

SENATE FINANCE COMMITTEE
FIRST SPECIAL SESSION
April 29, 2015
1:45 p.m.

[1:45:34 PM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 1:45 p.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

Senator Berta Gardner; Senator Cathy Giessel; Senator Mia Costello; Pete Ecklund, Staff, Representative Mark Neuman.

SUMMARY

SB 1001 APPROP: OPER. BUDGET/LOANS/FUNDS/AM APPRO

SB 1001 was HEARD and HELD in committee for further consideration.

#sb1001

SENATE BILL NO. 1001

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, making reappropriations, making capital appropriations, and making appropriations under art. IX, sec. 17(c),

Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

[1:45:51 PM](#)

Co-Chair Kelly discussed the agenda.

PETE ECKLUND, STAFF, REPRESENTATIVE MARK NEUMAN, explained that the House Finance committee had taken up the mirror image CS to the one being considered in committee. He explained that the CS contained the differences between the governor's introduced budget bill, and the conference committee bill that had been adopted previously. He referred to the 2015 Legislature - Operating Budget Agency Summary, which reflected the \$54,954.5 that was above the conference committee bill previously adopted. He also noted the \$39 million in non-additive fund transfers were reflected on the page.

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Mr. Ecklund walked through the sections of the work draft. He said that Section 1 contained various appropriations for different items that the governor wanted to see funded. He noted that the items were familiar. He pointed out the appropriation on Page 3, which was to fund the FY 2016 cost of living adjustment (COLA).

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Senator Bishop requested clarification on the page numbers.

[1:49:56 PM](#)

AT EASE

[1:50:10 PM](#)

RECONVENED

Mr. Ecklund directed attention to page 4 of the work draft, which reflected the State-Wide All Employees COLA of \$56,386,100, this covered both the union and non-union CLOA for FY 16.

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Co-Chair Kelly understood that in the governor's budget the union employees would receive the COLA increase and the non-union employees would not.

Mr. Ecklund replied in the affirmative.

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Mr. Ecklund referred to Pages 5 through 11 as fund "roll-ups" or the different fund sources that funded Section 1. He referred to Page 12, section 4, which listed all of the appropriations related to Medicaid expansion.

[1:52:12 PM](#)

Co-Chair Kelly wondered whether the section eliminated a public policy discussion on Medicaid expansion.

Mr. Ecklund clarified that if the legislature adopted the section, Medicaid expansion would be authorized through the budget.

Co-Chair Kelly noted that the budget before the committee split state employees between union and non-union and then took away any public policy debate concerning Medicaid expansion.

[1:53:09 PM](#)

Mr. Ecklund referred Section 7. He said that the bill would amend the appropriation of \$157 million from the In-state Natural Gas Pipeline fund to the Education fund. He relayed that the appropriation would be \$118 million transferred from the In-State Natural Gas Pipeline fund to the Public Education fund. He shared that \$1,006,027,900 would be appropriated from the general funds to the public education fund. He stated that the net effect of Section 7 would be to fund the FY16 statutory base student allocation (BSA) of \$58.80, at 100 percent.

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Mr. Ecklund addressed Section 8 of the work draft, which would fund the union contracts for FY16.

[1:54:50 PM](#)

Senator Dunleavy asked whether there was any funding for non-union positions in the bill.

Mr. Ecklund replied no. He added that the bill specifically took away any funding for non-union COLA increases.

[1:55:12 PM](#)

Mr. Ecklund referred to Section 9, which contained the constitutional budget reserve (CBR) language for FY15 and FY16, and was the same language that had been in the conference committee report, as well as the language in Section 10.

[1:56:04 PM](#)

Co-Chair Kelly expressed disappointment with the administration.

[1:58:41 PM](#)

AT EASE

[1:58:59 PM](#)

RECONVENED

Co-Chair Kelly stressed that the budget that the senate had passed in the legislative session had been fully funded. He expressed frustration with the administration. He thought that it was unfair for non-union employees to be left out of the COLA increases. He contended that the legislature had planned to bring in experts to discuss Medicaid expansion, but that not the governor was forcing the issue through the budget.

[1:59:33 PM](#)

Senator Dunleavy whether the committee would hear from the Governor's Office.

Co-Chair Kelly replied that he did not want to hear from the Governor's Office at this time. He thought that the policy objectives in SB 1001 were clear.

[1:59:44 PM](#)

Vice-Chair Micciche found it interesting that the governor felt he could "wave a wand" and approve Medicaid expansion

without legislative approval. He felt that the governor was using the three-quarter vote as a tool to force the expansion. He expressed discomfort with major policy issues being passed within a budget and without public discussion.

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Co-Chair Kelly stated that the legislature had been headed toward a discussion of Medicaid expansion. He spoke of former Commissioner Struer's renewed contract to guide the committee through the issue. He said that the legislature had asked if the discussion could happen in Anchorage where there were computers and files available. He opined that the construction that would soon begin would make conducting legislative work on the issue difficult. He felt that the governor was "stamping his feet" and that that was not the way to get things done. He asserted that the governor had a willing group of people in the legislature that wanted to take up the issue, but now it was too late because of the impending construction on the Capitol Building.

[2:03:18 PM](#)

Senator Dunleavy queried the total increase in SB 1001, versus what the legislature had passed.

Mr. Ecklund replied that the total fund increase was \$217,660.0, the unrestricted general fund (UGF) was approximately \$55 million. He said that in addition to that there was \$39 million in fund transfers of UGF that would go to the public education fund. He offered a total of approximately \$94 million.

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Senator Dunleavy expressed frustration with the state's fiscal situation.

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Co-Chair Kelly said that special sessions that were concentrated on the budget usually came down to a debate between people who wanted to spend, and people who did not.

[2:08:07 PM](#)

Co-Chair MacKinnon worried that the budget took one-time money that might not be available in FY17.

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Senator Dunleavy stated that SB 1001 appeared to be a road map to higher taxes.

[2:09:44 PM](#)

Co-Chair Kelly asked if Vice-Chair Micciche would walk the committee through tax credits for oil companies and why the minority's argument against paying them was bunk.

[2:10:07 PM](#)

AT EASE

[2:10:13 PM](#)

RECONVENED

Co-Chair MacKinnon wondered whether there needed to be a discussion about the constitutional rights of the legislature to pass the budget.

Co-Chair Kelly stated that the words "legislature" and "the people" were synonymous.

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AT EASE

[2:13:46 PM](#)

RECONVENED

Co-Chair Kelly stated that people frequently used the argument that reduction of oil company tax credits could help the state's financial picture. He said that emails he received from the public stating that the state received less money under SB 21 was absurd. He stated that the fact that the state received more money under SB 21 was not debatable.

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Vice-Chair Micciche prefaced his discussion by saying that oil taxes should be living documents and that people should be open to adjustments. He said that there was no negative impact from SB 21; the positive earnings from all oil and

gas production related revenue in FY15 and 16 was approximately \$1.6 billion in production taxes alone. He said that people often attributed tax credit issues to SB 21, but the credits were not the result of SB 21. He asserted that the credits were more of a result of Alaska's Clear and Equitable Share (ACES) or the Cook Inlet Recovery Act of 2010. He added that the minority had supported those bills. He said that there was not causal relationship between Alaska's deficit and oil tax credits. He said that SB 21 earned \$400 million more in FY15 than what would have been earned under ACES, and \$550 million more in FY16. He continued to expound on the merits of oil and gas production to the state and why SB 21 was beneficial over ACES.

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Vice-Chair Micciche argued that the senate had made cuts to the budget with an absence of politics. He said that he had prioritized by what was most important to the state. He said that the increased budget presented by the governor offered no middle ground and reflected largely political changes. He said that the SBR three-quarter vote had been designed to be very prudent with the state's reserves, but was now being used by the governor as leverage to spend \$94 million.

[2:19:45 PM](#)

Senator Bishop asserted that the Commissioner of Revenue had stated that SB 21 was working.

[2:20:48 PM](#)

Co-Chair MacKinnon asked for a brief at-ease for the committee to consider a press release from the Governor.

[2:20:55 PM](#)

AT EASE

[2:21:38 PM](#)

RECONVENED

Co-Chair Kelly criticized the governor's press release and congratulated the committee on the work done in the previous 94 days. He characterized the current special

session as a debate between those who wanted to spend more and those who wanted to spend less.

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Senator Dunleavy stated that he wanted to work with the governor, but that the legislature did not work for the governor.

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AT EASE

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RECONVENED

SB 1001 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

2:24:23 PM

The meeting was adjourned at 2:24 p.m.