopp was not suggesting any questionable behavior would take place. He voiced that if 25 Mbps was the highest bandwidth available in the state, a school could not purchase a higher amount at a reduced rate like the schools currently paying for their own bandwidth at 15 Mbps instead of remaining in the BAG program at 10 Mbps. Under the 25 Mbps scenario, participants would not drop out of the program if it were the highest bandwidth available in the state under the current infrastructure. Ms. Frederiksen believed that there were areas in Alaska where higher than 25 megabits was available. She reported that it depended on the pressure from each school. She determined that if a school discovered 40 Mbps was

available in their area and they could afford to pay for it with their own resources and the E-rate, they would likely exit the BAG program. She stated that the upward pressure for more bandwidth from schools and libraries was unstoppable due to advances in technology.

Co-Chair Johnston reiterated the low orbit information she shared earlier in the meeting.

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Representative Carpenter remembered in the prior year 25 Mbps was considered a benchmark. He reasoned that in the future the benchmark would grow higher and the demand due to new technology would require an increase above 25 Mbps bringing additional costs. Currently, 25 Mbps was a "mid-level" of the amount the schools would need. Ms. Frederiksen replied that the amount was a very basic level of bandwidth. She elucidated that the more students, internet testing, and distance education the more bandwidth was necessary. The 25 Mbps amount was the Federal Communications Commission (FCC) standard, but the commission was moving beyond the figure in other states where bandwidth was easily accessible. The low orbit satellites would bring more competition in rural areas that would draw prices down. The satellite and other providers would be in competition for schools. The e-rate had been designed to create the infrastructure and progress bandwidth development around the country. The state of Alaska would never be on the "cutting edge" of bandwidth. She deemed that currently, 25 Mbps would be a boon to the schools but in 5 or 10 years the schools would want more.

Representative Wool referred to the rate sheet [FY 2019 School BAG Awards by District and School" (copy on file)] in member's packets and asked whether the costs were based on 10 Mbps. He provided Whittier as an example. Ms. Frederiksen answered in the affirmative. She added that the table showed the annual cost of internet for each school, the E-rate paid portion, the school paid portion, and the BAG portion.

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Representative Wool guessed that the rate for 25 Mbps was higher and as bandwidth increases content increases. He imagined the demand would continue to grow. He wondered if

the school would pay the entire cost of internet if there was higher bandwidth available. Ms. Frederiksen explained that prior to School BAG the districts paid for internet from a combination of E-rate ranging from 70 to 90 percent and the district's funding. The BAG was an additional source of funding to meet the internet needs. She delineated that if the cost of internet were to decrease and a district wanted to increase over 25 Mbps the district would exit the BAG program if they could afford it. She reminded the committee that the district would continue to receive E-rate subsidies.

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Representative Wool clarified that E-rates would continue to be available. He observed that no matter how much bandwidth was available and competition increased, his cell phone and internet bill always increased. He was looking forward to new satellites, but he did not think internet costs would decrease especially for rural districts.

Co-Chair Johnston requested discussion concerning the disparity test.

HEIDI TESHNER, DIRECTOR, FINANCE AND SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, pointed to Section 2 and Section 3 of the bill and noted that they addressed conditional language. She reported that the department worked with the federal Department of Education on the disparity test and received confirmation that the E-rate was excluded from the calculation. She elaborated that the issues in the prior spring regarding the disparity test were addressed.

Co-Chair Johnston asked about the filing window. Ms. Frederiksen responded that the filing window for the federal E-rate awards was March 27, 2020. The regulations had been re-drafted and there were a couple of date issues that were necessary to address. The department was ready to address the school BAG regulations with the state Board of Education during the March 26, 2020 meeting.

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Co-Chair Johnston asked whether the department would take the new BAG provisions to the state Board of Education if the bill was adopted and signed by the governor by March

26, 2020. Ms. Frederiksen confirmed that it would take the regulations before the board for approval.

Co-Chair Johnston hoped that the state would make the deadline.

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Representative Wool asked how many of the schools on the 2019 list had the 25 Mbps increase available to them. Ms. Frederiksen responded that she did not know the answer. She elaborated that with the inception of the 10 Mbps program many schools could not receive 10 Mbps in the first year of the program. The vendors had to insert some hardware into their networks and the schools need additional hardware. The highest number of participants was in FY 16. She relayed testimony from the prior year from Christine O'Conner, Alaska Telecommunications Association, stating that 25 Mbps would be available statewide.

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DR. LISA SKILES PARADY, DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, related that she was working with the internet providers and assured that 25 MBPS would be available to all the schools on the list.

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Representative Josephson requested the matching amount for the E-rate. Dr. Parady responded that it was up to a 9 to 1 match.

Ms. Frederiksen interjected that the amount of E-rate awarded a school was based on its school lunch program and the poverty rate. She noted that one school in Unalaska only received 50 percent but most of the schools received 80-90 percent. Representative Josephson asked what sort of federal resources the \$7 million fiscal note would bring. Ms. Frederiksen replied that the E-rate at 86 percent was approximately \$84.3 million. Representative Josephson mentioned the deadline and noted that \$84 million was at stake. Ms. Frederiksen responded in the affirmative. She noted that the school districts would need to reapply, and she was uncertain how long that could take. The problem was that the legislature's schedule was similar to the E-rate

application schedule. The department would work arduously on its end to help facilitate the process.

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Representative Wool noted that \$86 million would be coming to the state to internet providers who would greatly benefit from the program. Ms. Frederiksen responded affirmatively. Representative Wool asked if the E-rate contribution could change at the federal level. Ms. Frederiksen responded in the negative. She indicated that most other schools received a higher level of E-rate because costs were lower in the rest of the country. The E-rate program wanted Alaska to receive higher bandwidth.

[2:54:37 PM](#)

Co-Chair Johnston noted the slight increase from the previous year on the fiscal note and wondered why. Ms. Frederiksen recalled that the services line increased but was unclear why. The School BAG program paid for the E-rate coordinator and some other services. Co-Chair Johnston asked Ms. Frederiksen to get back to the committee with the answer.

Ms. Teshner interjected that the reason was reported on the fiscal note analysis. She communicated that the increase was for increased contractual hours and technical review of applications by DEED's contractor.

Co-Chair Johnston indicated amendments were due by Monday, February 10th.

CSSB 74(FIN) was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[2:56:18 PM](#)

The meeting was adjourned at 2:56 p.m.