

HOUSE FINANCE COMMITTEE
March 12, 2013
2:25 p.m.

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CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 2:25 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative Lindsey Holmes
Representative Scott Kawasaki, Alternate
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Joan Brown, Staff, Representative Alan Austerman; Pete Ecklund, Staff, Representative Alan Austerman.

SUMMARY

HB 65 APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 65(FIN) was REPORTED out of committee with a "do pass" recommendation.

[Note: The meeting was recessed until 9:00 a.m. on March 14, 2013 and CSHB 65(FIN) reported out of committee at that time. See March 14, 2013 minutes for detail.]

HB 66 APPROP: MENTAL HEALTH BUDGET

CSHB 66(FIN) was REPORTED out of committee with a "do pass" recommendation.

[Note: The meeting was recessed until 9:00 a.m. on March 14, 2013 and CSHB 66(FIN) reported out of committee at that time. See March 14, 2013 minutes for detail.]

#hb65

#hb66

HOUSE BILL NO. 65

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

HOUSE BILL NO. 66

"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."

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Co-Chair Austerman discussed that the committee would hear operating and mental health budget amendments during the meeting. He shared his intent to incorporate amendments into a CS that would be heard the following morning at 9:00 a.m. He anticipated reporting the bill from committee during the meeting.

Co-Chair Stoltze asked if staff would present technical explanations. Co-Chair Austerman responded in the affirmative.

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Co-Chair Austerman pointed to Amendment 1 that was a combination of technical amendments to the legislation:

OFFERED BY: Representative Austerman

Part A

DEPARTMENT: Administration
APPROPRIATION: Violent Crimes Compensation Board
ALLOCATION: Violent Crimes Compensation Board
DELETE: \$300,000 Crime Victim Compensation Fund
(1220)
EXPLANATION: This amendment more closely aligns the expenditure authorization of the Violent Crimes Compensation Board to the anticipated funds available in the Crime Victim Compensation Fund.

Part B

DEPARTMENT: Commerce, Community and Economic Development
APPROPRIATION: Alcoholic Beverage Control Board
ALLOCATION: Alcoholic Beverage Control Board
ADD: \$5,400, General Fund Program Receipts
(1005)
DELETE: \$5,400, Unrestricted General Fund Receipts (1004)
EXPLANATION: The Alcoholic Beverage Control (ABC) Board's budget is primarily program receipts. In FY 12, funding was transferred to the ABC Board from the Department of Administration for ETS/EPR Chargebacks and for Office of Administrative Hearings. This amendment replaces all UGF in the allocation with General Fund Program Receipts.

Part C

DEPARTMENT: Commerce, Community and Economic Development
APPROPRIATION: Alaska Industrial Development and Export Authority
ALLOCATION: Alaska Industrial Development and Export Authority
ADD: \$9,300, Alaska Industrial Development & Export Authority Receipts (1102)
DELETE: \$9,300, Unrestricted General Fund Receipts (1004)

Part D

DEPARTMENT: Corrections
APPROPRIATION: Inmate Health Care

ALLOCATION: Behavioral Health Care
DELETE: \$260.0 MHTAAR (1092) IncM transaction
ADD: \$260.0 MHT AAR (1092) IncT transaction
with a funding date range of FY14-FY16
EXPLANATION: The Mental Health Trust Authority
provided an end date of FY16 for this item. A temporary
increment (IncT) transaction is more appropriate when
funding is added to the base for a specified time
period.

Part E

DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Teacher Certification
ADD: \$10,200, General Fund Program Receipts
(1005)
DELETE: \$10,200, Unrestricted General Fund
Receipts (1004)
EXPLANATION: The Teacher Certification budget is
primarily program receipts. Starting in FY08,
transfers and salary adjustments added a small amount
of UGF to the budget. This amendment replaces all UGF
in the allocation with General Fund Program Receipts.

Part F

DEPARTMENT: Law
APPROPRIATION: Civil Division
ALLOCATION: Torts & Workers' Compensation
DELETE: \$10,400, Unrestricted General Funds
(1004)
DEPARTMENT: Law
APPROPRIATION: Civil Division
ALLOCATION: Labor and State Affairs
ADD: \$10,400, Unrestricted General Funds
(1004)
EXPLANATION: Although all UGF was transferred from
Torts to Labor and State Affairs in FY13, FY14 salary
adjustment calculations and an associated fund source
change placed \$10,400 of UGF in the Torts allocation.
This is the only Unrestricted General Fund Receipts
(UGF) within the Torts & Workers' Compensation
allocation. This amendment transfers the \$10,400 UGF
from the Torts & Workers' Compensation allocation to
the Labor and State Affairs allocation.

Part G

DEPARTMENT: Public Safety APPROPRIATION: Fire and Life Safety

AMEND: The amount appropriated by this appropriation includes up to \$125,000 of the unexpended and unobligated balance on June 30, 2013, of the receipts collected under AS 18.70.080(b).

EXPLANATION: Based on excess balances for the past three fiscal years, \$125,000 appears to provide sufficient carry forward potential for the Fire and Life Safety appropriation.

Part H

DEPARTMENT: Public Safety

APPROPRIATION: Alaska Police Standards Council

AMEND: The amount appropriated by this appropriation includes up to \$125,000 of the unexpended and unobligated balance on June 30, 2013, of the receipts collected under AS 12.25.195(c), AS 12.55.039, AS 28.05.151, and AS 29.25.074 and receipts collected under AS 18.65.220(7).

EXPLANATION: This conditional language has been included in the Alaska Police Standards Council appropriation for several years with a cap of \$125,000. Removal of this cap was requested in the FY14 Governor's request and is being restored with this amendment.

Part I

DEPARTMENT: Public Safety

APPROPRIATION: Statewide Support

ALLOCATION: Statewide Information Technology Services

AMEND: The amount allocated for Statewide Information Technology Services includes up to \$125,000 of the unexpended and unobligated balance on June 30, 2013, of the receipts collected by the Department of Public Safety from the Alaska automated fingerprint system under AS 44.41.025(b).

EXPLANATION: This conditional language has been included in the Statewide Information Technology Services (formerly Alaska Criminal Records and Identification) allocation for several years with a cap of \$125,000. Removal of this cap was requested in

the FY 14 Governor's request and is being restored with this amendment.

Part J

DEPARTMENT: Transportation and Public Facilities
APPROPRIATION: Design, Engineering and Construction
ALLOCATION: Central Design and Engineering Services

Page 35, lines 24-27, amend as follows:

The amount allocated for Central Design and Engineering Services [COMPONENTS] includes the unexpended and unobligated balance on June 30, 2013[,] of [THE] general fund program receipts collected by the Department of Transportation and Public Facilities for the sale [AND] or lease of excess right-of-way.

ALLOCATION: Northern Design and Engineering Services

Page 35, lines 30-33, amend as follows:

The amount allocated for Northern Design and Engineering Services [COMPONENTS] includes the unexpended and unobligated balance on June 30, 2013[,] of [THE] general fund program receipts collected by the Department of Transportation and Public Facilities for the sale [AND] or lease of excess right-of-way.

ALLOCATION: Southeast Design and Engineering Services

Page 36, lines 5-8, amend as follows:

The amount allocated for Southeast Design and Engineering Services [COMPONENTS] includes the unexpended and unobligated balance on June 30, 2013[,] of [THE] general fund program receipts collected by the Department of Transportation and Public Facilities for the sale [AND] or lease of excess right-of-way.

APPROPRIATION: Marine Highway System

ALLOCATION: Marine Vessel Operations

Remove "Southeast Alaska" from the transaction decrementing \$2,861.0 from this allocation. The decrement would then apply to generic service level reductions, cost control and efficiencies.

Part K

AGENCY: Legislature

APPROPRIATION: Budget and Audit Committee

ALLOCATION: Legislative Audit
ADD: \$100,000, Unrestricted General Fund
Receipts (1004) IncT (FY14-FY15)
DELETE: \$100,000, Unrestricted General Fund
Receipts (1004) Inc
EXPLANATION: Because this increment is associated
with a specific audit, a temporary increment is more
appropriate than an addition to the base budget.

JOAN BROWN, STAFF, REPRESENTATIVE ALAN AUSTERMAN, explained the different parts of the Amendment 1. Part A deleted \$300,000 from the Crime Victim Compensation Fund from the Violent Crimes Compensation Board to align the funding of the board with the amount anticipated within the fund. Part B included a fund source switch for the Alcoholic Beverage Control (ABC) Board; unrestricted general funds was deleted and replaced with program receipts. Part C replaced \$9,300 of unrestricted general fund receipts with Alaska Industrial Development and Export Authority, (AIDEA) receipts. She communicated that many of the items were small amounts of salary adjustments that had accumulated over time (the AIDEA item was related to part of the core-services distribution that had been made). Part D changed an IncM (maintenance increment) transaction to an IncT (temporary increment) because it was for a temporary two-year period.

Co-Chair Stoltze MOVED to ADOPT Amendment 1. Representative Holmes OBJECTED for discussion.

Ms. Brown continued to explain the amendment. Part E replaced \$10,200 of unrestricted general fund receipts with general fund program receipts. She moved to Part F and detailed that previously all of the general funds had been transferred from the Torts and Workers' Compensation allocation to the Labor and State Affairs allocation; the amendment would transfer the remaining general fund amount. Parts G through I put a cap of up to \$125,000 on the carry forward amount. Part J included wording changes to Section 1 of HB 65 related to the Central, Northern, and Southeast Design and Engineering Services under the Department of Transportation and Public Facilities (DOT). The words "Southeast Alaska" had been removed from a Marine Highway System increment in order for the allocation to apply to the entire Marine Highway Vessel Operations. Part K included a technical change in the Legislative Audit

allocation; an increment had been changed to an IncT because it related to FY 14 and FY 15.

Vice-Chair Neuman commented on the amendment related to the removal of the words "Southeast Alaska" in Part J. He explained that the change clarified that equal reductions had been made to each part of the state. He believed it was important to point out so the public understood the committee's efforts to treat the state regions fairly. He referred to a conversation with the DOT commissioner related to the Southwestern ferry route.

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Representative Gara pointed to parts A and B of Amendment 1. He wondered how the removal of \$300,000 from the Crime Victim Compensation Fund would not take away money from the Violent Crimes Compensation Board.

Ms. Brown replied that when the committee had adopted a CS the prior week it had reduced money going into the Crime Victim Compensation Fund by \$674,000. The board's budget was \$2.8 million; of the total, \$1.8 million was from the fund. The reduction of \$300,000 would equalize the expenditure authorization as a result of the \$674,000 reduction in the CS. She noted that there was some carry forward expected.

Representative Gara queried the rationale for reducing the money designated for the Crime Victim Compensation Fund. Ms. Brown answered that the reduction had been made in order to return to the 90/10 percent split of the Permanent Fund Dividend criminal funds between the Department of Corrections and the Crime Victim Compensation Fund.

Representative Gara asked whether the funds under Part B of Amendment 1 would be removed from the alcohol tax. Ms. Brown replied Part B would switch the fund source from unrestricted general funds to ABC Board's normal program receipt fund source.

Representative Gara asked if the alcohol tax was the normal fund source.

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Ms. Brown replied in the negative; the ABC Board's normal fund source was general fund program receipts.

Representative Holmes WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

Co-Chair Austerman MOVED to ADOPT Amendment 2:

OFFERED BY: Rep. Austerman

DEPARTMENT: Administration

APPROPRIATION: Enterprise Technology Services

ALLOCATION: ALMR Payment on Behalf of Political Subdivisions (new)

ADD: \$500,000 general funds (1004)

EXPLANATION: The Governor's budget included a \$500,000 language appropriation to the Department of Commerce, Community, and Economic Development. The department would have transferred the funds to the Department of Administration as a payment on behalf of political subdivisions for the Alaska Land Mobile Radio system under a cost allocation methodology adopted by the Department of Administration. This amendment retains the original purpose of the funding without the unnecessary transfer between departments.

Co-Chair Stoltze OBJECTED for discussion.

Co-Chair Austerman explained that Amendment 2 would add \$500,000 in general funds to the Alaska Land Mobile Radio (ALMR) system. He highlighted that a certain amount of money was allocated every year in revenue sharing and other means. The increment was on behalf of political subdivisions.

Co-Chair Stoltze WITHDREW his OBJECTION.

Vice-Chair Neuman asked if the absence of the funds would take money away from communities or whether the Department of Administration could absorb the loss in its budget.

Co-Chair Austerman responded that municipalities would have to absorb the costs if the increment was not funded.

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Representative Thompson pointed out that without the amendment communities would be charged. He provided detail on amounts that communities would be responsible for in the absence of the amendment: the City of Fairbanks would be responsible for \$95,000, the borough's share would be \$56,000, the North Star Fire Department's share would be \$8,000 (the department's budget was small and \$8,000 was its total training budget), and Salcha Fire and Rescue would owe \$1,600 (they did not have the money to spend). He added that many small fire departments did not have the funding available.

Representative Kawasaki wondered whether the cost allocation methodology was the same as the methodology currently used by Department of Administration.

Co-Chair Austerman believed so, but was not positive.

Representative Kawasaki asked for verification that the intent was to use the existing language utilized for reimbursement rates under ALMR. He surmised that the numbers listed by Representative Thompson were in alignment with existing methodology.

There being NO further OBJECTION, Amendment 2 was ADOPTED.

Co-Chair Austerman MOVED to ADOPT Amendment 3:

OFFERED BY: Rep. Austerman

DEPARTMENT: Commerce, Community and Economic Development

APPROPRIATION: Alaska Seafood Marketing Institute

ALLOCATION: Alaska Seafood Marketing Institute

LANGUAGE: Amend section 12(h)(3) page 59, lines 15-17, to read:

(3) The sum of \$7,286,400[\$7,772,200] from the general fund, for the purpose of matching industry contributions collected by the Alaska Seafood Marketing Institute for the fiscal year ending June 30, 2012;

EXPLANATION: This reduction of \$485,800 is 1/16th of ASMI's unrestricted general fund appropriation, the same percentage general fund reduction that was assessed to tourism marketing. ASMI has sufficient general fund program receipt carry forward revenue to mitigate the impact of this general fund reduction.

Representative Gara OBJECTED.

Co-Chair Austerman explained that Amendment 3 removed the same amount of general fund money on a percentage basis from the Alaska Seafood Marketing Institute (ASMI) as was taken from tourism marketing.

Representative Gara asked if the amendment allocated \$500,000 less to ASMI than the budget subcommittee recommended. Co-Chair Austerman replied that the subcommittee recommendation had been to remove \$1 million.

Representative Gara concluded that Amendment 3 would only remove \$500,000 from ASMI's general fund appropriation.

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Co-Chair Stoltze noted that no one was suggesting giving the tourism industry exclusive use of state's natural resources. He made a remark about the fishing industry's exclusive use of Kachemak Bay.

There being NO further OBJECTION, Amendment 3 was ADOPTED.

Representative Wilson MOVED to ADOPT Amendment 4:

OFFERED BY: Reps. Wilson and Austerman

DEPARTMENT: Education & Early Development
APPROPRIATION: Teaching & Learning Support
ALLOCATION: Student & School Achievement
DELETE: \$2,611,800 general funds (1004)

DELETE THE FOLLOWING INTENT:

It is the intent of the legislature that the department work with the Association of Alaska School Boards and school districts to ensure that digitization One-to-One funding is used to provide professional development in the form of training for teachers involved in working with new technologies. The legislature wants to ensure that equipment purchased with the digitization funding be used to full advantage to provide the best and most complete education experience possible. The department is requested to report to the legislature by January 15, 2014, regarding the progress and status of the project.

ALLOCATION: Online with Libraries (OWL) (new)
ADD: \$761,800 general funds (1004)
ALLOCATION: Live Homework Help (new)
ADD: \$138,200 general funds (1004)
EXPLANATION: This amendment deletes \$2.6 million GF that was accepted in subcommittee (of the \$5.9 million requested by the Governor for digitizing education in Alaska). It also creates two new allocations within Teaching and Learning Support and funds them at the amounts requested by the Governor. This amendment reduces the subcommittee recommendation by \$1,711,800. With the approval of this amendment, the Alaska Learning Network (AKLN) (\$1.1 million) and Statewide Technology Rollout (\$3.9 million) will not be funded.

Co-Chair Stoltze OBJECTED for discussion.

Representative Wilson explained that Amendment 4 deleted \$2,611,800 general funds and reallocated \$761,800 to the Online With Libraries (OWL) program for 100 community library/schools. The amendment would also provide \$138,200 for the Live Homework Help program. She furthered that the amendment removed funding from the Alaska Learning Network and the one-on-one digital learning program. She detailed that the digital program would have eventually needed a minimum of \$16 million with a 60/40 percent split between state and district funds respectively. She stated that due to the uncertainty of future state funds, investment in the programs was too costly.

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Representative Gara MAINTAINED his OBJECTION. He stated that the amendment reduced the subcommittee's recommendation for digital learning funds. He supported the Live Homework Help and OWL programs, but he did not support the removal of \$1 million from the Alaska Learning Network and \$3.9 million from the one-to-one technology program. He stressed that money for the Alaska Learning Network was important because the program allowed rural students to access quality courses that would enable them to qualify for the governor's Alaska Performance Scholarship (APS). He emphasized that the highest quality courses came through the learning network on a consistent basis. He stated that the goal was to provide rural students with the same opportunity as urban students. He emphasized that if the state was going to invest in digital learning, it should do

it right. He was open to the deletion of a portion of the \$3.9 million because the one-to-one technology program had not been explained well and more information was needed; however, he was uncomfortable deleting the entire amount. He would not be surprised by a law suit if the state did not provide access to the courses necessary for APS eligibility.

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Representative Wilson responded that the Alaska Learning Network had been started two years earlier with federal stimulus funding. She stated that stimulus funding had not been intended for the implementation of programs because states would be responsible for funding the programs when federal money ended. She furthered that the Department of Education and Early Development (DEED) had used the federal funding for programs; there were 138 students participating. Her staff had called all school districts (when the increment had been denied the past year) to determine whether schools had access to other online learning; she had been assured by all districts that they did have other access. She stated that the Alaska Learning Network contained 40 programs. She opined that another entity could fund the item; she believed the program could be self-sufficient.

Representative Gara did not believe the state should punish schools that were receiving less per-student funding currently than they were four years earlier because federal funding could not be replaced. He stressed that funding decisions should be based on the worthiness of a program and not whether it had been funded with federal money; he believed the [Alaska Learning Network] program was worthy.

Vice-Chair Neuman stated that funding had increased considerably for schools over the past four years. He believed the programs were great, but stated that the money was not available. He supported Amendment 4.

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A roll call vote was taken on the motion to adopt Amendment 4.

IN FAVOR: Munoz, Neuman, Thompson, Wilson, Costello, Holmes, Stoltze, Austerman

OPPOSED: Edgmon, Gara, Kawasaki

The MOTION PASSED (8/3). There being NO further OBJECTION, Amendment 4 was ADOPTED.

Representative Munoz WITHDREW Amendment 5.

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Representative Wilson MOVED to ADOPT Amendment 6:

OFFERED BY: Reps. Wilson, Thompson, Neuman, Munoz, Edgmon, Holmes, Costello, Stoltze and Austerman

DEPARTMENT: Education and Early Development

APPROPRIATION: Teaching and Learning Support

ALLOCATION: Early Learning Coordination

ADD: \$100,000 General Fund (1004)

EXPLANATION: This amendment restores \$100,000 to the Best Beginnings program. Best Beginnings is a public private partnership that works to ensure children in Alaska begin school ready to learn in communities statewide.

Representative Gara OBJECTED.

Representative Wilson explained that Amendment 6 would restore \$100,000 to the Best Beginnings program. She detailed that public testimony indicated the importance of the program. She pointed to matching funds given to communities.

Representative Gara MOVED to AMEND Amendment 6 by increasing the amount by \$37,500.

Representative Wilson OBJECTED.

Representative Gara explained that Best Beginnings had received \$937,500 the prior year. He stated that Amendment 6 would restore part of the funding. He did not believe the program deserved to be cut. He opined that the state had a patchwork of inadequate early learning services. He furthered that Best Beginnings had been doing a good job with the small amount of money it had received. He opined that a 3.5 to 4 percent reduction from the program's prior year budget was not justified. He asked to restore the

money to the prior year funding level. He noted that flat funding the program would not keep up with inflation.

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Representative Edgmon believed the issue epitomized the difficulty of making tough choices. He supported the underlying amendment because it restored some of the funding for Best Beginnings. He would like to see the entire amount restored, but understood that tough choices were necessary. He opposed the amendment to Amendment 6.

A roll call vote was taken on the motion to amend Amendment 6.

IN FAVOR: Gara, Kawasaki

OPPOSED: Neuman, Thompson, Wilson, Costello, Edgmon, Holmes, Munoz, Austerman, Stoltze

The MOTION FAILED (2/9).

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Representative Gara WITHDREW his OBJECTION to Amendment 6. There being NO further OBJECTION, Amendment 6 was ADOPTED.

Representative Munoz MOVED to ADOPT Amendment 7:

OFFERED BY: Reps. Munoz and Austerman

DEPARTMENT: Department of Environmental Conservation

APPROPRIATION: Spill Prevention and Response

ADD: It is the intent of the legislature that the Department of Environmental Conservation provide recommendations to the legislature on or before the start of the second session of the Twenty-eighth Alaska State Legislature, January 21, 2014, that identify ways to manage the oil and hazardous substance release prevention and response fund as a viable, long-term funding source for the state's core spill prevention and response initiatives. The plan should include an analysis of prior expenditures from the fund for the remediation of state-owned contaminated sites and a proposal to expeditiously remediate state owned contaminated sites.

EXPLANATION: The Department of Environmental Conservation has noted in its detail budget submission that managing the oil and hazardous substance release prevention and response fund as a viable, long-term funding source for the state's core spill prevention and response initiatives is critical, according to the Legislative Finance Division.

Agency projections show that revenues collected from the four-cent per barrel conservation surcharge are not adequate to fund spill prevention and response programs. The surcharge revenue is the primary funding source for the prevention account and that revenue is not sufficient to sustain Alaska's core spill prevention and response program over the long term.

Beginning in Fiscal Year 2015, annual funding available from this account will be at least \$5 million less than will be required to continue the current level of service. Members of the House Finance Department of Environmental Conservation Budget Subcommittee expressed an interest in working with the administration to find a way to address this shortfall. This intent language encourages the agency to do so.

Representative Kawasaki OBJECTED for discussion.

Representative Munoz explained that the Spill Prevention and Response Fund was funded with a \$0.05 per barrel of oil surcharge. The fund was anticipated to be running at a deficit by FY 15; approximately \$5 million less than the projected amount needed to provide the current level of service. The amendment contained intent language directing the Department of Environmental Conservation (DEC) to provide specific recommendations to the legislature the following session on how to make the fund solvent over the long-term.

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Representative Kawasaki WITHDREW his OBJECTION. He supported the amendment and believed the intent was to make the fund solvent to address remediation issues.

There being NO further OBJECTION, Amendment 7 was ADOPTED.

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Representative Munoz MOVED to ADOPT Amendment 8:

OFFERED BY: Reps. Munoz and Austerman

DEPARTMENT: Department of Environmental
Conservation

APPROPRIATION: Water

ADD: It is the intent of the legislature that the Department of Environmental Conservation, to the extent feasible, make information regarding cruise ship mixing zones, including geographical areas, available to the public on the agency's web site.

EXPLANATION: The House Finance Department of Environmental Conservation Budget Subcommittee discussed how to help keep the public better informed about cruise ship discharges, especially near fishing grounds and other areas. The agency is working on ways to post on-line more information about its activities. This intent language encourages the department to continue doing so in regards to its cruise ship program.

Representative Kawasaki OBJECTED.

Representative Munoz explained that Amendment 8 was a result of budget subcommittee work for DEC. She elaborated that the amendment included intent language directing the department to make information regarding cruise ship discharge available to the public on its website to the extent feasible. She believed the amendment was in line with the department's current work to upgrade online information reporting.

Representative Kawasaki discussed reservations with the language "to the extent feasible" related to dealing with the department. He was concerned that the language may allow the department to report the following year that the change was not feasible. He rejected the notion and believed that DEC could easily include the information online. He noted that the department received the information digitally and that it was easy to track a ship's location. He MOVED to AMEND Amendment 8 to delete the language "to the extent feasible."

Co-Chair Austerman asked for verification that the amendment would remove the language "to the extent feasible."

Co-Chair Stoltze OBJECTED to amendments that were not written out.

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Representative Kawasaki offered to write the amendment to Amendment 8. Co-Chair Austerman would hold Amendment 8 while an amendment was drafted.

Representative Munoz WITHDREW Amendment 9.

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Co-Chair Austerman MOVED to ADOPT Amendment 10:

OFFERED BY: Representative Austerman

DEPARTMENT: Fish and Game

APPROPRIATION: Commercial Fisheries

ALLOCATION: Westward Region Fisheries Management

ADD: \$150,000 Test Fisheries Receipts (1109)

EXPLANATION: This provides additional funding so the golden king crab observers are funded from test fish receipts as are the observers for the Bristol Bay red king crab and snow crab fisheries. This request is unanimously supported by the Crab Observer Oversight Task Force.

Vice-Chair Neuman OBJECTED for discussion.

Co-Chair Austerman explained that Amendment 10 related to the Department of Fish and Game's (DFG) practice of managing fisheries with industry funded management costs. The amendment funded a test fisheries receipt that would allow DFG to conduct a test fishery with crab in order to manage biomass and to determine how much to release to fishermen. He believed the amount would come off the top of the quota fishermen were allowed.

Vice-Chair Neuman surmised that the test fishery observers would catch the fish, the product would be sold to a canary, and DFG would receive proceeds for the sale. He

asked for verification that the item would be funded by receipts from the proceeds.

Co-Chair Austerman replied in the affirmative.

Vice-Chair Neuman asked for verification that the allocation was not an increase in the budget. Co-Chair Austerman answered in the affirmative.

Vice-Chair Neuman WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 10 was ADOPTED.

Representative Thompson MOVED to ADOPT Amendment 11:

OFFERED BY: Reps. Thompson and Austerman
DEPARTMENT: Military and Veterans' Affairs
APPROPRIATION: Alaska Aerospace Corporation
ALLOCATION: Alaska Aerospace Corporation
ADD: \$2,918,700 General Funds 1004
LANGUAGE: AMEND Sec. 17, DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS, by adding a new subsection to read:

(b) If the Alaska Aerospace Corporation does not secure a multi-year commercial launch service contract for the Kodiak Launch Complex on or before June 30, 2013, the appropriation from the general fund to the Alaska Aerospace Corporation, Alaska Aerospace Corporation allocation in sec. 1 of this Act shall be reduced by \$3,000,000.

INSERT a new bill section to read:

Sec. --. CONTINGENT EFFECT. The appropriation made in sec. 17(b) of this Act is contingent as set out in sec. 17(b) of this Act.

EXPLANATION:

In FY13 the State of Alaska provided a one-time increment of \$8.0 million GF. It was the State's understanding that Alaska Aerospace Corporation [AAC] would not become wholly dependent on the State to provide funding for operations and maintenance. The State understands that AAC has potential contracts that will be fulfilled in FY14. To that end, the legislature will provide funding in FY14 to AAC to allow AAC to secure a contract by June 30, 2013. If no multi-year commercial launch service contract is

secured by that date, funding will be reduced by \$3.0 million.

Representative Kawasaki OBJECTED for discussion.

Representative Thompson explained Amendment 11. He communicated that the Alaska Aerospace Corporation fell under the Department of Military and Veterans Affairs. The corporation had requested \$8 million for its operating budget, but the finance subcommittee had recommended reducing the number to \$5 million. He explained that the corporation felt that the reduction would hamper its attempt to secure a contract for launch in August 2014. The amendment would restore funding to the corporation with the caveat that failure to secure a multi-year launch contract by June 30, 2013 would mean a \$3 million reduction in funds.

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Representative Kawasaki agreed with the amendment's underlying concept. He asked whether multi-year commercial launch contracts were typical. He pointed to backup data that seemed to indicate that contracts had duration of one year. He wondered whether the amendment would be too stringent.

Representative Thompson replied that the amendment was intended to be stringent. He relayed that the corporation had conveyed that it expected there to be one launch per year under the potential contract. The goal was to let the corporation know that the legislature was serious about wanting to see production and the development of a good business plan. He reiterated that the language was restrictive; he had not spoken to the corporation about the amendment. He believed the program was great, which had been implemented to diversify the state's economy and to involve the universities in rocket technology. There had not been any production for a couple of years and he hoped to see that change.

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Co-Chair Stoltze pointed out that the amendment was a compromise. He believed the Alaska Aerospace Corporation would get the message that a business plan was needed and

that it was not an "unending cash cow" of legislative appropriations.

Co-Chair Austerman informed the committee that two years earlier the corporation had come forward with a \$40 million request for sustaining funds (\$10 million per year for four years) to allow the corporation to redo its business plan. The result had been a \$4 million appropriation the first year, \$8 million the second year, and \$8 million in the current year. He shared that the new executive officer had communicated that the fourth year request would be reduced to \$6 million. He stated that the \$32 million total request was for sustaining funds to keep the corporation's doors open. He agreed that the legislature should not continue to fund something that would not work and stated that the amendment would put the corporation in a position to ensure that it would work.

3:03:58 PM

Representative Kawasaki liked the language in Amendment 11, but wanted to make a change. He MOVED to AMEND Amendment 11 by increasing the \$3 million reduction to \$5 million. He stated the language would read:

...the general fund to the Alaska Aerospace Corporation, Alaska Aerospace Corporation allocation in sec. 1 of this Act shall be reduced by \$5,000,000.

Representative Wilson OBJECTED.

Representative Kawasaki agreed that the Alaska Aerospace Corporation should be on its way to becoming self-sufficient. He stated that the amendment would put the ball squarely in its court. He referred to budget subcommittee discussions related to an amount the corporation would need to operate. He believed the corporation should be heading in the direction of looking at transferring assets over to a private developer or a private contractor that could operate the asset. He believed the \$3 million the state intended to provide the corporation would provide the corporation with the latitude to explore the options. He agreed with the amendment but opined that it needed to be more specific.

Co-Chair Austerman voiced objection to amending Amendment 11. He explained that Amendment 11 would take \$3 million

from the corporation if it failed to secure a contract by July 1, 2013; whereas the proposed amendment to Amendment 11 would take \$5 million. He believed that for an operation of the corporation's size it would take some time to close down. He stated that reducing funding by \$5 million may not allow the corporation to close down in an appropriate way.

[3:06:53 PM](#)

Representative Thompson agreed and objected to the proposed amendment to Amendment 11. He furthered that a reduction of \$3 million would leave the corporation with \$5 million to carry it through the end of January 2014. He provided a scenario in which the corporation came up with four launches for the following year; the funding under Amendment 11 gave the opportunity for the legislature to provide a supplemental appropriation in January 2014 to allow the corporation to continue. He stated that the amendment gave the corporation the opportunity to work towards something; if nothing came to fruition the money would enable it to sell or lease out the complex. He stressed that reducing the budget by \$5 million would only give the corporation funds for approximately 3 months of operation.

Representative Gara agreed with the amendment to Amendment 11. He pointed to frustration with the Alaska Aerospace Corporation. He stated that there had not been a launch in the past two years and that there was no contract for a launch in the future. He had heard a promise from the corporation that it was on the verge of securing a contract; however, the possibility of a contract kept getting pushed further out into the future. He agreed that the corporation should be given until June 30, 2013 to determine a plan, but he did not believe it needed \$5 million if no launches had been secured at that time. He believed if no launches had been secured it would be time for the corporation to find an operator to run the facility at no cost to the state or to consider selling. He believed \$3 million would allow the corporation to continue negotiating into the following year for rocket launches. He opined that leaving the corporation with \$5 million would let it run an empty facility. He believed \$3 million would keep the facility's integrity intact and to allow the corporation to determine a way to sell it.

[3:09:38 PM](#)

Vice-Chair Neuman spoke against the amendment to Amendment 11. He pointed to a business plan that had been laid out by the Alaska Aerospace Corporation. He stated that the corporation needed a certain amount of structure within the facility itself; the contracts would not be obtained if it could not demonstrate the structure. He furthered that the funding would provide the corporation with one more opportunity to secure contracts by June 30, 2013. He stressed that if the corporation did not have resources available to move forward on contracts the legislature was essentially "cutting them off at the feet."

Representative Kawasaki provided a wrap up on the amendment. He referred to discussion in the budget subcommittee related to a cold operation option. The subcommittee had asked the corporation why it needed 42 staff when there had been no launches in the past two years; the corporation responded that staff was needed in order to work to get a launch done. He referred to the possibility that a contract could be signed in August for four future launches. He remarked that there had been 18 lifts in 12 years. He believed the corporation's projection of three launches in 2015 were speculative at best. He opined that \$3 million was an adequate amount of money for a cold operation (where engineers would not be needed).

Co-Chair Austerman shared that he lived where the launch facility was located. He detailed that two weeks earlier 25 to 35 people from the Department of Military Defense had visited the facility, in preparation for a possible launch contract for the fall of 2014. He noted it was the only contract the corporation was considering currently. He stated that the current staff was needed in order to meet with prospective clients. He agreed with other comments about the length of time the state should continue to fund the corporation. He supported the original amendment and believed it worked to put the corporation on notice to come up with a viable business plan or figure out how to close down the operation.

A roll call vote was taken on the motion to amend Amendment 11.

IN FAVOR: Gara, Kawasaki

OPPOSED: Thompson, Wilson, Costello, Edgmon, Holmes, Munoz, Neuman, Stoltze, Austerman

The MOTION FAILED (2/9).

There being NO further OBJECTION Amendment 11 was ADOPTED.

[3:14:21 PM](#)

Representative Costello MOVED to ADOPT Amendment 12:

OFFERED BY: Representatives Costello and Austerman
DEPARTMENT: Natural Resources
APPROPRIATION: Oil and Gas
ALLOCATION: Oil and Gas
LANGUAGE: Page 62, following line 2:

Insert a new subsection to read:

"(e) The amount necessary, not to exceed \$600,000, is appropriated from the general fund to the Department of Natural Resources, Division of Oil and Gas, for the purpose of retaining expert contractors to examine commercial terms for service of the North Slope gas commercialization project and ensure compliance with the terms of the Alaska Gasline Inducement Act license under AS 43.90.100 -43.90.260."

Representatives Kawasaki OBJECTED for discussion.

Representative Costello explained that the Department of Natural Resources (DNR) had requested a one-time increment of \$600,000 to retain expert contractors to examine the commercial terms for North Slope gas commercialization and to ensure compliance with the Alaska Gasline Inducement Act (AGIA). The subcommittee had recommended changing the increment from a one-time occurrence to including it in the language section of the budget; the change would enable the department to use up to \$600,000, but DNR would no longer be able to spend the money in other areas.

[3:15:22 PM](#)

Vice-Chair Neuman spoke in opposition to the amendment. He reiterated the amendment's purpose. He believed that the governor had designated \$25 million in the operating budget for AGIA and the Alaska Gasline Development Corporation (AGDC). He stated that the items under the amendment were already part of the entities' job. He furthered that under the AGIA terms, if TransCanada or ExxonMobil were doing the

work, the state was currently responsible for up to 90 percent of the costs. He guessed that the full \$600,000 would be spent if allocated. He stressed that the state was running in a deficit mode. He believed reductions needed to be made where they were possible.

Representative Kawasaki asked whether the amendment would restrict the Division of Oil and Gas by specifying that it would be required to retain expert consultants for commercial terms. He noted that current language provided the entity with more autonomy related to decision making.

3:17:44 PM

Representative Costello replied that in the past DNR had used the one-time increment for the specific purpose outlined in Amendment 12. She furthered that it had been the budget subcommittee's desire that the allocation move into the language section for appropriation on an as-needed basis. She noted that the amendment also included sideboards around the budget item.

Vice-Chair Neuman MAINTAINED his OBJECTION.

A roll call vote was taken on the motion to adopt Amendment 12.

IN FAVOR: Wilson, Costello, Edgmon, Gara, Kawasaki, Holmes, Munoz, Thompson, Austerman, Stoltze
OPPOSED: Neuman

The MOTION PASSED (10/1). There being NO further OBJECTION, Amendment 12 was ADOPTED.

3:19:15 PM

Representative Costello MOVED to ADOPT Amendment 13:

OFFERED BY: Representatives Costello and Austerman

DEPARTMENT: Natural Resources

APPROPRIATION: Oil and Gas

ALLOCATION: Oil and Gas

LANGUAGE: Page 62, following line 2:

Insert a new subsection to read:

"(e) The amount necessary, not to exceed \$500,000, for costs related to royalty oil and gas valuation matters, including audit disputes, reopener provisions under royalty settlement agreements, establishing minimum royalty values, disposition of royalty in kind, and similar matters is appropriated from the general fund to the Department of Natural Resources, Division of Oil and Gas, for the fiscal year ending June 30, 2014."

Representative Kawasaki OBJECTED.

Representative Costello explained that the DNR budget subcommittee recommended moving \$500,000 from the base for royalty arbitration in which DNR would argue on behalf of the state against oil companies to obtain hundreds of millions of dollars that the state believed it was owed based on royalty valuation. She furthered that the entire request equaled \$1.3 million; \$500,000 would come from the capital budget and \$800,000 had come as an operating budget request. The amendment would mean a reduction of \$300,000 to DNR. She communicated that the oil companies would not know the amount of funds used but they would know that it would not exceed \$500,000. She believed that the work was significant.

Representative Gara agreed with the importance of the ability to litigate the cases against high powered attorneys. He pointed to the original \$1.3 million request and asked if the \$500,000 was an increment to the subcommittee budget.

Representative Costello replied that the increment had been in the base and the budget subcommittee had moved it into the language section. She elaborated that the additional \$500,000 request was included in the capital budget.

[3:21:41 PM](#)

Representative Gara asked if the operating budget cost was \$800,000 and the capital budget request was \$500,000.

Representative Costello replied that \$500,000 would be included in the operating budget language section if the proposed amendment passed and \$500,000 would be included in the capital budget if approved.

Representative Gara asked for verification that without the amendment there would be zero funds allocated to the item. Representative Costello replied in the affirmative.

[3:22:17 PM](#)

Vice-Chair Neuman asked for clarification on the total proposed expenditure. He wondered if the amendment added \$500,000 to the amount the agency would receive.

Representative Costello answered that without the amendment the royalty arbitration work would not receive any funding.

Vice-Chair Neuman pointed to a capital budget request for funding of a portion of the increment. He surmised that without the amendment the division would still receive some funding.

Co-Chair Austerman explained that without the amendment there would be zero operating funds designated for the item. The capital budget could contain partial funding for the item.

Representative Kawasaki WITHDREW his OBJECTION. There being NO further OBJECTION Amendment 13 was ADOPTED.

[3:23:58 PM](#)

Representative Munoz MOVED to ADOPT Amendment 14:

OFFERED BY: Reps. Munoz and Austerman

DEPARTMENT: University of Alaska

APPROPRIATION: University of Alaska

ALLOCATION: Budget Reductions/Additions -
Systemwide

DELETE: \$36,000,000 University of Alaska
Restricted Receipts (1048)

EXPLANATION:

This amendment would reduce unrealized University of Alaska Restricted Receipts, Fund Code 1048 (Designated General Funds), by \$36,000,000 to an amount that comes closer to reflecting how much the University of Alaska raises in tuition, fees, and other sources.

Previous University budgets have included significant receipt authority that is unrealizable, according to

discussions with University officials and members of the House Finance University of Alaska Budget Subcommittee. This over-authorization for "hollow receipts" creates the appearance that the University has more funding than what it can generate.

For example, in Fiscal Year 2012, the legislature authorized nearly \$314.1 million in University receipts. The University ended that fiscal year generating almost \$272.4 million -a difference of roughly \$41.7 million.

This \$36,000,000 amendment neither reduces revenue to the University nor affects spending in Fiscal Year 2014. It is a technical adjustment to provide more accurate receipt information for this Designated General Fund source.

Representative Kawasaki OBJECTED.

Representative Munoz explained that Amendment 14 would remove \$36 million in hollow receipt authority [for the University of Alaska]. The subcommittee had discovered hollow receipt authorities embedded throughout the university budget, which made it difficult to know the true line item expenditures in different areas of the budget. The amendment would retain the university's ability to raise federal funds; there was approximately \$10 million in federal receipt authority. She furthered that there was close to \$10 million in designated general fund receipt authority above the amount currently collected in tuition fees and from other revenue sources. She summarized that the reduction would provide a more accurate reflection of the actual university budget.

Representative Gara provided a scenario where a university professor obtained private grants totaling \$50 million. He wondered if the amendment would allow professors to accept the private grant funding above the \$36 million in unrealized receipts.

Representative Munoz replied in the affirmative. She stated that the university could ask the Legislative Finance Division [Correction: Legislative Budget and Audit Committee] for a language amendment that would be brought forward in the following legislative session.

Co-Chair Austerman corrected that the agency was Legislative Budget and Audit Committee. Representative Munoz agreed.

Representative Gara asked for verification that the Legislative Budget and Audit Committee had the authority to approve the grants during the interim.

[3:27:12 PM](#)

Representative Munoz replied in the affirmative.

Representative Gara remarked that he would only be upset if the university was denied use of grant money it raised. He doubted that the situation would occur.

Co-Chair Austerman commented that on average the university had somewhere in the neighborhood of \$40 million to \$45 million annually in unused receipt authority.

Representative Kawasaki WITHDREW his OBJECTION. There being NO further OBJECTION Amendment 14 was ADOPTED.

Co-Chair Austerman MOVED to ADOPT Amendment 15:

OFFERED BY: Representatives Austerman and Costello

DEPARTMENT: University of Alaska

APPROPRIATION: University of Alaska

ALLOCATION: Anchorage Campus

DELETE: \$250,000 general funds (1004)

EXPLANATION:

This amendment deletes the funding for the second year of a two-year project of the Institute of Social and Economic Research (ISER) on Alaska Education Policy Research.

Co-Chair Stoltze OBJECTED for discussion.

Co-Chair Austerman addressed Amendment 15. He referenced a lengthy discussion from the prior year related to how to handle education funding throughout the state. He referred to an education task-force that had been established. A bill addressing the issue had not passed, but the Senate had recommended putting two installments of \$250,000 into Institute of Social and Economic Research (ISER) on Alaska Education Policy Research. He had recently met with ISER

staff and had learned the first installment of \$250,000 had not been spent. The amendment would remove the second installment of \$250,000 from the FY 14 budget, with the understanding that the money would be allocated at a later time when ISER could demonstrate that it was actively working to understand the education system across the state and how it should be funded.

[3:29:44 PM](#)

Representative Kawasaki had not spoken directly with ISER, but believed that the legislature needed to keep all agencies accountable to money they received. He did not want to cut funds if ISER had not fully encumbered the initial \$250,000 because it was waiting on the additional funds; if that was the case he surmised that contingency language may be more appropriate that would allow ISER to show what the legislature expected.

Representative Gara agreed with the amendment as long as ISER understood that it was supposed to use the first \$250,000 for a work product and not solely a work product plan. He believed the entity could generate a good work product for that amount.

Co-Chair Austerman replied that the budget amount included a page of instructions for ISER.

Representative Gara believed the legislature would also work to determine an education funding plan.

There being NO further OBJECTION, Amendment 15 was ADOPTED.

[3:31:29 PM](#)

Representative Munoz WITHDREW Amendment 16.

Representative Edgmon MOVED to ADOPT Amendment 17:

OFFERED BY: Rep. Edgmon

DEPARTMENT: University of Alaska

APPROPRIATION: University of Alaska

ALLOCATION: Bristol Bay Campus

ADD: \$55,000 UGF (1004) \$55,000 Univ Rcpt
(1048)

EXPLANATION: There is presently a waiting list for the Bristol Bay Campus Nursing program and this request will help fund the nursing faculty member. Producing more nursing graduates will help meet employer needs and fill the increasing statewide demand for nurses, specifically nurses for rural Alaska.

Representative Kawasaki OBJECTED for discussion.

Representative Edgmon explained that the amendment would provide the Bristol Bay Campus with a faculty position that would help it to continue a local nursing program. He pointed to the program's success and noted that it had graduated its first class. Graduates were eligible for employment opportunities at the regional hospital. He furthered that the program had a waiting list. The campus had identified a number of candidates for the position.

Representative Kawasaki WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 17 was ADOPTED.

[3:33:21 PM](#)

Representative Munoz MOVED to ADOPT Amendment 18:

OFFERED BY: Rep. Munoz

LANGUAGE: AMEND Sec. 21, UNIVERSITY OF ALASKA, by adding a new subsection to read:

(--) The sum of \$90,000 is appropriated from the general fund and \$27,800 in receipts of the University of Alaska as described in AS 37.05. 146(b)(2) for a total of \$117,800 to the Juneau Campus of the University of Alaska for the Center for Mine Training."

This section has an effective date of July 1, 2013.

EXPLANATION:

The University of Alaska Center for Mine Training at the Juneau Campus was created in June 2011 after Hecla Greens Creek donated \$300,000 to the program. It is becoming an internationally recognized center for training miners with state-of-the-art training aids, faculty, and facilities. It works in cooperation with

the University of Alaska Mining and Petroleum Training Service to provide Mine Safety and Health Administration training, such as entry-level mining classes, that lead to good-paying jobs in Alaska mines.

The \$117,800 request is for the center's training director who also serves as an assistant professor who teaches courses supported by the Hecla Greens Creek donation as part of the Hecla Greens Creek Mining Training Career Pathway. The director teaches two statewide introductory courses that serve as the first steps in a pathway that leads to a career in mining. Students then enter a UA Mine Mechanics Occupational Endorsement and Power Technology Associates of Applied Sciences certificate programs with an emphasis in diesel mechanics all funded by the Hecla Greens Creek donation. The director also operates amine simulator and represents the UA mine training program locally, regionally, across the state, nationally, and internationally.

This program creates jobs in Southeast Alaska. By putting this appropriation in the language section, it assures that this program will be funded.

Vice-Chair Neuman OBJECTED.

Representative Munoz explained that the amendment would provide funding for the mining training director position at the University of Alaska Southeast. She communicated that the program had initially been funded with a grant from the Hecla Greens Creek Mining Company. A statewide course was also offered to high school students for dual credit. She shared that the program had been successful in training and preparing individuals for jobs at Hecla and Kensington Mine. She expounded that other mines in Southeast Alaska were training individuals through the program in anticipation of opening on Prince of Wales Island.

Vice-Chair Neuman believed that the request had been put forward by the university's Board of Regents and had not been in the governor's proposed budget. He stated that there was already legislation that increased the funds and asked for matching grants from private industry; transferrable credits could be obtained for corporate

taxes. He stated that there was a partnership with private industry that would allow mines to partner with schools for training. He wanted to see increased private partnership with the education industry where transferrable credits could be received for various businesses; he stated that fish, mining, and other taxes could be used. He believed in vocational education training and understood that the courses were needed. He remarked that workers were coming in from out of state for mining jobs. He reiterated his belief that there were other ways to offer the training such as public-private partnerships. He pointed to the current budget deficit. He mentioned his legislation related to technical vocational education program funds that would take funds from employees' paychecks and go towards vocational education in Southeast; the university would receive 5 percent of funds that totaled approximately \$10.7 million.

[3:36:46 PM](#)

Vice-Chair Neuman restated his objection to Amendment 18. He believed the programs were necessary, but the state was running in a deficit mode. He noted that there were a significant number of other training programs in Fairbanks and in other areas; he would like to fund them all, but he did not believe the state could afford it.

Representative Gara supported the amendment, but wanted it to recognize the need of mining programs across the state. He stated that the Board of Regents had requested bolstering the mining program at the University of Alaska campuses in Fairbanks (UAF), Anchorage (UAA), Southeast (UAS), and in one other location. He believed that with the exception of a couple of proposals the mining history in the state had been responsible. The industry provided well-paying jobs, but positions were frequently filled by out of state workers. He stressed that the issue was not regional; there were mines throughout Alaska and students across the state could benefit from the jobs. He wanted to see funding for the other campuses as well.

[3:38:58 PM](#)

Representative Wilson spoke against the amendment. She recalled a similar discussion related to the Alaska Vocational Technical Center (AVTEC) and private funding. She believed the university had a block grant that would

allow it to fund the program. She mentioned micromanagement and UAF programs needing instructors.

Representative Kawasaki supported the increment, but wondered if it would be more appropriate to leave it under the Consolidated Alaskan Mining Initiative (CAMI) to allow the Board of Regents to determine the best way to appropriate the funds. He communicated that the amendment went to the Board of Regents' original FY 14 CAMI request. The request was over \$702,000 and included certification in Fairbanks and was associated with the Anchorage mining industry and a mining initiative in Fairbanks.

3:40:56 PM

Representative Munoz spoke in support of Amendment 18 and a terrific program. She had visited classrooms and had seen youths with limited opportunities complete the program successfully and transition into high paying jobs. She stated that without the money the program would probably go away.

A roll call vote was taken on the motion to adopt Amendment 18.

IN FAVOR: Costello, Edgmon, Gara, Kawasaki, Holmes, Munoz, Thompson, Austerman, Stoltze
OPPOSED: Neuman, Wilson

The MOTION PASSED (9/2). There being NO further OBJECTION Amendment 18 was ADOPTED.

3:42:29 PM

Representative Munoz MOVED to ADOPT Amendment 19:

OFFERED BY: Reps. Munoz, Thompson, Edgmon and Austerman

DEPARTMENT: University of Alaska APPROPRIATION: University of Alaska

ADD INTENT:

It is the intent of the legislature that the University of Alaska use funding appropriated by the legislature to pay operating costs associated with opening new facilities.

Co-Chair Stoltze OBJECTED for discussion.

Representative Munoz explained that Amendment 19 would add intent language directing the university to use funding appropriated by the legislature to pay the operating costs associated with opening new university facilities including a life sciences building in Fairbanks and a number of facilities on the Kenai Peninsula.

Representative Edgmon spoke in support of the amendment; he believed it represented a compromise. He relayed that the amendment asked the university to reach within its own funding to pay for a number of buildings that would begin servicing students. He mentioned a new facility on the Bristol Bay campus. He hoped the intent language would help the university make the right choices when it came to getting the buildings and programs up and running.

[3:44:00 PM](#)

Representative Gara spoke to the operation of buildings and noted that the legislature had funded a number of university buildings statewide; the science facility in Fairbanks would cost approximately \$2 million to get operating. He was not aligned with the committee on the amount of funding included in the budget for the university. He stressed that the money would come out of classroom funding and other. He stated that he would support the amendment because the university had to keep its buildings open.

Vice-Chair Neuman supported the amendment. He believed the university's total operating budget was slightly under \$1 billion and that its FY 14 request was for an increase of approximately \$18 million; \$16 million of the increase had been approved. He thought the university's budget was doing well in comparison to other many other budgets. He noted that the university served a significant number of specific needs including mining operations.

Representative Kawasaki spoke against Amendment 19. He provided an example of a new dorm facility in a rural area and surmised that operating costs would be high. He stated that the intent language specified that if the university wanted to see a building opened and needed capital improvement money, it may need to think about raising tuition to cover costs. He believed the issue represented a

slippery slope when the legislature was stepping into the Board of Regents territory.

[3:47:23 PM](#)

Representative Thompson supported Amendment 19 because it would allow the regents to determine how to make the funds work in particular areas. He stated that the intent applied to the opening of new buildings that the state had funded through bonding or grants. He pointed to the \$108 million life sciences facility in Fairbanks as an example. He mentioned a new building in Representative Edgmon's district that would cost \$246,000 to open and operate. He stressed that the state could not let a brand new building sit empty. He added that perhaps the state should determine how building maintenance would be funded prior to construction. He relayed that the amendment would make sure the regents understood that they were responsible for determining where they would take the funds from the university's \$946 million budget.

Representative Kawasaki MAINTAINED his OBJECTION.

A roll call vote was taken on the motion to adopt Amendment 19.

IN FAVOR: Edgmon, Gara, Holmes, Munoz, Neuman, Thompson, Wilson, Costello, Stoltze, Austerman
OPPOSED: Kawasaki

The MOTION PASSED (10/1). There being NO further OBJECTION, Amendment 19 was ADOPTED.

Representative Wilson MOVED to ADOPT Amendment 20:

OFFERED BY: Reps. Wilson and Thompson

LANGUAGE:

AMEND Sec. 25, FUND CAPITALIZATION, by inserting a new subsection after subsection (g) to read:

(h) The sum of \$125,000,000 is appropriated from the general fund to the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund (AS 44.88.660). The appropriation made in this subsection is contingent on approval by the Alaska Energy Authority of a loan of

no less than \$10,000,000 from the sustainable energy transmission and supply development fund (AS 44.88.660) for the purpose of advancing the use of North Slope natural gas in the Fairbanks area.

ADD Contingent Effect to sec 35: The appropriation made in sec. 25(h) of this Act is contingent as set out in sec. 25(h) of this Act."

EXPLANATION: Capitalizing the AIDEA sustainable energy transmission and supply development fund will provide the financing component to HB 74/SB 23.

There being NO OBJECTION, Amendment 20 was ADOPTED.

Co-Chair Austerman MOVED to ADOPT Amendment 21:

OFFERED BY: Representative Austerman

DEPARTMENT: Fund Transfers

APPROPRIATION: OpSys DGF Transfers (non-add)

ALLOCATION: Power Project Fund

LANGUAGE:

Add the following subsection on page 74, following line 11:

"(P) The sum of \$10,000,000 is appropriated from the general fund to the power project fund (AS 42.45.010) for the purpose of making a loan to the Cordova Electric Cooperative for the Humpback Creek hydroelectric project. The appropriation made in this subsection is contingent on the approval by the Alaska Energy Authority of a loan not to exceed \$9,123,000 from the power project fund to the Cordova Electric Cooperative for the Humpback Creek hydroelectric project."

Page 77, following line 20: Insert a new bill section to read:

"Sec. 35. CONTINGENT EFFECT. The appropriation made in sec. 26(p) of this Act is contingent as set out in sec. 26(P) of this Act."

Representative Kawasaki OBJECTED for discussion.

Co-Chair Austerman explained that Amendment 21 would transfer \$10 million from the General Fund into the Power Project Fund. He detailed that legislative approval was not required for loans to utilities for up to \$5 million. The amendment enabled the Alaska Energy Authority to conduct due diligence; it could approve a loan that was not to exceed \$9,123,000.

Representative Kawasaki WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 21 was ADOPTED.

[3:50:45 PM](#)

AT EASE

[4:03:29 PM](#)

RECONVENED

Co-Chair Austerman pointed to an amendment to Amendment 8 that had been held for drafting.

Representative Kawasaki MOVED to AMEND Amendment 8:

OFFERED BY: Representative Kawasaki

DEPARTMENT: Department of Environmental
Conservation

APPROPRIATION: Water

Amendment to Amendment #8

REMOVE", to the extent feasible," after the word
"Conservation"

EXPLANATION: this ensures the department does
implement the intent of this amendment

Co-Chair Stoltze and Representative Thompson OBJECTED.

Representative Kawasaki explained the amendment to Amendment 8. He discussed that the legislature included a significant amount of intent language in the budget on an annual basis. He believed that deleting the language "to the extent feasible" forcefully conveyed exactly what the legislature wanted without any caveats; it would require the department to make information regarding cruise ship geographical areas available to the public on its website.

[4:05:06 PM](#)

Representative Munoz shared that the language "to the extent feasible" did not come out of the subcommittee. She supported the deletion of the language.

Co-Chair Stoltze WITHDREW his OBJECTION.

Representative Wilson OBJECTED.

A roll call vote was taken on the motion to amend Amendment 8.

IN FAVOR: Gara, Kawasaki, Holmes, Munoz, Costello, Edgmon, Austerman

OPPOSED: Neuman, Thompson, Wilson, Stoltze

The MOTION PASSED (7/4). There being NO further OBJECTION, the amendment to Amendment 8 was ADOPTED.

There being NO OBJECTION, Amendment 8 as amended was ADOPTED.

[4:07:35 PM](#)

Representative Gara MOVED to ADOPT Amendment 22:

OFFERED BY: Representatives Gara, Guttenberg and Kawasaki

DEPARTMENT: Education and Early Development

APPROPRIATION: Teaching and Learning Support

ALLOCATION: Early Learning Coordination

ADD: \$242,500 General Funds (1004)

EXPLANATION: Restores Governor's FY14 budget proposal for Parents as Teachers, a cost-effective Pre-Kindergarten effort for students who do not attend Pre-K classes. In FY13, legislation (SB 182) was passed to fund this effort with three years of an additional \$3.3 million to reach students across the state. That fiscal note was vetoed down to \$492,500. This amendment restores funding to the base amount requested by the Governor in his FY14 budget.

Co-Chair Stoltze OBJECTED.

Representative Gara communicated that Amendment 22 would restore the governor's proposed funding recommendation for the Parents as Teachers program. He explained that a number

of years earlier several legislators had begun work to plan Pre-K funding that was acceptable to the Democrat and Republican parties. He relayed that there had been objections in the past related to classroom Pre-K; therefore an out of the classroom option had been created. Parents were trained to work with their children on intellectual development, which put them on an equal to advanced footing with peers upon entrance into Kindergarten and 1st grade. The Parents as Teachers program was used statewide in many conservative states throughout the country. He stated that the program was proven to work to improve intellectual capability and reading ability.

Representative Gara relayed that the prior year legislation with a three-year \$3.3 million per year fiscal note had been passed that would extend the Parents as Teachers program across the state. The governor had vetoed the bill and had reduced the fiscal note to \$492,000 for each of the three years. The governor included the funds in his proposed FY 14 budget and it had been cut by \$242,000 in subcommittee. He stressed that preparing students for learning would improve student and school success. He listed classroom Pre-K, home learning, and other as ways to increase improvement. He relayed that the current increment would only provide service for 300 to 400 families. He believed the funding should be part of the state's education plan to provide students with tools for success. He stated that if children did not receive early education by 3 or 4 years of age they would have trouble through high school, more money would be spent on remediation and special education services, and graduation rates would decline. He communicated that the amendment was modest and sought to restore the governor's proposed funding.

[4:12:01 PM](#)

Representative Wilson spoke in opposition to the amendment. She discussed the Best Beginnings and Parents as Teachers programs. She stated that Best Beginnings had over \$230,000 in donations and a \$130,000 cash match. She stated that unfortunately Parents as Teachers did not have funds; however, the program should be able to locate other funding sources. She furthered that it was becoming increasingly necessary for programs to look for matching funds and in-kind matches. She relayed that the intent was to send Parents as Teachers the same message as Best Beginnings.

Representative Kawasaki spoke in support of Amendment 22. He referenced a supporting document for the amendment stating that the highest performing children had participated in Parents as Teachers and in other programs such as combined preschool and/or center based childcare. He believed that the debate on the issue should be focused on one program.

Representative Gara stated that the committee agreed that Parents as Teachers worked and prepared children for success in greater numbers. He noted that the only dispute he had heard was that the program needed to locate private funding. He discussed that Best Beginnings did receive some private funding and had a limited budget of approximately \$900,000. He stressed that the people running Parents as Teachers were busy educating kids and did not have the extra staff to locate funding that was probably not available. He remarked that it would be one thing if there was private money available that the program was missing out on. He stated that the legislature tended to fund the school system with public dollars. He hoped committee members would recognize that the money would lead to success for many children.

[4:15:23 PM](#)

A roll call vote was taken on the motion to adopt Amendment 22.

IN FAVOR: Kawasaki, Holmes, Munoz, Gara
OPPOSED: Neuman, Thompson, Wilson, Costello, Edgmon, Stoltze, Austerman

The MOTION FAILED (4/7).

[4:16:14 PM](#)

Representative Gara MOVED to ADOPT Amendment 23:

OFFERED BY: Representatives Gara, Guttenberg and Kawasaki
DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Pre-Kindergarten Grants
DELETE: \$2,000,000 GF (1004) OTI
ADD: \$2,480,000 GF (1004)

EXPLANATION: This amendment restores \$2 million of one-time funding to the base budget of the Pre-Kindergarten Grants as requested in the Governor's FY14 budget proposal it also restores the \$480,000 increment requested by the Governor in this FY 14 budget.

In 2010 the Commissioner of the Department of Education stated his intention that this 310 student pilot project would be expanded upon proof that it enhances student achievement. It has been proven to enhance learning in a state that ranks 45th in the nation in 4th grade reading levels.

Representative Wilson OBJECTED.

Representative Gara explained the amendment that would restore Pre-K funding to the governor's proposed level. He stated that a pilot Pre-K program had been started three years earlier and the DEED commissioner had relayed that if the program was proven to work the state would begin expanding it by approximately \$2 million per year; the pilot program had ended in 2012. He shared that roughly half of the students previously in the bottom quarter of standardized testing had advanced out of the category after the first half of the year. He detailed that the program resulted in almost a doubling of students testing in the top two quarters. He stated that the program's effectiveness had been proven.

Representative Gara furthered that the governor had requested an additional \$480,000 to be added to the prior year funding of \$2 million. He opined that the number should be higher, but he was satisfied with the increment as long as the program continued to be expanded to additional families going forward. He listed benefits of the program including higher graduation, college, and job rates. He shared that students were also less likely to be incarcerated in later years and were more likely to earn a higher wage upon graduation. He relayed that the current Pre-K program served approximately 2 percent of eligible children in the state; the national average (outside of Head Start) was 28 percent. He stressed that the low percentage was part of the reason graduation rates were low in the state. He stated that the additional \$480,000 was not a substantial sum of money and emphasized the program's success.

4:20:10 PM

Representative Wilson wondered whether the program's results were proven. She discussed testing the students in Kindergarten through third grades; DEED planned to begin tracking the current Pre-K students. She wondered whether Pre-K children were actually reading at higher levels than others in second or third grade. She relayed that six out of the eight programs were Head Start; five out of six of the programs that received the first three years would be receiving two additional years. She expected that the state would look at different types of Pre-K programs to determine which provided the most benefit for the money spent. She discussed other options apart from funding current programs with additional money.

Representative Wilson relayed that the \$2 million funding had been changed to a one-time increment in the DEED budget subcommittee process. She emphasized that the grants would end the following year. She wanted to ensure the grants were funding all types of programs including private pre-schools. She stated that private pre-schools were funded through the Department of Health and Social Services for one-income families who may not qualify for Head Start. She stressed that a pilot project should be done throughout the state to be fair and to determine programs that work. She opined that it was not fair for a program that had not received three years of state funding to compete with a program that had. She reiterated that the state would be tracking the programs to determine their results.

Representative Munoz asked whether the entities currently using the funds would be able to apply for funds and receive consideration.

Representative Wilson replied that the grant went for one more year and that entities currently receiving funds would receive slightly less funding; how it appeared would be up to the department. She hoped that programs which had already received four years of funding would see a decrease and would not be grantees the following year.

4:23:29 PM

Representative Kawasaki spoke in support of the amendment. He referenced page 2 of the Amendment 23 package. He

pointed to frequent confusion between various programs including Head Start, Best Beginnings, early education, and private Pre-K schools. He communicated that DEED had relayed that no student attended both a Pre-K and a Head Start class. He emphasized that when making a commitment to education, a one-time increment was not sufficient. He was in favor of restoring the governor's funding increment.

Representative Holmes spoke against the amendment. She stated that she was a huge believer in education. She relayed that she had supported reinstating some funding for the Best Beginnings and Parents as Teachers programs. She referred to the legislature's process of working to determine how to continue core services during a time of potential budget deficits. She believed in Pre-K and opined that the current budget would allow the program to continue, while enabling the legislature to analyze how it would continue to fund K-12 education.

[4:26:27 PM](#)

Representative Wilson followed up on Representative Kawasaki's remarks and stated there were different children in the Head Start programs because it was all one program. She elaborated that the department did not track Parents as Teachers or Best Beginnings as Pre-K programs. Her concern about duplication related to programs that the department used essentially as block grants, which had not been tracked in the past. She noted that tracking would begin for programs including Parents as Teachers.

Representative Gara believed there was a huge misunderstanding about the program. He communicated that a portion of the students used some Head Start services (e.g. screening, health, and other). He disputed the impression that many of the children were attending a Head Start classroom. He stated that children needed to enter Kindergarten ready to learn if the goal was to improve school outcomes and to save money in the long-term. He believed it was a problem that one-fourteenth of Alaska's children were receiving Pre-K compared to the national average.

A roll call vote was taken on the motion to adopt Amendment 23.

IN FAVOR: Edgmon, Gara, Kawasaki

OPPOSED: Holmes, Munoz, Neuman, Thompson, Wilson, Costello, Austerman, Stoltze

The MOTION FAILED (3/8).

Representative Gara WITHDREW Amendment 24.

[4:29:50 PM](#)

Representative Gara MOVED to ADOPT Amendment 25:

OFFERED BY: Representatives Gara, Guttenberg and Kawasaki

DEPARTMENT: Health and Social Services

APPROPRIATION: Children's Services

ALLOCATION: Infant Learning Program Grants

ADD: \$400,000 General Fund/Mental Health (1037)

EXPLANATION: Restores Governor's FY14 budget proposal The Infant Learning Program provides screening, evaluation and early intervention services for children ages 0-3 with developmental delays. Services provided support rather than supplant the natural care-giving roles of families, and providers seek to promote a family's autonomy.

Vice-Chair Neuman OBJECTED.

Representative Gara communicated that the amendment would restore funding for the Infant Learning Program to the governor's proposed level of \$400,000. He shared that the program targeted children with hearing and/or visual disabilities that a parent may not be aware of. The program provided services to children upon diagnosis in order to prevent significant developmental delays. He stated that the cost of the program was minimal compared to the substantial results it achieved. He pointed to the importance of identifying Fetal Alcohol Syndrome, Autism, and other in the early years. He furthered that addressing the issues early on would save money in the long-term.

[4:31:21 PM](#)

Vice-Chair Neuman spoke in opposition to the amendment. He referenced line 31 of a LFD budget worksheet for DHSS. He relayed that the increment was part of the Bring the Kids

Home program. He noted that a portion of funding had been reduced in the governor's budget. He pointed to various increments for the Infant Learning Program including \$175,000 for maintenance and services, \$25,000 for early intervention, \$1,500,000 for child abuse prevention and treatment, \$80,000 for positive parenting, and \$4,485,000 for other programs. He stated that the budget subcommittee had worked to spread out [funding cuts] as much as possible. He mentioned that another committee member was looking at Infant Learning Programs in the amount of \$7,750,000. He stated that the decrease was small.

Vice-Chair Neuman stressed the importance of reigning in some of the budgets in order to prevent continued growth. He remarked that a significant amount of other money was going into the programs.

Representative Gara understood the difficulty facing the subcommittee chair. He believed the state's revenue outlook should be able to support the funding for items such as the Infant Learning Program.

[4:34:14 PM](#)

A roll call vote was taken on the motion to adopt Amendment 25.

IN FAVOR: Gara, Kawasaki

OPPOSED: Munoz, Neuman, Thompson, Wilson, Costello, Edgmon, Holmes, Stoltze, Austerman

The MOTION FAILED (2/9).

Representative Gara MOVED to ADOPT Amendment 26:

OFFERED BY: Representatives Gara, Guttenberg and Kawasaki

DEPARTMENT: Education and Early Development

APPROPRIATION: K-12 Support

ALLOCATION: Foundation Program

ADD: New Language Section: Sec. 14(b) The sum of \$60,000,000 is appropriated from the general fund to the Department of Education and Early Development to be distributed as state aid to districts according to the average daily membership for each district adjusted under AS 14.17.410(b)(1)(A) -(D) for each of

the fiscal years ending June 30,2014; June 30, 2015; and June 30,2016.

Renumber sections accordingly.

ADD: Intent Language: It is the intent of the legislature that the FY15 and FY16 budgets shall include \$40,000,000 increments in each year also to be distributed as state aid to districts according to the average daily membership for each district adjusted under AS 14.17.4 I O(b)(I)(A) -(D) so schools can plan their budgets.

EXPLANATION: This FY14 increment will avoid educator and staff cuts, which have been seen in Mat-Su, Anchorage, Kodiak, Juneau and other Alaska communities. It will allow for the replacement of lost education staff over the past two years.

The intent language will allow school classroom funding to keep up with inflation, and will allow schools to plan their budgets for the coming year as was intended with forward funding of education costs.

Co-Chair Stoltze OBJECTED.

Representative Gara addressed the amendment. He relayed it was his only amendment that did not try to restore a governor's proposal. He explained that the amendment was aimed at reversing three years of statewide school staffing cuts. He furthered that funds would be distributed under the Base Student Allocation (BSA) formula; the goal would be \$60 million the first year and a \$40 million increment in each of the following two years. The first year was intended to make up for some of the losses and would allow schools to hire back some of the lost staff. He relayed that over 200 staff had been lost in Anchorage over the past three years; there was a proposal to cut over 200 more the following year. He pointed to various proposed cuts including 30 teacher positions in Fairbanks; Juneau schools had lost over 10 percent of its staff and additional cuts were proposed for the following year; Kenai and Lower Kuskokwim had lost staff and more cuts were proposed; Mat-Su student population had increased, but staff had decreased; the same was true for Kodiak, Northwest Arctic Borough, Chugach, Nome, Ketchikan, and other.

Representative Gara relayed that the amendment was intended to reduce the cuts. He stressed that vibrant schools and students ready to enter the workforce were not produced by reducing teacher positions. He agreed that the state had invested a significant amount of money into its schools over the years; however, claims that the state was spending record funding on schools counted money that could not be used in classrooms. He furthered that when money for the Teachers' Retirement System (TRS) and pupil transportation were backed out, according to a Legislative Finance Division report, the state was approximately \$110 per student behind where it had been three years earlier in per student funding (assuming the Federal Reserve Board's estimate of 1.8 percent inflation for the following year). He continued that schools had to pay for health insurance rates that were rising quicker than inflation. He relayed that the amendment was the best attempt to bring funding to higher levels for long-term planning. He pointed to families discussing moving from the state because they believed there was a lack of commitment to school funding.

[4:40:03 PM](#)

Co-Chair Austerman asked about the \$60 million in FY 14 and \$40 million in FY 15 and FY 16. He wondered if the numbers compounded each year. Representative Gara replied that it would be \$60 million the first year and a \$40 million increment in both FY 15 and FY 16.

Co-Chair Austerman asked for clarification on the numbers. He asked if the cost would be \$60 million the first year, \$100 million the second year, and \$140 million in the third year. Representative Gara replied in the affirmative. He elaborated that the funding would be aimed at keeping pace with inflation and health insurance costs.

[4:41:34 PM](#)

A roll call vote was taken on the motion to adopt Amendment 26.

IN FAVOR: Gara, Kawasaki

OPPOSED: Neuman, Thompson, Wilson, Costello, Edgmon, Holmes, Munoz, Austerman, Stoltze

The MOTION FAILED (2/9).

4:42:31 PM

Representative Kawasaki MOVED to ADOPT Amendment 27:

OFFERED BY: Representatives Gara, Guttenberg and
Kawasaki

DEPARTMENT: Labor and Workforce Development
APPROPRIATION: Business Partnerships
ALLOCATION: Business Services
ADD: \$250,000 STEP (1054)
EXPLANATION: This amendment restores 50% of the cut
to the State Training and Employment Program (STEP)
program. The STEP program is funded through a set-
aside from the Unemployment Insurance Trust Fund. This
program provides training and job skills to people
eligible for unemployment benefits to help them get
back to work in good-paying jobs.

Co-Chair Stoltze OBJECTED.

Representative Kawasaki explained that Amendment 27 would restore 50 percent of a cut made to the State Training and Employment Program (STEP). He detailed that the program was currently funded through unemployment insurance receipts. He understood that the Unemployment Insurance Trust Fund was solvent. He explained that STEP ensured that individuals had adequate job skills to account for a changing economy. He furthered that the program helped put people to work who were in need of jobs. He spoke to the importance of access to training that would allow individuals to obtain available jobs. He noted that Alaska had been fortunate to weather the fiscal storm occurring in the Lower 48 and had done so due to programs like STEP.

Representative Wilson remarked that she would be interested in any information that showed the increment was used to put Alaskans back to work; she did not believe it did. She was concerned that much of the funding had been used within labor unions to train their own workers. She shared that unions had flown their members to conduct training for individuals who had gone back to school and were looking for work. She believed some of the items should be paid for with union dues. She discussed that \$500,000 had been removed by the subcommittee because the Department of Labor and Workforce Development (DLWD) was spending faster than it was recouping. She shared that the goal was to ensure

the funds were utilized to put unemployed people to work or to help people obtain higher paying jobs.

[4:46:01 PM](#)

Representative Gara believed Representative Wilson helped to relay that the money was being used to put people to work. He furthered that the department and the governor were working to spend the money on the most efficient way to put people to work. He had no objection to money being used for apprenticeship programs or private vocational education to put people to work. He expressed his desire for individuals to receive the best training possible. He addressed Representative Wilson's comment about unions paying with their dues and elaborated that Alaskans paid into the unemployment system. He detailed that the unemployment system was designed to provide funding to individuals for job training. He emphasized that the STEP program worked. He invited members to speak with DLWD about using independent contractors for training if they believed it was more efficient. He concluded that without the money fewer people would be put back to work.

A roll call vote was taken on the motion to adopt Amendment 27.

IN FAVOR: Gara, Kawasaki

OPPOSED: Thompson, Wilson, Costello, Edgmon, Holmes, Munoz, Neuman, Stoltze, Austerman

The MOTION FAILED (2/9).

[4:48:33 PM](#)

Representative Gara MOVED to ADOPT Amendment 28:

OFFERED BY: Representatives Gara, Guttenberg and Kawasaki

DEPARTMENT: Alaska Court System

APPROPRIATION: Therapeutic Courts

ALLOCATION: Therapeutic Courts

ADD: \$1,165,000 General Fund/Mental Health (1037)

EXPLANATION: This amendment restores the Governor's FY14 budget proposal for base funding of Therapeutic Courts operating since 2001 in Anchorage, Bethel,

Fairbanks, Juneau and Ketchikan. It also funds the Governor's requested FY14 increment to expand Therapeutic Courts to Kenai and Palmer.

Co-Chair Stoltze OBJECTED.

Representative Gara MOVED to AMEND Amendment 28 by replacing the funding request increment of \$1,165,000 with a \$689,000 increment. There being NO OBJECTION, the amendment to Amendment 28 was ADOPTED.

Co-Chair Stoltze MAINTAINED his OBJECTION to the motion to adopt Amendment 28.

Representative Gara spoke to amended Amendment 28. He explained that the Court System was not ready to expand the Therapeutic Court System model to Kenai and Homer in the current year as the contractors and staff had not been obtained at present; therefore, the requested increment had been reduced. The amended amendment would restore funding to the prior year's level for the existing therapeutic courts in Juneau, Ketchikan, Fairbanks, Bethel, and Anchorage. He pointed to a population with substance abuse problems, mental illness, and other. The program provided "tough love" for individuals. He furthered that the program required individuals to appear in court once a week to show they were following education, job training, mental illness, or substance abuse treatment plans. Individuals who did not follow their plans were removed from the program and sent to jail.

Representative Gara shared that criminals not going through the therapeutic court program had a 39 percent recidivism rate; however, the recidivism rate was one-third of the 39 percent for individuals going through the therapeutic courts after one year. He emphasized that two-thirds of the people had reduced crimes. He stated that the program had existed for many years and that it worked pretty well. He elaborated that it was not possible to always cure individuals with substance abuse problems, mental health disorders, and other. He furthered that the program saved prison and law enforcement costs; the program put people to work instead of in jail. He stated that there was no such thing as a 100 percent success rate, but he believed the numbers were better than those in the Department of Corrections. He noted that criminals convicted of sexual abuse were not eligible for the program. Low level crimes

and offences such as a third DUI [Driving Under the Influence] qualified an individual for the program.

4:53:45 PM

Co-Chair Stoltze discussed that the reduced funding was related to a disappearance of federal funds. He relayed that the Court System had indicated it would pursue funding elsewhere. He stated that it had not been possible to reach a compromise during the budget subcommittee process. He furthered that the system had been receiving federal money that had not been reflected in its budget. He stated that the issue was problematic and that the courts did not have the Capital Improvement Project (CIP) receipt authority. He explained that the receipt authority had been inserted in the budget in the event that federal funds could be located. He elaborated that if the issue was critical they would find the funds in other locations. He stressed that the primary issue was a loss of federal funding and believed there was a non-acceptance from the Court System on the issue. He remarked that discussion with the Court System had been limited and that it had not been engaged in locating an alternative solution.

4:56:40 PM

Representative Kawasaki spoke in support of the amendment. He believed that success of the therapeutic court program had been seen. He addressed the issue of federal versus state funds and discussed the legislature's process of weighing the importance of items and determining what was most effective going forward. He pointed to an ISER report accompanying the budget amendments (copy on file) that showed recidivism rates of comparison offenders and graduates of the program. He stressed that the recidivism rates of those who underwent the program were roughly half those of non-therapeutic court graduates. He expounded that fewer individuals in prison made the program economical. He emphasized that the state spent an average of \$135 per prisoner in the corrections system. He reiterated the effectiveness of the program and believed smaller budget growth in other agencies could potentially occur as a result.

Representative Gara provided a wrap up on Amendment 28. He understood that reduced federal funding was a reality and that the state would need to decide which items to fund. He

stated items that did not make a difference in the lives of residents included federal overreach or bad policy; however, the state should not blame the federal government for taking away funds from something that worked. He stressed that the state needed to decide how to run successfully. He was positive there would be increased costs in the Alaska Psychiatric Institute (API), the jail system and other if the therapeutic program was not funded. He believed the program provided a much cheaper way to deal with a problem of abuse and violence. He accentuated that the program reduced violence and institutionalization and saved money.

[5:00:12 PM](#)

Co-Chair Stoltze remarked that that there was no blaming of the federal government for the reduced funding, but that it was a reality that needed to be acknowledged.

A roll call vote was taken on the motion to adopt amended Amendment 28.

IN FAVOR: Gara, Kawasaki

OPPOSED: Wilson, Costello, Edgmon, Holmes, Munoz, Neuman, Thompson, Austerman, Stoltze

The MOTION FAILED (2/9).

Representative Gara MOVED to ADOPT Amendment 29:

OFFERED BY: Representatives Gara, Guttenberg and Kawasaki

DEPARTMENT: Health and Social Services

APPROPRIATION: Behavioral Health

ALLOCATION: Unallocated Reduction

ADD: \$8,368,800 General Funds (1004)

EXPLANATION: Restores Governor's FY14 budget proposal for Behavioral Health services and grants. The Division of Behavioral Health serves Alaskans in a variety of important ways, by acting to: 1) Prevent and treat mental health conditions; 2) Help Alaskans with mental illness avoid long-term institutionalization or jail; 3) Transition people from illness to productivity, including stable housing; 4) Treat Alaskans willing to resolve their substance abuse problems, and reduce waiting lists for

this treatment; 5) Provide early intervention with mental health problems so they are caught early, don't grow, can be treated, and harm and illness are avoided or minimized. 6) Address and prevent the epidemic of suicide, particularly in rural Alaska. 7) Fund the Alaska Psychiatric Institute. 8) Provide Fetal Alcohol Syndrome support.

Co-Chair Stoltze OBJECTED.

Representative Gara explained that Amendment 29 would restore \$8.3 million of behavioral health funding. He acknowledged the challenge that faced the DHSS subcommittee in sifting through a difficult budget. He relayed that the department had communicated there would be close to \$8.3 million less in services to people with FAS, substance abuse problems, autism, mental health problems, and other. He discussed that treatment of the various problems prevented individuals from becoming homeless and institutionalized at API or other. He pointed to significant public testimony that the funding had kept families together and people off the streets.

Representative Gara looked forward to meeting over the interim to look at programs that did not work; however, there was no evidence that the behavioral health services were wasteful. He stated that on the contrary, the services were underfunded. He referred to testimony by agency employees that their entities had been flat funded over the years. He mentioned Nugent's Ranch, which provided long-term alcoholism care. The program's prior facility had 46 beds; however, the new facility served 26 people because funding was disappearing (there was currently only funding for 20 of the beds). He pointed to waiting lists across the state for treatment programs; the methadone clinic in Anchorage had a priority for pregnant women, but there was no room for other addicts. He observed that a lack of treatment programs would increase crime on the street. He stressed that the amendment would cut crime and agony and would keep people off of the street and out of homeless shelters and would keep families together. He emphasized that the governor had included \$3 million in grant money in his proposed budget in order to serve the shortfall in funding over the upcoming three years.

[5:05:50 PM](#)

Vice-Chair Neuman understood the passion related to the issue. He explained that the prior year \$9 million in additional money had been included in the DHSS budget; \$700 [thousand] of the amount had been appropriated towards programs and \$8.3 million had been unallocated. Consequently the \$8.3 million had been pulled from the budget. He emphasized that services to programs had not been cut. He furthered that the legislature worked to provide for efficiencies that went back to the department's commissioner. He shared that earlier in the year the Legislative Budget and Audit Committee had pulled over \$7 million from DHSS that the department had worked hard through efficiencies to obtain. As a result, the DHSS subcommittee had created a new allocation titled Performance Bonuses and had appropriated close to \$4 million in unrestricted federal receipts through the Children's Health Insurance Program Reauthorization Act for performance bonuses. Other language had been included specifying that if the commissioner found efficiencies, worked hard, and other that the money would be directed back to the commissioner's office instead of being swept into the General Fund.

Vice-Chair Neuman emphasized that the legislature was doing its best to ensure that the hard work provided by the department went back to the commissioner for reappropriation (the legislature would continue to have oversight on the spending). He informed the committee that the DHSS budget had grown significantly in recent years and was currently approximately \$2.7 billion. He detailed that the total reduction to the FY 14 DHSS budget was approximately \$25 million (less than 0.1 percent). He explained that the behavioral health reduction of \$8,368,800 or a 6.4 percent reduction from the governor's proposed behavioral health budget; however, the unallocated reduction could be spread into any allocation within the division and was not limited to the grants allocation. He expounded that the flexibility would allow the commissioner the ability to absorb the money more evenly throughout the department.

Vice-Chair Neuman addressed how the cuts would impact behavioral health grantees in FY 14. The budget would provide approximately \$9 million in general funds that could be carried forward into FY 14. He stated that depending on how the department used the funds, there may be no significant impact to the grantees in FY 14. He

detailed that there were about \$131 million in behavioral health appropriations. He stated that the funds were additional. He stressed that he was not happy about cutting funding for disabled children; however, he emphasized the need for capturing growth in the budget. He stated that budgets would continue to grow if cuts were not made. He discussed the need to reign in funds in order to allocate money to capital infrastructure projects.

[5:11:09 PM](#)

Representative Munoz asked if the \$8.3 million from the prior year could be fully appropriated to behavioral health services for FY 14.

Vice-Chair Neuman clarified that \$9 million had been added in FY 13; \$700,000 had been appropriated to specific programs and approximately \$8.3 million had been unallocated. He explained that the \$8.3 million was the funding that would be reduced from the budget.

Representative Munoz wondered whether the money could be expended FY 14. Vice-Chair Neuman replied in the negative and stated that the funds had been removed from the FY 14 budget. He added that a one-time decrement was not possible.

Representative Munoz restated that she was interested in the one-time \$9 million increment from the prior year that was currently \$8.3 million. She wondered whether the money could be appropriated in FY 14 or if there were restrictions on the funds.

[5:12:51 PM](#)

Vice-Chair Neuman replied that \$8.3 million was being removed from the budget.

Representative Gara remarked that it was unclear whether the \$3 million that was intended to cut back waiting lists and meet service needs could be used to offset the \$8.3 million reduction. He furthered that by removing the \$8.3 million from the base it meant the increment would not be present the following year or in subsequent years. He continued that the one-time money intended to meet service needs could be used to replace the \$8.3 million, but the money would not be available the following year. The

department had conveyed that the money would be taken away from services for seriously mentally ill and emotionally disturbed. He complimented Vice-Chair Neuman for his work on a complex budget and his acknowledgment of the many existing needs.

Representative Holmes noted that the issue was difficult. She believed the one-time funding was available for use; therefore, the \$8.3 million had been taken out of the budget because the one-time funding was available. She clarified that because of the one-time increment there would not be a reduction in funding. She referred to discussions with LFD about the possibility of a one-time decrement so that the money would automatically be built back into the following year's budget. She communicated that LFD had relayed that the one-time decrement would not work. She understood that there was concern the money would not be appropriated in the future, but she was committed to looking at the issue the following year. She believed the cut had been made due to the one-time funding that was available to back-fill the decrease.

Representative Gara referenced a memo from the DEED commissioner and believed the department was not certain it could use more than \$6 million of the \$9 million that had been appropriated to meet unmet service needs. He did not believe it was appropriate to take the money out of the capital budget because it had been appropriated for an unmet need for people with mental illness and substance abuse problems. He stated that because it was unclear whether all of the money could be used it was unclear that there would be no cuts in services.

[5:18:00 PM](#)

A roll call vote was taken on the motion to adopt Amendment 29.

IN FAVOR: Gara, Kawasaki

OPPOSED: Costello, Edgmon, Holmes, Munoz, Neuman, Thompson, Wilson, Austerman, Stoltze

The MOTION FAILED (2/9).

Representative Gara MOVED to ADOPT Amendment 30:

OFFERED BY: Representatives Gara, Guttenberg and
Kawasaki

DEPARTMENT: University of Alaska
APPROPRIATION: University of Alaska
ALLOCATION: Budget Reductions Additions -
Systemwide
ADD: \$2,000,000 General Fund (1004)
\$2,000,000 Univ Rcpt (1048)
EXPLANATION: These funds are intended to be used by
the University of Alaska to fund the High Demand
Program requests. This unallocated increment will
allow the University to determine which programs will
be funded.

Co-Chair Stoltze OBJECTED.

5:18:45 PM

Representative Kawasaki explained that Amendment 30 would add \$2 million back into the University of Alaska Board of Regents budget request specifically to fund high demand programs. He furthered that a number of the program requests were to support specific campus accreditation needs and requirements. He pointed to mandatory and comprehensive student advising at the main campuses and at the College of Rural and Community Development as an example. He pointed to the need for students to graduate in a timely manner and detailed that the university had identified the need as an issue needing attention. He stated that the legislature had indirectly communicated that the university should pursue the issue.

Representative Kawasaki relayed that the amendment also addressed other high demand program requests. He cited examples including public-private partnerships, the UAF nursing program, the UAF/UAA clinical psychology demand, construction and tribal management, and CAMI. He pointed to support for the issues from the legislature and private industry. The unallocated increment would allow the university to determine which programs would be funded.

5:22:03 PM

Co-Chair Austerman asked if the Board of Regents request had been in the governor's budget. Representative Kawasaki did not know.

Representative Gara clarified that the increment represented a portion of the Board of Regent's request on high demand programs. He elaborated that the \$2 million was the same as the governor's proposed request, which had been aimed at building operation. The amendment would take the same \$2 million and redirect it towards high demand classes.

Representative Wilson asked how much the university budget had grown from the prior year. She wondered whether the university had room to fund the programs if it chose to do so.

Representative Munoz replied that the overall growth was \$16 million from FY 13 to FY 14 (half of the amount came from tuition and the other half was undesignated). She detailed that the governor's proposed request for additional funding tied to operational costs of new facilities had been reduced by \$2.3 million. She relayed that the subcommittee had included language that directed the Board of Regents to fund the particular operational costs. The \$2.3 million reduction was a reduction in one appropriation; in the past, there had been seven separate appropriations for the university. The multiple appropriations had restricted the university's ability to locate cost savings across the system. The subcommittee felt that the reduction had been the most flexible approach.

Representative Wilson spoke in opposition to the amendment. She communicated that the legislature was not trying to micromanage the university. She had confidence that the university would locate funding for programs that it believed were in high demand.

[5:25:04 PM](#)

Representative Kawasaki provided a wrap up on Amendment 30. He reflected that in the past the legislature had met as a Committee of the Whole on the university budget and had taken a close look at how the regents operate and how college students perform. He shared a personal story about his father attending the university. He stated that it was necessary to change the way business was done and to locate emergent high demand programs including mining. He noted that mining jobs were some of the highest paying throughout

the state. He discussed student achievement and the importance of tangible results (i.e. diplomas). He shared that partnerships with private industry was one of the underfunded high demand program areas. He discussed the legislature's desire for the university to focus on emergent industries including health, biomedicine, and workforce development in fishing and mining. He stressed that the university had done a significant number of the things the legislature had requested. He stressed that the legislature needed to ensure that the university had adequate resources necessary to accomplish its goals.

A roll call vote was taken on the motion to adopt Amendment 30.

IN FAVOR: Gara, Kawasaki

OPPOSED: Edgmon, Holmes, Munoz, Neuman, Thompson, Wilson, Costello, Stoltze, Austerman

The MOTION FAILED (2/9).

Representative Kawasaki WITHDREW Amendment 31.

[5:28:19 PM](#)

Representative Kawasaki MOVED to ADOPT Amendment 32:

OFFERED BY: Representatives Gara and Kawasaki

DEPARTMENT: Commerce, Community and Economic Development

APPROPRIATION: Economic Development

ALLOCATION: Economic Development

ADD: If a Qualified Trade Association (QTA) collects \$2 million of additional matching funds not currently in the budget by July 1, 2013 then the unexpended and unobligated balance of the FY14 appropriation for Tourism Marketing Funding, not to exceed \$13 million, is reappropriated to the QT A as a grant for a tourism marketing program approved by the Department.

EXPLANATION: This conditional language allows a Qualified Trade Association (QTA), such as the Alaska Travel Industry Association, the opportunity to receive state funding set aside for tourism marketing, provided that the QTA is able to raise additional

funds from the travel industry. If this occurs, \$13 million of the \$15 million appropriated to the Department of Commerce, Community and Economic Development for Tourism Marketing Funding will be reappropriated to the QTA.

Co-Chair Stoltze OBJECTED.

Representative Kawasaki explained that in past years the Alaska Travel Industry Association (ATIA) had advertised for the state; similar to convention and visitors bureaus in Fairbanks or Anchorage. He stated that ATIA had received state funding because they had been the state's advertising entity. He communicated that two years earlier a proposal had been made to bring most of the advertising money back "in-house" under the Department of Commerce, Community and Economic Development (DCCED). Amendment 31 would look at whether the state should be advertising as opposed to ATIA. The amendment would also ensure that the state was doing its due diligence related to finances and to determine that any qualified trade organization wanting to partner with the state had "skin in the game" (i.e. \$2 million in matching funds). He believed the private sector had done a great job showing that it could raise private funds from groups with a vested interest in the state's tourism industry and also allowed them some autonomy. The amendment supported using the private sector instead of a state department for the advertising function.

Representative Costello spoke against the amendment. She addressed the amendment's language related to locating \$2 million in additional matching funds. She believed the issue was revisited every year. She offered that \$2 million could be taken from multiple municipal revenue locations including the \$29.2 million in sales tax, \$26.7 million in lodging tax, \$15.2 million in dockage revenues, \$32 million in commercial passenger vessel tax, \$3.6 million from the ocean ranger program, \$800,000 from the commercial passenger vessel environmental compliance, \$17.8 million from the Department of Fish and Game licensing tags, \$18.4 million from the funds the AMHS collected from visitors, \$20.2 from the Alaska Railroad Corporation, and from passenger gambling tax. She stressed that the money from the various locations could be designated if the state chose to do so; many items in the budgets were designated. She emphasized that the tourism industry did not receive credit for revenue it brought to the state.

Representative Costello continued to list various sources that \$2 million could be located within including the \$5.7 million vehicle rental tax, and \$3.5 million from corporate income tax. She stated that an argument heard from people who were unsupportive of the tourism industry and felt that the industry did not carry its weight was that somehow it was not possible to attribute the entire revenue source to tourists. She furthered that 7 out of the 12 revenue sources (she had listed) that were paid to municipalities and the state would fully cover the amount paid by the state for tourism marketing. She provided an example related to tipping at a restaurant; an 11 percent tip sent a message that the waitress did a poor job. She stressed that 11 percent of the total brought in was the amount the state provided for tourism funding. She communicated that many committee members had looked for a more stable revenue source to prevent the topic from being revisited annually.

Representative Costello explained that the marketing activities had been brought under DCCED's purview and funding had been reduced by \$1 million. She was dedicated to educating legislators about revenues brought in by the tourism industry. She furthered that the tourism business was competitive in Alaska. She stated that it was not reasonable to compare the industry with others. For example, entities did not own the mountains around Juneau and it was not possible to tax based on the mountains. She felt frustration that the state was not more appreciative of an industry that provided jobs and provided a significant financial return to the state. She emphasized that tourism was a great business to get into and she appreciated the effort to allow QTA to market itself.

Co-Chair Stoltze remarked that the legislature would be remiss if it failed to acknowledge that Representative Costello was the reason the tourism budget included \$15 million. He thought the current conversation would be characterized negatively in the press. He stressed that Representative Costello had fought the battles related to the tourism industry funding.

[5:36:52 PM](#)

Representative Gara explained that the amendment's intent was to save money and to get the tourism marketing effort

back into the private sector. He did not intend to make a headline out of the issue.

Representative Kawasaki expressed that his intention was not to challenge other committee members. He furthered that intent of the amendment was to address a policy discussion he believed the legislature should have. He shared a personal story about his work history beginning that began in tourism. He emphasized that the visitor industry played a substantial role in Fairbanks. He stated that he supported the visitor industry 100 percent. He communicated that the amendment spoke to where, how, and who was advertising on behalf of the state for the state's best interest. He had not been supportive of moving the advertising function from the private industry to DCCED. He believed any qualified trade association could perform well. He reiterated his support for the industry. He pointed to international requests from people interested in visiting the state.

[5:40:47 PM](#)

A roll call vote was taken on the motion to adopt Amendment 32.

IN FAVOR: Gara, Kawasaki

OPPOSED: Holmes, Munoz, Neuman, Thompson, Wilson, Costello, Edgmon, Austerman, Stoltze

The MOTION FAILED (2/9).

Co-Chair Stoltze MOVED to authorize the Division of Legislative Finance and Legislative Legal Services to make technical and conforming amendments to incorporate the amendments adopted by the committee into a CS.

Co-Chair Austerman recessed the meeting until 9:00 a.m. the following day.

[5:42:11 PM](#)

RECESSED UNTIL 9:00 A.M. MARCH 14, 2013