

SENATE FINANCE COMMITTEE

April 1, 2015

9:40 a.m.

[9:40:12 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:40 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

James Armstrong, Staff, Senator Pete Kelly; David Teal, Director, Legislative Finance Division.

SUMMARY

CSHB 72(FIN)

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 72(FIN) was HEARD and HELD in committee for further consideration.

CSHB 73(FIN)

APPROP: MENTAL HEALTH BUDGET

CSHB 73(FIN) was HEARD and HELD in committee for further consideration.

#hb72

#hb73

CS FOR HOUSE BILL NO. 72(FIN)

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

CS FOR HOUSE BILL NO. 73(FIN)

"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."

9:40:27 AM

Co-Chair Kelly stated that the committee would be going through six amendments.

Co-Chair MacKinnon MOVED to ADOPT Amendment 1 (copy on file):

DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Unallocated Appropriation

DELETE: \$320,000 UGF (1004)

DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Early Learning Coordination

DELETE: \$320,000 UGF (1004)

EXPLANATION: This net zero amendment removes an unallocated appropriation of \$320.0 UGF and restores \$32.0 UGF to the Best Beginnings program.

Co-Chair Kelly OBJECTED for discussion.

9:41:23 AM

JAMES ARMSTRONG, STAFF, SENATOR PETE KELLY, explained Amendment 1, stating that it was a net-zero Unrestricted General Fund (UGF) amendment which deleted an unallocated appropriation within the Department of Education and Early Development (DEED) Division of Teaching and Learning

Support and placed the \$320,000 into the Best Beginnings program within the same division.

Senator Dunleavy added that the funds were moved to the Best Beginnings program with the idea that the money would be used for books for those communities that would have difficulty accessing books for young children.

Co-Chair Kelly WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 1 was ADOPTED.

[9:42:11 AM](#)

Co-Chair MacKinnon MOVED to ADOPT Amendment 2, (copy on file):

DEPARTMENT: Legislature
APPROPRIATION: Legislative Council
ALLOCATION: Council and Subcommittees

ADD: \$64,800 Unrestricted General Funds (1004)

EXPLANATION: This amendment adds \$64,800 Unrestricted General Funds to be split evenly between the House Special Committee on Economic Development, Tourism, and Arctic Policy and the Senate Special Committee on the Arctic.

Co-Chair Kelly OBJECTED for discussion.

Mr. Armstrong discussed Amendment 2, explaining that in the previous fiscal year there had been funds appropriated for Arctic policy work - \$65,000 of which was going to lapse. There had been a request to reappropriate the funds, but it was thought to be cleaner to let the funds lapse and reappropriate the same amount to be split evenly between the House and Senate committees that worked on Arctic policy for FY 16.

[9:42:56 AM](#)

Co-Chair MacKinnon disclosed that her husband served on the board for Arctic Power. The funds being discussed were not related to the company, but she wanted to avoid any confusion.

9:43:32 AM

AT EASE

9:45:02 AM

RECONVENED

Co-Chair Kelly WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 2 was ADOPTED.

9:45:17 AM

Senator Hoffman MOVED to ADOPT Amendment 3 (copy on file):

DEPARTMENT: Commerce, Community, and Economic
Development

APPROPRIATION: Tourism Marketing & Development

ALLOCATION: Tourism Marketing

ADD: \$1,500,000 Statutory Designated Program Receipt
(1108)

ADD: Language Section: An amount not to exceed
\$1,500,000 is appropriated from the general fund to
the Department of Commerce, Community and Economic
Development, Tourism Marketing and Development to
match each dollar in excess of the \$2,700,000
appropriated in section 1 of this act as contributions
from the tourism industry.

EXPLANATION: The Tourism Marketing budget currently
includes \$2.7 million of Statutory Designated Program
Receipt (SDPR) authority for receipts collected from
the tourism industry. This amendment adds \$1.5 million
SDPR authority for a total of \$4.2 million. The
language portion of this amendment will match up to
\$1.5 million of the newly authorized SDPR with UGF.

Co-Chair Kelly OBJECTED for discussion.

Mr. Armstrong explained Amendment 3, stating that in the
Senate Finance Subcommittee on Department of Commerce,
Community and Economic Development (DCCED) \$3 million had
been removed from the numbers section. He recounted that
the subcommittee budget narrative requested the full
committee to amend the language section to appropriate
statutorily designated program receipt (SDPR) authority of

up to \$1.5 million for the Alaska Tourism Marketing Board, which would be matched with UGF. He added that if the board was able to gather more SDPR, there was a one-to-one match of UGF, with a ceiling of \$1.5 million.

Co-Chair Kelly WITHDREW his OBJECTION.

Senator Hoffman explained that the amendment would primarily increase the board's SDPR from \$2.7 million to \$4.2 million, and would give the board the incentive to raise the funds to promote tourism in the state.

There being NO further OBJECTION, Amendment 3 was ADOPTED.

[9:46:40 AM](#)

Co-Chair Kelly MOVED to ADOPT Amendment 4, 29-GH1780\S.4, Wallace, 3/30/15 (copy on file):

Page 79, line 15:

Delete all material.

Page 79, following line 24:

Insert a new subsection to read:

"(c) The amount necessary, estimated to be \$200,000, to refund to local governments their share of an aviation fuel tax or surcharge under AS 43 .40 for the fiscal year ending June 30, 2016, is appropriated from the proceeds of the aviation fuel tax or surcharge levied under AS 43 .40 to the Department of Revenue for that purpose."

Explanation

As a condition of various federal grants, the FAA requires aviation fuel tax proceeds to be spent for capital or operating costs of airports. That makes aviation tax proceeds a dedicated revenue source. The shared taxes section (section 28) formerly appropriated aviation fuel tax refunds from the general fund. Section c clarifies that the proceeds shared with local governments are not unrestricted general funds; they come from the dedicated aviation taxes levied in AS 43.40. The statutory reference is

broad in order to include any surcharges that may be levied under AS 43.40. Shared taxes are excluded from budget reports prepared by the Legislative Finance Division, so this amendment will have no visible impact on spending.

Co-Chair MacKinnon OBJECTED for discussion.

Mr. Armstrong discussed Amendment 4, stating that it was a technical amendment initiated from concerns brought to the state by the Federal Aviation Administration (FAA). The FAA had communicated that the state was not specifying clearly enough in the operating budget where certain aviation taxes were being distributed. Federal guidelines were considered by Legislative Finance Division (LFD) Director David Teal and the Division of Legal and Research Services in order to construct the amendment.

Senator Olson mentioned airport budgets and asked about the specific areas of non-compliance being addressed in the amendment.

[9:47:52 AM](#)

AT EASE

[9:48:43 AM](#)

RECONVENED

Senator Olson thought that the amendment addressed capital and operating budgets of airports in the state. He discussed airport maintenance and personnel and wondered what considerations were being addressed in the amendment.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the amendment was not specific to airport operations, and the federal government simply wanted to ensure that the proceeds from aviation fuel taxes were spent on airports. He referred to the three classifications the FAA used for airports and tracking funding: international, state, and municipal. He continued that the state had traditionally spent far more general funds (GF) on airport facilities and operations than was collected from the aviation tax, and the federal government needed an accounting of how the funds were spent. Federal requirements only specified that the funds were spent on airports, and the state needed to change the manner in

which it appropriated in order to demonstrate how the money was spent.

Co-Chair Kelly WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 4 was ADOPTED.

9:51:14 AM

Co-Chair Kelly MOVED to ADOPT Amendment 5 (copy on file):

DEPARTMENT: Natural Resources
APPROPRIATION: Administration & Support Services
ALLOCATION: North Slope Gas Commercialization

DELETE: \$11,311.1 Unrestricted General Fund (1004)
ADD: \$8,986.7 Unrestricted General Fund (1004) as One-Time Item

EXPLANATION:

This amendment removes additional funding for North Slope Gas Commercialization requested by the governor and reduces the total to match the fiscal note to SB 138. It converts the remaining \$8,986.7 to a one-time item.

Vice-Chair Micciche OBJECTED.

Mr. Armstrong explained Amendment 5, and referred to SB 138 [oil and gas legislation passed the previous session]; in which there was a one-time funding item of \$8,986,700 for Department of Natural Resources' (DNR) efforts towards the commercialization of North Slope gas. He continued that the administration had added an additional budget increment of \$4.2 million for the efforts, and the finance subcommittee on DNR had subsequently reduced the amount by \$1.9 million. The amendment further reduced the increment and provided FY 15 funding and re-designated the commercialization efforts as a one-time item.

Co-Chair Kelly continued that the issue had come to the committee's attention after the funds had changed from one-time funding to a base allocation that was then increased. The amendment would take the amount back to the original \$8.9 million of GF as specified in SB 138. He added that

the item would be additionally discussed in conference committee before the end of session.

Vice-Chair Micciche WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 5 was ADOPTED.

[9:53:05 AM](#)

Co-Chair Kelly MOVED to ADOPT Amendment 6 (copy on file):

Department: Environmental Conservation
Appropriation: Spill Prevention and Response
Allocation: Spill Prevention and Response

Delete: \$100.0 Oil/Haz Fd (1052)

Explanation: The ongoing reorganization in SPAR will result in additional efficiencies in FY2016 and reduce personal services expenditures.

Department: Environmental Conservation
Appropriation: Administration
Allocation: Administrative Services

Delete: \$50.0 Oil/Haz Fd (1052)

Explanation: The Division of Administrative Services provides centralized administrative support services to the department programs and is intentionally funded in direct proportion to the funding source breakdown of the Personal Services costs in the Department. This method complies with an approved federal indirect cost allocation plan. The division will take a coordinating reduction to personal services expenditures.

Vice-Chair Micciche OBJECTED.

Mr. Armstrong explained Amendment 6, stating that the Department of Environmental Conservation's Spill Prevention and Response Fund (SPAR) had a shortage of its normal oil and hazardous gas funding and needed an additional \$800,000 in the supplemental request. The department was holding a 22 percent vacancy factor in anticipation of not receiving the funds. He furthered that there was pending legislation dealing with the SPAR issue in both bodies. The amendment would remove \$150,000 of excess authority for the following

year, in case SPAR did not fill all of its vacant positions; the legislation could fix the problem if passed or this issue would be addressed the following year.

Vice-Chair Micciche WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 6 was ADOPTED.

9:54:03 AM

AT EASE

9:55:32 AM

RECONVENED

Co-Chair Kelly MOVED to ADOPT Amendment 7A, 29-GH1780\S.1, Wallace, 3/30/15 (copy on file).

Co-Chair MacKinnon OBJECTED.

Mr. Armstrong discussed Amendment 7A and 7B, and referred to Amendment 7A, Page 1, lines 4 through 7:

The monetary terms for the fiscal year ending June 30, 2016, of each of the collective 5 bargaining agreements listed in this section are rejected under AS 23.40.215 unless separate legislation is enacted that contains explicit language approving the monetary terms of that agreement. Money appropriated in sec. 1 of this Act may not be used to implement the

Mr. Armstrong explained that Amendment 7A rejected the monetary terms of the contracts solicited by the bargaining organizations listed in HB 72 and HB 73 for the fiscal year starting July 1, 2015.

Mr. Teal noted that there was backup available that might be helpful for the committee, including a summary that listed agency impacts sorted by fund code. He shared that after the action was taken, the materials would be posted online.

Co-Chair Kelly asserted that the legislature must ratify and approve state contracts, and if there was specific language in the budget not to fund the contracts, the agencies would be required not to fund the raises in the contracts. He continued that the amendment would not help toward the budget cutting goal; however it would allow the

state to not spend the \$30 million in GF required to accept and fund the 2.5 percent negotiated salary increase. He concluded that the total funds that would be saved were approximately \$50 million.

[9:57:56 AM](#)

Mr. Armstrong related that the committee had worked with LFD to run reports with up to date information. He specified that if Amendment 7A was adopted, total funding reduction would equal \$54,705,100.

Co-Chair Kelly asked if there was a total funding reduction amount in GF. Mr. Armstrong stated that the total reduction was broken down as follows: \$28,807,000 in UGF; \$12,793,000 in designated general funds (DGF); \$8,327,000 in other state funds; and \$4,776,000 in federal receipts.

Co-Chair Kelly anticipated that the amendment would save the state from about 300 layoffs in the future. He qualified that there were no guarantees, as state managers would make the ultimate choices, but the amendment would allow state agencies to pay their current employees rather than fund raises. He proposed that the amendment was an action to save jobs, and would also save money.

[9:59:22 AM](#)

Vice-Chair Micciche surmised that Amendment 7A was essentially denying the final year of the contract increase. He was concerned that the action could be misconstrued as more extreme than he felt it was.

Co-Chair Kelly clarified that state employee contracts were staggered over time and the amendment would deny 2016 contracts.

[9:59:51 AM](#)

AT EASE

[10:36:48 AM](#)

RECONVENED

Co-Chair Kelly asked Mr. Teal to discuss Amendments 7A and 7B [corresponding amendment to HB 73].

Mr. Teal discussed Amendment 7A, which removed the monetary terms approval from both the operating budget and the mental health budget. He stated that if the terms were rejected, it would (in theory) send the bargaining units back to the table to renegotiate.

Mr. Teal continued that Amendment 7B was the mechanism that actually removed the money from the budget, and reversed all the salary adjustments associated with the contracts as well as all the money associated with raises for non-covered employees. He referred to the back-up documents attached to Amendment 7B, which indicated the amounts of money affected by fund code as well as a summary sheet that indicated the amount of money by agency. He reiterated that information on individual transactions would be posted on the web. He suggested that the only question might be why only the bargaining units were addressed in Amendment 7A, when Amendment 7B removed money for both the covered units and non-covered employees.

Co-Chair Kelly stated that he anticipated forthcoming legislation to address the concern.

Senator Olson asked how the amendments would affect salaries of non-covered employees, such as executive branch and legislative branch employees.

Mr. Armstrong confirmed that Amendment 7B addressed non-covered employees, and noted that separate legislation to repeal the 2016 increases would need to be introduced and passed during the current legislative session.

Co-Chair Kelly explained that such legislation would have a zero fiscal note if the amendments passed.

[10:39:49 AM](#)

Mr. Teal concurred that there would be a zero fiscal note on the bill. He clarified that because of some of the recently passed amendments that removed money from the budget (such as Amendment 5 dealing with gas commercialization), the salary adjustments being considered would apply to the budget as it came in. He summarized that it was possible that the committee was removing money (through the salary adjustment transactions) where no money existed. He stated that the situation could not be fixed until the legislature was near the end of the budget

process, and it should be covered by the typical motion of conforming and technical adjustments that LFD and legislative legal could make.

Co-Chair Kelly asked for edification as to whether technical clarifications needed to be made on Amendment 7B. Mr. Teal stated that the adjustments would be made as the bill was drafted. He furthered that if an allocation or fund code went negative in an allocation, LFD (with the legislature's approval) had the ability to not reduce a salary where there was no money or position filled. He suggested that if changes to the aforementioned amendment backup were needed, they would be relatively small.

Vice-Chair Micciche asked if Amendment 7A allowed the administration and state workers to open the discussion about funding salary contracts, whereas Amendment 7B was not focused on collective bargaining employees alone. He asked if the amendments mechanically provided a wage freeze for FY 16.

Co-Chair Kelly stated that the allocations represented a wage freeze, and the language portion of the amendments was specifically for the contracts.

[10:42:37 AM](#)

Mr. Teal clarified that the amendment language only referred to collective bargaining agreements, as that was all that could be done in the operating bill. He continued that the fund reductions were for both covered and non-covered employees. He specified that the salary schedule could not be changed in the operating bill, and there was no agreement for the non-covered employees, which would require separate legislation.

Co-Chair Kelly surmised that the language section denied the contracts, and the allocations made the reduction for both employee groups.

Mr. Teal responded in the affirmative. He furthered that the amendments would leave all salaries (covered and non-covered) at the FY 15 levels.

Co-Chair MacKinnon WITHDREW her OBJECTION to Amendment 7A.

There being NO further OBJECTION, Amendment 7A was ADOPTED.

Co-Chair MacKinnon MOVED to ADOPT Amendment 7B, 29-GH1782\N.1, Wallace, 3/30/15 (copy on file).

There being NO OBJECTION, it was so ordered.

Co-Chair Kelly indicated that the meeting would be recessed until 1:30 p.m.

10:45:38 AM

RECESSED

3:32:29 PM

RECONVENED

Co-Chair MacKinnon MOVED to ADOPT Amendment 8 (copy on file):

DEPARTMENT: University of Alaska
APPROPRIATION: University of Alaska
ALLOCATION: Budget Reductions/ Additions - System wide

DELETE: \$1,800.0 Unrestricted General Fund (1004)

EXPLANATION: This amendment reduces the Senate Subcommittee addition of \$5 million UGF to the University of Alaska by (\$1.8 million UGF).

DEPARTMENT: Education and Early Development
APPROPRIATION: Alaska Library and Museums
ALLOCATION: Library Operations

ADD: \$1,800,000 Higher Education Investment Fund (1226)
\$1,800,000 Unrestricted General Funds (1004)

EXPLANATION: Currently there are 122 rural schools funded through the broadband program, bringing these schools up to the minimum of 1 OMB. This is a tremendous opportunity for the State to leverage its investment at a 5:1 ratio on a statewide basis, meaning this \$3.6 million can leverage an additional \$14.4 million in federal funding.

Broadband access is critical to the delivery of distance courses for students and teachers in rural

areas to improve the quality of education and increase graduation rates.

This amendment uses money from the Alaska Higher Investment Fund as this purpose is consistent with the goals of the fund.

Co-Chair Kelly explained that the amendment moved \$1.8 million from the University of Alaska system wide, and placed the funds in the Alaska Library and Museums to fund the broadband program.

[3:33:33 PM](#)

Mr. Armstrong discussed Amendment 8, noting that it was a reduction of \$1.8 million in GF and also captured \$1.8 million from the Alaska Higher Education Investment Fund for a total of \$3.6 million.

There being NO OBJECTION, Amendment 8 was ADOPTED.

[3:34:09 PM](#)

Vice-Chair Micciche MOVED to ADOPT Amendment 9, 29-GHI780\S.7, Wallace, 4/1/15 (copy on file).

Page 5, lines 4 - 5:

Delete all material and insert:

ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Public Communications Services	2,596,100	2,496,100	100,000
Public Broadcasting Commission	46,700		
Public Broadcasting - Radio	1,336,600		
Public Broadcasting - T.V.	333,300		
Satellite Infrastructure	879,500		

Adjust fund sources and totals accordingly.

Explanation: This amendment will restore \$1,336,000 to Public Broadcasting Radio and \$333,300 to Public Broadcasting TV and \$879,500 to Satellite Infrastructure. In discussions with the Department of Administration, this is the recommended level where urban areas would absorb the full reductions while there would be no further reductions to the rural stations which would remain at their full funding level submitted by the Governor.

The restoration of the full \$879,500 for Satellite Infrastructure will enable those services such as ARCS, emergency broadcasting and transponder availability for the University to continue without a funding reduction.

Co-Chair Kelly OBJECTED for discussion.

Mr. Armstrong discussed the funding being restored to public broadcasting in Amendment 9.

Co-Chair Kelly asked Mr. Armstrong to read the explanation at the bottom of Amendment 9.

Senator Bishop noted that his name was inadvertently omitted and he was also a sponsor of Amendment 9.

Co-Chair Kelly WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment 9 was ADOPTED.

[3:36:35 PM](#)

AT EASE

[3:37:06 PM](#)

RECONVENED

Senator Olson WITHDREW Amendment 10.

Senator Olson MOVED to ADOPT Amendment 11 (copy on file):

DEPARTMENT: Administration
APPROPRIATION: Legal and Advocacy Services
ALLOCATION: Public Defender Agency

ADD: \$1,220,300 general funds (1004)

EXPLANATION: Restore the Public Defender's Agency so it reflects the House version.

Co-Chair Kelly OBJECTED.

[3:37:36 PM](#)

Senator Olson explained that Amendment 11 would restore \$1.22 million into the Public Defender Agency. He commented that many individuals in his district were dependent upon the Public Defender Agency. He furthered that the agency was increasingly functioning with less resources. He commented that a cut of \$1.22 million would signify attorney caseloads which exceeded many recommendations as well as guidelines of the American Bar Association. Senator Olson suggested that as caseloads increased, attorneys would not be able to serve clients as effectively and it would result in increased risk of innocent people being convicted at trial. He thought that a cut would increase overall case costs through pre-trial delay, periods of pre-trial incarceration, inmate transport costs, and conflicts of interest. Additionally, he thought that it would increase costs for the Department of Labor and Workforce Development, the Department of Public Safety, and the Department of Corrections.

Senator Olson asserted that any changes that the Department of Law implemented to reduce workloads across the state would not be realized by the agency in FY 16. He thought there would be a delay in realizing benefits due to the time necessary to process new and existing cases under reforms. He opined that any projected impact on agency workloads was speculative, and reminded the committee that it was constitutionally mandated that individuals have access to a lawyer in criminal cases and appeals.

[3:39:45 PM](#)

A roll call vote was taken on the motion.

OPPOSED: MacKinnon, Bishop, Dunleavy, Hoffman, Micciche, Kelly

IN FAVOR: Olson

The MOTION to adopt Amendment 11 FAILED (6/1).

[3:41:00 PM](#) [messed up]

Senator Olson moved to MOVED to ADOPT Amendment 12 (copy on file):

DEPARTMENT: Administration
APPROPRIATION: Legal and Advocacy Services
ALLOCATION: Office of Public Advocacy

ADD: \$425,100 general funds (1004)

EXPLANATION: Restore the Office of Public Advocacy so it reflects the House version.

Co-Chair Kelly OBJECTED.

Senator Olson explained that most of the work in the Office of Public Advocacy (OPA) was mandated by the Alaska State Constitution. He continued that OPA was a downstream agency that dealt primarily with civil lawsuits and had no control over the cases which were assigned to it. He recounted that the OPA public guardians had the highest caseloads in the country, and were tasked with making major life decisions for adult wards of the state. He continued that current public guardian caseloads were 2 to 3 times the nationally recommended maximum, equating to each ward receiving approximately 1.5 hours per month of public guardian time. He considered the current caseload to pose a threat to the health and safety of some of the state's most vulnerable citizens.

Senator Olson discussed OPA's guardians ad litem, who represented abused and neglected children across the state and had individual staff caseloads exceeding 100 children. He compared the caseload to that of Colorado, which had a maximum of 30 children per guardian. Caseloads had increased by approximately 40 percent for FY 15, and the attorney general's office predicted a continuation by filings through the Office of Children's Services.

Senator Olson discussed OPA's programs for elder fraud and court advocates for victims of abuse, and noted that they would possibly be eliminated if they did not receive funding as they were not required by law.

Co-Chair Kelly MAINTAINED his OBJECTION.

3:42:53 PM

AT EASE

3:43:46 PM

RECONVENED

A roll call vote was taken on the motion.

OPPOSED: Kelly, Bishop, Dunleavy, Hoffman, Micciche,
MacKinnon

IN FAVOR: Olson

The MOTION to adopt Amendment 12 FAILED (6/1).

3:44:47 PM

Senator Olson WITHDREW Amendment 13.

Senator Olson MOVED to ADOPT Amendment 14 (copy on file):

DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Pre-Kindergarten Grants

ADD: \$1,900,000 general funds (1004)

EXPLANATION: This restores Pre-Kindergarten grants to
the level proposed by the Governor's Amended budget
request.

Co-Chair MacKinnon OBJECTED for discussion.

Senator Olson explained Amendment 14, which would add \$1.9 million in GF into DEED with the intent of restoring the pre-K grants to the level proposed by the governor's amended budget request. He alleged that early childhood education would help children keep up and necessitate less remediation in future schooling, as well as help create future leaders who would help advance the success of the state.

Co-Chair Kelly MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

OPPOSED: Micciche, MacKinnon, Bishop, Dunleavy, Hoffman,
Kelly
IN FAVOR: Olson

The MOTION to adopt Amendment 14 FAILED (6/1).

[3:46:33 PM](#)

Senator Olson moved to adopt Amendment 15 (copy on file):

DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Early Learning Coordination

ADD: \$557,500 general funds (1004) Best Beginnings
\$287,500 general funds (1004) Parents as Teachers

EXPLANATION: This restores Best Beginnings and Parents
as Teachers to the level proposed in the Governor's
Amended budget request.

Co-Chair Kelly OBJECTED for discussion.

Senator Olson spoke to Amendment 15, explaining that the
amendment would restore funds in the Division of Teaching
and Learning Support. He discussed past effectiveness of
the programs and mentioned the provision of books to young
children in rural Alaska.

Senator Dunleavy commented that there had been an earlier
amendment that restored partial funding to the Best
Beginnings program. He considered that the focus of the
funding should be on rural communities where there were
young children without access to libraries.

Co-Chair Kelly MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

OPPOSED: Hoffman, Micciche, Kelly, Bishop, Dunleavy,
MacKinnon
IN FAVOR: Olson

The MOTION to adopt Amendment 15 FAILED (6/1).

[3:48:20 PM](#)

Senator Olson MOVED to ADOPT Amendment 16 (copy on file):

DEPARTMENT: Transportation & Public Facilities
APPROPRIATION: Alaska Marine Highway System
ALLOCATION: Marine Vessel Operations

ADD: \$1.75 million Unrestricted General Funds (1004)
Explanation: This amendment restores \$1.75 million GF to the Alaska Marine Highway System, whose users pay almost 1/3 the cost of operations.

Far from the governor's request level, this restores only the AMHS service levels to those in the House cut. Without these funds, the system will need to rebook or cancel 8000 passengers and 2000 vehicles whose fares are already in hand.

Co-Chair MacKinnon OBJECTED for discussion.

Senator Olson read Amendment 16 and asked for the support of the committee.

Co-Chair MacKinnon MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

OPPOSED: Dunleavy, Hoffman, Micciche, MacKinnon, Bishop, Kelly
IN FAVOR: Olson

The MOTION to adopt Amendment 16 FAILED (6/1).

Senator Hoffman WITHDREW Amendment 19.

[3:50:24 PM](#)

Co-Chair MacKinnon MOVED to ADOPT Amendment 20 (copy on file):

Page 79, following line 19

DELETE: Sec. 28 (b) The amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2015 according to AS 43.52.230(b), estimated to be \$15,500,000, is appropriated from the commercial vessel passenger tax account (AS 43.52.230(a)) to the

Department of Revenue for payment to the ports of call for the fiscal year ending June 30, 2016.

EXPLANATION: Because this appropriation has been overspent in recent years based on projected numbers, it is the intent of the legislature that this program be put on hold for one year to allow for proper due diligence and accurate accounting so that when the legislature appropriates these funds it will reflect the revenue collected under this tax rather than its projections.

Co-Chair Kelly OBJECTED for discussion.

Co-Chair MacKinnon discussed Amendment 20, explaining that there had been a deficit after appropriating a projected amount that was greater than the actual proceeds from the commercial vessel passenger tax. She specified that any funds collected while the program was on hold would be available the following year.

Co-Chair Kelly WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment 20 was ADOPTED.

3:51:37 PM

AT EASE

3:52:04 PM

RECONVENED

Co-Chair Kelly MOVED to ADOPT Amendment 21 (copy on file):

DEPARTMENT: Department of Administration
APPROPRIATION: Centralized Administrative Services
ALLOCATION: Commissioner's Office

EXPLANATION:

ADD CONDITIONAL LANGUAGE:

At the discretion of the Commissioner of Administration and to accomplish the mission (intent) of the Statewide 5 year Information Technology plan, a new cost-neutral appropriation will be created within the Department of Administration for the purpose of consolidating information technology procurement, information technology support and information technology contractual services that are currently

being performed by executive branch agencies. The Director of the Office of Management and Budget shall authorize the transfer of funding associated with these services.

Co-Chair MacKinnon OBJECTED for discussion.

Mr. Armstrong discussed Amendment 21, explaining that it was brought to the committee for consideration by the Office of Management and Budget.

[3:53:13 PM](#)

Co-Chair MacKinnon WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment 21 was ADOPTED.

Co-Chair Kelly MOVED to ADOPT Amendment 22 (copy on file):

DEPARTMENT: Commerce, Community and Economic
Development

APPROPRIATION: Insurance

ALLOCATION: Insurance Operations

ADD: \$217,200 Receipt Supported Services (1156)

POSITIONS: 2 PFT - Insurance Specialist I (PCN 08-4046), Insurance Financial Examiner II (PCN 08-4058)

EXPLANATION:

The Insurance Financial Examiner II and the Insurance Specialist I positions perform critical rate and form filings and accreditation reviews related to the regulation of insurance within the state. In 2014 the Division of Insurance contributed approximately \$55 million to the general fund, as well as another \$9.2 million of fees and receipts that were used to fund division operations. Reductions in staff and funding will have an impact on the division's collections and contributions to the general fund, and will slow the service provided to the fee-paying public.

The Insurance Financial Examiner II position performs financial examinations related to insurance. During the state's last insurance accreditation review, this position was highlighted as a need within the Division. The division has experienced multiple hiring

challenges when recruiting for this position, and as a result has rewritten the position description to allow for hiring at multiple experience levels. This position is expected to be posted for recruitment in April 2015.

The Insurance Specialist I is assigned to the Property and Casualty unit (P&C), which is charged with the approval of all admitted form and rate filings, including title and bonds, for the state. In addition, the P&C unit monitors non-admitted insurers for compliance with the statutory requirements of the state. This position has been vacant while the division reevaluated work processes, workload, and needs; that process is nearing completion, and the position is expected to be posted for recruitment in April 2015.

The need for the work performed by these positions is so great, that while these positions were vacant, the division found it necessary to contract out for services to satisfy statutory deadlines and accreditation requirements, which is not a long-term solution.

Mr. Armstrong discussed Amendment 22, explaining that it restored a previously made reduction.

Co-Chair MacKinnon WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment 22 was ADOPTED.

[3:54:10 PM](#)

Co-Chair Kelly MOVED to ADOPT Amendment 23 (copy on file):

DEPARTMENT: Natural Resources
APPROPRIATION: Land and Water Resources
ALLOCATION: Geological and Geophysical Surveys (DGGS)

ADD: \$185,500 General Fund (1004)

POSITIONS: Add 1 PFT Division Operation Manager

EXPLANATION:

Restore the Division Operations Manager in DGGS who is responsible for a wide variety of tasks including:

personnel and operations oversight, budget creation and management, operations safety and improvements, and long-range planning.

Responsible for coordination of numerous on-going projects in mission-critical areas including: energy resources, mineral resources, volcano monitoring and geologic hazards. This position coordinates field activities during the field season.

Division Operations Managers provide stability, institutional knowledge, expertise, and understanding of the division's operations and functions at all levels. As the senior classified position in the division, their existence allows operations to proceed and critical functions and services to continue smoothly across the transition between Directors. Losing the Operations Manager position will leave the division without long-term, experienced management expertise to bridge the gap with each new Director.

Loss of this position will reduce the effectiveness of the director, who will need to assume many of this position's responsibilities.

Loss of this position will reduce the division's capability to obtain external funding.

Note: This position was to have an increased workload due to administrative and technical staff reductions, increasing the need to effectively manage and coordinate activities.

Co-Chair MacKinnon OBJECTED for discussion.

Mr. Armstrong discussed Amendment 23, explaining that the issue came forth immediately after the closeout of the departmental budget subcommittee.

Co-Chair Kelly asked Senator Bishop if it was a correct characterization to describe the amendment as a late recommendation from the subcommittee.

Senator Bishop stated that it was accurate, and the position in question was important and leveraged other federal dollars. He described it as a vital position and pointed out that DNR had been cut by 45 positions.

3:55:23 PM

Co-Chair MacKinnon WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment 23 was ADOPTED.

3:55:32 PM

AT EASE

3:58:09 PM

RECONVENED

Co-Chair Kelly stated that Amendments 17 and 18 would be taken up the following day.

3:58:41 PM

AT EASE

3:58:57 PM

RECONVENED

Co-Chair Kelly stated the budget would be amended further the following day. He discussed the state's fiscal challenges, and pointed out that making large cuts was not easy.

SB 72 was HEARD and HELD in committee for further consideration.

SB 73 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

4:00:10 PM

The meeting was adjourned at 4:00 p.m.