

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 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
 - 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
 - but now additions for FY20 for corona virus, and probably for FY21
 - fire suppression another big difference
 - cost shift to communities – school bonds/REAA school fund
- Current bad news trifecta: stock market crash, oil price drop, corona virus impact
 - Far worse than 2014; extends to tourism, fishing
 - Far less in available reserves
 - 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
 - Would need \$91 oil to balance
 - Out-year deficits in excess of \$2 billion/year
 - 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**
 - **House budget left \$500m for dividend without a deficit**
 - **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
- 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
- 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
 - 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
 - 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
 - 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); Supts 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
 - UAA (Anchorage) no longer has accredited initial licensure program
 - 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
 - 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
 - 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
 - **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
 - 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
 - Some schools using meal distribution to distribute and receive learning materials packets; packets sit 24 hours before review
 - 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