

HOUSE FINANCE COMMITTEE
March 3, 2014
1:33 p.m.

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CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 1:33 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 David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

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

SUMMARY

HB 266 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 266 was HEARD and HELD in committee for further consideration.

HB 267 APPROP: MENTAL HEALTH BUDGET

HB 267 was HEARD and HELD in committee for further consideration.

#hb266

#hb267

HOUSE BILL NO. 266

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, and making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund."

HOUSE BILL NO. 267

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program."

[1:33:55 PM](#)

Co-Chair Austerman discussed the agenda for the meeting.

Vice-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 266, Work Draft 28-GH2671\P (Wallace, 2/28/14).

Vice-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 267, Work Draft 28-GH2673\C (Wallace, 2/28/14).

Co-Chair Austerman invited his staff to discuss the bills.

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PETE ECKLUND, STAFF, REPRESENTATIVE ALAN AUSTERMAN addressed the bills in a prepared statement:

This year the Governor submitted an FY15 operating budget below the current FY14 budget. Including the amendments submitted in February, the Unrestricted General Fund in Agency Operations decreased by 0.2%. That is a significant change in course when compared to the annual 7.2% growth rate over the last eight years.

As you've heard during various presentations before the Committee, the state's fiscal outlook is worrisome. When the legislature left at the end of

last session, there was an expectation that there would be a deficit of approximately 1 Billion dollars for FY14.

When the legislature convened in January, those projections had changed. Now we anticipate the FY14 deficit to be in the 2 Billion dollar range. To compound the situation, revenues are not forecast to cover our expenditures for several years, so this situation could be called our "new normal."

Mr. Co-Chair, with our "new normal" in mind, you directed Subcommittees to look for additional savings with the goal of reducing the Unrestricted General Fund agency operations, non-formula budget by at least \$50 Million from the current year.

Why did you pick such a specific goal of a reduction in agency operations, non-formula? Simply put, when the public thinks about government, agency operations, non-formula is the area of government they are most likely thinking about.

But Mr. Chair, agency operations, non-formula is only half of the story. The total UGF in agency operations is nearly split 50/50 between formula programs and non-formula funding.

And as you know Mr. Chair, the areas of our budget that are growing the fastest are the 3 'budget drivers'. Which are the formula programs (Medicaid and education) and retirement funding.

In addition, if we don't get prison system recidivism under control, we may need to build another new prison in just a few short years.

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Mr. Ecklund continued reading from a prepared statement:

So if we are really going to get a handle on state spending and extend the life of our savings accounts, we've got to address more than just the dollars we invest in each department's programs.

We are going to have to address the 3 big budget drivers, and also come up with a plan to slow correctional system recidivism, to blunt the need to build a new prison in the near future.

So Mr. Chair, we have 4 budget drivers, and actually maybe really 5 budget drivers. With our 'new normal' budget reality, we will also have to pare down capital budgets compared to the recent past.

With all of that in mind, your instructions for the operating budget were to reduce Unrestricted General Funds in particular as any reduction in the expenditure of UGF extends the length of time our savings accounts will last.

Mr. Co-Chair, you also directed the Subcommittees to continue to review the agency budgets via a five-step process:

1. Review the agency Mission, Core Services, and Performance Measures so through results-based budgeting, the public could see how effective and efficient agency programs are and agencies could demonstrate the value the public is receiving for our investments in them.
2. Review budget changes since FY06, enabling us to track GF and Total Funds changes over time
3. Review agency 10-year plans, to evaluate future changes that department's see coming
4. Review audit findings made by the Division of Legislative Audit -providing an accountability check
5. And get a status update on budget changes approved for the current fiscal year, FY14.

Then, after looking at an agency's mission and results, looking back, looking forward, and looking at current year progress, each Subcommittee had a context in which to review the budget changes proposed for FY15.

The subcommittees had just 39 days to review budgets prior to the February 28 Subcommittee close-out

deadline. Mr. Chairman, I believe that this is the quickest the Finance Sub-Committees have reviewed and made their recommendations on the budget.

I'd like to thank David Teal and the staff at the Legislative Finance Division as they were integral in preparing the 2006 Look-back graphs and associated data, 10-year plan graphs, and consolidating information on current year progress for the Subcommittees, along with providing their normal budget support function for the Subcommittees. The Legislature is fortunate to have such a talented and patient group of people assisting in development of the state's budget.

I'd also like to thank Karen Rehfeld and the staff of the Office of Management and Budget, and the leadership teams of the Executive Branch agencies for their help in the budget review process.

Last but certainly not least, I'd also like to thank all of the subcommittee staff, members, and chairs for their hard work and diligence in order to put this budget together.

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Mr. Ecklund continued to address the operating budget bills in a prepared statement:

Subcommittees were provided with the supplemental budget requests submitted by the Governor on February 4 and were charged with reviewing their respective agencies' non-language budget amendments submitted by the Governor on February 19. As expected, a few supplemental requests were precursors to FY15 budget amendments. We appreciate the efforts of OMB to highlight those facts in both their supplemental spreadsheet and their amendment spreadsheet.

Mr. Co-Chair, all of the Subcommittee reports are found on the Legislative Finance website. Reports on these two committee substitute bills will also be posted on the Legislative Finance website immediately after this hearing.

And now to the numbers:

The operating budget Committee Substitute totals \$9.149 Billion (all funds), a reduction of just over \$3 Billion from the Governor's Amended budget.

This CS does not include the Governor's requested 3 Billion dollar appropriation from the Constitutional Budget Reserve for the retirement systems. How we ultimately fund our retirement systems, and at what level, will be discussed more as this session progresses.

Mr. Chairman, I am happy to report that we have met your goal of at least \$50 M UGF below the current year for agency operations, non-formula. If you exclude formula programs, this budget is 53 Million UGF below FY14 in Agency Operations. This is a 2.3% reduction.

The subcommittees were able to identify \$27.9 Million in additional UGF savings from the Governor's Amended budget, when you include formula programs this CS is \$40.4 Million below FY14 Management Plan. Combined Agency Operations and the Statewide items UGF equal \$5.1 Billion, for a UGF reduction of \$1.3 Billion from FY14, Other Funds increased \$6.7 Million for a total of \$1.3 Billion, and Federal Receipts decreased by \$23.6 million to \$2.016 Billion.

Well Mr. Chairman, you might ask, 'how does this proposed operating budget affect our savings'? The combined balances of the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund are estimated to be around \$15 Billion dollars at the start of Fiscal Year 2015.

As the operating budget sits in front of you, and IF there were no additional capital budget spending above the Governor's 429 M UGF, we would have a projected deficit of just under a billion dollars for FY15.

But we know that this budget is a work in progress and only one piece of our budget puzzle. At the end of the day, if we take the Governor's approach to retirement funding and transfer 3 billion from the CBR, and if we increase education funding and increase the capital budget, we could end up transferring well over 4 Billion dollars from savings in FY15.

How much of our savings we can afford to use in FY15 will be fleshed out as this session progresses. Now, Ms. Brown will describe the changes we made to the language sections of the bill.

1:44:30 PM

JOAN BROWN, STAFF, REPRESENTATIVE ALAN AUSTERMAN, addressed the language section of HB 266 in a prepared statement:

Mr. Co-Chair, I'll identify the language sections where changes were made and describe those changes. Starting on page 53 of the bill:

Section 8, ALASKA HOUSING FINANCE CORPORATION

Mr. Co-Chair, in subsection (a) we replaced the phrase "adjusted net income" with the phrase "change in net assets" to conform to AHFC's statutes.

In subsection (b) we changed the lead-in wording to reflect the fact that AHFC will be retaining the entire 7.5 Million dollar dividend in order to pay debt service;

In subsection (c) we changed the location of where any excess Dividend funds would be deposited from the Governor-proposed Budget Reserve Fund to the Alaska Capital Income Fund. This recognizes the legislature's traditional use of corporate dividends for capital projects. However, no "excess" dividend funds are anticipated.

Page 54, Section 9, ALASKA PERMANENT FUND CORPORATION

Mr. Co-Chair, in subsection (b), we accepted the Governor's amendment reducing the amount for inflation proofing from 975 Million dollars to 965 Million. This is based on the corporation's most recent projection.

Page 55, Section 10, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

Mr. Co-Chair, just as we did in the Alaska Housing Finance Corporation section, we revised subsection (b)

so if there should be any excess AIDEA Dividend funds, they will be deposited into the Alaska Capital Income Fund, instead of the budget reserve fund. Again, no "excess" dividend funds are anticipated.

Section 11, DEPARTMENT OF ADMINISTRATION

The only change we made is in subsection (c) where we replaced the word "agency" with the "Alaska Oil and Gas Conservation Commission".

Section 12, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

We made no changes to subsections (a) through (e).

In subsection (f), regarding the Power Cost Equalization program, we replaced the phrase "and not to exceed 44 Million 248 Thousand 4 Hundred dollars" with the phrase "and not to exceed the amount determined under AS 42.45.085 subsection (a) paragraph (1)." This just clarifies that the maximum is the 7% amount allowed per statute.

We made several changes to subsection (h) regarding the Alaska Seafood Marketing Institute's budget. At the recommendation of Legislative Finance, throughout the subsection we changed "program receipts" to "statutory designated program receipts" to better reflect that ASMI's receipts are generated by a voluntary tax to fund the marketing program. We also reduced the original general fund amount listed in paragraph (3) for two reasons. The first was a reduction of 4.5 Million dollars, which is now appropriated as general fund match in new paragraph (4). The revised amount in paragraph (3) reflects a 10% general fund reduction of 777 Thousand 2 Hundred dollars. In subsection (i), also relating to the Alaska Seafood Marketing Institute, we again changed "program receipts" to "statutory designated program receipts". In paragraph (2) we clarified that the general fund appropriations in subsection (h) match federal funds as well as industry contributions. We also added new intent language as paragraph (4) stating that the appropriations for ASMI are included in the base budget. Previously, as appropriations in

the language section, the ASMI appropriations were considered one-time items.

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Ms. Brown continued to discuss changes in the HB 266 language section:

Page 58, Section 13, DEPARTMENT OF CORRECTIONS

We made no change to this section, other than to accept the Governor's amendment to delete the earlier estimate that 1.8 Million General Fund dollars would be necessary. The department does expect to collect all of the budgeted Federal Funds.

Section 14, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

We made a minor change adding 1 dollar to the original 25 Million dollar appropriation, in order to make this item subject to Conference Committee as there are still many education issues to be resolved during this session.

Section 15, DEPARTMENT OF FISH AND GAME

We made no change to what is now subsection (a). We moved an appropriation of 500 Thousand dollars from Fish and Game's section 1, the numbers section, as our new subsection (b). This is part of an overall clean-up of the sport fishing enterprise account appropriations. There are more related clean-up changes in sections 23 and 25.

Page 59, Section 16, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

We made no change other than to reorder the subsections.

Section 18, DEPARTMENT OF NATURAL RESOURCES

In subsection(c) we just made technical wording changes.

Pages 60 - 62 Section 20, UNIVERSITY OF ALASKA and
Section 21, OFFICE OF THE GOVERNOR

We made no change other than to switch the order of
the sections.

Pages 63 - 68 Section 23, DEBT AND OTHER OBLIGATIONS

We made several formatting and slight wording changes
in this section. In subsection (h), we reordered the
appropriations relating to general obligation bond
debt in series date order starting with the earliest
series. In addition, in subsection (h), paragraph
(13), we accepted the Governor's amendment reducing
the debt payment estimate for the upcoming bond
issuance from 20 Million dollars to 10 Million
dollars. We reordered the paragraphs in subsection (i)
relating to debt of the international airports and
relocated what had been subsection (m) to subsection
(i) as a new paragraph (4). In subsection (j), in the
lead-in language total dollar amount and in paragraph
(1), we included the Governor's amendment that reduced
the amount for the Anchorage Jail lease payment by 512
Thousand 276 dollars. We also reworded subsection (el)
as part of the clean-up of the appropriations related
to the sport fish hatchery revenue bonds and the sport
fishing enterprise account.

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Ms. Brown continued to read from a statement related to the
HB 266 language section:

Pages 69 - 71 Section 25, FUND CAPITALIZATION

We reordered the subsections and relocated a provision
from the Fund Transfer section. The substantive
changes are:

In subsection (b), we reduced the appropriation to the
community revenue sharing fund by 10 Million dollars,
down to 50 Million dollars. We deleted what had been
subsection (k) appropriating an estimated 3.3 Million
dollars of interest earnings to the in-state natural
gas pipeline fund. We opted to keep those earnings in
the General Fund. We deleted the original subsection
(m) related to the fish and game revenue bond

redemption fund and the sport fishing enterprise account and replaced it with three new subsections (j), (k), and (l) that complete the necessary language clean-up. In subsection (o), pertaining to the election fund, we just added the estimated interest earnings amount of 35 Thousand dollars.

Pages 71 - 73 Section 26, FUND TRANSFERS

In addition to reordering subsections and relocating one subsection, we made a few other changes:

We deleted what had been subsection (h) as part of the sport fish revenue bonds and the sport fishing enterprise account clean-up. The cleaned-up language is now in section 25 as subsection (k). In subsections (h) and (i), the statutory reference was corrected. In subsections (j) and (k), formerly (n) and (o), instead of appropriating a specific amount, we appropriate the June 30, 2014, balances of the administrative income accounts to the administrative operating accounts in both the Alaska clean water administrative fund and the Alaska drinking water administrative fund. These transfers simply move funds from one account to another within each fund and do not increase the budget. We also combined what had been subsection (i) with the other appropriations to the fish and game fund in what is now subsection (l). We also added the total estimated amount of 888 Thousand dollars to the lead-in language of the subsection.

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Ms. Brown continued reading from a prepared statement regarding changes to the HB 266 language section:

Pages 73 - 74, Section 27, RETIREMENT SYSTEM FUNDING

As Mr. Ecklund stated earlier, we made several changes to this section as we are investigating other, hopefully more affordable, funding options for the public employees' and teachers' retirement systems. We deleted both the original subsection (a) the 1.9 Billion dollar appropriation to the public employees' retirement system and the original subsection (b) the 1.1 Billion dollar appropriation to the teachers' retirement system. Both appropriations were from the

constitutional budget reserve fund, so we also removed the words "constitutional budget reserve fund" from the catch line of the section and deleted original subsection (d) which was the CBR three-quarter vote provision. We made no change to the judicial retirement system language. It had been subsection (c) and is now the only appropriation.

Pages 74 - 75, Section 28, SALARY AND BENEFIT ADJUSTMENTS

We made some minor wording changes in this section, and in subsection (b), we added paragraph (3) because we accepted the Governor's budget amendment for the new bargaining unit agreement with United Academics. The cost of this agreement, \$3.4 Million dollars, is included in the numbers section, section 1.

Page 75, Section 29, SHARED TAXES AND FEES

We just slightly reordered the language in subsection (a).

Page 76, Section 31, RATIFICATIONS OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM

We just reordered the wording of this section.

Section 32, STATUTORY BUDGET RESERVE FUND

The only change was to add the word "Statutory" to the catch line of the section.

Section 35

We added this new effective date section applicable to Sections 30 and 34, as both take effect on June 30, 2014.

Section 36

We just updated the section number reference for the Public Education Fund deposit.

Section 37

We made no change other than to add the reference to new section 35 and updated the other section number reference.

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Representative Gara asked if Mr. Ecklund had testified that the governor's year-over-year operating budget reflected a 22 percent decrease. Mr. Ecklund replied that for non-formula agency operations the CS was \$53 million or 2.3 percent below the current year budget.

Representative Gara asked for the difference between the governor's operating budget and the operating budget from the prior year. Mr. Ecklund answered that the governor's amended operating budget for formula and non-formula agency operations had decreased by 0.2 percent.

Representative Gara remarked that the proposed budget was approximately \$1 billion less than the prior year because the governor had chosen to spend the retirement money out of the CBR instead of the General Fund. Mr. Ecklund pointed to handout "A" titled "UGF Budget Comparisons" (copy on file). He directed attention to the capital budget in the FY 14 column totaling \$796 million and noted that the proposed capital budget was \$429 million. The other difference was related to retirement funding; the appropriation had been \$634 million in FY 14 and was \$500,000 in the FY 15 amended budget for the Judicial Retirement System. The governor had proposed to take \$3 billion from the CBR for PERS and TRS. He elaborated that if the funds were not taken from the CBR the governor's amended FY 15 column for appropriations to retirement would read \$708 million.

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Representative Gara pointed to page 58, line 17 related to education language. He asked if the \$25 million placeholder was to reflect the governor's proposed Base Student Allocation (BSA) increase of approximately \$85. Ms. Brown replied that the \$25 million had been in the governor's proposed budget; it was not related to the BSA increase.

Representative Gara asked if the \$25 million was the same as other one-time increments the governor had included in

the past several years. Ms. Brown replied in the affirmative.

Representative Guttenberg directed attention to page 69, line 19 of the CSHB 266(FIN) language section. He wondered if the \$50 million that had decreased from \$60 million was the total amount available for revenue sharing. Ms. Brown answered that the figure was not the total amount that would be distributed; the amount of the appropriation would be added to the fund and the amount distributed for FY 15 was based on the amount in the fund as of June 30, 2014. Therefore, the \$60 million would be distributed in FY 15.

Representative Munoz pointed to page 18 of CSHB 266(FIN). She asked which services were included in the \$33,397,000 for public nursing. Ms. Brown deferred the question to the subcommittee chair.

Representative Munoz was specifically interested in family planning that had been discussed in a recent Medicaid amendment that had been before the committee. She wondered if the family planning services were covered under the budget.

Co-Chair Austerman would follow up on the question.

Representative Wilson was also interested to know if health planning, systems development, or community health grants had to do with the family planning the committee had discussed recently.

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Vice-Chair Neuman noted the items were coming out of the governor's budget and believed the increments for family planning centers were under the health clinics portion. There were also a variety of public health funds through various programs.

Co-Chair Austerman communicated that the committee would return to the questions in more detail at a later time; possibly during subcommittee reports. He asked for the report on the CSHB 267(FIN).

[2:04:34 PM](#)

Ms. Brown addressed changes to HB 267 in a prepared statement:

Page 11, in Section 4, CAPITAL PROJECTS

We deleted one of the five mental health capital projects: it was the Department of Health and Social Services project for MH Essential Program Equipment for 500 Thousand dollars. Each year the House Finance Committee removes one capital project from the Mental Health budget. The other body, in its version of the Mental Health bill, will add back that project and delete the four capital projects in the House's budget bill, thus making all of the mental health projects subject to Conference Committee.

Mr. Co-Chair, the language sections begin on page 14, Section 8, SALARY AND BENEFIT ADJUSTMENTS. In subsection (b), we added paragraph (3), as we did in House Bill 266, for the University's new bargaining unit agreement. We also made minor wording corrections in subsections (c) and (d).

Mr. Co-Chair, those are all of the language changes in House Bill 267.

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Representative Guttenberg wondered if amendments made to collective bargaining units in CSHB 267(FIN) would remove funds from the mental health budget. Ms. Brown did not believe so. She elaborated that it had been the legislature's practice to list every bargaining unit under both the operating and mental health budgets.

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Co-Chair Austerman asked committee members to provide their subcommittee reports.

Representative Munoz began with the University of Alaska budget subcommittee recommendations. Total funds for the FY 15 operating budget were \$915,161,800. Of that amount approximately \$362 million were Unrestricted General Funds (UGF); the subcommittee budget was approximately \$9 million or 2.4 percent lower than the FY 14 management plan. When compared to the FY 15 adjusted base, the cut was

approximately \$12 million or a reduction of 3.2 percent. She relayed that the governor proposed a system-wide, unallocated reduction in FY 15 of \$14.9 million UGF; the subcommittee increased it by \$1 million to \$15.9 million. She communicated that the university was responding to budget changes by reducing off-campus lease obligations, becoming more energy efficient, delaying the hiring of people to fill vacancies, and by reducing or consolidating programs and services.

Representative Munoz relayed that the budget included the approval of contractual agreements for university employees, additional operating funds for the Mat-Su Center for the Arts, and new operating funds for the University of Alaska Anchorage (UAA) sports center. The subcommittee adopted three pieces of intent language. The first was in support of the UAA Office of Research and Graduate Studies and the University of Alaska Fairbanks (UAF) Office of Intellectual Property and Commercialization. The second directed the university to collect data on graduates for a performance matrix on each degree program offered and how students did in the market place after leaving college. The third directed the university to review programs based on benchmarks with measurable outcomes and to show how it may achieve savings and efficiencies on items such as travel costs and energy consumption. She noted that the subcommittee had also heard about the pressing need to upgrade the UAF heat and power plant. She thanked university staff for their work during the subcommittee process.

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Representative Munoz reported subcommittee recommendations for the Department of Environmental Conservation (DEC) budget. The subcommittee recommended total FY 15 operating funds in the amount of \$87,152.800; of the total nearly \$22.1 million were UGF. In terms of UGF, the difference between the FY 14 management plan and the House subcommittee budget action was a reduction of \$1.4 million or 5.8 percent. When compared to the FY 15 adjusted base, the \$1.4 million cut was a reduction of 6.1 percent. The reductions made DEC (on a percentage basis) one of the state agencies facing the highest budget cuts in FY 15.

Representative Munoz highlighted the subcommittee's recommendation to cut \$1.4 million from the Division of

Water for a new program that would have the state take on dredge-and-fill responsibilities from the federal government under Section 404 of the federal Clean Water Act. She detailed that the division had experienced a 121 percent budget increase over the past 10 years. She supported the 404 permitting effort, but given that the program was new it was the first to be cut. Estimated future costs of the program were \$1.8 million a year starting in FY 16 and increasing to \$7.9 million a year. She noted that the commissioner was working to locate alternatives for reduction. She noted that an amendment may be presented to the committee for a one-time increment. She relayed that it had been a pleasure working with the committee and DEC leadership. She referred to lively discussions on the future of the oil spill response fund (she had introduced legislation in response to make the fund solvent) and the recent closure of the Flint Hill refinery in North Pole.

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Representative Holmes provided subcommittee recommendations for the Department of Administration FY 15 operating budget. The subcommittee recommended an operating budget totaling \$347,298,600. Of the total, \$87,451,000 were UGF; the UGF difference between the FY 14 management plan and the House subcommittee budget action was an increase of \$697,800 or 0.8 percent. She provided highlights of the subcommittee recommendations:

The subcommittee accepted the Department's requests for funds to accommodate our state's new AlaskaCare contracts, to add technological efficiencies to the Division of Motor Vehicles and to transfer the management of the Nome State Office Building from the Department of Transportation and Public Facilities.

We were able to save the state's money by eliminating long-time vacant positions, finding opportunities for increased efficiencies, and identifying areas where funds have been consistently lapsing (particularly within the Alaska Public Offices Commission).

The subcommittee also approved the department's amendments to fund mandates from the Patient Protection and Affordable Care Act, as well as address the growing backlog problem within the Office of

Public Advocacy and Public Defenders Agency. The Department also reduced their budget through an amendment to the Elected Public Officer's Retirement System.

Representative Holmes communicated that there had been significant discussion related to working on extending broadband throughout the state. She would continue to work with the department on locating efficiencies. She thanked the department and LFD for their work on the budget.

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Representative Holmes addressed recommendations for the Department of Law budget. The subcommittee recommended a total FY 15 operating budget in the amount of \$93,458,400 including \$59,332,300 UGF. The UGF difference between the FY 14 management plan and the House subcommittee budget action was a decrease of \$1,915,600 or 3.1 percent. She highlighted subcommittee recommendations:

The subcommittee accepted the Governor's FY 2015 budget requests, which included an increased need for legal services to address prison inmates returning to Alaska from Colorado, added support for our Consumer Protection Program, and continued support of the Department's work related to major oil and gas litigation and bringing North Slope gas to market.

We were able to save the state's money by eliminating long-time vacant positions and identifying areas where existing fund sources could replace the Department's draw from the general fund.

Representative Holmes thanked the department and LFD for their work on the budget.

Representative Gara asked about a \$1.1 million GF increment in the Oil, Gas and Mining Section that had been replaced with \$1.1 million in Permanent Fund expenditures. He asked about the reason for the change.

Representative Holmes replied in the affirmative. She detailed that since the establishment of the Permanent Fund the Department of Natural Resources and the Department of Law's Oil, Gas and Mining section had taken a percentage of their funding from the Permanent Fund gross (the pot of

money that paid for the administrative expenses of the Alaska Permanent Fund Corporation staff). Over the years the Department of Natural Resources had increased the money substantially to account for increased costs; whereas the Department of Law had not received an increase in the last 12 years. The increment made the adjustment to reflect increased costs. She added that the Department of Law brought in about \$10 million to the Permanent Fund annually; therefore, it had been a longstanding practice for the department to take a certain portion of its costs out of the fund source.

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Representative Costello provided subcommittee highlights related to the Department of Commerce, Community and Economic Development (DCCED). The total recommended budget was \$135,528,700; the UGF total was \$30,135,100. The difference in UGF from the FY 14 management plan was a reduction of \$1,892,900 or 5.9 percent. The subcommittee recommended a decrease in the tourism program of \$1.6 million; funding had been put in the base budget. The subcommittee also recommended a reduction to grants and named recipients by 25 percent in the current fiscal year; it recommended an equitable reduction in following years. The purpose was to transition grants to named recipients that the subcommittee felt belonged in the capital budget; however, grant recipient Alaska Legal Services remained untouched. Other grants included the Bering Sea Fisherman's Association, Ilisagvik College, Kawerak, Inc., Alaska Marine Safety Education Association, Alaska Native Arts Marketing Grant, and the Southeast Sustainable Arts program. Other highlights included a denial of merit increases to the Alaska Gasline Development Corporation in the amount of \$627,000. Additionally, in the language section the subcommittee recommended a 10 percent decrease to the Alaska Seafood Marketing Institute (ASMI) to match the reduction.

Representative Gara wondered whether the denied merit pay increases were for high salaried positions. Representative Costello answered that information provided to the subcommittee had showed the proposed increases would have gone to higher paid employees.

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Representative Costello addressed the Department of Natural Resources budget subcommittee recommendations. The total budget was \$159,361,300 and total UGF was \$77,978,700. The difference in UGF from the FY 14 management plan was a reduction of \$1,985,100 or 2.5 percent. Budget highlights included an acceptance of the governor's requested deletion of the Gas Pipeline Project Office for the Alaska Gasline Inducement Act (AGIA) in the amount of \$2,616,800. The subcommittee recommendations included a fund change in Parks Management and Access; \$250,000 UGF would be replaced with \$250,000 in program receipts.

Representative Gara asked for verification that the governor had proposed and the subcommittee had accepted a reduction of approximately \$670,000 in standalone pipeline funds in order to move forward with a larger pipeline.

Representative Costello replied in the affirmative.

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Co-Chair Stoltze addressed the Department of Fish and Game (DFG) budget. He relayed that the subcommittee had held six or seven hearings with the department. He believed the meetings were the only venue the House would hear an open discussion of some contentious Cook Inlet issues and federal litigation issues also related to Cook Inlet. He believed the media and members had been unaware of some of the fisheries issues that drove most of the contentious issues on Cook Inlet. He appreciated the opportunity to discuss the issues. The total budget was \$214,571,200 and total UGF was \$79,387,800. He elaborated that the department had cut its budget by absorbing positions that had been vacant. The subcommittee had asked the department to identify \$1 million in cuts that would do the least harm and provide the most flexibility. The department had identified the following unallocated budget reductions: \$345,000 to commercial fisheries, \$275,000 to sports fisheries, \$220,000 to wildlife conservation, and \$160,000 to administrative and support board sections. He communicated that there would not be a Cook Inlet sport fish cycle until 2016 or 2017, which would absorb a significant amount of costs in the fisheries and board process.

Representative Gara asked about unallocated reductions of approximately \$900,000. He wondered if any of the reductions would impact the existing king salmon studies.

Co-Chair Stoltze replied that the bulk of the king salmon studies were funded in the capital budget. He believed DFG would have the ability to absorb a significant amount of the unallocated reductions. He stated that departments were adept at feeding off of capital budgets. He detailed that the legislative process had changed the research from exclusively focusing on king salmon to focusing on salmon in general. He elaborated that certain areas of the state had problems with coho and sockeye salmon. The subcommittee had given the department a mandate to expand the studies to salmon stocks throughout the state.

Representative Gara asked if funds for the expanded research on salmon species were included in the capital budget.

Co-Chair Stoltze replied that the funds would be in the capital budget. The funds had been allocated to salmon in general. He noted that there had been broad consensus in the House and Senate on the decision the prior session. He believed the policy step was appropriate.

[2:29:04 PM](#)

Co-Chair Stoltze addressed the Alaska Court System budget. He noted that the court system did not go through the OMB process; therefore, all increments were advanced forward to the subcommittee. He commented on the challenging nature of the court budget. Total funds were \$115,246,600 and total UGF was \$111,436,000. He communicated that the budget represented a slight increase, but that it was primarily a maintenance budget; the vast majority of the increments had been denied. There had been discussion related to security issues, but he felt it was important to not discuss the types of security too openly. He remarked that there had not been many substantial reductions located within the budget.

[2:31:25 PM](#)

Representative Guttenberg addressed the partial denial of the bandwidth expansion. He noted statewide testimony

regarding the need. He wondered if there was a plan in the works to help address the deficiency.

Co-Chair Stoltze had hoped a plan would have been developed. He recalled that the court system had relayed that the issue was important to all of the justice agencies; however, the subcommittee had not heard a concomitant concern from the Department of Public Safety, the Department of Law, or the Department of Corrections. He believed the court system should devise a better plan with all administration of justice agencies. He opined that it could not just be one of the agencies, especially one that did not fall under OMB. He hoped the court system would take the guidance offered by the legislature earlier on in the current session and that it would come forward with a plan. He stated that money had been given in a piecemeal approach. He understood that bandwidth was an increasing concern, but he believed that other departments involved in the administration of justice should be included in a plan. He stressed that increased coordination and justification was needed in order to provide additional funds to a program.

[2:34:13 PM](#)

Representative Guttenberg noted that many legislators shared the same frustration related to the lack of a cohesive plan.

Representative Holmes added that the Department of Administration subcommittee had communicated to DOA that it needed to take a leading role in finding a system-wide solution.

[2:35:03 PM](#)

Co-Chair Austerman discussed subcommittee recommendations for the Office of the Governor. The subcommittee approved a total budget of \$32,748,900 including UGF of slightly over \$32 million. The \$2.5 million UGF increase above the FY 14 management plan was due largely to a request of \$3.7 million for upcoming primary and general elections. The budget included the reductions of eight positions and just under \$655,000 UGF. Additionally, there was a UGF reduction of \$562,000 to various expenditures. The subcommittee had changed the governor's \$3 million request for the Domestic Violence and Sexual Assault Initiative from a base item to

a one-time expenditure. The subcommittee recognized the importance of the issue and believed it should be discussed annually and that it should not be buried in the budget's base.

Representative Gara asked about the change of the governor's request. He understood that the performance measure report was necessary. He wondered if the funds had been included in the base budget or designated as a one-time increment the prior year.

Co-Chair Austerman replied that the item had been funded as a one-time increment the previous year.

Representative Gara asked for verification that the item had been a one-time increment in the past few years.

Co-Chair Austerman replied in the affirmative.

[2:37:24 PM](#)

Co-Chair Austerman detailed the subcommittee request for the Legislature. The subcommittee had approved an FY 15 budget of \$76,676,200 including a UGF total of just over \$76.2 million. There was a UGF increase of \$1.8 million or 2.5 percent over the FY 14 management plan. He noted that an agency audit bill had been approved the previous year, which represented \$720,000 of the increase. He addressed the current remodel of the Anchorage Legislative Information Office (LIO); \$3.4 million was allocated to a rent increase. The budget included \$2.5 million in UGF program reductions that cut 3.15 percent from the FY 15 budget request; \$250,000 had been cut from the Division of Legislative Audit, \$950,000 had been cut from the Legislative Finance Division to be split evenly between the House and Senate Finance Committees, and \$1.3 million had been eliminated from committee expenses. He noted that the Office of the Governor and the Legislature primarily operated with general funds.

Representative Gara understood that there was no way out of the Anchorage LIO building contract. He pointed to the \$3.5 million rent increase and asked if there would be utility increases of approximately \$700,000. He wondered if the utility increase would not occur in the upcoming fiscal year as the building would not be inhabited until the

following year. He thought the total lease increase would be roughly \$4 million.

Co-Chair Austerman would follow up on the question.

Co-Chair Stoltze remarked that he and Co-Chair Austerman were not the authorities on the issue.

Co-Chair Austerman added that the Anchorage LIO lease was a Legislative Council issue.

[2:40:18 PM](#)

Representative Wilson addressed the Department of Education and Early Development (DEED) budget recommendations. The total budget was \$349,429,400, which did not include the forward funding of the foundation formula. Total UGF was \$60,319,400. The total was a decrease of \$2,214,800 or 0.6 percent from the FY 14 management plan. She noted that \$3 million had been added to the Alaska Performance Scholarship and \$1.5 million had been included for AlaskAdvantage Education Grant program for need-based scholarships. The subcommittee had removed \$1.1 million for the Alaska Learning Network. She detailed that the program was currently housed under the University of Alaska Southeast. She believed the program had moved locations annually. She communicated that the university could continue the program if it did one of two things. The program could be transferred to Ketchikan; the campus was currently providing the most related programs, which would allow it to take advantage of \$5 million of the governor's initiative (the initiative enabled school districts to help other school districts). The second option involved increasing the course cost from \$150 to \$300, which would generate \$180,000; a new course cost \$15,000.

Representative Wilson discussed that DEED was the recipient of many grants. She stated that there were no outcome measurements associated with the grants. She believed a further discussion was needed to determine whether DEED was the appropriate recipient.

Representative Munoz asked how the digital learning cut would impact the mining training program and digital learning for the course. She relayed that the class was offered in Juneau, but it was available digitally

statewide; the program offered dual credits for high school students.

Representative Wilson replied that the mining program was not a part of the Alaska Learning Network. She had looked online and the program appeared to be with Department of Labor and Workforce Development. She would follow up to verify her understanding. She stated that if the program was successful it would be able to utilize funds provided from school districts for high school students. She stated that \$4 million had been spent on the learning network. She opined that the program should be self-sustainable.

Representative Munoz would follow up with Representative Wilson and with the UAS chancellor.

[2:43:32 PM](#)

Representative Wilson spoke to recommendations for the Department of Labor and Workforce Development (DLWD). She stated that cuts to DWLD and DEED were coming from programs. The total budget was \$182,689,200 including UGF of \$32,012,700. The budget had been reduced by \$8,074,000 or 4.2 percent. The subcommittee had removed \$2,391,700 from the Alaska Youth First program. She detailed that the program funded career counselors in the schools. The subcommittee believed communication needed to be increased. She stated that the counselors should focus on careers, college, and technical programs. She pointed to the Technical Vocational Education Program (TVEP); the subcommittee felt that if the grants were more competitive the technical programs would be in schools. The subcommittee surmised that increased career counselors were not needed if good schools could market their own programs.

Representative Costello asked whether the Alaska Youth First program was a grant program offering funds to various recipients.

Representative Wilson replied that there were 18 recipients under the Alaska Youth First program. She stated that it was difficult to determine how many students the program was helping. She detailed that cost estimates per student ranged from \$40 to \$5,000. She stated that there were no outcome measurements available to justify continuing the program.

Representative Costello asked if some of the grant recipients could be placed in the capital budget.

Representative Wilson answered that with good representatives the recipients could go where they wanted for funds. The recipients were primarily counselors in schools replacing other areas that would receive education funding. She stated that the money would actually be funding positions; therefore, she did not know whether the program would qualify for capital funds. Some of the programs were already in TVEP and the State Training and Employment Program. She added that there were a significant number of state matching funds in several departments.

Representative Costello relayed that DCCED was phasing out a program that the subcommittee was hoping to fund in the capital budget. The DCCED subcommittee was hoping to get one of the programs into TVEP. She understood that one of the recipients was Nine Star, which was an agency not associated with a specific school.

[2:47:12 PM](#)

Representative Gara expressed concern about a cut to the Alaska Youth First Program. He shared that schools had lost 600 educators in the past three years due to a lack of education funding; a number of the positions had been job and career counselors. He wondered how schools would absorb the loss of counselors in the youth first program on top of the counselors they had lost due to a lack of education funding.

Representative Wilson could not tell if the program was duplicative because it had not been used in all school districts. She did not know how many counselors each of the districts had. Once the subcommittee had gone through federal matching for state funds only three areas had remained; she pointed to the construction academy, the youth first program, and training for youths entering adulthood. She believed the state funded training schools should be responsible for outreach to students related to their programs. She opined that increased competition for grants would incentivize training schools to work harder to recruit students. She did not understand why there would be a counselor specifically for careers and another specifically for college; a counselor should have the ability to help a student determine multiple options.

Representative Gara asked if there was evidence that the counselors in the Alaska Youth First program had been ineffective.

Representative Wilson replied that the subcommittee had not been provided with any data on the program. She stated that unlike the construction academy the program was not hands-on. She relayed that the construction academy would be the last area to cut general fund money the following year until the legislature began cutting programs with federal matching funds and ones that were required by the department. She stated that it was coming down to what DWLD and DEED were mandated to do and what remained outside that area.

Representative Munoz referred to Representative Wilson's earlier testimony about money for a specific program being used in Ketchikan versus at UAS. She wondered which program Representative Wilson had been discussing.

Representative Wilson replied that she had been referring to the governor's \$5 million digital initiative capital project for DEED. The digital initiative asked for school districts to reach out to other school districts. She explained that if the Alaska Learning Network was located in Ketchikan it could apply for a grant that would allow the program to continue its current outreach. If the program remained at UAS she believed it would not qualify for the grant because it was not a school district.

[2:52:03 PM](#)

Representative Edgmon spoke to the Department of Public Safety subcommittee recommendations. The total budget was \$206,111,800 including UGF of \$171,100,800. The budget represented a UGF decrease of \$1,192,900 or 0.007 percent. He relayed that most of the reduction came from the denial of a request for 15 additional Village Public Safety Officer (VPSO) positions totaling \$3.1 million. The positions had been denied given that approximately one-quarter of the current authorized positions were vacant. Given the current vacancy factor the subcommittee had determined that it was unnecessary to provide additional positions. A request for a VPSO oversight trooper totaling approximately \$350,000 had also been denied.

Representative Edgmon communicated that the subcommittee had accepted two decrements for two patrol vessels including the Stimpson and the Woldstad. The decrements were made with the intent that he would work with Co-Chair Austerman on bringing something back to the full House Finance Committee to address the situation. He detailed that currently the patrol vessel Stimpson resided in Unalaska; the department claimed that if it was moved to Kodiak savings of approximately \$500,000 in personnel, moorage, and fuel costs would occur. Unalaska had disagreed with the cut given that the Stimpson was the one large vessel the state had to conduct search and rescue and other associated activities in the Bering Sea and Aleutian Island waters. The subcommittee had agreed with the assessment and hoped the committee would be able to develop a solution. The older Woldstad vessel currently resided in Kodiak. He detailed that \$2.4 million had been appropriated for repair work the previous year; \$100,000 of the funds had been spent and an additional \$1.3 million in repair work was needed. The subcommittee did not agree with the department's recommendation that the Woldstad should be replaced with a smaller 58-foot vessel that would be used in the gulf. He spoke to high intensity storms in the open waters of the gulf [that made using a smaller vessel less practical].

Representative Edgmon referred to a \$2.2 million amendment that had been included in the FY 14 supplemental budget to fund the Alaska Bureau of Highway Patrol with GF money. The subcommittee transacted an amendment that would allow the \$2.2 million to go forward in the supplemental budget, which would keep the 19 troopers associated with the bureau intact. The subcommittee had maintained \$537,500 for two increments for the Council on Domestic Violence and Sexual Assault (CDVSA). The increments pertained to funding operating expenses for women's shelters and for expanding programs for children entering shelters with adults.

[2:56:58 PM](#)

Representative Wilson wondered if the supplemental funds for troopers backfilled any federal funding.

Representative Edgmon replied in the affirmative.

Representative Edgmon addressed the Department of Corrections budget. The subcommittee recommended a total

budget of \$331,095,900 including UGF of \$295,816,100. The budget represented a UGF decrease of \$1,126,800 or 0.004 percent from the FY 14 management plan. He addressed a \$2.5 million savings with the Point MacKenzie Correctional farm related to the transfer of 112 inmates and corresponding administrative staff to the Goose Creek Correctional Center (GCCC); inmates would be bused back to the farm during farming season to continue their work. He stated that the subcommittee had essentially accepted the governor's budget with no changes. He pointed out that the transfer of approximately 1,050 prisoners from Hudson, California to GCCC was complete; \$3.3 million had been transferred from the out-of-state contractual component of the department's budget to other areas to enable the transfer of the inmates to GCCC. He relayed that there continued to be 15 to 20 special needs prisoners residing out-of-state at various facilities.

[2:59:36 PM](#)

Representative Thompson spoke to the Department of Military and Veterans Affairs budget. The subcommittee recommended total funds of 60,387,800 including UGF of \$24,879,800. The difference in UGF from the FY 14 management plan was an increase in \$2,605,500 or 11.7 percent. The subcommittee had accepted the governor's amended proposal with several adjustments. He detailed that the subcommittee had reduced the Alaska National Guard benefit appropriation by \$142,600 UGF (from \$769,900 to \$627,300) for actuarial recommendations. The subcommittee had changed \$1,238,300 from UGF to GF match for the Alaska Military Youth Academy in order to accurately reflect required federal matching funds. The subcommittee had removed all UGF operating and sustainment funding from the base budget for the Alaska Aerospace Corporation and had added the \$6.1 million back as a one-time increment. All of the governor's other requests had been accepted. Total reductions from the governor's amended budget were \$142,600 UGF. The total fund decrease from the adjusted base was \$8,894,200 or 12.8 percent; \$2.2 million of the figure was UGF primarily from the Alaska Aerospace Corporation.

Representative Gara referred to the Alaska Aerospace Corporation rocket launch facility and noted there had been one launch in the past three years. The recent multiyear contract only included one launch. He wondered if there was a way to appropriate less than \$6 million to maintain the

facility so the corporation could either secure additional contracts or come up with a way to sell the facility to the private sector. He wondered if it was necessary to fund employees when rockets were not being launched.

Representative Thompson replied that there was a launch scheduled for the fall that required preparation at the facility three months in advance. He stated that without personnel it was difficult for the corporation to market for future launches. Two years earlier the funding had been \$10 million; the corporation had committed to reducing funds by \$2 million per year with the understanding that it would close if commitments were not obtained. The FY 15 increment of \$6 million would be reduced to \$4 million in the following year and to \$2 million the year after that. The corporation's director Craig Campbell had committed to closing or selling the facility if it was not successful by the time funds ramped down. He explained that the director was working on looking for additional options that would generate revenue at the facility. He detailed that Mr. Campbell had taken over at a point when the corporation had not sought commercial launch activity and he had turned the program ideas around.

[3:04:37 PM](#)

Representative Thompson reported the Department of Revenue subcommittee recommendations for the FY 15 operating budget. The subcommittee recommended total funds of \$371,685,000 including UGF of \$32,236,400. The subcommittee had accepted the governor's recommendation with several adjustments. There was a fund source change to reduce UGF by \$28,600 and to increase DGF by \$28,600 for the Pick, Click and Give program within the Permanent Fund Dividend Division. The subcommittee had removed \$125,000 of UGF from Natural Gas Commercialization base funding for Alaska Gasline Inducement Act (AGIA) audit reimbursements; \$125,000 UGF had been added as a one-time increment. All other governor's requests had been accepted. The difference totaled \$22,767,000 or a 6.5 percent increase between the FY 14 management plan and the subcommittee's recommended FY 15 budget.

Representative Guttenberg wondered if audits for AGIA had ended. He asked if there was any ongoing work that needed to be completed. He wondered if money had been left somewhere in the budget.

Representative Thompson replied that money had been left in the budget to complete FY 15 audits. He communicated that the audits should be completed in the current year.

Vice-Chair Neuman spoke to the Department of Transportation and Public Facilities budget. The subcommittee recommended a FY 15 budget totaling \$629,119,700 including \$278,863,400 UGF, \$68,096,700 DGF, \$279,341,000 other funds, and \$2,845,600 in federal funds. The budget represented a UGF decrease of 1.5 percent or \$4,190,600. He shared that the subcommittee had held six meetings with the department and recommended accepting the governor's proposed request with additional recommendations. The subcommittee recommended replacing \$900,000 UGF with capital improvement project receipt authority. The action fell under administrative services and design and engineering components within the department; costs were project specific and accounted for human resources, information technology training, and direct project costs. The subcommittee believed it was appropriate to provide the state with the ability use some of the funds to cover administrative costs in federally funded projects. He noted that the funding cap had not been reached for engineering and accounting; funds would be used for future adjustments.

Vice-Chair Neuman pointed to a reduction in funding for state highways, aviation, and facilities by \$800,000 UGF. The subcommittee recommended that the department increase cost-control and efficiency measures including summer overtime reductions. He detailed that the reduction had been spread across Central, Northern, and Southeast Alaska regions; the reduction was weighted to ensure that impacts were proportional. The Central region would receive \$311,700, the Northern region would receive \$397,300, and Southeast would receive \$91,000.

Vice-Chair Neuman addressed an elimination of \$1 million UGF for marine vessel operations. The reduction would eliminate gift shops on the Columbia, Kennicott, Malaspina, Matanuska, and Taku ferries. The reduction did not impact cafeterias on the vessels. The subcommittee had explored the possibility of leasing vending machines from private industries or adding rooms to increase ferry revenue. He stated that the ferry system had an online giftshop available for consumers. He believed the gift shops reduced the amount of shopping passengers did in local communities.

He noted that LFD backup materials had been provided to members.

[3:11:55 PM](#)

Representative Guttenberg spoke to the \$800,000 reduction related to overtime summer costs. He was concerned about where the overtime costs would be cut. He wondered if the subcommittee had identified specific costs that would be cut. He discussed private sector projects overseen by the department and major maintenance done by department crews.

Vice-Chair Neuman replied that the subcommittee had worked to cut the \$800,000 proportionately throughout the state. The overtime reductions were a recommendation provided by the department; the reduction would allow the department maximum flexibility to absorb cuts. He did not know how overtime would work out on specific projects.

Vice-Chair Neuman addressed the Department of Health and Social Services (DHSS) budget. He thanked Co-Chair Austerman for his recommendation that the subcommittee meet as a committee of the whole. He shared that members had traveled throughout the state over the past interim to look at close to all of the department's divisions. He read the following detail related to the budget totals:

The House Finance Health and Social Services Subcommittee recommended a total FY 15 Budget of \$2,661,600.9 with a total UGF of \$1,249,955.7. The difference in UGF from FY 14 Management Plan is \$13,459.1 which is a 1.1% increase in formula and non-formula funding. This takes into account the increase in Medicaid Services. The Subcommittee recommended a \$2 million dollar reduction in energy assistance and further the Subcommittee recommended reductions in the amount of \$4,489.0 from the \$390,035.7 Non-Formula UGF which is -0.1%.

Vice-Chair Neuman relayed that the subcommittee's recommended UGF funds were \$6,489,200 or 0.5 percent lower than the governor's proposed FY 15 budget.

[3:16:46 PM](#)

Vice-Chair Neuman relayed that the subcommittee had accepted the governor's proposed budget with additional

recommendations. He explained that conditional language had been added to the governor's proposed budget:

Added Conditional Language allowing the Commissioner the discretion to transfer up to \$50,000,000 between appropriations in the Department of Health and Social Services. This is to give the Department a little cover with so much uncertainty happening in Health and Social Services on the Federal Level with things like sequestration, the Affordable Care Act, and what is happening in the Health Care Marketplace.

Vice-Chair Neuman felt that the change would save DHSS money by providing them with flexibility at the end of the budget season. He discussed reductions to the budget:

Behavioral Health/Behavioral Health Grants:

- Decrement \$1,043.0 GF/MH and reflect savings from the reallocation of funding from residential treatment services to intensive outpatient substance abuse treatment services.
 - o This reallocation will allow for the treatment of approximately 223 additional individuals in outpatient services providing greater capacity at the outpatient level with the intention of shifting the curve of the number of people requiring residential treatment while working on a program for access to residential treatment.
- Decrement \$1,000.0 GF/MH in the Behavioral Health Grants allocation. This is being done to bring this allocation into alignment by taking into account non-performing and/or underperforming grants in Behavioral Health Grants Component. The Subcommittee Plan that has been presented shows just under \$138 Million in Behavioral Health (a 2.4% reduction) with \$84 million in the grants line (a 3.9% reduction). During the Division's presentation it was noted that the service population for the Division is approximately 26,329 individual and that the average cost for services excluding prevention is \$9,165 per person. There is a Behavioral Health Systems Assessment happening now that will help identify areas of need in our State along with

the Department's review of the grants will help bring the funding into alignment. Keep in mind that there is flexibility to move funding, if there are specific needs, within the appropriation and with the recommended conditional language.

Public Assistance/Energy Assistance Program:

Reduce Public Assistance Energy Assistance Program for Alaska Heating Assistance by \$2,000.0.

- There is \$13,164.30 in Federal Funds which is the federally funded portion of the program providing assistance to those with incomes below 150% Federal Poverty Level (The Division of Public Assistance issued payments averaging \$1,253 to 11,449 LIHEAP (Low Income Home Energy Assistance Program) households (incomes below 150% Federal Poverty Level) and \$13,358.5 GF to serve those with income levels between 151% and 225% of Federal Poverty. (Division of Public Assistance served 2,304 households with incomes between 151% and 225% Federal Poverty Level with an average payment of \$678).

Public Health/Health Plan and Systems Development:

Reduced by \$1,200.0 UGF, a portion of the Supporting Health Care Access through Loan Repayment Program (SHARP I & II).

- Sharp I is the federally funded portion of this program
- Sharp II was enacted in 2012 with the intention of increasing care in Rural Alaska.
- Interestingly this program was identified in the Indirect Expenditures Research that should be reviewed.

Vice-Chair Neuman relayed that the SHARP I and II programs were intended to assist medical personnel in reducing educational costs if they returned to work in Alaska. SHARP I was a 50/50 federal/state match; SHARP II was an additional funding of \$1.2 million. The recommended reduction would come out of the SHARP II program budget. He discussed additional reductions:

Public Health/Community Health Grants:

Decrementing \$1,000.0 UGF (50% of the program) from the Community Health Aide Training and Supervision Grants.

- The needs and uses of this program have changed considerably since it was established in 1984. The use of modern technology methods of training such as Tele-health and online training opportunities allow this program to continue with reduced funding.

3:22:06 PM

Vice-Chair Neuman elaborated that originally there had been \$2 million included for the Community Health Aide Training and Supervision grants. There had been approximately \$1 million remaining in the program; the cut was to the \$1 million. He spoke to the last budget decrement:

Health Care Medicaid Services:

Removed \$52.5 Federal Receipts and \$52.5 G/F Match used to fund the Alaska Prescription Drug Database that is housed in the Department of Commerce, Community and Economic Development's Division of Corporations, Business and Professional Licensing.

Representative Guttenberg asked about the prescription drug monitoring database. He wondered why it had been deleted and if it had been moved to another department.

Vice-Chair Neuman replied that he had recommended that the database be moved based on evaluations that were put forth. The subcommittee had heard from Dr. Ward Hurlburt with the Alaska Health Care Commission who had relayed that the data was not live. He stated that the data was two to four weeks out; the original goal was to reduce opiate use throughout the public and to prevent individuals from "shopping" doctors. He stated that because the database did not reflect live-time the goal was not met. The subcommittee had found that enforcement had fallen to pharmacists and pharmacy technicians. He pointed to a lack of safety related to expired drugs. He relayed that the RSA [Reimbursable Services Agreement] was managed by the pharmacy board under DCCED.

Representative Guttenberg asked for verification that the database would not be managed given the recommended budget cut. Vice-Chair Neuman agreed.

Co-Chair Austerman WITHDREW his OBJECTION to the adoption of the CS Work Drafts. There being NO further OBJECTION, Work Draft 28-GH2671\P for HB 266 and Work Draft 28-GH2673\C for HB 267 were ADOPTED.

Co-Chair Austerman discussed future meetings. He requested that members provide any amendments to his office. He recognized that LFD was a large part of the budget process. Additionally, he thanked the Office of Management and Budget for its work.

[3:28:45 PM](#)

Representative Wilson asked about the budget amendment deadline.

Co-Chair Austerman replied that the deadline was 5:00 p.m. on Wednesday. He discussed the schedule for the following day.

HB 266 was HEARD and HELD in committee for further consideration.

HB 267 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[3:29:52 PM](#)

The meeting was adjourned at 3:29 p.m.