

SENATE FINANCE COMMITTEE
March 21, 2013
10:03 a.m.

10:03:55 AM

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 10:03 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

James Armstrong, Staff, Senator Pete Kelly; David Teal, Director, Legislative Finance Division; Denise Liccioli, Staff, Senator Donnie Olson; Sheila Peterson, Staff, Senator Mike Dunleavy; Steve Ricci, Staff, Senator Mike Dunleavy; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

CSHB 65(FIN) APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 65(FIN) was HEARD and HELD in committee for further consideration.

CSHB 66(FIN) APPROP: MENTAL HEALTH BUDGET

CSHB 66(FIN) was HEARD and HELD in committee for further consideration.

SUBCOMMITTEE REPORTS TO FULL COMMITTEE

#hb65

#hb66

CS FOR HOUSE BILL NO. 65(FIN)

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

CS FOR HOUSE BILL NO. 66(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program and making a reappropriation; and providing for an effective date."

[10:05:14 AM](#)

Co-Chair Meyer MOVED to ADOPT committee substitute for CSHB 65(FIN), work draft 28-GH1799\I (Bailey, 3/20/13). There being NO OBJECTION, it was so ordered.

Co-Chair Meyer MOVED to ADOPT committee substitute for CSHB 66(FIN), work draft 28-GH1797\P (Bailey, 3/20/13). There being NO OBJECTION, it was so ordered.

JAMES ARMSTRONG, STAFF, SENATOR PETE KELLY, explained the changes in the committee substitute. He referred to the three spreadsheets from the Legislative Finance Division (LFD): "1. 2013 Legislature-Operating Budget, Agency Summary-House Structure; Numbers and Language"; "2. 2013 Legislature-Operating Budget, Agency Summary-House Structure; Numbers and Language; Numbers and Language Fund Groups: General Funds"; and "3. 2013 Legislature-Operating Budget, Statewide Totals-House Structure" (copies on file). He explained that the CS would spend a total of \$9.851 billion including \$5.798 billion of Unrestricted General Funds (UGF), \$746.69 million of Designated General Funds (DGF), \$1.277 billion in other state funds, and \$2.29 billion in federal funds. He announced that the difference between the CS and the governor's proposed amended budget was less than \$62.659 million.

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Co-Chair Kelly wondered if Mr. Armstrong had mentioned the amount of UGF. Mr. Armstrong responded that he had shared the UGF number.

Co-Chair Kelly wondered where that number could be found. Mr. Armstrong looked at page 2, and stated that the UGF number was \$5.798 billion.

Co-Chair Kelly felt that the UGF number was imperative for the record in order to point out that \$9 billion of state funds were not being spent.

Mr. Armstrong stated that there was Department of Military and Veterans Affairs (DMVA) language that dealt with the Alaska Aerospace Corporation related to a deadline for multi-year contracts that was removed from the bill. There was a provision in the governor's budget that collected fees from the Bulk Fuel Revolving Loan Fund, but that fund will be eliminated the following year. Therefore, the \$45,000 that was dedicated to that fund would go to the general fund. He explained that there was a \$10 million capitalization to the Alaska Energy Authority (AEA) that was removed from the budget, and would be a conferencable item. He shared that the House version of the bill added a mining professor at the University of Alaska Southeast (UAS), but the funding was contained in the numbers section of the committee substitute, so the language for that request was removed.

Mr. Armstrong looked at page 58 of the committee substitute, lines 26 through 31 and page 59, lines 1 through 4. He explained that the governor's submitted budget showed that \$33.091 million for the Power Cost Equalization (PCE) endowment gained interest each year. He announced that \$7.26 million would supplement the program, for a total of \$40.351 million. He explained that a large deposit was made to the endowment in FY 11, so the general fund subsidies were getting lower based on a three year average calculation of fund balance. In FY 15, the fund balance on the GF subsidy was supposed to be removed as the \$400 million hits the three rolling average. The proposal was a removal of \$7 million of GF, and utilized \$7.260 million from the PCE.

Senator Hoffman requested a copy of the impact of the change to the PCE. Co-Chair Kelly requested an explanation of the impact of the PCE change.

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, looked at "Power Cost Equalization Endowment Fund - History and Projections (in Millions)" (copy on file). He explained that the long-term showed very little difference. The amount of the PCE was sufficient so the payout from the endowment would drop to below 6 percent once the balance was fully phased into average balance computation. He stated that the balance was expected to begin to grow in the endowment, which would fully fund the PCE. He remarked that subsection (g), page 58 contained backstop language stating that if the \$40 million was insufficient for the current year; addition money would come from GF to fully fund the PCE.

Senator Olson looked at page 58, subsection (g). He noted the \$40 million increment from the PCE Fund was included on line 26, subsection (f).

Co-Chair Kelly remarked that the impact of the PCE payment would not change, and the impact of the endowment was minimal. It would continue to grow under scenarios outlined in the spreadsheets. Mr. Teal agreed.

Senator Hoffman wondered if the backstop language was currently included. Mr. Teal looked at subsection (g) on page 58:

(g) If the amount appropriated in (f) of this section is not sufficient to pay power cost equalization program costs without proration, the amount necessary to pay power cost equalization program costs without proration, estimated to be zero, is appropriated from the general fund to the Department of Commerce, Community and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2014.

Mr. Armstrong looked at page 60, lines 19 through 23, which was a reappropriation of a multi-year appropriation made in FY 13 in Department of Health and Social Services (DHSS). The funds in the prior year were \$9 million, and it was estimated that \$6 million remained to be reappropriated into the Behavior and Medicaid component of the DHSS budget.

Mr. Armstrong highlighted page 60, lines 10 through 18, which was related to the Low Income Heating and Energy Assistance Program. The section was a backstop provision that LFD and the subcommittees worked on, and it stated that if there were insufficient federal funds in the current year, then GF would fund the program. He looked at page 62, line 23, which was a change to the Department of Natural Resources (DNR) Division of Oil and Gas request that fully funds the project. He looked at page 72, lines 12 through 13, which dealt with the Trauma Care Fund. He stated that the governor had requested \$2 million, the House denied that request, and the committee substitute added that request back into the bill.

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^SUBCOMMITTEE REPORTS TO FULL COMMITTEE

Co-Chair Meyer explained the Department of Transportation and Public Facilities (DOT/PF) and Department of Commerce, Community and Economic Development (DCCED) subcommittee reports. He explained that there were some reductions in the DOT/PF budget totaling approximately \$7.1 million. He stated that most of the reductions were made to the Alaska Marine Highway System budget, related to vessel fuel and vessel operations. He remarked that the commissioner of DOT/PF had shared that the reductions would not have a major impact on service. He shared that there was a fleet reduction of \$2.7 million spread throughout the Northern, Central, and Southeast regions equally. The DCCED reduction was approximately \$3.9 million related to grants to named recipients in the Operating Budget, which were typically in the Capital Budget. He shared that there were reductions to the Alcohol Beverage and Control (ABC) Board. He explained that there were unexpected costs related to recently moving the ABC Board from the Department of Public Safety (DPS) to DCCED, so those costs were addressed in the DCCED budget.

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Senator Olson invited his staff to explain the DHSS and DPS budgets.

DENISE LICCIOLI, STAFF, SENATOR DONNIE OLSON, explained the DHSS budget. She stated that the budget authorization consisted of almost \$2.7 billion including \$1.2 billion in UGF, \$74.1 million DGF, \$94.7 million in other funds, and \$1.2 billion in federal funds. The budget proposal was approximately \$1.2 million in GF less than the governor's proposed budget. She shared that the subcommittee did not accept the requested increase in Medicaid for the woodwork effect for \$7.385 million. She stated that the subcommittee added \$1.1 million for the Alaska Medicare Clinic; a \$450,000 one-time item for the the Complex Behavior Collaborative; \$565,000 of GF to increase the Emergency Medical Services grants; and \$6 million to the Behavioral Health Medicaid Services component. She explained that there was intent added to the budget that allowed the commissioner of DHSS the authority to move up to \$50 million of funds within the budget between appropriation lines. She remarked that the intent language was unusual, but necessary to allow DHSS to react to the federal sequester, and prevent the need for a supplemental budget request.

Ms. Liccioli explained DPS budget. She stated that the subcommittee authorized a total \$208.79 million including \$176 million of UGF, \$6.4 million in DGF, \$15.3 million in other funds, and \$10.8 million of federal funds. She stated that the proposal was \$707,200 below the governor's request. She stated that the subcommittee disapproved the request for three new troopers and \$827,000 for a new sex trafficking unit. She also stated that the subcommittee added \$120,000 of GF to increase the Victims for Justice funding. She furthered that there was intent added that asked DPS to work with the grantees to determine what other needs were unmet for the Village Public Safety Officers (VPSOs); and to use any anticipated savings from vacancy to be put into the program for housing, equipment, etc.

Co-Chair Kelly surmised that the rationale behind not funding the sex trafficking unit, was because there were no reported cases of sex trafficking. Senator Olson replied that there were no sex trafficking cases on either side, which indicated no activity of recent sex trafficking.

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SHEILA PETERSON, STAFF, SENATOR MIKE DUNLEAVY, explained the Department of Education and Early Development (DEED) budget proposal summary. She stated that the proposal had \$350 million including \$66.5 million in UGF, \$24.319 million in DGF, \$26.051 in other funds, and \$233.798 million in federal funds. She noted that the federal funds in the DEED were three times as large as the GF for DEED. She stressed that most of the federal funds were utilized as grants to the school districts. She stated that the fund that the Fund the Digitizing Education in Alaska Initiative had a reduction of \$738,000. She remarked that the amount gave DEED flexibility to fund the four different programs. She explained that a new program, "The Jobs for America's Graduate" was eliminated because it was a new program, so its startup date could occur at a later date. She stated that the early childhood education programs matched the work done in the House; because it was not clear which early childhood program was giving the best performance per dollar.

Ms. Peterson explained the Department of Environmental Conservation (DEC) budget. She stated that there was a reduction to two programs that totaled \$446,500, for increased staff time. She remarked that the money in the base could cover the remaining half that was removed. She stated that there was change in the intent language from the House, which dealt with the Oil and Hazardous Substance Release Prevention and Response Fund. She noted that the DEC proposal contained \$21.784 million in UGF; \$6.895 in DGF; \$11.199 in other funds; \$24.938 in federal funds; totaling \$84.817 million.

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STEVE RICCI, STAFF, SENATOR MIKE DUNLEAVY, highlighted the Department of Fish and Game (DFG) budget. He stated that the DFG subcommittee recommended \$79.971 million in UGF; \$8.586 in DGF; \$62.849 million in other funds; \$63.337 in federal funds; totaling \$214.745 million. He remarked that the proposal reduced UGF spending by 1.1 percent from the governor's amended budget. He stated that the subcommittee approved a \$400,000 of GF for the Southeast Port Sampling Program in the Commercial Fisheries Division, which would be used to examine mixed stock fisheries in the area. The subcommittee approved \$273,000 of GF for mixed stock sampling in upper Cook Inlet. The subcommittee provided funding for the Kodiak area in the amount of \$100,000. He

explained that the subcommittee approved two unallocated cuts to reduce GF spending: \$579,000 for a three-year average of a lapse balance that equaled 0.73 percent of the total GF request for the FY 14 budget; and \$315,000 reduction that equaled 5 percent of the agency's travel budget. He stated that the subcommittee approved \$436,200 of GF to leverage approximately \$1.8 million in federal funds for the Wildlife Conservation Division.

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Senator Bishop explained the Department of Corrections (DOC) budget proposal. He stated that the subcommittee accepted the House changes, which were the same as the governor's amended budget. The budget totaled \$332.191 million. He noted the fund source change of \$2 million from UGF to federal receipts for the housing of federal prisoners. He stated that there was a \$5.5 million fund change from PFD criminal to UGF due to decreased garnishments. He remarked that DOC was concerned that the prison population rate was increasing, and there may need to be a relevant focus on increased woman's prison capacity. He noted that he was tentatively planning to travel to Bethel, to examine the overcrowding in the Bethel Jail.

Senator Bishop explained that DMVA budget. He explained that there was a \$405,000 decrement related to a fund source change. He stressed that the budget was below the governor's proposed amended budget. He remarked that there was an addition of \$8 million to fully fund the Alaska Aerospace Corporation in support of anticipated contracts. He announced that there was intent language that stated that Alaska Aerospace Corporation would not request more than \$6 million in FY 15, \$4 million in FY 16, and \$2 million in FY 17.

Senator Bishop highlighted the DNR budget. He announced that the subcommittee's proposal was less than the governor's amended budget by \$2.76 million for a total of \$159 million. He stated that the proposal moved funding of

the arbitration of oil and gas royalty in the Alaska Gasline Inducement Act (AGIA) monitoring and advising sections to the language portions of the bill, due to the historic inability to accurately predict the actual expenditures. He stated that the subcommittee maintained the ability of DNR to staff the Guide Concession Program while declining any new money for implementation of the program until such time that the legislature approved appropriate legislation.

Senator Bishop explained the Department of Labor and Workforce Development (DLWD) budget. He announced that the subcommittee proposal was \$550,000 less than the governor's amended budget. He stated that the subcommittee did not accept the \$200,000 for the Alaska Vocational and Technical Education Center (AVTEC) increment, because AVTEC had the ability to raise tuitions. He stated that the subcommittee maintained the ability of DLWD to prepare Alaska workers for what is anticipated to be a significant increase in oil exploration development related activities.

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Co-Chair Kelly noted that the CS restored \$1 million in the University of Alaska budget for maintenance, and a custodial contract. AN increment of \$130,000 for the Fairbanks campus aviation program was also included.

Vice-Chair Fairclough explained the Department of Administration (DOA) budget. She stated that the subcommittee had changed the structure of the Alaska Land Mobile Radio (ALMR) payments on behalf the municipalities. Previously, the ALMR payments were directed toward DCCED, and then transferred to DOA. She stated that there was a reduction of the authorization to the Violent Crimes Compensation Board to more closely align with anticipated funds available in the Violent Crimes Compensation Fund. She announced that the total allocation for DOA was \$336.249 million.

Vice-Chair Fairclough explained the Department of Revenue (DOR) budget. She pointed that the subcommittee funded two positions that were transferred from DCCED to DOR related to the Film Office move. She stated that the subcommittee allocated \$350.68 million. She added that the subcommittee accepted the governor's request for an additional master auditor for the Division of Oil and Gas.

Vice-Chair Fairclough explained the UA budget. She stated that the subcommittee reduced the receipt authority by \$36 million, which was a recommendation from LFD. She pointed out that the university still had sufficient funds, and receipt authority. The subcommittee funded a comprehensive student advising for \$400,000; the Mining Regulatory Training Certificate Program for \$200,000; and the Small Business Development Center for \$356,000. She stressed that the budget was made in order to ensure that the University of Alaska could fund their basic fixed costs.

Co-Chair Kelly explained the Governor's Office budget. He stated the UGF was \$28.881 million; federal funds were \$198,000; DFG was \$4,900; other funds were \$521,700; totaling \$29.606 million.

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Co-Chair Kelly explained the Legislature's budget. The subcommittee approved \$73.527 million in UGF; \$71.4 million in DGF; \$403,000 in other funds. He pointed out that the subcommittee reduced expenses in LFD by \$250,000; and \$350,000 in other committee expenses.

Co-Chair Kelly explained the Court System budget. He stated that the subcommittee approved \$110.196 million in UGF; \$518,000 in DGF; \$1.801 million in other funds; \$1.675 million in federal funds; totaling \$114.191 million. He pointed out that the subcommittee used \$689,000 to replace federal pass through funding for the therapeutic courts. He announced that the subcommittee allocated \$114,300 to fund a security analyst position. The subcommittee also approved an allocation of \$691,000 for increased bandwidth to meet the needs in rural Alaska.

Co-Chair Kelly highlighted the Department of Law (LAW) budget. He stated that the subcommittee approved \$63.352 million in UGF; \$2.698 million in DGF; \$28.432 million in other funds; \$1.966 million in federal funds; totaling \$96.450 million. He stated that the subcommittee allocated three quarters of the requested funding for the new attorney positions in Fairbanks, Bethel, and Juneau. He remarked that the subcommittee added three new positions in the Natural Resources Section of the Civil Division for statehood defense.

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, thanked the committee for the time that was spent drafting the budget.

Senator Hoffman queried the progress of the contracts. Ms. Rehfeld responded that there was success in negotiating agreements with the confidential employees, general government, and supervisory unit. She announced that the finance committees had been given the bargaining unit agreements and the costs as of March 19.

Co-Chair Kelly explained that the non-covered units match needed to be included in a separate bill. Ms. Rehfeld agreed.

Mr. Armstrong discussed the following days' agendas.

CSHB 65(FIN) was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:59:51 AM

The meeting was adjourned at 10:59 a.m.