

SENATE FINANCE COMMITTEE

April 6, 2022

9:02 a.m.

9:02:03 AM

CALL TO ORDER

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

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson (via teleconference)
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Ed King, Committee Aide, Senate Education Committee;

PRESENT VIA TELECONFERENCE

Agnes Moran, Appointee, Alaska Mental Health Trust Authority (AMHTA); Elwin Blackwell, School Finance Manager, Department of Education, Juneau; Gene Stone, Superintendent, Lower Yukon School District, Mountain Village; Andrew Leavitt, Lower Yukon School District, Anchorage;

SUMMARY

SB 236 FACILITIES CONSTITUTING A SCHOOL

SB 236 was HEARD and HELD in committee for further consideration.

SB 239 APPROVE PETRO STAR INC. ROYALTY OIL SALE

SB 239 was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations and with one previously published fiscal impact note: FN1 (DNR).

SB 240 APPROVE MARATHON PETRO ROYALTY OIL SALE

SB 240 was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations and with one previously published fiscal impact note: FN1 (DNR).

GOVERNOR'S CONFIRMATION: ALASKA MENTAL HEALTH TRUST AUTHORITY (AMHTA): AGNES MORAN

#sb239

SENATE BILL NO. 239

"An Act approving and ratifying the sale of royalty oil by the State of Alaska to Petro Star Inc.; and providing for an effective date."

[9:03:04 AM](#)

Senator Wilson discussed the fiscal note associated with the bill. He read from the analysis:

This bill provides legislative approval of a contract negotiated between the State of Alaska and Petro Star, Inc. for the sale of the state's royalty oil for a term of five years. The agreement provides for the following barrels per day:

years 1 and 2: 12,500

years 3 through 5: 10,000

The number of barrels per day is multiplied by a negotiated Royalty In Kind differential per barrel to arrive at the expected revenue increase. There will be no fiscal impact to the operating expenditures. The proposed contract is expected to generate between \$17.4 million and \$19.7 million in revenues in addition to the amount that would have been collected if the royalty oil sold under this contract had been disposed of in value.

[9:04:29 AM](#)

Senator von Imhof MOVED to REPORT SB 239 out of committee. There being no objection it was so ordered.

SB 239 was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations and with one previously published fiscal impact note: FN1 (DNR).

#sb240

SENATE BILL NO. 240

"An Act approving and ratifying the sale of royalty oil by the State of Alaska to Marathon Petroleum Supply and Trading Company LLC; and providing for an effective date."

[9:05:35 AM](#)

Senator von Imhof discussed the fiscal note and read from the analysis:

This bill provides legislative approval of a contract negotiated between the State of Alaska and Marathon Petroleum Supply and Trading Company LLC for the sale of the state's royalty oil for a term of three years. The agreement provides for the following barrels per day: 10,000-15,000.

The number of barrels per day is multiplied by a negotiated Royalty In Kind differential per barrel to arrive at the expected revenue increase. There will be no fiscal impact to the operating expenditures. The proposed contract is expected to generate between \$3 million and \$14 million in revenues in addition to the amount that would have been collected if the royalty oil sold under this contract had been disposed of in value.

[9:06:31 AM](#)

Senator Wilson MOVED to REPORT SB 240 out of committee. There being no objection it was so ordered.

SB 240 was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations

and with one previously published fiscal impact note:
FN1 (DNR).

^GOVERNOR'S CONFIRMATION: ALASKA MENTAL HEALTH TRUST
AUTHORITY (AMHTA): AGNES MORAN

[9:07:24 AM](#)

AGNES MORAN, APPOINTEE, ALASKA MENTAL HEALTH TRUST AUTHORITY (AMHTA) (via teleconference), introduced herself. She offered information on her education and early career choices. She spoke of various boards she had been involved with. She relayed information about her family. She related that she had worked with trust beneficiaries in a voluntary capacity for a decade. She shared different experiences in her volunteer history. She provided a history of her experience revitalizing the Women in Safe Homes (WISH) program in Ketchikan. She stressed her strong connection with the mission of the AMHTA board of trustees.

[9:11:19 AM](#)

Co-Chair Stedman applauded the work done by Ms. Moran in relation to WISH in Ketchikan. He believed her background in banking and business would also be beneficial to the board. He supported her nomination.

Senator von Imhof thanked Ms. Moran for her work with WISH.

[9:14:20 AM](#)

Co-Chair Bishop OPENED and CLOSED public testimony.

[9:14:45 AM](#)

Senator Wilson wondered whether she had attended any trust board meetings.

[9:14:53 AM](#)

Ms. Moran replied that she had not.

[9:15:01 AM](#)

Senator Wielechowski moved to FORWARDED the appointment of Agnes Moran for consideration in accordance with Alaska Statute. He relayed that this did not reflect an intent by

any member of the Senate Finance Committee to vote for or against the confirmation of the individuals during any further sessions. There being NO OBJECTION, it was so ordered.

Co-Chair Bishop FORWARDED the appointment of Agnes Moran for consideration in accordance with Alaska Statute.

9:15:47 AM

AT EASE

9:17:20 AM

RECONVENED

#sb236

SENATE BILL NO. 236

"An Act relating to facilities constituting a school."

9:17:50 AM

ED KING, COMMITTEE AIDE, SENATE EDUCATION COMMITTEE, introduced the legislation. He read from the Sponsor Statement:

SB 236 seeks to remedy a technical problem in the education funding formula. The problem occurs when a district with a single school and more than 425 students opens a charter school. Under current law, the existence of the charter school implies that there is no longer "only one facility administered as a school." Consequently, the district must calculate the adjusted ADM in the public school with a lower school size factor. As a result, opening a charter school in such a district comes with a financial penalty of about \$1 million per year.

SB 236 adds three words to existing law: "excluding charter schools." These three words allow the district to maintain its full funding and remove the disincentive a school board faces when considering a charter school application. While it is tempting to consider the fiscal note as a \$1 million per year funding increase, it's important to remember that simply closing the charter school would yield the same result.

The Senate Education Committee supports charter schools and requests your support in removing this barrier to ensure they are available to students across the state.

[9:19:25 AM](#)

Senator von Imhof queried how charter schools procured revenue.

[9:19:42 AM](#)

Mr. King deferred to Mr. Blackwell.

[9:20:03 AM](#)

ELWIN BLACKWELL, SCHOOL FINANCE MANAGER, DEPARTMENT OF EDUCATION, JUNEAU (via teleconference), replied that once a charter school was approved, all funding generated would transfer to the charter school for the administration of the program. He said in the situation of a K-12 school falling between 101 and 425 students, the K-12 school would receive two adjustments. He said that the Yukon and Hooper Bay schools exceeded 425 students, which meant that the two adjustments would not be made, except for single-site schools. He said that with the opening of the charter school, the statute saw the community as having two school facilities, which made them lose the secondary adjustment.

[9:22:17 AM](#)

Senator von Imhof understood that 425 was the demarcation of a secondary adjustment. She hypothesized that under the legislation a community with 500 students, one-third of which attended charter school, two-thirds attended K-12 public school. She continued that the community still had 500 students, only in two separate buildings. She understood that the community would still be considered as having 500 students and the community would receive the same amount of money as in the past.

[9:23:39 AM](#)

Mr. Blackwell replied that in a community with 500 students, where 100 went to a charter school, the K-12 school would only receive one adjustment. The community would receive funding for 100 kids in charter school and

one adjustment for the 400 kids in the K-12 school. He noted that the funding the went to charter schools was not as much as for K-12 schools.

[9:25:27 AM](#)

Senator Wilson assumed that the charter school in question was not a private school.

[9:25:41 AM](#)

Mr. Blackwell replied that individuals in the community approached the school board asking to open a charter school. The school was community driven as opposed to having been initiated by the school district.

[9:26:19 AM](#)

Senator Wilson wondered whether there were schools in communities within the state that would be affected by the legislation.

[9:26:36 AM](#)

Mr. Blackwell responded that the legislation would only affect the Lower Yukon School District.

[9:27:11 AM](#)

Senator Hoffman asked whether the intent was that there be only a charter school in Hooper Bay.

[9:27:27 AM](#)

Mr. Blackwell asked Senator Hoffman to repeat the question.

[9:27:35 AM](#)

Senator Hoffman restated his question.

[9:27:56 AM](#)

Co-Chair Bishop asked whether the sponsor's staff wanted to speak to the question.

[9:28:00 AM](#)

Mr. King deferred to Mr. Stone.

[9:28:13 AM](#)

GENE STONE, SUPERINTENDENT, LOWER YUKON SCHOOL DISTRICT, MOUNTAIN VILLAGE (via teleconference), said that the bill was about school choice at the local level. He said that the intent was not for the charter school to be the exclusive school at Hooper Bay.

[9:29:34 AM](#)

Senator Hoffman noted that it had been implied that the K-12 and charter schools would have separate facilities. He wondered where the charter school in Hooper Bay would be physically located.

[9:29:48 AM](#)

Mr. Stone replied that the two schools shared space. The charter school was provided two classrooms and the Yupik Cultural Room. He thought that the charter school would like to find and finance a separate facility in the future.

[9:30:45 AM](#)

Senator Wielechowski asked whether the two schools had enough funds to operate.

[9:31:32 AM](#)

Mr. Stone deferred to Mr. Leavitt.

[9:32:10 AM](#)

ANDREW LEAVITT, LOWER YUKON SCHOOL DISTRICT, ANCHORAGE (via teleconference), provided some historical context concerning how the charter school was funded. He explained that, historically, the moment the 425 threshold was crossed there would be a \$1 million decrease in funding. He said that the law was changed to reflect that if there was only one facility in a community, and the numbers exceeded 425, the school still received the two adjustments. If the community had a K-12 school and a charter school, with numbers exceeding 425 combined, funding would decrease by \$1 million.

[9:33:36 AM](#)

Senator Wielechowski asked whether the community could support two schools under the current foundation formula.

[9:34:19 AM](#)

Mr. Stone replied that the intent of the bill was receive both adjustments while maintaining both a charter school and a K-12 school. He lamented that the \$1 million loss to the funding formula had significant impact on Hooper Bay. The problem could easily be remedied by adding the language to exclude charter schools.

[9:35:57 AM](#)

Co-Chair Bishop understood that the \$1 million was spread across the entire school district.

[9:36:22 AM](#)

Mr. Stone replied that it was district funding, and the statute was designed to include the total number of students. He said that with charter schools the funding followed the students. The total revenue to the district was affected by the statute.

[9:37:24 AM](#)

Senator Wilson asked for more information about the charter school. He wondered whether the school district had considered the statute and the possible loss of funding when planning to open the charter school.

[9:37:52 AM](#)

Mr. Stone replied that the issue had been considered. He said that the bottom line was that the charter was approved through a local decision. He said that the charter was important well fitted to the community of Hooper Bay. He said that in the past the state had provided waivers, which was no longer the practice. He said that a special mission school was not an option for skirting the funding penalty while urban schools are allowed school choice.

[9:42:12 AM](#)

Senator Hoffman thought that if the statute been changed previously, the state waivers would not have been necessary. He wondered whether there would be two school boards in Hooper Bay - one for the charter school and another for the K-12 school.

[9:42:55 AM](#)

Mr. Stone replied that there would be only one school board as charter schools had to operate under a district school board and its policies. He said that the charter would not have to follow a district defined curriculum but would have to operate under board policies specific to Alaska law.

[9:44:23 AM](#)

Co-Chair Bishop OPENED and CLOSED public testimony.

[9:44:23 AM](#)

AT EASE

[9:45:11 AM](#)

RECONVENED

[9:45:11 AM](#)

Co-Chair Bishop

SB 236 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[9:45:37 AM](#)

The meeting was adjourned at 9:45 a.m.