

SENATE FINANCE COMMITTEE  
March 11, 2015  
9:05 a.m.

9:05:03 AM

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:05 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

Michael Hanley, Commissioner, Department of Education and Early Development; Heidi Teshner, Director, Administrative Services, Department of Education and Early Development; James Cantor, Deputy Attorney General, Department of Law; Dave Blaisdell, Director, Administrative Services Division, Department of Law; Richard Svobodny, Deputy Attorney General, Criminal Division, Department of Law; Catherine Reardon, Administrative Services Director, Department of Commerce, Community and Economic Development.

SUMMARY

SB 27            APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 27 was HEARD and HELD in committee for further consideration.

FY 16 BUDGET OVERVIEWS:

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

DEPARTMENT OF LAW  
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC  
DEVELOPMENT

#sb27

SENATE BILL NO. 27

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

[9:06:07 AM](#)

^OVERVIEW: FY 16 BUDGET DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

[9:06:07 AM](#)

MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, discussed the PowerPoint, "Alaska Department of Education and Early Development, FY2016 Budget Overview" (copy on file).

Commissioner Hanley looked at slide 5, "Department of Education and Early Development, FY 2016 Governor Amended Budget." He stated that the slide gave the overview in the Department of Education and Early Development (DEED). He remarked that DEED was the smallest department, aside from the Governor's office. He stated that there were 359 total employees, with 126 in the "Goldbelt" who actually run DEED.

Co-Chair Kelly queried the number of students at Mt. Edgecumbe High School. Commissioner Hanley responded that there were approximately 400 students at Mt. Edgecumbe.

Commissioner Hanley highlighted slide 6, "Budget by Core Services." He noted that 80 percent of the DEED budget was public school funding, which was distributed in a formula to the state's public schools. He remarked that 14 percent of the budget was for fiscal accountability, compliance, and oversight. He explained that DEED worked with the school districts on accountability for the received state

and federal funds. He stated that 2 percent of the budget was for school effectiveness programs, which helped to provide coaches, mentors, and other support programs for the schools. Lastly, 4 percent of the budget was for active partnerships, for programs like Best Beginnings and Parents as Teachers.

Commissioner Hanley addressed slide 7, "Department of Education and Early Development, FY 2016 Governor Amended Budget by Fund Source." The DEED budget was divided into two components: K-12 formula programs, \$1.4 billion; and agency operations at \$324 million. He noted that \$211 million of the \$324 million was federal funds. The only GF component for DEED was the approximately \$73 million. The federal programs within the budget were title programs like the free and reduced lunch programs; services for homeless and impoverished students; and low performing students. The bottom of the slide displayed the budget by fund source: 85 percent of the overall budget was GF; 13 percent was federal funds; and 2 percent was other funds that came from interagency receipts, the Mental Health Trust Board, and certificate renewals.

[9:11:01 AM](#)

Commissioner Hanley highlighted slide 8, "General Funds Only." The graph represented the relationship between the DEED agency and the overall budget. He stressed that 95 percent of the GF only budget was for K-12 formula programs.

Commissioner Hanley discussed slide 9, "All Fund Sources by Line Item." He noted that 94 percent of the funding was distributed in grants. He remarked that the 4 percent of other lines were for assessment contracts for mentors and coaches. He noted that 2 percent of the budget was for personal services.

Commissioner Hanley looked at slide 10, "Department of Education and Early Development Agency Operations." He remarked that the 63 percent of the agency budget was federal funding through the title programs. He stressed that the money did not necessarily stay within the department. The federal funding was considered agency funds, but most of the federal funds were distributed to the districts.

Co-Chair Kelly surmised that the federal funds were distributed in the form of grants. Commissioner Hanley agreed.

Commissioner Hanley highlighted slide 11, "Department of Education and Early Development, FY 2015 Management Plan vs. FY 2016 Governor Amended." He pointed out that the budget was formulated to reflect a \$95 million reduction. He noted that the \$95 million represented the one-time funding from the FY 15 budget. He remarked that it was not a true "reduction", but rather represented an adjustment. He explained that DEED was working extensively in determining true reductions to the agency and districts. He noted that there were two permanent full-time positions eliminated, and three non-permanent positions from a federal program funding.

Co-Chair MacKinnon opined that the full-time employment positions were not currently filled. Commissioner Hanley responded that the three non-permanent positions were complete, and the other two positions were vacant.

Vice-Chair Micciche asked for an explanation of the reduction of the \$1.88 million in federal receipts.

[9:15:13 AM](#)

HEIDI TESHNER, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, did not know why there was a reductions of \$1.88 million in federal receipts. She agreed to provide further information.

Vice-Chair Micciche remarked that it looked like the reduction was in the governor's amended budget.

Commissioner Hanley discussed slide 12, "Department of Education and Early Development, FY 2016 Governor Amended Budget Highlights":

Student and School Achievement

- (\$53.7) UGF & (\$8.0) Federal reduction to remove one PFT position

- (\$100.0) UGF reduction to remove the Alaska Mineral and Energy Resource Education Fund (AMEREF) grant funding

- (\$300.0) UGF reduction to the Alaska Native Science & Engineering Program (ANSEP) grant funding

Alaska Learning Network (AKLN)

- (\$250.3) UGF reduction to the AKLN program funding

Early Learning Coordination

- (\$50.0) UGF reduction for Best Beginnings grant funding

- (\$20.0) UGF reduction for Parents As Teachers base grant funding

Commissioner Hanley looked at slide 13, "Department of Education and Early Development, FY 2016 Governor Amended Budget Highlights":

Pre-Kindergarten

- (\$100.0) UGF reduction for Pre-K grant funding State Facilities Rent

- \$200.0 UGF one-time item increase for dual occupancy in the last three months of FY2016

Co-Chair Kelly surmised that the administration was requiring lease payments. Commissioner Hanley replied that there were some facilities in the State Office Building. He wondered if they were all state facilities. Ms. Teshner replied that the leases were paid through the public building fund.

Co-Chair Kelly understood that the payments were not actual rent payments. He felt that there could be adjustments in administration. Commissioner Hanley agreed.

Commissioner Hanley continued to discuss slide 13:

## Library Operations

- (\$66.3) UGF reduction to remove one PFT position
- (\$33.8) UGF reduction to reduce one inter-library loan assistant position to half-time
- (\$2,000.0) UGF reduction to the Broadband grant funding from HB278

[9:20:31 AM](#)

Co-Chair MacKinnon understood that the federal government required a high level of broadband, but DEED was only attempting to meet the lowest level. Commissioner Hanley replied that the federal guidelines had a higher levels than the base for most of Alaska.

Co-Chair MacKinnon remarked that Alaska was facing a \$3.7 billion deficit. She felt that there would be a recurring cost in future years. She remarked that there should be a prioritization of programs, rather than decreasing each program a small amount.

Co-Chair Kelly felt that eliminating vacant positions were not the best option for reducing the budget. Co-Chair MacKinnon agreed.

Senator Dunleavy remarked that the House Finance Committee finalized their operating budget. He anticipated a final recommendation that would greatly reduce the budget.

[9:25:53 AM](#)

Senator Olson addressed the broadband issues, and wondered how much of the reduction caused a loss of federal funding. Commissioner Hanley replied that, currently, the governor's request would have zero impact on federal funding. He furthered that the House Finance Committee removed all the funding, but \$3.6 million was restored. That number would represent approximately what the combination of GF and federal funding would purchase.

Senator Olson wondered how the following year's budget would affect the federal funds. Commissioner Hanley replied that the e-rate would be leveraged, if the funds remain intact.

Senator Olson wondered why the affectivity was not analyzed based on individual programs, rather than cutting parts of separate programs. Commissioner Hanley replied that DEED had conducted an analysis of the program affectivity.

Vice-Chair Micciche wondered if DEED was making an effort to create public/private partnerships fore. Commissioner Hanley replied that those programs represent private partnerships.

[9:30:12 AM](#)

Commissioner Hanley discussed slide 14, "Department of Education and Early Development, FY 2016 Governor Amended Budget Highlights":

Online With Libraries (OWL)

- (\$42.0) UGF reduction to reduce funding for one University of Alaska position to half-time Alaska Commission on Postsecondary Education (ACPE);

Program Administration and Operations

- \$13,802.0 I/A Receipts (Other) for budget structure modification to represent ACPE costs paid by ASLC
- (\$13,802.0) ACPE Receipts (Other) for transfer of receipts from ACPE to the new ASLC appropriation

Alaska Student Loan Corporation (ASLC); Loan Servicing

- \$13,802.0 ACPE Receipts (Other) for transfer of receipts from ACPE to the new ASLC appropriation

Commissioner Hanley highlighted slide 15, "Department of Education and Early Development, FY2016 Capital Budget":

School Construction Grants -Total \$4,604.4 UGF

- Kivalina K-12 Replacement School -new facility design, \$4,604.4 UGF

[9:33:12 AM](#)

Senator Dunleavy queried the origin of the \$63 million for the Kivalina School. Commissioner Hanley replied that the total cost of the school was between \$63 million and \$68 million. The Northwest Arctic Borough School District had 20 percent local contribution, so the state's share was approximately \$48 million.

Senator Dunleavy wondered if the school was designed to be \$63 million, or if the budget was only an approximation. Commissioner Hanley replied that the figure was based on design plans, which following specific DEED statutes and regulations. There were various criteria that included square footage, and other aspects. He noted that the original proposal was \$100 million, and DEED worked extensively with the district to determine the final budget cost.

Senator Dunleavy asked how many students were currently enrolled in the Kivalina School. Commissioner Hanley replied that there were 130 students. He furthered that it was one of the few schools that had shown slight increases to the student population. The current school was built for 65 students.

Senator Dunleavy queried the balance in the school construction account. Commissioner Hanley wondered if Senator Dunleavy referred to the Regional Educational Attendance Area (REAA) account.

Senator Dunleavy queried the balance in the REAA account. Commissioner Hanley replied that the Kivalina was not a part of the REAA. The school required a specific appropriation.

Senator Dunleavy asked if there were any construction funds in other categories for total school construction. Ms. Teshner replied that there was approximately \$40 million in the school construction fund, and she would provide the exact available balance at a later date.

Senator Bishop asked if the road construction was included in the \$63 million. Commissioner Hanley stated that it was not included.

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Senator Olson wondered if the Kasialie Case included ancillary costs related to building a school. Commissioner Hanley replied that the case did not include ancillary costs. The case examined the top five projects on the CIP list, and determined that they would be named in the Kasialie Case. He furthered that prior to the settlement, the Kivalina School was the top school.

Senator Olson stated that it was his understanding that there were considerations for ancillary costs to the building of the school. Commissioner Hanley stated that in the year that it took to settle the case, an amount or price was not negotiated.

Senator Olson asked if there was a penalty to the state for not abiding to the Kasialie Case in a timely manner. Commissioner Hanley responded that the settlement determined that the state would fund the school in the current year. He stated that the case would not be reopened, as long as the school was funded in a timely manner. He felt that there was a moral and legal obligation to honor the settlement. He did not believe the state would benefit from depositing money into an account that could not be accessed for many years.

9:40:55 AM

Co-Chair Kelly felt that \$63 million for a school and a \$35 million for a road that would only benefit 130 students was absurd.

Senator Dunleavy estimated that the cost per student was \$484,615 per student, which was \$16,153 per student over thirty years - not including the operating costs. Commissioner Hanley concurred that the cost of the school was hugely expensive. He remarked that the cost per student in the rural schools was more expensive than the urban schools.

Co-Chair MacKinnon stated that she felt a subcommittee should be formed to examine how schools were being constructed, and perhaps streamline some features in order to save costs. She referred to design and development as an area to look for ways to decrease costs.

Commissioner Hanley noted that there was a study in the previous year that was tasked to examine the benefits and disadvantages of a prototypical school design. He study would be released in June.

Co-Chair MacKinnon surmised that the study was awarded to the engineers that would benefit from the individual design. She expected that the study would suggest that every school must be a standalone project, so the engineers may not consider Alaska's interests or the cost of the standalone projects.

Senator Hoffman noted a provision from a bill in the previous year, and echoed concerns with the high cost of construction in rural Alaska. Commissioner Hanley concurred that Senator Hoffman's comments were correct.

[9:48:07 AM](#)

Co-Chair Kelly asked Senator Hoffman to restate his question.

Senator Hoffman wondered if the formula for urban schools would be reflected in the rural school formulas. Commissioner Hanley replied in the affirmative.

Senator Hoffman commented that the Kasialie Case settlement was specific. He noted that the Kivalina School was the last on the list, but it did not mean that the state would quit funding the construction rural schools.

Senator Dunleavy opined that a larger committee should be formed to look at overall education policy. He remarked that construction was over a \$1 billion operation cost item. He felt that issue was not specific to the Kivalina School, but the cost of education was extremely costly. He remarked that the focus should be on providing a quality education with decreasing funds.

Co-Chair Kelly felt that the legislature had lost its right to appropriate funds. He furthered that the legislature did not have to fund the schools according to the court's settlement. He felt that the subcommittee should not only address school funding, but the rights of the legislature.

Senator Dunleavy shared that there may be an additional \$220 million for education in Ketchikan.

[9:53:38 AM](#)

Senator Olson remarked that rural education was expensive. He furthered that Alaska did not want federal overreach. He noted that there was a mine near Kivalina, which provided taxes and revenues to the state. He declared that the hesitancy to educate children in Kivalina was not unlike the colonial days.

Co-Chair Kelly announced that the people of Kivalina had subservice rights that he did not enjoy. He felt that the people of Kivalina had many rights that other people in the state did not have. He said that the people of Kivalina did not "necessarily need a school, they need an education." He remarked that there should be money in distance learning.

Senator Olson felt that the courts were involved in order to determine what the communities were constitutionally assured.

Vice-Chair Micciche felt that the decisions were not logical. He remarked that schools in urban areas were built based on population density, not because another part of the state had a school. He felt that the courts were not logical in determining that a school should be built in a smaller populated area.

Co-Chair Kelly stressed that there should be quality education in rural Alaska.

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Commissioner Hanley continued to discuss slide 15:

School Major Maintenance Grants -Total \$13,491.2 UGF  
(\$3,491.2 UGF direct appropriation and a  
reappropriation not to exceed \$10,000.0)

-Petersburg Middle/High School Boiler Repair,  
\$24.5 UGF

-Andrew K Demoski K-12 School Renovation, Nulato,  
\$10,637.7 UGF

-Nome City School District -Districtwide Lighting  
Replacement, \$192.8 UGF

-Bethel Campus Boiler Replacement, \$2,636.1 UGF

Co-Chair MacKinnon remarked that the legislature wanted quality education for Alaskan students. She noted that the court determined that the legislature must allocated \$38 million to a school. She surmised that the money could be allocated to Kivalina, and the money would stay there for several years. The committee could, however, set that money aside with the plaintiffs and move forward on other maintenance projects.

Senator Olson looked at slide 15, and wondered what would happen if the aerospace reappropriation was not approved. Commissioner Hanley replied that the first lest would be approved, and only part of the second project.

Senator Olson wondered if there would be enough money to being the maintenance of Nulato. Commissioner Hanley responded that there would be enough money to begin Nulato.

Senator Dunleavy remarked that there were 329 positions authorized within DEED, and queried the recommendations if there were a 7 percent or 10 percent reduction. Commissioner Hanley replied that there were conversations about further reductions. He stated that most of the Commission on Postsecondary Education (CPE) positions operated under receipts, so reducing a position there would have very little gain for the state. He stressed that he wanted to protect Mt. Edgecumbe, but would look at reducing the Goldbelt and library archive museums. He stated that there would be a reduction of services in support for the school district. He would work directly with the division directors.

Senator Dunleavy queried the most expensive programs in DEED that did not directly address the core mission. Commissioner Hanley responded that there were some partnerships that were not core to the K-12 mission. He stressed, however, that they were very valuable programs. He announced that Alaska Native Science and Engineering Program (ANSEP) was very expensive program, but felt that it was not a core mission. He announced that Best Beginnings was expensive, but not core to the mission. He stressed that they were valuable programs. He stated that there was a \$2 million Pre-K program, which had not yet expanded. He felt that the mission should fall below

kindergarten. He stated that there was a mentor program that supported new teachers, and he felt that the program was core to the mission. The program had shown results in both retention and recruitment of teachers, as well as student improvement.

[10:06:23 AM](#)

Senator Dunleavy wondered if Mt. Edgecumbe fell under the core mission of DEED. Commissioner Hanley replied in the affirmative. He furthered that residential schools were core to the mission of DEED. He furthered that those schools were tremendous residential programs.

Senator Dunleavy felt that the committee should reexamine the education policy. He noted that the students at Mt. Edgecumbe would be able to go to a different school, if Mt. Edgecumbe were to close. He stressed that Alaska did not have the luxury of determining the benefits of each program. He remarked that there was a vast deficit in the state, so the conversations needed to occur immediately. He felt that there would be reductions of programs.

Senator Dunleavy wondered what amount of the federal funding went directly to the schools. Ms. Teshner replied that 90 was delivered to schools through grants, and 5 percent was delivered through contracts.

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AT EASE

[10:16:10 AM](#)

RECONVENED

^OVERVIEW: FY 16 BUDGET DEPARTMENT OF LAW

[10:16:43 AM](#)

JAMES CANTOR, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW, introduced himself.

Co-Chair Kelly stated that he would be leaving the meeting early.

DAVE BLAISDELL, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, discussed slide 4 of the PowerPoint, "Department of Law Senate Finance Committee Department

Overview" (copy on file). He stated that the governor's budget was \$84.443 million, which was a reduction of approximately \$7 million from the FY 15 budget. The reduction was in overall funds, with \$5.4 million in the civil division; \$1.4 million in the criminal division; and \$172,000 in administrative services.

Mr. Blaisdell looked at slide 5, "Potential Impacts of Client Agency Budgets":

34 percent of the Department's budget is funded from sources other than undesignated general fund. Substantially all of those funds are from other agencies.

As other departments draw down or eliminate programs, the amount of legal support required may be reduced. However, past experience indicates that program elimination or downsizing generally has a short-term uptick in level of legal work that is necessary.

-Legal efforts required by other agencies are not predictably parallel to reductions -an area of concern is that sister agencies may "cut corners" when seeking Law's expertise, potentially leading to greater legal trouble in the future.

Mr. Blaisdell addressed slide 6, "Budget Comparison: UGF Only." The Civil Division saw an 18.9 percent reduction, which factored a \$2 million multi-year appropriation in 2015. The Criminal Division had a 4.7 percent reduction. The Administrative Services saw a 7.3 percent reduction. There was a total reduction of 11.6 percent for FY 16. The largest piece of GF were oil, gas, and mining; child protection; labor and state affairs; and natural resources.

Mr. Blaisdell looked at slide 7, "FY 14 Criminal Division Actuals." He stated that personal services was the largest cost driver at 84 percent. The core services for the Department of Law was 10 percent of the budget. He furthered that the travel was divided between employee and non-employee, because over half of the travel budget was for non-employee travel as related to moving witnesses to and from court.

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Mr. Blaisdell discussed slide 8, "FY 14 Civil Division Actuals." He stated that adding the outside council to the personal services percentage totaled approximately 85 percent of the budget. He noted the 10 percent for the core services chargeback. He stressed that most of the reductions would be from personal services.

Mr. Blaisdell addressed slide 9, "FY 16 Budget Development." He noted that in the previous year for one-time items there was \$5.315 million. He explained that there was \$15 million from the Mental Health Budget for training dollars. The \$5.3 million included \$3.8 million for outside council for oil, gas, and mining matters; and \$1.5 million for gas line activity. The \$2 million was a multi-year appropriation for the Flint Hills litigation. There were statewide items that included the automatic healthcare and salary increases, totaling \$1.318 million. The adjusted base for the Department of Law was \$89.405 million

[10:26:57 AM](#)

Co-Chair MacKinnon wondered if those eliminated positions were currently filled. Mr. Blaisdell replied that the department had recently implemented a policy to keep some positions available. He stated that the Criminal Division had 15 open positions, but 14 of those positions were filled in the current year. The Civil Division had 9 vacant positions, but 8 of those positions were filled in the previous year.

Mr. Cantor furthered that there would be some filled positions reduced. He remarked that there were some shifts in positions.

Co-Chair MacKinnon stressed that she did not want anyone to lose their jobs. She wondered if there was a strategy to balance the positions. Mr. Cantor responded that the department was currently adjusting the positions.

Co-Chair Kelly handed the gavel to Co-Chair MacKinnon.

Mr. Blaisdell discussed slide 10, "FY 15 to FY 16 Department Comparison." The slide showed a \$7 million reduction in the budget, with \$2.3 million from personal services. The \$4.4 million from contractual services was from a one-time prior year appropriation.

Mr. Blaisdell addressed slide 11, "Personal Services Distribution." He remarked that there would be a loss of 19 positions, with 10 in the Civil Division and 9 in the Criminal Division.

[10:31:50 AM](#)

Senator Olson wondered how the \$3.4 million for outside council for oil and gas compared to years past. Mr. Blaisdell replied that the number was substantially higher four or five years prior. The number depended on the current cases. The number showed a reduction associated with the Strategic Reconfiguration Case, which did not require much outside council.

Senator Olson wondered if the outside council was from outside of the state. Mr. Blaisdell replied that there was some council from both in the state and from outside the state.

Senator Hoffman looked at slide 7, and wondered if the travel included the travel of state troopers. Mr. Cantor responded that the budget did not include state trooper travel.

Senator Hoffman wondered who would cover the costs of someone who needed to travel from Goose Creek to Bethel. Mr. Blaisdell deferred to Mr. Svobodny

RICHARD SVOBODNY, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, explained that individuals in custody that were transferred for trial from Goose Creek to Bethel would be covered by the Department of Public Safety (DPS). He stated that the witness travel would be covered by the Department of Law.

Senator Hoffman wondered if the individuals could be transferred under contract with someone with a less salaried position. Mr. Svobodny replied that he did not know the answer.

Senator Hoffman reiterated that there may be other areas that could reduce personnel costs.

[10:36:13 AM](#)

Senator Bishop wondered if most cases were included in the budget. Mr. Cantor replied that the state was not backing away from the cases, but would continue to work with people outside the section. The department was constantly working with the best lawyers for particular cases. There was a reduction from an Endangered Species Act position, but there was still expertise in the department. He stated that a statehood defense positions was reduced, because it was a remnant of the days when there was a section called "Statehood Defense." The caseload would still be managed in the same way. The IRS2477 was complicated, because the funding was established four years prior through the Department of Natural Resources (DNR), which would pay for the research of the trails. He stressed that the case must move forward with the entire unit.

Vice-Chair Micciche remarked that most law firms had few upper level partners, and many lower level employees. He wondered if the Department of Law had a higher proportion of higher level staff. Mr. Cantor replied that the department had steps and grades within the attorneys in the department. The Attorney 5 position had fewer than the Attorney 3 position.

[10:41:17 AM](#)

AT EASE

[10:41:31 AM](#)

RECONVENED

^OVERVIEW: FY 16 BUDGET DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[10:42: 14 AM](#)

CATHERINE REARDON, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (DCCED), discussed the PowerPoint, "Department Overview Presented to Senate Finance Committee" (copy on file). She shared that the department has a positive effect on Alaskans, and their daily lives. She understood, however, that the department must see how it impacts the over \$3 billion deficit.

Ms. Reardon highlighted slide 2, "Department Organization." She shared that the bottom represented the six core

divisions and the six corporate entities. The department employed 578 Alaskans.

Ms. Reardon looked at slide 3, "Department Budget." She stated that UGF was only 17 percent of the DCCED budget. She remarked that the department represented a very small portion, 2.37 percent, of the entire state's GF budget. She noted that there was a 3.9 percent cut in the overall budget, 12.3 percent of that cut came from the GF budget. She pointed out that the percentage cuts included an addition of a significant cost to the department: the cost of regulating marijuana. The 12.3 percent cut was outlined, while the department absorbed \$1.5 million of new costs for the effective regulation of marijuana, therefore the actual cuts in other areas were more substantial than they may appear.

Ms. Reardon addressed slide 4, "Summary of Budget Changes." She noted that the plan removed the following one-time items:

AEA - Reverse prior-year multi-year projects: Data Collection, Affordable Energy

AGDC - Reverse operating costs previously included in language section.

DCRA , DED - Reverse prior-year one-time-item named recipient grants (Kawerak for Diomedes Essential Air Service, Bering Sea Fishermen, Alaska Marine Safety Education Association, Ilisagvik College, Alaska Native Arts Marketing)

CBPL, AIDEA - Reverse Fiscal Notes - SB23 AIDEA LNG, HB4 AGDC, SB138 AGDC, HB328 Massage Therapists, HB160 Athletic Trainers, HB361 Behavior Analysts, HB32 Lines of Business on a Business License

RCA - Remove prior-year language item for the Railbelt independent electric utilities system determination

Ms. Reardon highlighted slide 5, "Summary of Budget Changes." She noted the changes in the adjusted base to work in progress;

Unallocated reduction

CBPL - Fiscal Note Year 2 - Board/Licensing of Massage Therapists

DCRA / DED - Restore named recipient grants (Kawerak for Diomedes Essential Air Service, Bering Sea Fishermen, Alaska Marine Safety Education Association, Ilisagvik College, Alaska Native Arts Marketing)

DCRA - Transfer named recipient grants previously funded in the Capital budget (Marine Exchange of Alaska, Alaska Air Carriers - Medallion Foundation)

AIDEA - Project Management, Legal and Project Support Services, Building Maintenance

AEA - Multi-Year Emerging Energy Technology Fund Data Collection - FY2016 to FY2018

AGDC - Restore operating costs for FY2016 previously included as language

RCA - Delete American Reinvestment and Recovery Act (ARRA) funding no longer available

[10:48:01 AM](#)

Ms. Reardon looked at slide 6, "Summary of Budget Changes." She noted that the slide was a work in progress.

Ms. Reardon discussed slide 7, "Summary of Budget Changes." She looked at the department's reductions, which were mostly in the GF budget:

DAS - Reduce personal services, eliminate vacant positions

AEA / AIDEA - Reduce personal services for AEA staff in AIDEA component

AIDEA - Reduce building maintenance request to estimated actuals

ASMI - Reduce Alaska Seafood Marketing Institute

DED - Remove named recipient grant for Alaska Native Arts Marketing

DED - Reduce economic development activities

DED - Reduce tourism marketing activities and contracts

Co-Chair MacKinnon extended a "Happy Birthday" to the committee assistant, Doniece Gott.

SB 27 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:50:54 AM

The meeting was adjourned at 10:50 a.m.