ACSA Virtual Fly-In – March 2020

Day 1 – Monday, March 16, 2020

Presentation by ACSA Presidents
- Kudos to Karen Morrison for her great delivery!
- Follow-up needed to respond to questions; began with afternoon teleconference

Presentation by Senator Click Bishop
- Postponed

Presentation by Angela Rodell, CEO for the Alaska Permanent Fund Corporation, via Zoom
- Karen Morrison introduced the presenter
- [www.apfc.org](http://www.apfc.org) is a good resource
- AK Constitution Article IX, Section 15 definition of permanent fund doesn’t mention dividend; was **not** approved unanimously; 1980 first year of fund
- Reviewed set-up of fund (see slide deck)
- Graph showing contributions to principal; biggest ever was in FY20
- Earnings Reserve Account (ERA) includes amounts already set aside for FY20 and FY21, per Percent of Market Value (POMV) statute
- ERA now the #1 source of revenue for the state!
  - 52% of general fund revenue for draft FY21 budget; will likely be closer to 60% with oil price drop
- POMV is draw based on the first five the preceding six fiscal years; provides lag/certainty for planning of amount; 5.25% drops to 5% for FY22
  - Recent drops won’t be finalized until June 30 close, and then factored in for future years
- Investments originally just bonds; later far more diverse, which led to explosive growth; 2019 - 38% stocks
- Diversification reduces effect of downturns, including geographical diversification
- Total fund objective is CPI + 5%
- Fund performance has beat benchmarks over time; since inception return is 8.79%
- Award-winning entity
- Issues
  - Embargo against arctic oil investments; not planning to cut these partners who provide investment services
  - Pandemic – diverse investments will help
  - Conflict between POMV and dividend calculations – slides 16 & 17 – need to decide if fund is for dividends, state government or both and better balance how these calculations are made
- Question: is POMV unusual, compared with other sovereign wealth fund? Answer: no, but ERA makes the calculation a bit unusual
• Question: is 5% too high or low? Answer: not too low; may be too high to allow for continued long-term growth of the fund
• Comment: in recent weeks, fund down over $6 billion, which is staggering; respond: investing for long term!

Day 2 – Tuesday, March 17, 2020

Presentation by Senator Natasha von Imhof
• Postponed

Presentation by Pat Pitney, Director of Legislative Finance, via Zoom
• Lisa Parady introduced the presenter
• Oil price fluctuations have put AK finance on a wild ride, with significant deficits in recent years
• Per capita, inflation adjusted spending is historically low now; has tracked oil prices
• FY20 deficit grew between last year’s adjournment and now, due to oil prices and supplemental budget; now FY20 operating budget is roughly the same as FY19
  o Seems likely that additional dividends proposed by Governor will be approved
• With Governor’s proposed FY21 budget, will run out of reserves in mid-FY21 (includes full dividend)
• Overall with supplementals, FY19-FY21 budgets total about the same; just reallocation
  o but now additions for FY20 for corona virus, and probably for FY21
  o fire suppression another big difference
  o cost shift to communities – school bonds/REAA school fund
• Current bad news trifecta: stock market crash, oil price drop, corona virus impact
  o Far worse than 2014; extends to tourism, fishing
  o Far less in available reserves
  o Economy already weak, unemployment high
• Stock market crash results in lower POMV in future years, starting in FY22
• Traditional (current) revenue streams plus POMV won’t even meet budget without dividends (with oil at $40), and CBR is drained in FY21
  o Would need $91 oil to balance
  o Out-year deficits in excess of $2 billion/year
  o Additional draws out of permanent fund significantly reduce long-term POMV
• Proposed revenues are tiny drops against the size of the problem: lottery, motor fuel tax, head tax
• Dividend not included in House operating budget; Senate may insert toward the end
  o House budget left $500m for dividend without a deficit
  o Since oil price drop, House budget is $200m short, even before dividend (!)
Day 3 – Wednesday, March 18, 2020

Presentation by Representative Andi Story
- Introduction by Juneau Superintendent Bridget Weiss
- Rep. Story shares feeling of underlying anxiety that all are feeling right now
- House and Senate working closely together, now more than ever, as well as with Feds
- Working on measures for economic relief
- SB74 for Broadband Assistance did just pass; goes to 25MB (100MB recommended)
- $30m and BSA increase very uncertain now (!) given crisis/downturn
- **No education advocates testified today on the operating budget; need to have that testimony for additional funding, for any chance to at least get $30m restored**
  - Suggest NOT referencing HB236 or any specific bill; just talk about impact of reduction in funding from FY20 to FY21
  - If you missed your timeslot, send an email to your legislators and Senate Finance Committee members
    - We’re back at 1988 levels in terms of real dollars! Time to be “matter of fact” about district needs and where we are
- Long term community members sharing the message that we can get through this!
- AK Reads Act in House Ed
- Leg work will either speed up in the next few days or take a recess and then come back
- Also working on early literacy funds through formula (HB237); could be integrated with AK Reads
- AK Performance Scholarship expansion bill – adds CTE (HB155)
- Concerned about issues around school closures and what legislators can do
- Rep Story brought up e-learning, continuation of food service, and possible support of childcare, especially for health care providers, as is being done in MN
- Melody brought up need for funding to continue as scheduled and for flexibility in use of funds
- Everyone in the Capitol is grateful for leadership of school business officials in their communities!

Presentation by Speaker Bryce Edgmon
- Postponed

Presentation by Nils Andreassen, AML
- Introduction by Superintendent Patrick Mayer
- Does the state have the resources to meet its statutory, constitutional and now crisis obligations?
  - AML believes the answer is “No”
- School construction and maintenance funding – DEED data is a great resource
  - About 16% of proposed grant projects funded FY11-FY19
  - 82 projects on bond debt reimb, same time period
• 1,008 schools; about 40% more than 40 years; 40 years is national benchmark for major maint or replacement
• Without bond debt reimb, some projects not submitted, so maintenance backlog growing without much ability to track that growth
• 75% of schools owned by local governments
• Deferring major maintenance results in larger long-run costs!
• FY21 has list of $300m in projects; proposed budget has $0
• Rough estimate is $2.8 billion in backlog
• **Fundamentally the state is failing in its obligation to fund major maintenance and construction of schools adequately**
• Since most guess the state budget for this will be $0, needs aren’t even being brought up in the conversation
• Negative feedback loop between lack of funding/lack of requests; makes it easier for legislators to get away with lack of funding!

• Crisis trifecta: we didn’t get here by accident! Because of not taking action sooner, state leadership is now running headlong over a cliff of their own making!
  • $15 billion universe of need, when state and municipal needs are taken into account; we were already very nearly in crisis
  • All the more reason to hammer away at the need to change, to become a state that actually functions to meet the needs of residents

• Local governments response to crisis
  • Not enough communication between state and local governments now!
  • Good communication from White House
  • Support Governor’s action
  • Working on coordinating policy
  • How to comply with Open Meetings Act while making decisions quickly
  • Developing continuity of operations plans, messaging, support for health svcs
  • Messaging is one of the most difficult parts; wish state would coordinate this more with municipalities
    • Who’s enforcing bar/restaurant shutdown? No communication from the state on this...
  • What do disaster declarations really mean?
    • New rules for handling meetings
    • FEMA funding eligibility
    • Resources can be mobilized differently
  • Reliance on Anchorage muni to implement lots of the necessary changes, at least on the leading edge
  • Nils strongly encourages outreach to local governments, if school district staff haven’t done so already!
  • Childcare: Governor has directed that childcare facilities stay open as much as possible; some schools in other states being used for childcare, but nothing yet from our state government on this
  • FEMA funding will be available but will run through the state; can our state government handle this administratively?
• Must document expenses
  o Tourism, retail, service, fishing – little impact to the state; large impact for municipalities – possibly 50% or more reduction
  ▪ Fishing impacted by work force loss; can’t bring in workers; also demand side
  o Focus on resources to help keep basic services and economy functioning; utilities, tax relief, support services

**Day 4 – Thursday, March 19, 2020**

Discussion with Commissioner Michael Johnson
- While waiting for the Commissioner, Billy Strickland of AASA discussed ways to keep activities alive, with some online competitions; still more questions than answers
- Superintendents were also discussing quarantine policies before Commissioner came onto the call; these vary for returning staff; lack of clear guidelines
- Commissioner said they’re scouring for good ideas from other states; some states are a few weeks ahead of us
- Waivers on federal requirements being requested – assessments, etc.
- Concerns about equity, serving students with disabilities
- School staff being called on to make decisions quickly; these decisions will be “2nd guessed” but you need to go ahead and make them
  o Health and safety of staff and students should be #1 priority
- Communities starting to say staff can’t return to communities; must go case-by-case and Commissioner is willing to talk through decision process
- Cancellation of school for the remainder of the year vs extending school year – both being considered; cancellation makes state’s economic disaster worse; expect more from state within a few days
- Working with GCI with regard to internet access
- No conversation about altering funding; safe to assume funding will be uninterrupted
- Clear inequity in distance ed for kids who can’t read; must continue focus on reading in early grades; Alaska Reads opportunity to get Pre-K on the books is immensely valuable, even though we couldn’t implement it right now
- Per Lisa & Shawn Arnold: very hard for educators to work on legislation right now, due to local priorities; also focus on budget in Capitol and scramble to finish current session
  o ASA l’ship in writing requested a pause in non-budget education legislation due to crisis
    ▪ Monica (Matsu) and Deena (Anc) not happy about this; Alaska Reads Act is a financial issue; Mike Hanley (Chugach) also continues to work behind-the-scenes with legislators; Ty Mase (Lake & Pen) brought up idea of letter – he’s feeling overwhelmed
    ▪ Lisa: Alaska Reads currently scheduled for more hearings, but near-term fate depends on Legislature’s schedule
- Dave Jones: messaging about seriousness of situation is critical
For food service questions please contact Jo Dawson, 465-8708
  o Currently student must accompany parents to pick up meals; Commissioner will bring this up for a possible waiver
AASB is running a webinar today on running meetings remotely (Timi Tullis); Supe received invitation email from Lon Garrison yesterday
Anchorage SD is providing training/assistance on Zoom twice/day; Supt Deena will send out information
Commissioner is presenting to the Legislature tomorrow morning (Friday) at 8 AM and would like info on what’s going on around the state
Supt Ralph (Hoonah) would like help with key talking points for Board meeting tonight

Presentation by Steve Atwater, University of Alaska Executive Dean, Alaska College of Education
  • Introduction by Superintendent Shawn Arnold
  • Thanks to school districts for their support of teacher education, even in these uncertain times
  • Reviewed declining state support since FY14; enrollment also down, but state funding going down faster; now adjusting to three-year “compact” funding reductions for FY20-FY22 under agreement with Dunleavy administration
  • Alaska still has generous state support per student compared to other states; Colorado example shows low end
  • Enrollment high in 2011; significant drop since then
  • UA tuition still below WICHE (western states) average; trending up
  • UA lacks the scale of large universities and very spread out geographically; hard to cut budget and continue diverse offerings
  • Dual enrollment w/high school has gone up in recent years; about 2,500 participants
  • Each of the three main campuses has an independent education unit
    o UAA (Anchorage) no longer has accredited initial licensure program
    o Education enrollment trend was down, even before accreditation debacle
  • Spring 2020: only 158 first-time licensure completers; as many as 2/3 choose not to teach; lowest in years (2017-221; 2018-239; 2019-186)
  • Spring 2020: 50 new Principals (Type B’s); but 71 are needed to meet turnover
  • Alternative certification currently available being used by Lake & Pen, Kodiak, BSSD
    o Individual can teach while completing program via distance; must have BA and five years subject matter experience
  • BA in Early Childhood no longer available; AAS available; is BA needed?
  • To reduce turnover: Statewide Mentoring supporting by UA and district funds
  • To recruit: Educators Rising high school program; AK Teacher Placement – now primarily supported by fees from districts
  • Summer sped courses offered
  • Partnerships in western AK for more AK Native teachers
  • Upgrades to UAF Education building
  • Process launched in February to review teacher prep status; now likely delayed
• 67% of teachers under 30 say teaching was their “first choice” career; lower than in other countries (Korea: 93%)
• 53% of teachers were discouraged from pursuing teaching by friends and relatives and others, and by low pay, poor working conditions, and challenges completing licensure
• People who enjoy working with youth and receive some mentoring/encouragement more likely to become teachers
  o Educators Rising program (formerly Future Teachers of Alaska); now includes curriculum adopted by districts and is supported in part by UA; mostly girls
• Plan to consolidate Education dept at UAS was pulled back after accreditation body thought it was difficult and would take longer than planned
• School closures may affect some student teachers and require waivers and that process is being launched (per Sondra Meredith of EED)

Day 5 – Friday, March 20, 2020

Discussion with Commissioner Michael Johnson
• Pursuing waiver of state assessments through feds, using expedited process; will include new ESSA guidance
• Actively working on best call for if/when school may resume
• HSS guidance from Dr. Zink should be followed regarding returning travelers; advice continually being updated
• Unified Command refers to policy-setting operation led through Commissioner Crumb (HSS) and Dr. Zink
  o Use HSS health mandates to back-up local decision-making as much as possible
• Private sector hurting even more than public sector right now; huge uncertainty
• Governor: asking for additional PFD payments as economic stimulus; unemployment support; small business support; Parnell/M. Begich working on additional measures
• Various efforts to improve internet access throughout the state, including with private partners; information sharing to local GCI offices has been spotty so far; Pam Lloyd says this is improving as of today
  o Telecom providers working on how to handle bump in bandwidth need
• Commissioner can waive teacher certificate renewal requirements
• Commissioner will issue emergency certificates for new teachers in training, even if they haven’t completed all student teaching hours
• Tammy van Wyhe spoke about resource development at aklearns.org for distance delivery; many other organizations also developing tools
• Working on minimizing issues for AK Performance Scholarship seniors
• More than 200 sites now distributing food; feds haven’t yet guaranteed that meals given to parents will be reimbursed; still working on that
• Low tech ideas
  o Some schools using meal distribution to distribute and receive learning materials packets; packets sit 24 hours before review
  o Teachers calling students to check in
- Students taking pictures of assignments on phones to send in
- File cabinet set up outside to receive assignments
  - DEED sped team also working with districts on options for these students

Presentation by Senator Tom Begich
  - Postponed