

**ALASKA STATE LEGISLATURE**  
**LEGISLATIVE COUNCIL**  
**FEBRUARY 11, 2016**  
**5:07 PM**  
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**MEMBERS PRESENT**

Senator Gary Stevens, Chair  
Representative Bob Herron, Vice Chair  
Senator John Coghill  
Senator Lyman Hoffman  
Senator Charlie Huggins  
Senator Anna MacKinnon  
Senator Kevin Meyer  
Senator Peter Micciche  
Representative Mike Chenault  
Representative Craig Johnson  
Representative Sam Kito  
Representative Charisse Millett  
Representative Mark Neuman  
Representative Steve Thompson, alternate

**MEMBERS ABSENT**

Representative Mike Hawker

**OTHER MEMBERS PRESENT**

Senator Dennis Egan

**AGENDA**

APPROVAL OF AGENDA  
RATIFICATION OF CHARITY EVENTS  
OTHER COMMITTEE BUSINESS

**SPEAKER REGISTER**

Pam Varni, Executive Director, Legislative Affairs Agency

5:07:05 PM

I. **CHAIR GARY STEVENS** called the Legislative Council meeting to order at 5:07 p.m. in Room 532 (Senate Finance) of the State Capitol. Present at the call were Senators Stevens, Meyer, Coghill, Hoffman, Huggins, MacKinnon, and Micciche; Representatives Herron, Chenault, Johnson, Kito, Millett, Neuman, and Thompson, alternate member. Representative Hawker was absent.

II. **APPROVAL OF AGENDA**

VICE CHAIR HERRON moved that Legislative Council approve the agenda.

The motion was approved without objection.

III. **RATIFICATION OF CHARITABLE EVENTS**

VICE CHAIR HERRON moved that Legislative Council ratify the Chair's sanctioning of the following charitable events per AS 24.60.080(a)(2)(B):

- "Best of" Skits
- Girl Scouts of Alaska Annual Auction
- Kenai Peninsula Fair Annual Fundraiser
- Kenai River Jr. Classic/Kenai River Classic/Kenai River Women's Classic
- 27th Annual Fahrenkamp-Kelly Classic Charity Putting Tournament
- 2016 Sham Jam
- 16th Annual Thanksgiving in March
- "Juneau's Got Talent"

CHAIR STEVENS said he sanctioned the list of events, all of which had been confirmed as 501(c)(3) organizations.

The motion was approved without objection.

IV. **OTHER COMMITTEE BUSINESS**

- a. **FY 17 Legislature Budget**
- b. **Anchorage LIO Project**

a. **FY 17 Legislature Budget**

VICE CHAIR HERRON moved that Legislative Council per AS 24.20.130 approve the FY 17 Legislative Council Proposed

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Budget and transmit it to the House and Senate Finance Committees for their review and action.

CHAIR STEVENS objected for purposes of discussion and asked Pam Varni to speak to the item.

PAM VARNI, Executive Director of the Legislative Affairs Agency, said that before members is the Legislative Council Proposed FY 17 Budget. In the entire Legislature budget, there are 15 separate budget components and four separate appropriations. The Legislative Council has 15 of these components and three appropriations and that's what she will be covering.

Ms. Varni said that the entire Legislature's FY 17 request is a 1.5% reduction from FY 16 Management Plan and 0.5% reduction from FY 17 Governor's Figures, which are preliminary figures. The main difference was in the Legislature's budget from FY 16 to FY 17 request, which was a decrease of over \$1.1 million by backing out the 2.5% cost of living increase and absorbing those costs in the budget. The Legislative Council request is an overall increase of \$378,500 from the FY 17 Governor's Figures. Ms. Varni went component by component to explain.

For the Legislators Salary and Allowances component, which pays for Legislator salaries, per diem and annual allowances, there was no change. There was no increase in FY 16 or FY 17.

The Administrative Services component pays for the operation of the Division of Administrative Services, which is the main support division for the Legislature along with the Division of Legal and Research Services. In FY 16, this component was reduced by 16 positions and an overall 7.5% reduction; in addition, the Information and Teleconference Section was moved to its own component and appropriation. Under Administrative Services, there's an increase of \$35,500 to fully fund the Legislature's dues to legislative organizations. The Legislature cut legislative dues in FY 16, and full funding is being requested in FY 17; if full funding does not occur, dues will be paid with the amounts in the Adjusted Base. The other increase is \$30,500 in order to fully pay interagency services - for central mail services, risk management insurance premiums, and financial services of AKPAY and IRIS, the payroll and accounting systems in the State. The total increase requested is \$66,000.

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The Legislature State Facilities Rent component shows an increase of \$312,500. This component pays for space rentals and some operating expenses associated with space rented by the Legislature statewide. There are increases of \$24,900 for CPI rent adjustments in various locations; \$45,000 for Anchorage LIO security; and \$242,600 for lease payments from FY 15 and FY 16 that were not received in prior budget requests; the increases total \$312,500.

Ms. Varni explained that there were no changes from the FY 16 budget request to the FY 17 budget request in the components of Council and Subcommittees, Legal and Research Services, Select Committee on Ethics, Office of Victims' Rights, Office of the Ombudsman, Information and Teleconference, Legislative Operating Budget, Session Expenses and Special Session Contingency.

REPRESENTATIVE KITO asked if the budget request reflected the removal of the lease costs for the Anchorage LIO in FY 17, noting that in December 2015, Legislative Council recommended the removal of that appropriation if certain conditions were not met, which they were not.

CHAIR STEVENS said that there will be an amendment offered at this meeting that would zero out the appropriation; however, members need to understand that Ms. Varni, under the contract, can do nothing more than present the budget with the full appropriation figure.

MS. VARNI added that in the request before Council is \$4,032,000 for the Anchorage LIO lease, which includes \$3.3 million to the landlord, \$652,000 for operating expenses, and \$45,000 for security. Under the contract, the lease clearly states that the Executive Director presents to Legislative Council an annual request for appropriation for the lease. If there is a non-appropriation by the Legislature, that would be taken up by Legislative Council or the Finance Committees.

SENATE PRESIDENT MEYER said that it appeared that the only area that had significant increases was for the various LIOs throughout the state; if that was so, are any of the leases set to expire and could the rental rate be re-negotiated or offices perhaps even closed if they weren't being used very much.

MS. VARNI said that there weren't big increases in the CPI; for instance, in Homer, there was a decrease of \$14,200; Cordova went up \$100; Delta Junction went up \$1,400. The

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main increase in this request was for increases needed in FY 15 and FY 16 which were not funded. The only reason this component was not over-expended in those fiscal years was because the Anchorage space expenses during the renovation were not as high as had been budgeted, and were used to cover other leases that were not fully funded. The FY 17 request before Council is to cover all of the contractual lease payments.

SENATE PRESIDENT MEYER followed up to ask if the \$45,000 for Anchorage security was also included.

MS. VARNI confirmed that was correct; although the funding was removed in FY 16, the direction she had received was to include it in the FY 17 budget request. If it is not the desire of Legislative Council for these increases, then they can be removed.

DISCUSSION FOLLOWED regarding some confusion over the actual amount of the increase for AKPAY and IRIS payroll and accounting systems.

SENATOR MICCICHE asked if Ms. Varni's view was that the Finance Committees would work for some reductions in this budget or if she was essentially putting forth a status quo budget.

MS. VARNI said that the Agency always tries to do a maintenance level budget. She noted for members that in FY 14, a total of \$1,700 was lapsed; in FY 15, it was \$40,700; there was not extra money in the budget request. She said she was trying to present to Council what it looks like the real operating expenses and needs will be.

SENATOR MICCICHE followed up to ask that if the \$4,032,000 lease fee is removed from this budget, did Ms. Varni know what the reduction would be at \$69,345,000.

MS.VARNI said that it would be a 7.5% reduction from the entire Legislature's budget.

There was no further discussion.

CHAIR STEVENS requested the amendment.

5:13:07 PM

VICE CHAIR HERRON that Legislative Council, having received and reviewed the Legislative Council FY 17 Proposed Budget prepared by the Executive Director, which includes an

annual appropriation of funds for the Legislature's obligation as Lessee for the 716 W. 4th Avenue, LLC Anchorage LIO Building per Section 43 of the Lease executed on September 19, 2015, direct that the budget be amended to remove the appropriation for the Anchorage LIO Building for FY 17 from the Legislature's budget and once amended as is customary have the Chair transmit the amended Legislative Council budget to the House and Senate Finance Committee's for their review and action.

CHAIR STEVENS said that the reason for this amendment was to bring the budget into compliance with the motion passed by Legislative Council on December 19, 2015, giving 45 days for a competitive cost on a per square foot of usable space basis.

There being no discussion on the amendment, Chair Stevens asked for a roll call vote.

YEAS: Stevens, Herron, Meyer, Coghill, Hoffman, Huggins, MacKinnon, Micciche, Chenault, Johnson, Kito, Millett, Neuman, Thompson

NAYS: None

The motion for the amendment passed 14-0.

There being no discussion on the motion as amended, a roll call vote was taken.

YEAS: Stevens, Herron, Meyer, Coghill, Hoffman, Huggins, MacKinnon, Micciche, Chenault, Johnson, Kito, Millett, Neuman, Thompson

NAYS: None

The amended motion passed 14-0.

**b. Anchorage LIO Project**

CHAIR STEVENS reminded members that on December 19, 2015, Legislative Council passed the following motion:

"...that Legislative Council advises the Legislature not to appropriate for the 716 W 4th Avenue lease pending the outcome of the currently pending litigation or unless negotiations between Council and the Legislature and a state entity within the next 45 days results in a

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competitive cost on a per square foot of usable space basis.”

Chair Stevens said that after reviewing the information submitted by the owner, there did not appear to be a proposal that would result in a competitive cost on a per square foot basis. In addition, there seems to be some confusion and some unanswered questions from the various proposals that have been presented to Council. He said he was therefore going to engage an independent finance expert to look at all the options and make a sound fiscal recommendation to the Council. He said that person would be hired as soon as possible and would get a recommendation to Council in an expedited manner. He realized that time was of the essence due to the tight timeline of the budget process and that a final decision needs to be made before adjournment of the legislative session. Serena Carlsen, Council's attorney from Stoel Rives, made some recommendations on who might be engaged as an independent finance expert and there will be more to come; he said he would share that information with everyone on Council and would make sure that the person chosen would be beyond reproach and have no connection with anybody in the state of Alaska; and certainly no connection with anybody on Council or the owners of the building. Sound financial advice had been requested by just about everybody on Council; up to this point, much of the information has been political and legal advice, and what Council really needs is financial advice.

There being no further business before the committee, the Legislative Council meeting was adjourned at 5:26 p.m.

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