

SENATE FINANCE COMMITTEE  
January 22, 2015  
9:04 a.m.

9:04:46 AM

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Peter Micciche, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

David Teal, Director, Legislative Finance Division

SUMMARY

PRESENTATION: OVERVIEW FY 16 OPERATING and CAPITAL BUDGETS

COMMITTEE CONTRACTS: ANGELA RODELL and WILLIAM STREUR

Co-Chair Kelly introduced the members and staff of the Senate Finance Committee.

^PRESENTATION: OVERVIEW FY 16 OPERATING and CAPITAL BUDGETS

9:07:40 AM

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed the PowerPoint, "An Overview of Alaska's Fiscal Situation"(copy on file). He stated that the governor's budget was currently a "work in progress." He remarked that

the current oil prices were related to the state's budget deficit.

Mr. Teal looked at the slide titled, "Figure 1. Unrestricted General Fund Revenue and Budget History." He felt that the graph reflected all of the issues related to the budget. He stated that the dark blue portion represented the agency operations; the light blue represented the statewide operating; the yellow represented the capital budget; the red represented the net fund transfers; and the green portion was the general fund revenue. He stated that there were substantial deposits to the savings.

Mr. Teal discussed the slide titled, "Figure 2. Alaska Unrestricted General Fund Revenue." He stressed that Alaska's revenue was quite volatile. He stressed that Alaska's reserves were essential to maintaining a stable budget.

Mr. Teal displayed the slide titled, "Figure 2a. Alaska Unrestricted General Fund Revenue (Left Axis) and Average ANS Price/bbl (Right Axis)." He added a price representation in order to understand the correlation between oil price and revenue.

Mr. Teal discussed the slide titled, "Figure 2. Unrestricted General Fund Revenue and Budget History Agency Operations." From 1982 peak production to the early 2000s, revenue was on a downward trend, due to declining production. The decline was steady up until present day, and would continue to decline short of additional investment and production. He stated that price drove the increases in 2003 to 2006. At that time, the petroleum profit tax (PPT) was enacted, followed by changes to Alaska's Clear and Equitable Share (ACES). He remarked that it was difficult to differentiate the impact of prices versus the taxation scheme.

[9:13:53 AM](#)

Senator Dunleavy observed that the committee would either accept or reject the projection. Mr. Teal replied in the affirmative. He explained that the Legislative Finance Division (LFD) may have an opinion on the direction of oil prices. There were some forecasters that believed 40 dollars or lower was possible in the near future. He stated

that LFD did not have the data to override the Department of Revenue (DOR) forecast structure. He stressed that LFD accepted the DOR forecast, for budget purposes.

Senator Dunleavy stated that the state's current fiscal situation could be a result of optimistic revenue predictions.

Mr. Teal presented the slide titled, "Figure 1. Unrestricted General Fund Revenue and Budget History." Without expenditure reductions or revenue enhancement, the state would experience a roughly \$1 billion per year deficit. The growth, which began in 2005, was not sustainable. The expenditures increased from approximately \$3 billion to \$6 billion over ten years. He announced that many legislators understood that there would be a decline in revenue, but the deficit was unavoidable. He stressed that there was a substantial amount of money set aside in the state's reserves. He pointed out that the red bars at the bottom of the graph indicated withdrawals from the state's reserves. He declared that the state was rapidly withdrawing from the reserves.

[9:18:33 AM](#)

Mr. Teal looked at the slide titled, "Figure 3. Unrestricted General Fund Revenue and Budget History Statewide Operations." The slide displayed the agency operations, which would be considered the cost of running government. He believed that most Alaskans would think of the agency operations, when referring to the budget. The category consisted of formula programs including K-12 and Medicaid; and consisted of non-formula programs, which were the funds for the day-to-day activities that did not have statutory funding rules. He noted that expenditures were fairly flat for over twenty years. As revenue increased beginning in 2005, the unrestricted general fund (UGF) operations spending doubled. That activity reflected the trend from the first oil production in the 1970s. The driver of agency operations was not just formula programs. He remarked that only half of the operation budget increases were due to formula programs.

Mr. Teal discussed the slide titled, "Figure 4. Cost Drivers--Agency Operations, Contribution to Budget Increases FY 06 to FY 15 (\$ millions) \$1.9 Billion Total UGF Increase." He stated that approximately two-thirds of

the \$1.9 billion UGF increase was due to three different factors. He stated that K-12 was currently a \$1.3 billion program, took approximately 61 percent of formula funding, and was approximately 26 percent of the expenditure growth. The K-12 program was increased by \$485 million during that period, which was a 57 percent growth rate since 2006. This growth was slower than the non-formula programs. He stressed that K-12 was formerly 33 percent of the budget in 2006, but that share of the budget was decreased to 30 percent currently. He stressed that K-12 was a driver, because it was large, not because it was growing rapidly.

Co-Chair Kelly wondered if the K-12 program was 33 percent of the budget. Mr. Teal responded that K-12 was 33 percent of the budget in 2006. The K-12 program was now taking 26 percent of the \$1.9 billion.

Mr. Teal restated that K-12 had grown at a rate of 57 percent in dollar terms. In 2006, K-12 was 33 percent of the budget, and the share of the budget had dropped to 30 percent in 2015. He restated that K-12 was 26 percent of the \$1.9 billion increase. He stressed that the cost was high and growing rapidly. He stated that Medicaid had a slightly smaller increase than K-12, but together they accounted for approximately \$900 million. Other formula programs had smaller growth, so Medicaid and K-12 programs were most often considered the only formula programs. He remarked that Medicaid was small compared to K-12, but was growing at a more rapid pace. Medicaid had grown at a 149 percent increase over ten years, from 11 percent of the budget in 2006 to 15 percent of the current budget. Medicaid would surpass K-12, if it continued to grow at its current pace.

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Vice-Chair Micciche wondered if there were controlled costs in each of the categories. He felt that the increased spending from the two years prior could be seen as irresponsible. Co-Chair Kelly replied that there would be hearings related to individuals who were contracted by the committee to determine the controllable costs.

Mr. Teal furthered that all costs were controllable, but some were more controllable than others. He remarked that Medicaid was an entitlement program, so some people thought that the Medicaid costs were not controllable. He stressed

that the costs were controllable, but the costs were difficult to control.

Senator Olson noted that the Alaska budget utilized federal funds. He asked for a comparison of general funds and federal funds. He wanted to analyze the federal funds, so he could make an informed decision.

Co-Chair Kelly asked for Senator Olson to restate the question.

Senator Olson explained that the slide only displayed the general funds, but the committee also dealt with federal funds. He understood that all costs were controllable.

Co-Chair Kelly remarked that it was difficult to control many of the funds, because of the entanglement with federal dollars. He assumed that doubling Medicaid would be similar to the total fund for Medicaid. Mr. Teal agreed, and explained that the UGF was the only fund category with a surplus or deficit, so it was the main focus of the budget. He explained that the federal funds were a large portion of Medicaid and a small portion of K-12. The federal expenditures and revenues were always balanced, because the state could only spend as much of the federal money as it was given. He added that the designated general funds (DGF) and other state funds had assumptions built into the spending, so they could only be spent to the extent that revenues were collected. He restated that there would never be a deficit in any fund category, except for UGF. He added that he did not intend to diminish the importance of federal funds or other funds in the budget process.

[9:28:54 AM](#)

Co-Chair Kelly felt that the current issue should be referred to as "shortfalls" rather than a "deficit." Mr. Teal replied that the terms, "surplus" and "deficit" were related to cash flow. He stated that Alaska had \$2.2 billion in revenue, and was spending more than that, therefore there was a cash flow deficit.

Co-Chair Kelly remarked that the shortfall was dramatic, and felt that the federal budget deficit should be separated from Alaska's current budget situation. Mr. Teal responded that Alaska established reserves during a cash-

flow surplus. He felt that drawing from reserves during a cash-flow deficit was a fair way to budget.

Co-Chair Kelly stressed that Alaska's budget shortfall would result in more dramatic impacts than the federal government.

Senator Hoffman remarked that the budget should be examined within the context of each given fiscal year. He stated that the legislature was required to balance the budget, but the revenue during a particular fiscal year may not meet the needs of the operations for the year. Therefore, the need must be filled by utilizing the reserves.

Mr. Teal furthered that his colleagues in other states wonder how Alaska can balance its budget, because of its volatile revenue. He reiterated that Alaska deposits money in its reserves in times of surplus, enabling a balanced budget.

[9:34:56 AM](#)

Co-Chair Kelly stressed that Alaska's revenues were volatile, and felt that Alaska could not rely on natural resource development for the majority of its revenue, because the political environment had changed so much over 20 years. He remarked that North Dakota was able to see its financial return over 45 days, but Alaska had to wait 10 years for the return. He explained that the long waiting period was a result of regulations and permitting.

Vice-Chair Micciche looked at page 77 of the Legislative Finance Division Revenue Sources Book. The chart compared the capital budget with the Alaska North Slope (ANS) average price. He noted from 1985 to 1988, roughly 80 percent of Alaska's budget was reduced. He remarked that the operating budget at that time remained relatively flat. He wondered if the legislature of the 1980s believed that the capital costs were more easily controlled than the operating costs. He asked if that legislature focused on keeping operating costs at a minimum, because it understood the volatility of the oil prices. He noted that from 2005 to 2011, the budget was doubled, which resulted in a more challenging operating budget task. Mr. Teal responded that he believed that the legislature at the time understood ANS price volatility. He remarked that former legislator, Mike Kelly, believed that state employees were very attached to

their jobs. He furthered that the legislature in the 1980s was aware that the state used an incremental budget process, meaning that once money was added to the operating budget, it became part of the base that remained year after year. The capital budget, on the other hand, consisted solely of one-time expenditures. Historically the capital budget would be increased if the money was available, and reduced when money was unavailable. The operating budget was difficult to reduce, because it was difficult to scale down the growth after it occurred.

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Co-Chair Kelly announced that he had served as a legislator in the 1990s, and shared that the legislature at that time was faced with a quantifiable shortfall in the future. He referred from a think tank, which found that in the 1990s Alaska was unprecedented among the history of all the states. At that time, Alaska was anticipating a shortfall that was far into the future, and was applying some stringent fiscal restraints in preparation for that shortfall. From 2000 to 2010, the fiscal environment changed because of the massive amount of revenue that Alaska received. The legislature at that time filled some of the needs that it was hoping to get filled at times of fiscal restraint. He felt that there was currently a similar situation to that of the 1990s, but the current predicted shortfall was nearer in the future. He felt that there were current legislators that understood the need to respond quickly to the upcoming shortfall.

Senator Dunleavy remarked that there was a pattern of "partially building" in an effort to spread out the capital expenditure over the years. Mr. Teal replied in the affirmative.

[9:43:07 AM](#)

Senator Dunleavy surmised that there was a recent effort to mirror the capital budget efforts with the operating budget efforts. Mr. Teal agreed. There was a recent philosophy of phasing the capital projects. The phasing would reduce the amount of money that was available for new future projects. The philosophy worked well for a few years, but at some point the capital funds were only intended to finish current projects with no money available to begin new projects. He explained that the governor's reduction of the

megaprojects was a result of that spending philosophy. He opined that the revenue earned in the early 2000s was not enough money to finish six megaprojects. He felt that the money could have possibly completed one megaproject, had the revenue continued to increase.

Senator Dunleavy felt that Mr. Teal often had good opinions. He wondered if the committee should continue to budget on a \$105 barrel of oil assumption. Mr. Teal replied in the negative.

Senator Dunleavy asked if the committee should continue to budget on the assumption of a \$90 barrel. Mr. Teal replied in the negative.

Senator Dunleavy queried if the committee should continue to budget on the assumption of an \$80 barrel. Mr. Teal replied in the negative.

Senator Dunleavy wondered if the committee should continue to budget on the assumption of a \$60 barrel. Mr. Teal replied that a \$60 per barrel assumption was close to his recommendation.

Mr. Teal continued to discuss the pie chart. The third budget driver was salary and benefits at \$350 million, and was 18 percent of the \$1.9 billion. There were three aspects to the salary and benefits portion of the chart. Negotiated salaries accounted for approximately \$150 million of that portion. The number could be doubled, when considering total funds instead of GF. In 2006, approximately \$800 per employee per month was dedicated to health insurance. Since that time, it had increased to over \$1300 per month, which was approximately \$6500 per employee per year for health coverage. In addition, the number of employees had increased by approximately 10 percent. The health premiums had subsequently increased by approximately \$75 million. The retirement costs, were included in the salary and benefits portion. Those costs did not refer to the state-assistance to retirement, but referred to the part of the retirement costs that were built into every pay roll. The cost was formerly 7 percent of pay roll, but was currently 22 percent of the pay roll. The retirement portion of the salary and benefits totaled approximately \$130 million. He reiterated that the main budget drivers were K-12; Medicaid; and salaries and benefits, including a portion of retirement costs. The final portion of the

chart, "Other Program Expansion", referred to all of the remaining operating costs for government.

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Mr. Teal displayed the slide titled, "Figure 3. Unrestricted General Fund Revenue and Budget History Agency Operations." He pointed out that K-12 remained fairly flat from the late 1980s to 2005. In 1984, K-12's GF fund was under \$500 million per year. The fund increased to \$675 million, which was a 60 percent growth, over a 20-year period. Medicaid doubled during the 1990s, but was \$136 million in 2000. Currently, Medicaid was \$700 million per year. There were no negotiated increases to the salaries and benefits for most of the bargaining units in 11 of the 20 years preceding 2006. There were also no retirement cost increases during that time: no unfunded liability and no benefit increases. There were revenue sharing adjustments: \$125 million in 1982, dropped to \$18 million in 2002, and then disappeared completely. He agreed that there were some unmet needs during that time, because money was only available for established and/or needed programs during that 20-year period.

Mr. Teal looked at the slide titled, "Figure 5. Unrestricted General Fund Revenue and Budget History Statewide Operations." Statewide expenditures were once very low, and almost insignificant. He pointed out that the statewide expenditures completely disappeared, because the entire category was composed of debt service. Bonds were issued at a Prudhoe Bay curve, which required bond payoff by 2000, when the oil was supposed to run out. After 2000, the state began issuing general obligation bonds. The debt service then increased, and was currently approximately \$230 million.

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Mr. Teal discussed the slide titled, "Figure 6. Statewide Operations (UGF \$ thousands)." He explained that the bottom portion of the graph was debt service, but was not a major piece of statewide operations. He looked at 2006, which was the first year for state assistance to retirement funds. It was a small initial cost, with the expectation to increase to approximately \$75 million by 2007 or 2008, and then decline then disappear by 2020. The economic crash in 2008 resulted in massive losses in the market, which created a

large unfunded liability to the systems. The state began to assist the Teachers Retirement System (TRS) and the Public Employees Retirement System (PERS), by capping the rates the employers paid. The state paid money on top of the rates to make up the difference, in order to maintain the full actuarial funding. The cost was then several hundred million dollars per year, growing to a peak of \$634 million in 2014. He pointed out that the state assistance to PERS and TRS then completely vanished in 2015, because the legislature appropriated \$3 billion to PERS and TRS from the Constitutional Budget Reserve (CBR), so it was not represented in the UGF chart. He noted that 2016 showed a much lower PERS and TRS assistance than it had been in the recent past. It was predicted that the PERS and TRS contribution would remain near the current rate in the future.

Co-Chair MacKinnon looked at the \$260 million proposal for PERS and TRS in the current year. She remarked that there was a set of assumptions at a rate of return in a very robust current market, which was said to stabilize. She wondered if there should be an analysis of an additional \$1 billion deposit, and whether that would relieve the \$260 million debt service payment. Mr. Teal replied that only \$700 million of the recent \$3 billion was considered a required contribution. The only additional deposit made was approximately \$2.3 billion. The result was a savings of approximately \$750 million per year, which meant the money would return to the state in three years. He felt that a money return in three years under any investment should be seriously considered. He felt that there would be a benefit to infusing the liability with an additional \$1 billion, but the question was whether or not the state could afford that contribution.

[9:57:22 AM](#)

Co-Chair MacKinnon remarked that her comments were given with the respect of those who considered the \$3 billion on one single factor in the budget. She wondered if the large infusions were a smart choice, if the return occurred inside of three years. Resulting in an operating budget savings of \$260 million each year. She felt that the option should be available for consideration. Mr. Teal responded that he would be willing to discuss the impact of that option. He agreed to provide that information at a later date.

Mr. Teal continued to discuss Figure 6. The fund capitalizations placed money into a fund or a location that did not require appropriation in order to spend. The major portions of the fund capitalization was the oil and gas production tax credit fund, which did not have an appropriation in 2006 and 2007. The cost of the tax credits had since increased substantially. The cost of the tax credits was currently \$625 million, and the governor remarked that the cost of purchasable production tax credits now exceeded the production tax revenue. The credits would continue to be a great cost in FY 16 at \$700 million, which was \$300 million more than the projected production tax revenue.

Co-Chair MacKinnon shared that she had reviewed the governor's comments in the op-ed piece. She ran some preliminary analysis and spoke with the governor to ask for additional information on the tax credit liabilities. She remarked that the Cook Inlet tax credits might be included in that piece, which could have been from the loss carry-forward credit that was increased under ACES to 45 percent. She believed that the producers on the North Slope paid and would continue to pay taxes.

Co-Chair Kelly furthered that individuals in the press and media aligned the tax credits with the large producers, so Alaska can be negative with the oil companies. He did not believe it was fair to assume that the large companies were not paying taxes. He agreed that the governor's comments were associated with the smaller producers in Cook Inlet.

[10:03:13 AM](#)

Mr. Teal felt that the committee should evaluate other tax schemes. He offered that, had the oil and gas legislation passed in 2013 not passed, the situation might be worse in terms of production tax revenue. The projection for the tax credits was that they would drop to approximately \$250 million at a rapid pace.

Co-Chair Kelly asked if the reduction would begin in 2017. Mr. Teal replied in the affirmative

Co-Chair Kelly shared that compared to the ACES, larger credits would have been awarded for reasons that did not

result in production. He stressed that the current credits exist to encourage more production.

Senator Bishop announced that the credits would eventually result in a positive cash flow to state.

Senator Dunleavy stressed that there were many economic impacts that were difficult to predict. He explained that the recent change in the tax structure was the result of the predicted continuous oil price increase. He stressed that the committee should seriously think about how to budget in the upcoming years.

Co-Chair Kelly stressed that the decisions must be made based on current situations, and future legislatures may deal with a different looking economy.

[10:07:31 AM](#)

Vice-Chair Micciche shared that conservative revenue projections helped to make careful spending and budgeting decisions. Mr. Teal replied that LFD conducted a sensitivity analysis, so the legislature could determine the best course of action.

Senator Hoffman shared that the CBR was established in the 1980s and set up the requirement of the savings on settlements on oil taxes. He stressed that accessing those reserves required a three-quarter majority. He believed that the spending pattern would have been much different during the 1990s, if the CBR was established in a different manner. Mr. Teal agreed. He felt that legislatures acted with wisdom in a number of ways over a period of time.

Co-Chair Kelly asked that the presentation conclude in a timely manner.

Mr. Teal remarked that the fund capitalization was a way to discuss capital projects.

Mr. Teal addressed the slide titled, "Figure 7. Unrestricted General Fund Revenue and Budget History Capital Budget." He noted the correlation between revenue and capital.

[10:14:40 AM](#)

Mr. Teal discussed the slide titled, "Figure 8. Per Capita Unrestricted General Fund Revenue and Budget History Adjusted for Inflation (Expressed in 2015 Dollars)." He remarked that the graph was the same as Figure 1, but was adjusted to reflect inflation and population growth. He noted the declining trend in per capita expenditures, beginning in 2005. He explained the cost driving factors.

Mr. Teal displayed the slide titled, "Figure 9. UGF Revenue/ Budget (Oil at \$60/bbl) (No Growth Scenario) (\$ millions)." He stressed that quick action must be taken to address the possibility that oil prices would remain at \$60 per barrel.

Co-Chair Kelly understood that quick action must be taken within three years. Mr. Teal agreed that the reserves would deplete within three years. He stressed that there must be a balanced budget, once the reserves were gone.

[10:19:23 AM](#)

Mr. Teal explained the slide titled, "Figure 10. UGF Revenue/ Budget (DOR Forecast) (No Expenditure Growth Scenario) (\$ millions)." He stated that the reserves would still deplete significantly, if the oil price began to rise again.

Senator Dunleavy believed that the slide did not include production. He understood that the state was financially saved because of a combination production and price. He felt that Alaska was in a better situation than 1989, but Alaska did not have a prediction of vastly increased production. He reiterated that production must be included in the conversation, in addition to price of oil. Mr. Teal agreed, and explained that the problem worsens as production declines. He stressed that very high prices would not relieve the current situation.

Mr. Teal discussed the slide titled, "Figure 11.' Hard to Cut' Items in the Operating Budget":

- Debt Service: \$230 million
- Retirement Assistance: \$260 million
- Production Tax Credits: \$700 million
- K-12 Formula: \$1.3 billion
- Medicaid: \$700 million

Total: \$3.19 billion

Co-Chair Kelly asked that the committee meet with Mr. Teal personally to address specific concerns.

[10:27:40 AM](#)

AT EASE

[10:38:40 AM](#)

RECONVENED

^COMMITTEE CONTRACTS: ANGELA RODELL and WILLIAM STREUR

[10:38:55 AM](#)

Co-Chair Kelly discussed the Senate Finance Committee contracts.

Co-Chair MacKinnon looked at the professional service contract between the Senate Finance Committee and Angela Rodell (copy on file). The contract was in an amount not to exceed \$100,000. She stated that the scope of work was outlined in Clause 1, and the other clauses were fairly standard for this type of contract.

Co-Chair MacKinnon looked at the list of Ms. Rodell's credentials (copy on file).

Senator Dunleavy wondered if the \$100,000 investment would result in millions of dollars of realized savings to the budget process. Co-Chair MacKinnon replied that the state saved \$750 million, with the move of \$3 billion from the CBR for PERS and TRS. She felt that there was great opportunity for savings.

Vice-Chair Micciche wondered if Ms. Rodell would be available through the entire session. Co-Chair MacKinnon replied that the actual contract was for just over \$80,000. She looked at page 2, under the Compensation Clause. January was pro-rated, and the total contract was \$80,710. The amount would not exceed \$100,000, because of possible additional legislative time that might require Ms. Rodell's services.

Vice-Chair Micciche looked at Clause 3, and felt that the day rate of \$870 was extremely competitive. He stressed that the contract was non-political, and would provide the

person with the most experience in the desired scope of work.

Senator Bishop queried the name of the project director. Co-Chair MacKinnon replied that the project director would be her staff, Laura Pierre.

[10:48:07 AM](#)

AT EASE

[10:48:23 AM](#)

RECONVENED

Senator Dunleavy stated that he could not vote on the issue, because he was ill during the swearing in ceremony of the current Senate.

Co-Chair MacKinnon MOVED to AUTHORIZE the Co-Chairs as procurement officers to enter into a contract with Ms. Angela Rodell for professional services regarding matters related to fiscal and investment strategies, not to exceed a total contract amount of \$100,000 provided through April 19, 2015. There being NO OBJECTION, it was so ordered.

[10:49:50 AM](#)

AT EASE

[10:50:21 AM](#)

RECONVENED

[10:50:33 AM](#)

Co-Chair Kelly referred to a final slide from the LFD presentation. The slide outlined the items that were difficult to eliminate. He shared that the items were very sensitive, and historically there was no expertise to analyze the possibility of reductions in the programs. He remarked that the political environments affected those discussions and decisions on the program's retention. Therefore, the legislatures often deferred the decision to future legislatures. Medicaid was extremely complicated and affected peoples' lives dramatically. He felt that it did not matter whether people were supposed to use Medicaid services or abuse the services. He stressed that many people rely on Medicaid, and wanted to proceed in a fashion that affects Alaskans.

Co-Chair Kelly looked at the contract between the Senate Finance Committee and William Streur. He stated that there were no arrangements for ongoing work with Mr. Streur, after the legislative session ended. He echoed Co-Chair MacKinnon's earlier comments.

Co-Chair Kelly presented the contract for the committee's consideration.

[10:55:17 AM](#)

Co-Chair MacKinnon stressed that expertise was essential when considering the governor's desire to expand Medicaid. Mr. Streur would fully vet the governor's proposal to ensure that there would be new cost savings to the state.

Co-Chair Kelly remarked that there were members of the committee who had made strong statements about Medicaid expansion. He felt that a consultant would help the committee make an unbiased decision.

Senator Hoffman felt that there were strategies to save money through Medicaid expansion. Co-Chair Kelly agreed.

Vice-Chair Micciche looked at items C through E, which outlined the scope of work. He asked for an explanation of those items.

Co-Chair MacKinnon looked at page 2, item C, under the "Scope of Work", which identified the statutory and programmatic changes to Department of Health and Social Services (DHSS) that could result in savings; consult with DHSS and the mental health budget; provide a written report on the mental health budget, and programs in funds; and coordinate with the committee and the House Finance Committee as needed.

Co-Chair Kelly pointed out that the outline was a portion of the work, and Mr. Streur may be expected to or assigned other related tasks.

Co-Chair MacKinnon MOVED to AUTHORIZE the Co-Chairs as procurement officers to enter into a contract with Mr. William Streur for professional services regarding matters related to health and social services, not to exceed a total contract amount of \$45,000 provided through April 30, 2015. There being NO OBJECTION, it was so ordered.

Senator Olson wondered if there were provisions to ensure the retention of Mr. Streur during a possible special legislative session. Co-Chair Kelly replied that there would probably be an addendum to outline a day rate for Mr. Streur's services.

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ADJOURNMENT

11:00:58 AM

The meeting was adjourned at 11:00 a.m.