

HOUSE FINANCE COMMITTEE
February 23, 2024
1:36 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Joel Isaak, Deputy Commissioner, Department of Education and Early Development; Tama Carson, Administrative Services Director, Department of Education and Early Development; Dr. Amy Phillips-Chan, Director, Division of Libraries, Archives, and Museums, Department of Education and Early Development; Sana Efird, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

Deena Bishop, Commissioner, Department of Education and Early Development; Deborah Riddle, Division Operations Manager, Department of Education and Early Development; Suzzuk Huntington, Director, Mt. Edgecumbe High School,

Department of Education and Early Development; Karen Morrison, Director of Finance and Support Services, Department of Education and Early Development.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 268 was HEARD and HELD in committee for further consideration.

OVERVIEW: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
FY25 BUDGET

Co-Chair Johnson reviewed the meeting agenda.

#hb268

#hb270

HOUSE BILL NO. 268

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making capital appropriations; making supplemental appropriations; making reappropriations; 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. 270

"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."

^OVERVIEW: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
FY25 BUDGET

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JOEL ISAAK, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced himself.

TAMA CARSON, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced herself.

DEENA BISHOP, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), shared that the Department of Education and Early Development (DEED) was currently looking at the potential impacts of the vote on SB 140 that occurred the previous evening [the House voted to increase the Base Student Allocation (BSA) by \$680]. She noted that the presentation would not include the changes made in the previous evening, but she would follow up with the exact details as there were several significant changes.

Ms. Bishop introduced the PowerPoint presentation "Department of Education and Early Development FY2025 Governor's Budget Overview" dated February 23, 2024 (copy on file). She began on slide 2 and explained that DEED's mission was to provide an excellent education to every student, every day. The department's vision was that all students would succeed in their education and shape worthwhile and satisfying lives for themselves. She explained that the vision was important because education could not claim it was successful if students were not able to contribute to society after leaving the public school system.

Ms. Bishop continued to slide 3. She thought the statutory duties of the department were laid out well in statute and she would detail the responsibilities in the presentation. The duties included establishing a school system and administering public schools, which involved significant contributions from the Board of Education and Early Development (BEED).

Ms. Bishop continued on slide 4 and outlined the top five strategic goals of the department. The priorities were as follows:

1. Support all students to read at grade level by the end of third grade.
2. Increase career, technical, and culturally relevant education to meet student and workforce needs.

3. Close the achievement gap by ensuring equitable educational rigor and resources.
4. Prepare, attract, and retain effective education professionals.
5. Improve the safety and well-being of students through school partnerships with families, communities, and tribes.

Ms. Bishop advanced to slide 5 and detailed the agenda of the presentation. The department would present an organizational overview, division summaries, a high-level overview of the budget changes for FY 25, and a high-level overview of the average daily membership (ADM) of the schools.

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Ms. Bishop continued to slide 6 which included a reference list of acronyms commonly used by the department. She turned the presentation over to her colleague.

Mr. Isaak continued on slide 7 and offered an explanation of the department's organizational structure. He detailed that BEED was at the top of the organizational structure followed by the commissioner, Ms. Bishop, and two deputy commissioner positions. One of the deputy positions was held by Mr. Issak and the other was currently vacant. There were also other commissions and boards within the department which were listed on the slide.

Mr. Isaak continued to slide 8, which showed a DEED budget organizational chart. He noted that the left side of the slide focused on the instructional side of the department and the right side focused on the financial side of the department.

Mr. Isaak advanced to slide 9 and detailed the department's organizational chart for commissions and boards. Included on the slide were the Alaska State Council on the Arts (ASCA), the Professional Teaching Practices Commission (PTPC), and the Alaska Commission on Postsecondary Education (ACPE).

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Ms. Bishop continued on slide 10 which gave an overview of the department's operating budget and position history. The

slide showed the FY 23 actuals through the projected FY 25 governor's amended budget. The middle column on the slide showed the management plan for FY 24. In FY 25, the projected budget total was about \$1.8 billion; however, due to the vote on SB 140, there would be some changes. The BSA increase would grow the budget by about \$176 million and the correspondence adjustment would account for an increase of \$13.1 million. In combination with a couple of other additions, the budget would increase by a total of \$196 million.

Representative Galvin asked about the dotted green section of the chart detailing the funds related to the COVID-19 pandemic within the governor's amended budget. She asked if the funds were still spendable and whether the funds could be carried over to the next year.

Ms. Bishop responded that the funds were spendable and were already appropriated; however, the exact budgeted amount was not yet determined. The funds could be spent until September 30, 2024.

Ms. Bishop continued to slide 11 which showed the breakdown of the FY 25 budget by category. She explained that the expenditures in the grants category demonstrated the way in which the money was distributed to school districts. The district support for K-12 came primarily from the ADM fund [and reflected the largest portion of the graph]. She relayed that she would go further into other elements of the budget and how the elements interacted with public education overall. The second largest portion of the graph was innovation and education excellence. The funds for innovation and education excellence were particular to different programs within the department.

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Representative Galvin thought that it seemed that the budget aligned with the department's five strategic priorities. She asked how the funding for the family engagement priority was spent. She also wondered if the early learning grants had grown over time.

Ms. Bishop replied that she would defer the question about grants to her colleague for more detailed information. The grants were funded through the innovation and education excellence portion of the budget.

DEBORAH RIDDLE, DIVISION OPERATIONS MANAGER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), replied that there were several early learning grants that had been regularly distributed to the districts in the past. There was about \$3.2 million in pre-kindergarten grants that were distributed to a number of districts and other partners. The Early Education Program (EEP) grant was about \$3 million and there was an additional \$2.5 million appropriated by the legislature that was awarded to districts that did not receive the previous two grants. In addition, \$6.2 million was provided to the Head Start Program (HSP) to help it meet its non-federal match as well as \$474,700 to the Parents as Teachers Program (PATP) and \$325,000 to the Best Beginnings Program (BBP).

Representative Galvin asked if the funding provided to HSP was the full 20 percent federal match.

Ms. Bishop responded in the negative. She added that there was a one-time \$1.5 million grant also given to HSP. The total was about 14 percent towards the federal match.

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Ms. Carson continued the presentation on slide 12. The department's total FY 25 budget was approximately \$1.7 billion and over the next few slides, she would break down the total budget into categories. The first category was the Executive Administration Division (EAD). The division included the commissioner's office as well as BEED. The division provided policy direction to the other divisions as well as the school districts, schools, students, parents, teachers, and department programs that increased student achievement. The FY 25 budget for EAD totaled just under \$1.9 million, of which \$1.1 million was unrestricted general funds (UGF) and the rest was interagency receipts. There were eight full-time positions and one non-permanent position in the division. In FY 25, a new administrative assistant II position within the commissioner's office was added to help provide support for meetings, travel, and other additional work in the commissioner's office and the department.

Ms. Carson continued to slide 13 and the Division of Finance and Support Services (DFSS), which was the largest chunk of the department's funding and totaled approximately

\$1.33 billion. The division administered the foundation formula, pupil transportation funding, residential schools funding, and school debt reimbursement, and provided support for school district business offices. The school facilities section oversaw school capital projects and administered the major maintenance and school construction grants. The child nutrition section administered the child nutrition programs and any child or adult care centers. The majority of UGF shown in the blue section of the graphs was allocated to foundation funding and pupil transportation funding. The grey section represented the federal receipts which were mostly awarded by the U.S. Department of Agriculture (USDA) and the orange section was comprised of "other" funds and was primarily the public school trust fund.

Ms. Carson continued to slide 14 and detailed the Division of Administrative Services (DAS), which provided internal department services such as accounting, budget, information technology, and human resources to support the entire department. The budget components were administrative services, EED state facilities rent, information services, and the facility risk components. The budget for FY 25 was \$7.1 million and there were 24 full-time positions within the division.

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Ms. Carson continued on slide 15 and relayed that the Division of Innovation and Education Excellence (DIEE) provided pre-kindergarten grants to promote student and school achievement and teacher certification components. The total FY 25 budget excluding the estimated carry-forward federal COVID-19 funds was approximately \$145.2 million. There were 70 full-time positions and six non-permanent positions in the division. She reminded the committee that there was a dashboard on DEED's website that detailed the federal COVID-19 spending, showed how much money each grantee and school district had been awarded, and showed how much money had already been spent.

Representative Tomaszewski asked Ms. Carson to restate the website information.

Ms. Carson replied that the information was on the DEED website.

Mr. Isaak clarified that page 27 of the presentation included a link to the website. There was a section on the website that detailed the shaded green section under the FY 25 budget on slide 15. He explained that the section was shaded because the funds were actively being distributed and the website would show the most accurate information on the uses of the funds.

Ms. Carson continued to slide 16 and explained that the Alyeska Reading Academy and Institute (ARAI) supported school districts and provided services for the successful implementation of the Alaska Reads Act (ARA). The FY 25 budget totaled \$5 million. There were seven full-time positions and three non-permanent part-time positions within ARAI.

Ms. Carson continued on slide 17 and relayed that the budget for the Division of Libraries, Archives, and Museums (DLAM) was comprised of library operations, museum operations, archives, online library systems, and maintenance for the Andrew P. Kashevaroff (APK) facilities. She explained that the APK building in Juneau housed the Alaska State Archives, State Library, and the Alaska State Museum. The total operating budget for FY 25 was approximately \$11.8 million and the division had 48 full-time position and one non-permanent part-time position.

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Co-Chair Johnson asked if the Broadband Assistance Grant (BAG) that had been recently passed by the House was included in the division.

Ms. Carson responded in the negative and explained that BAG was housed within the libraries in the past, but it had been transferred over to school facilities. She highlighted that there was a line item on slide 17 showing that BAG had been zeroed out.

Representative Josephson remarked that the governor had vetoed funding for the Statewide Library Electronic Doorway (SLED) and the Online with Libraries (OWL) programs a few

times in the past. He asked whether the SLED and OWL programs were currently operating.

Mr. Isaak deferred the question to a colleague.

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DR. AMY PHILLIPS-CHAN, DIRECTOR, DIVISION OF LIBRARIES, ARCHIVES, AND MUSEUMS, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, responded that SLED funding was currently offered through the Institute of Museum and Library Services (IMLS) grant and was awarded annually. The Alaska Library Network (ALN) partnered with the University of Alaska (UA) Fairbanks in order to offer the SLED program. She explained that library staff participated in SLED and provided support and assistance in collaboration with a number of consortiums across the state. She could follow up with the funding amounts if the committee was interested. She explained that the OWL program would continue from FY 24 through FY 25 with no significant funding changes.

Representative Josephson asked if he was correct in that funding for one or both of the programs had been vetoed within the last five years. He understood that there would be no significant funding changes, but there was a desire for funding for OWL to increase.

Dr. Phillips-Chan responded that funding for OWL had remained stable but there had been some conversations about additional funding for SLED. She noted that the conversations had been spearheaded by an outside entity and not by DLAM.

Co-Chair Johnson noted that UGF funds decreased from \$15 million in FY 24 to \$8 million in FY 25. She asked if the change was due to transferring the BAG funds out of DLAM.

Ms. Carson responded in the affirmative.

Mr. Isaak responded that the \$5 million item was listed on slide 13 under DFSS.

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Co-Chair Johnson understood that the total cost of SB 140 was just under \$2 billion, but by her calculation, the

total should be \$246 million. She asked Ms. Bishop to explain the discrepancy.

Ms. Bishop responded that DEED's analysis showed that there would be a \$13.1 million increase in correspondence funding, an overall BSA increase totaling \$176.1 million, an increase to pupil transportation of \$7.1 million, and the as-of-yet unknown increase in funding for reading comprehension support and the development of Individualized Reading Plans (IRP). The changes totaled just under \$20 million. Excluding the unknown funding for reading, the total was \$196.5 million. In addition, the \$39 million in BAG funding was not included. Consequently, she thought the total cost would be over \$240 million. The numbers for correspondence, the BSA, and pupil transportation were all based on projected student enrollment. She emphasized that the amount of IRPs was not currently known and the \$39 million BAG funding was not included in the totals.

Co-Chair Johnson commented that the numbers she had calculated were similar to Ms. Bishop's calculations.

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Representative Coulombe noted that there was a request for a program coordinator to help transfer BAG out of DLAM. She asked how BAG funding was distributed in the past and how the process would change.

Ms. Bishop responded that when BAG was located in DLAM, the grant disbursement was processed through a contracted employee rather than a program coordinator. Over time, the internet had become more complex as had the various services that were available across the state. There was a contract for \$78,000 for BAG in the prior year but due to the complexity of the program, more work had to be done than was anticipated. She thought that BAG was better suited in a different division under DEED in order to dedicate an experienced grant provider to BAG. Due to the potential influx in money resulting from the passage of SB 140, it was anticipated that there would be significant interest in BAG funding. She thought it was important that knowledgeable and experienced individuals were working with the funding.

Representative Coulombe understood that DEED had about \$6.7 million in BAG funding for the past few years. She asked if

the funding included in SB 140 would supplant the \$6.7 million.

Ms. Bishop responded that she would have to follow up with specific information.

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Ms. Carson continued on slide 18 and relayed that Mt. Edgecumbe High School (MEHS) was a state-run boarding school located in Sitka. The budget for MEHS was broken down into funding for the school itself, funding for the aquatic center, and funding for facilities maintenance. The FY 25 budget totaled \$16.7 million and included 51 full-time positions and 10 part-time positions.

Ms. Carson continued to slide 19 and detailed the budgetary information for the Alaska State Council on the Arts (ASCA). The council represented and advanced the creative endeavors of individuals, organizations, and agencies throughout Alaska. The budget for FY 25 totaled approximately \$4 million and included five full-time positions and one non-permanent position.

Ms. Carson advanced to slide 20 and reviewed the budget for the Professional Teaching Practices Commission (PTPC). The commission helped prepare, attract, and retain effective education professionals by serving as a preventative force to enhance the professional performance of all educators and ensuring that educators were qualified and ethical. The commission had one full-time employee who worked for the nine-member commission. The commission's total FY 25 budget was \$271,300.

Ms. Carson moved to slide 21 and gave an overview of the Alaska Commission on Postsecondary Education (ACPE). The commission promoted access to education and success in education and career training beyond high school. The budget was comprised of the Alaska Performance Scholarship (APS), other education grants, loan servicing, and the Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) medical education components. The commission had 50 full-time positions and two non-permanent positions. The total FY 25 budget was approximately \$43.4 million.

Ms. Carson continued to slide 22 which provided an overview of DEED's budgetary changes. Most of the information had

been discussed already during the presentation, but she wanted to highlight an error on the slide: the funding for the Alaska Resource Education (ARE) grant would be distributed in FY 25 and FY 26, not FY 24 and FY 25. She concluded the presentation.

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Representative Josephson asked how much money had been invested in ARA thus far.

Mr. Isaak responded that he would defer the question to Ms. Bishop. He noted that department directors who worked directly with ARA were also available for questions.

Ms. Bishop responded that the focus of the \$5 million investment in ARAI was to support school districts and reading tutors. The entire component was in support of ARA. at the start of the program, \$30 was allocated per pupil. There had also been an influx of COVID-19 relief funding to help build capacity around professional development and building the program. She could provide the detailed dollar amounts in a follow up. She requested that someone from DIEE share the information about the ARA input and overall budget.

Representative Josephson would appreciate the detailed information. He asked what the fiscal notes called for after the passage of ARA in 2022 and how much funding had been historically appropriated. He clarified that he wanted to understand how much had been spent thus far on the implementation of ARA.

Ms. Bishop would follow up with the information.

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Representative Tomaszewski referred to slide 21 and asked for more information about the appropriations for ACPE. He understood that the administration and operations of the commission were about a quarter of the commission's total budget. He asked for more information on what the administration and operation of the commission entailed.

SANA EFIRD, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, replied that the funding for administration

and operations of the commission included all of the personnel that administered the loan programs and the state financial aid programs. She clarified that ACPE was funded through the Alaska Student Western Undergraduate Exchange (WUE) corporation and the funding was distributed as interagency receipts to the component of program administration and operations. The component was made up of 50 positions, which cost around \$6.9 million. The contractual cost made up for the remainder of the expenditures. The total budget was closer to \$33 million: about \$23 million in pass-through grants and \$10 million in program operations. She added that ACPE administered all of the student loan corporation programs, which were not reflected on slide 21.

Representative Tomaszewski asked for confirmation that administration and operation of the commission was about a quarter of the budget.

Ms. Efird responded in the affirmative.

Representative Cronk asked for a list of all of the federal impact aid dollars broken down by school district.

Ms. Bishop responded that she would provide the information.

Representative Coulombe noted that the fund source for PTPC was listed as designated general funds (DGF) and UGF, but she understood that PTPC was funded through licensing fees for teacher certifications. She asked why UGF was listed.

Mr. Isaak responded that he would follow up on the historical UGF funding. The large increase in the FY 23 actuals was due to using teacher certification fees for funding the spike in the number of hearings.

Representative Coulombe requested that Mr. Issak include information about the revenue in his follow up.

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Representative Galvin understood that ARA had 12 employees total and the budget spend was \$5 million. She assumed that there were other expenses apart from personnel costs and asked what the other expenses were.

Ms. Bishop responded that a portion of the cost was for a building to house the reading academy and for teacher and tutor training. She relayed that the building was currently being completed. The money would also help support school districts with materials outside of the core curriculum and help fund summer programs. She reiterated that the majority of the funding was dedicated to helping school districts with the costs for materials and professional development that might not be included in a district's budget.

Representative Galvin understood that a building was currently being constructed for the reading academy. She asked where the building was and how much had been spent on it.

Ms. Bishop corrected herself and shared that a new building was not being built, but an existing building was being renovated to ensure that it was a safe environment for young people. She would follow up with the breakdown of the expenditures and the programmatic goals leading into 2025.

Representative Cronk asked what the "other" funding for MEHS was for.

Mr. Isaak responded that MEHS did not receive funding in the same manner as other schools. He explained that funding for MEHS had to flow through other funds to be appropriated properly. He clarified that MEHS was not treated like other school districts and the funding formula did not apply in the same way.

Representative Cronk asked what the total annual cost was for the aquatic center.

Mr. Isaak responded that the director of MEHS was online and could answer the question. He noted that the aquatic center received receipts.

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SUZZUK HUNTINGTON, DIRECTOR, MT. EDGE CUMBE HIGH SCHOOL, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, (via teleconference), responded that the UGF costs were the same as the aquatic center costs. She would follow up to confirm the information.

Representative Cronk relayed that he would also like to know what kind of revenue was brought in by the receipts.

Ms. Huntington confirmed that she would follow up with the requested information.

Ms. Bishop continued to slide 23 which detailed the financial input for the BSA for public school funding. The chart on the slide also showed funding that was outside of the funding formula.

Ms. Bishop continued to slide 24 which included a chart demonstrating the total state aid and total average daily membership (ADM). For FY 25, there was a projected reduction of 4,218 students based off of the projected numbers for school districts since 2000. She moved to slide 25 which depicted the history of the statewide ADM. The ADM had changed over time and the pandemic had a significant impact on parent choices and brought to light the lack of resources for correspondence schools. The focus on correspondence schools had grown and had impacted the ADM.

Ms. Bishop advanced to slide 26 which provided contact information for the presenters.

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Representative Stapp asked about Department of Defense Education Activity (DODEA) grants and wondered if DEED had the mechanism to apply for the grants.

Ms. Bishop responded that her colleague might have more information about the grants. There was available impact aid provided to large scale installations that was meant to replace the local tax value for those living on military bases.

KAREN MORRISON, DIRECTOR OF FINANCE AND SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), replied that the state received additional funding for its military bases.

Representative Stapp asked if the funding given to the military bases remained within the local school districts or was moved around.

Ms. Morrison responded that the impact aid was distributed directly to the school districts and did not flow through the state, but it was used in the foundation formula. There was additional funding for military bases that flowed through the state and was a direct pass-through to the local school districts.

Representative Stapp asked if all the federal money that came to the state as pass-through funds went directly to the military bases' local school districts.

Ms. Morrison responded that the funds went directly through the state to the military bases' local school districts.

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Representative Galvin understood that there were a few slides that should be updated to reflect the recent vote on SB 140.

Co-Chair Johnson noted that the bill had not yet been signed into law. She wanted to wait to ask for significant changes to the presentation until the changes were solidified. She suggested that the changes be discussed during the subcommittee process.

Representative Stapp asked how the funding that flowed through the BSA was distributed to military schools. He asked if the funding was distributed to every ADM within the program.

Ms. Morrison responded that there was no funding received at the state level for impact aid. She explained that impact aid was used as part of the foundation formula as a percentage deduction and it was not given to the state.

Ms. Bishop added that impact aid was a replacement for taxes which were received by the municipality. When a municipality provided a basic need in a local incorporated area, the basic need was considered the minimum amount that needed to be provided for the local share. She explained that 90 percent of impact aid could be considered as support for the local tax evaluation that was incorporated as part of the basic need portion of the funding formula. The remaining 10 percent was deducted for the purpose of fees.

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the agenda for the next meeting.

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ADJOURNMENT

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The meeting was adjourned at 2:50 p.m.