

HOUSE FINANCE COMMITTEE
SECOND SPECIAL SESSION
May 21, 2015
3:11 p.m.

[NOTE: Meeting took place in Anchorage, Alaska at the
Legislative Information Office]

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CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting
to order at 3:11 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Pete Eckland, Staff, Representative Mark Neuman; David
Teal, Director, Legislative Finance Division;
Representative Lora Reinbold; Representative Cathy Tilton;
Representative Shelly Hughes.

SUMMARY

HB 2001 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 2001 was HEARD and HELD in committee for
further consideration.

Co-Chair Neuman discussed the agenda for the meeting. He stated that all documents were available online. The intent of the meeting was to review the bill.

#hb2001

HOUSE BILL NO. 2001

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

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PETE ECKLAND, STAFF, REPRESENTATIVE MARK NEUMAN, reviewed the legislation. He pointed out that members had a one page handout titled, "The FY 16 Operating Budget - Special Session" (copy on file) in their bill packets that summarized the bill. He explained that HB 2001 restored any vetoes that the governor made in CCSHB 72; the operating budget passed by the Conference Committee (CC). He explained that HB 2001 restored all of the line item vetoes made by the Governor. He referred to two additional reports in the members bill packet titled, "Agency Summary Numbers and Language (UGF Only)" that he referred to as document "A" and "2015 Legislature - Operating Budget Agency Summary - FY16 Post-CC Structure" he referred to as document "B" that compared the totals from the different versions of the budget bills. He reported the totals from the various columns on document A. He related that the CC total on document A for formula and non-formula programs in undesignated general funds (UGF) only was \$4,059,039.9 and the total amount the governor enacted after his vetoes was \$1,923,209.5. He furthered that the column titled, "Special Session Operating" reflected the UGF total in HB 2001 that was \$2,135,830.4. The combined total of the enacted version of HB 72 (Approp: Operating Budget/Loans/Funds) and HB 73 (Approp: Mental Health Budget) and HB 2001 equaled the same total as the CC version of HB 72 and HB 73 as adopted by the legislature. He offered that documents A and B presented the "mathematical check" for the budget bill versions.

Mr. Ecklund addressed the document titled, "The FY 16 Operating Budget - Special Session". He read the following from the document:

HB 2001 essentially returns the operating budget to the conference committee version.

The bill does the following in Section 1 (of the numbers section);

1. Restores all vetoes, so that HB 2001 plus the enacted version of HB 72 duplicates the conference committee version of Section 1 of HB 72.

2. Restates intent and conditioning language from the conference committee version of HB 72 as appropriate. No new intent or conditioning language has been added.

The language sections HB restores all vetoes, so that HB 2001 plus the enacted version of HB 72 duplicates the conference committee version of the language sections fo HB 72. Sections 4 through 7 correspond to original sections of HB 72 (as shown on the table).

Mr. Ecklund explained that the table showed the changes in the language section of HB 2001 (Sections 4 through 7) and where the items were located in the CC version of HB 72. He further discussed the document. He detailed that Section 8 (from HB 2001) provided access to the Constitutional Budget Reserve Fund (CBR) under the supermajority rules for FY 2015 and FY 2016. He read the following:

Section 9 repeats language from HB 72 related to the use of the Higher Education Fund to ensure that the FY 15 budget is fully funded.

Mr. Ecklund elaborated that the governor partially vetoed many items from HB 72. He specified that one area that was partially funded was education funding for K through 12. He revealed that HB 2001 repealed the partial vetoes and fully restored the original mechanism for funding in HB 72. He reported that if HB 2001 was adopted education funding would be "funded exactly the way it was funded in the CC report of HB 72."

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Co-Chair Neuman clarified that HB 2001 restored all of the vetoes due to lack of funding to be funded to the point of the CC version of HB 72.

Mr. Ecklund pointed to page 30, line 31 in Section 14 of HB 2001 and read the following:

* Sec. 11. Sections 26(d), 26(e), 33, and 36, ch. 23, SLA 2015, are repealed.

Mr. Ecklund informed the committee that the repealers repealed the partial vetoes of K through 12 education funding. The full funding that was passed for education was contained within HB 2001.

Representative Kawasaki deduced that HB 2001 added non-vetoed items to HB 72 and equaled the CC version of HB 72. Mr. Ecklund confirmed that Representative Kawasaki was correct. Representative Kawasaki wondered about the meaning of "appropriate" from the document that Mr. Ecklund read. Mr. Ecklund explained that the language "in this Act" in HB 72 pertained to the partial veto appropriations therefore, in order to restore the funding the language had to be repeated in HB 2001 since it related to the remainder of the funding in the partial veto.

Co-Chair Neuman recognized Representative Reinbold in the audience.

Vice-Chair Saddler wanted to better understand section 11 and asked Mr. Ecklund to re-explain. Mr. Ecklund stated that Section 11 repealed the K through 12 education funding formula sections of HB 72 because the sections were partially vetoed by 72 percent. He delineated that the "cleanest" way to restore the funding in HB 2001 to the level of the CC version of HB 72 was to repeal the remaining funds that were enacted and restate the full funding in HB 2001.

Representative Wilson wanted to clarify that there was \$2.1 billion more in HB 2001 than the enacted version of HB 72. Mr. Ecklund affirmed that the statement was correct for the UGF and formula and non-formula area of the budget.

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Representative Wilson recalled that the state had roughly \$1.6 billion in other funds that were available for the \$2.1 billion additional expense in HB 2001. Mr. Ecklund wondered if by "other funds" she was referring to the Power Cost Equalization (PCE) endowment fund containing approximately \$1 billion and the Higher Education endowment fund with roughly \$460 million. Representative Wilson replied that that besides the funds he mentioned she understood that other "pots of money" from the Alaska Housing Finance Corporation (AHFC) and elsewhere were available. She was ultimately attempting to discover what the "bottom line" figure of what was available without reserve funds. Mr. Ecklund referred to report "B" on page 2, column 4 titled, "Special Session Operating." He determined that when the number and language sections, and statewide items and operations were included the column indicated that the amount needed was \$3,100,350.3. He relayed that the state did not have \$3.1 billion in all other funds but did not know the exact amount.

Representative Wilson wanted to know how the numbers went from \$2.135 billion to \$3.12 billion. Mr. Ecklund communicated that report A summarized agency operations formula and non-formula funds and report B summarized formula and non-formula funds and statewide items such as, debt service, retirement funding, fund capitalizations, etc.

Representative Wilson maintained that she still "wanted to see the numbers." Co-Chair Neuman asked for clarification. Representative Wilson understood that "a lot of different smaller funds" were available and that the Department of Revenue (DOR) could provide a list. Co-Chair Neuman responded that he would ask for the figures from DOR.

Representative Gara reiterated the totals in the various versions that was discussed earlier in the meeting. Mr. Ecklund concurred with his statements. Representative Gara voiced that he did not support the budget in HB 2001 but wanted to understand the numbers.

Co-Chair Neuman recognized Representative Tilton and Representative Hughes.

Representative Gara asked Mr. Ecklund how certain he was that the math was accurate in HB 2001. Mr. Ecklund commented that he was 100 percent confident and that was

the reason he included the summary reports. He reported that David Teal, Director, Legislative Finance Division could speak to the accuracy of the legislation.

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, stated that he was also confident that the numbers were accurate. He explained that the governor transmitted the electronic transactions of the vetoes themselves and he reversed all of the vetoes which became HB 2001. He restated that reversing the vetoes restored the budget to the numbers adopted in the CC version of HB 72.

Representative Gara understood that the governor could not veto language sections. Mr. Teal answered that the governor was authorized to veto language sections and did veto language sections in the CC version and referred to the table in the document titled, "The FY 16 Operating Budget - Special Session" that cross referenced the vetoes.

Mr. Teal further explained that the governor could not veto "intent or conditioning language." He could veto the amount of money affecting the intent or conditioning language.

Representative Guttenberg remarked that HB 2001 was not "adjusted to any changes or requests" by the agencies and that the bill was adjusted to the CC numbers. Mr. Ecklund responded in the affirmative.

Representative Munoz understood that the governor vetoed the incorrect version of the operating budget and wondered how that affected HB 2001. Mr. Teal assured the committee that the confusion was between the engrossed and enrolled versions and did not affect HB 2001.

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Mr. Teal explained that the engrossed version was sent from the Chief Clerk's office to Legislative Legal Services for a final review. Subsequent to the final review the enrolled version was sent to the governor for his signature.

Mr. Ecklund interjected that the enrolled version could contain technical corrections.

Co-Chair Neuman discussed the agenda for the following day. He communicated that tomorrow's House Finance Committee meeting would be held at 10am to 11:00am and would hear public testimony on HB 2001 from 11:00am to 2:00 pm. He encouraged the members of the public to participate and reminded the public that the focus would be strictly on the operating budget.

Representative Kawasaki stated that HB 2001 contained fairly significant changes from the previous version and asked if the committee would have the opportunity to hear from the Office of Management and Budget (OMB). Co-Chair Neuman indicated that Pat Pitney, Director, Office of Management and Budget, Office of the Governor would be available for questions.

Vice-Chair Saddler reminded the public that they could submit written testimony if they were not able to testify in person. Further discussion ensued about the logistics for tomorrow's meeting.

HB 2001 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

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The meeting was adjourned at 3:40 p.m.