

HOUSE FINANCE COMMITTEE
March 9, 2016
12:01 a.m.

[Note: Continuation of 3/8/16 1:30 p.m. meeting]

12:00:01 AM

CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting to order at 11:57 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 Ecklund, Staff, Representative Mark Neuman; Joan Brown, Staff, Representative Mark Neuman; David Teal, Director, Legislative Finance Division; Representative Lora Reinbold; Representative Cathy Tilton; Representative Neal Foster; Representative Kurt Olson.

SUMMARY

HB 256 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 256 was HEARD and HELD in committee for further consideration.

HB 257 APPROP: MENTAL HEALTH BUDGET

HB 257 was HEARD and HELD in committee for further consideration.

#hb256

#hb257

HOUSE BILL NO. 256

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, making reappropriations, making supplemental appropriations, and 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."

HOUSE BILL NO. 257

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

12:00:01 AM

Representative Wilson continued to address Amendment 43 (copy on file). She suggested that the legislature may need to be more careful about how often it used the Department of Labor and Workforce Development (DLWD) and perhaps do some of its own research. She shared that the department had communicated that sometimes providing answers to questions asked by the legislature may take a bit longer to respond to due to the [\$300,000] reduction. She reminded the committee that there were currently 34 positions under the allocation. She relayed that the budget subcommittee had spoken with the department about the cut and what the consequences would be. She believed the department would still have plenty of people to continue its work. She reiterated that it may take longer for the department to provide answers to legislators' requests.

Representative Guttenberg provided wrap up on the amendment. He did not care if DLWD was slow in giving the legislature information. He reasoned that the legislators should have asked for the information earlier. He stated

that the state's entire economic landscape relied on the reports. He reasoned that cutting the positions [economist III, research analyst III, and research analyst II] slowed reports that provided Alaskans with valuable information including economic trends. He reasoned that perhaps the legislature was anticipating a slowing down of the economy and believed that no one needed to have the information. He stressed that each of the positions contributed to the reports in some way. He underscored that DLWD economists were recognized for their skills and abilities to accurately produce the reports. He emphasized that the state's business community relied on the analysis in its decision making process. He stated that if the department did not provide the reports the information would not be provided. He reasoned that the state would suffer the consequences.

Co-Chair Thompson MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg, Kawasaki

OPPOSED: Saddler, Wilson, Edgmon, Gattis, Munoz, Pruitt, Thompson, Neuman

The MOTION to adopt Amendment 43 FAILED (3/8).

[12:03:01 AM](#)

Representative Guttenberg MOVED to ADOPT Amendment 44 (copy on file):

DEPARTMENT: Department of Fish and Game

APPROPRIATION: Wildlife Conservation

ADD WORDAGE: No funding in this appropriation may be used to fund Intensive Management or Predator Control programs.

ALLOCATION: Wildlife Conservation

DELETE: \$100.6 Fish and Game Funding (Other) 1024

DELETE: \$301.7 Fed Receipts 1002

EXPLANATION: This amendment deletes funding for Intensive Management/Predator Control programs. The amount of \$402.3 is based on FYI 5 expenditures

(combined Fish and Game Fund and Federal Receipts) for Intensive Management/Predator Control (FY16 expenditures are not yet available). It is the intent of this amendment that no funding (Federal, GF, or Other) be expended on Intensive Management/Predator Control, and that instead those Federal/Other funds be used to promote and maintain healthy habitats and wildlife populations through means other than predation control.

Co-Chair Thompson OBJECTED for discussion.

Representative Guttenberg explained that the amendment sought to bring in all of the funds used for Intensive Management/Predator Control programs, estimated at approximately \$400,000 between Department of Fish and Game (DFG) funding and federal receipts. He believed that whether or not a person supported intensive game management, the results had always been dubious. He stated that the program was not meant for sustainable yield, but sustainable harvest. He believed the program needed to be pulled back.

Co-Chair Neuman spoke in opposition to the amendment. He stated the Intensive Game Management Program had been very successful in Alaska, which meant that more Alaskans had food. He elaborated that the purpose was to maintain predator control programs in order to allow for the maximum sustainable yield in order for Alaskans to enjoy the bounties of the state. He believed that most importantly the predator control program enabled rural Alaskans - with very high grocery costs - to feed their families. He continued that the moose calf survival rate in Unit 16B had been below 7 percent, which did not bode well to keep the population strong. He elaborated that predators like wolves and bear had a tremendous ability to smell. He stated that frequently the moose calves were picked out as soon as they were born or before. He referred to a schematic compiled by Craig Fleener related to the number of moose a moose cow produced in her lifetime. He elaborated that the number was well over 500 by the time the offspring moved on. He stated that the moose helped feed Alaskans and helped to maintain vibrant hunting in communities throughout the state for in-state and out-of-state hunters. He emphasized that he was very passionate about the sport. He reiterated that the program was extremely important in rural Alaska where there were game populations under stress. He discussed that

Unimak Island in the Aleutian Chain had a caribou population, which had been down to 2 or 3 bulls per 100 cows due to a large wolf population. He stated that unfortunately the federal government managed half of the island - its sustainable yield ranged from zero to 1,000. He did not classify the range as sustainable. He believed the programs were very important to Alaskans and he adamantly opposed the amendment.

[12:09:21 AM](#)

Representative Guttenberg wanted to ensure that people understood that he recognized how important it was for Alaskans to bring in moose and caribou into their freezers. He remarked that it was a significant part of the Alaskan culture, which he wanted to strengthen. He had seen excuses made about why people needed to take wolves that had nothing to do moose populations; it was simply an excuse to take wolves. He believed there were other ways to maintain strong herds rather than predator control. He had seen excuses made for predator control in places that had terrible habitat. He stressed that the state's landscape was not all equal for predator control. He continued that locations had their own unique habitat, and bear, moose, wolves, and caribou all adjusted differently to the areas. There were ways to deal with the issues by making limits as high as the state could, but he believed predator control had become an excuse. He wanted to ensure that Alaskans had an opportunity to hunt moose and caribou, but he reasoned that the program was not without controversy. He had heard from numerous scientists over the years that there were better ways [to maintain strong herds]. He did not believe predator control was done well. He stated that "in the face of the controversy whether it's done well or not, whether it actually does what is supposed to do - that's one of the reasons why I offer this, in the face of everything else we're doing."

Co-Chair Thompson MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg, Kawasaki

OPPOSED: Wilson, Edgmon, Gattis, Munoz, Pruitt, Saddler, Thompson, Neuman

The MOTION to adopt Amendment 44 FAILED (3/8).

12:12:33 AM

Representative Guttenberg MOVED to ADOPT Amendment 45 (copy on file):

DEPARTMENT: Department of Natural Resources
APPROPRIATION: Parks and Outdoor Recreation
ALLOCATION: Parks Management & Access

ADD: \$241,200 General Fund (UGF) 1004
\$87,200 General Fund/Program Receipts (DGF) 1005

EXPLANATION: This amendment restores the Governor's FY17 proposed funding levels. Cuts to this division negatively impact the department's ability to provide access and collect user fees for Alaska State parks and recreation areas.

Co-Chair Thompson OBJECTED for discussion.

Representative Guttenberg spoke to the amendment that would restore funding to the Division of Parks and Outdoor Recreation. He believed everyone should be concerned about the issue. He explained that the Interior had experienced the problems that would be created by the cut. He believed the decrement would create passive management of some state parks. Hopefully the division would be able to maintain and do a better job of raising funds from more successful parks. He stated that clearly many of the state's park were more successful - they were in better locations, had higher usage, and people did not mind paying usage fees. However, he cited a specific situation at Olnes Pond in Fairbanks where the park had gone wild. He elaborated that there was no chain or lock that bolt cutters could not break. He continued that people saw old parks and disregard a chain barricading the entrance. He stressed that the park had become wild and people had been living in the outhouses. He expounded that families would no longer use the area and the troopers did not want to go out to the area because there was always trouble. He stressed that families had been afraid for their children to go near the area. He was concerned that without continued funding for parks the situation could occur in other locations. He stressed that parks could become a dangerous place. The police blotters were never long enough to list all of the negative things that went on at Olnes Pond. He relayed that the cost to fix

the park was significant. He did not believe committee members would want to see a park in their neighborhoods become a place where people went to do bad things. He reasoned that it was better to have minimal maintenance than nothing. He stated that he had been troubled by the way parks were managed many times. He did not believe the legislature wanted passive management over parks that resulted in places becoming a "Mecca for bad behavior."

[12:16:17 AM](#)

Co-Chair Thompson communicated that he had been a champion of having parks as places for people to go to fish and camp, but under the circumstances it was necessary to cut back. He would do his best to be one of the people to maintain the area himself. He shared that he had helped to clean up Olnes and Chatanika camps when it had been a problem. He relayed that he had to vote against the amendment because the state was out of money.

Co-Chair Thompson MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg, Kawasaki

OPPOSED: Edgmon, Gattis, Munoz, Pruitt, Saddler, Wilson, Thompson, Neuman

The MOTION to adopt Amendment 45 FAILED (3/8).

[12:18:02 AM](#)

AT EASE

[12:29:22 AM](#)

RECONVENED

Co-Chair Thompson MOVED to ADOPT Amendment 9 (copy on file):

Page 71, lines 11-15:

Delete all material and insert:

"(h) The sum of \$1,018,984,500 is appropriated from the general fund to the public education fund (AS 14.17.300)."

Page 71, line 16:

Delete "\$78,989,800"

Insert "\$78,969,800"

EXPLANATION: This amendment accomplishes the following:

1. Relative to the Governor's amended request this amendment reduces the FY17 UGF capitalization of the public education fund by \$145 million. This action does not reduce the amount that will be distributed to school districts via the foundation formula. It allows the FY16 deposit of \$435 million UGF that is currently in the bill to be distributed over three years.
2. Corrects a typographical error in the appropriation for pupil transportation.

Co-Chair Neuman OBJECTED for discussion.

Mr. Ecklund explained that the amendment corrected an error that appropriated \$1,018,984,500 from the General Fund to K-12. Additionally, it corrected a typo in the pupil transportation number. He detailed that with the FY 17 undesignated general fund (UGF) capitalization to the Public Education Fund, \$145 million was used out of the \$435 million transferred to the Public Education Fund in FY 16, in order to fully fund the Base Student Allocation (BSA) amount in FY 17.

Representative Gara pointed to page 71 of the bill that included the following language: "the full amount as required by the Base Student Allocation will be funded." He observed that the same funding number was included, but the language had been removed. He asked about the reason for the change.

Mr. Ecklund replied that the BSA would still be fully funded; it would use \$145 million that had been transferred to the Public Education Fund in FY 16. Additionally, the FY 17 amount would be \$1,018,984,500. The combination of the two appropriations would equal the full funding of the statutory BSA for FY 17.

Representative Gara did not understand what was wrong with the existing language which specified that the BSA would be fully funded. He did not know what the purpose of the amendment was on page 71, line 11, subsection (h) of the bill.

Mr. Ecklund explained that the amendment would use \$145 million of the \$435 million in the Public Education Fund in FY 17. The intent was to use \$145 million in FY 18 and FY 19 as well (from the Public Education Fund). He reiterated that the amendment would fully fund the statutory BSA in FY 17.

Representative Gara did not see the language in the bill specifying that the \$145 million would come out of the Public Education Fund.

[12:33:14 AM](#)

Mr. Ecklund answered that the amendment appropriated an exact dollar amount of \$1,018,984,500. When the figure was added to existing money in the Public Education Fund it would be more than adequate to fully fund the BSA in FY 17 and would leave a remaining balance of \$290 million in the Public Education Fund. He explained that the Public Education Fund was designed to have dollars flow out of it per the statutory BSA.

Representative Gara did not understand the amendment. He deferred to another member to ask questions.

Representative Kawasaki referred to the existing language in subsection (h) of the bill, which showed the estimated appropriation. He asked about the effect of appropriating a specific amount to the fund.

Mr. Ecklund replied that the effect was as he had described. There would be \$435 million in the Public Education Fund from FY 16. He explained that money flowed out of the fund at the statutory BSA level; no further appropriation was required. Between the \$1,018,984,500 [general fund appropriation] and the money in the fund, there would be more money than needed to fund the statutory BSA in FY 17. He furthered that the FY 17 BSA would be fully funded and there would be a remaining balance in the Public Education Fund in FY 18 of \$290 million.

Representative Kawasaki asked whether the \$290 million was available for appropriation.

Mr. Ecklund replied that the Public Education Fund was not a dedicated fund; therefore, money could be appropriated

from the fund. He explained that it did not require an appropriation to fund the BSA. The fund had been set up in a way that did not require a further appropriation for the dollars to flow out to fund the BSA.

Representative Kawasaki asked if the \$290 million from the Public Education Fund would be available to fund items other than the BSA. Mr. Ecklund replied in the affirmative; it was not a dedicated fund; therefore, there could be an appropriation out of the fund.

Representative Kawasaki asked if the \$290 million could be used for multiple years (i.e. FY 16, FY 17, or FY 18).

[12:37:39 AM](#)

Mr. Ecklund answered that under the amendment, the statutory BSA would be fully funded in FY 17. There would then be a remaining balance within the Public Education Fund of \$290 million that would be available in FY 18 for public education.

Representative Kawasaki asked if the funding would be available only for education. Mr. Ecklund replied that the purpose of the fund was to pay for public education; it could be used for another purpose, but had not been in the past.

Representative Gara expressed that he was still having trouble with the amendment. He stated that the amount of money that went to schools was in part based on student counts, which were not known for the next school year. Currently the bill specified that enough money to fund the foundation formula would be appropriated and was estimated to be \$1.018 billion; however, he reasoned that the precise number was not known at present. He remarked that the amendment included an exact dollar amount despite the fact that the student count was not known. He wondered why the current language was not better.

[12:39:42 AM](#)

Mr. Ecklund stated that the way the amendment was written there would be a total of \$435 million in the Public Education Fund plus \$1.018 million; there would be above \$1.4 billion in the fund. The required BSA funding was around \$1.2 billion; therefore, there would be more than

enough money in the fund after the amendment to pay for the BSA in FY 17.

Representative Gara remarked that the bill specified that \$1 billion-plus would come from the Public School Trust Fund. The amendment addressed \$435 million in the Public Education Fund. The items were causing him confusion.

Representative Guttenberg stated that subsection (h) in the bill referred to the fiscal year ending June 30, 2017. He observed that the date was removed in the amendment. He wondered about the impact and asked if it allowed the 2016 deposit of \$435 million to be spread over a period of three years.

Mr. Ecklund answered that the way the Public Education Fund worked was that the money flowed out to fund the K-12 formula without further appropriation. He detailed that \$435 million deposited had been deposited into the Public Education Fund in FY 16 and the amendment appropriated over \$1 billion more; there would be approximately \$1.45 billion in the fund. The amount required to fund the BSA out of the Public Education Fund was estimated at \$1.163 billion. He emphasized that there was more than enough money in the Public Education Fund after the amendment to pay for the statutory BSA in FY 17. There would be a remainder of approximately \$290 million at the start of FY 18.

[12:43:25 AM](#)

Representative Gara requested to hear from Mr. Teal on the impact of Amendment 9.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, relayed that the current language in the bill stated that the amount necessary to fund is appropriated to the Public Education Fund. He explained that the estimated number [in the bill] was wrong. He detailed that with \$435 million in the Public Education Fund, the amount necessary to fund education in FY 17 would be reduced by \$435 million from the governor's request. The bill already reduced the amount by \$145 million. He elucidated that the amendment made the amount certain. He expounded that if the amendment was not adopted, the entire \$435 million deposited in FY 16 would be spent in FY 17. The amendment would enable the funds to be spent over a three-year period instead of just one year under the current language.

Representative Gara asked if the amendment impacted the legislature's ability to increase the BSA in the following year.

Mr. Teal replied that the amendment would not impact the legislature's ability to do anything. He reminded the committee that in the past couple of years there had been a balance of as much as \$1 billion in the Public Education Fund. A large balance in the fund did not help the legislature fund education, nor did it hurt. Statutorily, money flowed out of the Public Education Fund without appropriation to fully fund the BSA. He explained that excess funds could not flow out of the fund; funds flowed out until the BSA was fully funded. He explained that if the legislature increased the BSA the following year, the higher dollar amount would flow from the account.

[12:47:04 AM](#)

Co-Chair Neuman WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 9 was ADOPTED.

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

HB 256 was HEARD and HELD in committee for further consideration.

HB 257 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson discussed the schedule for the following day.

ADJOURNMENT

[12:48:07 AM](#)

The meeting was adjourned at 12:48 a.m.