

SENATE FINANCE COMMITTEE  
SECOND SPECIAL SESSION  
May 31, 2015  
1:13 p.m.

[Note: The meeting was held in Anchorage, Alaska at the Anchorage Legislative Information Office]

1:13:06 PM

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 1:13 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

James Armstrong, Staff, Senator Pete Kelly; Senator Cathy Giessel; Senator Bert Stedman; Representative Tammie Wilson; Representative Les Gara; Representative Sam Kito; Representative Lynn Gattis.

SUMMARY

SB 2001     APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 2001 was SCHEDULED but not HEARD.

CSHB 2001(FIN)am

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 2001(FIN)am was REPORTED out of committee with a "do pass" recommendation.

#hb2001

CS FOR HOUSE BILL NO. 2001(FIN) am

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; making appropriations for the operating expenses of the state's integrated comprehensive mental health program; capitalizing funds and repealing appropriations; 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."

1:13:23 PM

Co-Chair MacKinnon MOVED to ADOPT Committee Substitute for CSHB 2001(FIN)am, Work Draft 29-LS0960\G, (Wallace, 5/30/15). There being NO OBJECTION, it was so ordered.

1:14:07 PM

AT EASE

1:17:41 PM

RECONVENED

JAMES ARMSTRONG, STAFF, SENATOR PETE KELLY, stated that the committee substitute (CS) was identical to SB 2001 that was considered by the committee the previous week. He explained that the new bill restored the vetoes of items that were contained in HB 72, and the combination of the two bills within the CS would restore funding to the conference committee levels.

Mr. Armstrong referred to the document "2015 Legislature - Operating Budget; Agency Summary - FY 16 Post-CC St Structure" (copy on file), which depicted agency totals but not statewide provisions.

1:18:59 PM

Co-Chair Kelly stated that the CS was a product of the entire budget process, including the conference committee as well as adjustments after the governor's vetoes of certain line items. He specified that the committee cut

about \$900 million from the budget. He discussed the nuances of the previous vote on using funds from the Constitutional Budget Reserve (CBR). He discussed the budget process and mentioned a forthcoming amendment. He opined that the three-quarters vote engendered dysfunction within the process and allowed a small group of people to stop a constitutionally mandated process.

[1:23:06 PM](#)

Co-Chair Kelly mentioned Amendment 1. He spoke to future challenges that would come, and thought that the significant cut that was made would be difficult to duplicate in future years. He spoke to the significantly reduced capital budget. He stated that the committee had tried to protect education, and characterized it as the most widely distributed benefit that came from the state as well as a constitutional mandate. He discussed the changing fiscal environment in Alaska and emphasized the need for "buy-in" from public and from the committee. He remarked on upcoming bipartisan work and compromise that would be needed in conference committee. He pointed out that state employee pay increases were not included in the budget.

[1:27:13 PM](#)

Co-Chair MacKinnon commented that the State of Alaska was facing its largest deficit in history. She referred to the state's dependence on oil revenues. She expressed appreciation for attendance at the committee meeting. She discussed the compromise needed to pass a budget and a three-quarters vote to access the CBR. She discussed priorities of the committee to include establishing goals, setting education as the highest priority, prioritizing state employees, and negotiating in good faith in conference committee. She discussed the state's savings account and expenditures, and stressed the importance of frugality.

Co-Chair MacKinnon continued to discuss the fiscal situation. She referred to the Alaska Cost of Living Allowance (COLA) for state employees and noted the contention of the issue. She thanked Co-Chair Kelly for bringing forward a Committee Substitute to work through budgetary challenges.

[1:31:21 PM](#)

Vice-Chair Micciche acknowledged the people in the audience. He discussed the budget process and CBR funding. He reminded Alaskans of the \$4 billion fiscal gap, and asserted that the state would run out of savings in 2017. He expressed that the members valued the work of the other body and were looking toward working out issues in conference committee. He noted that he valued compromise and thanked the committee for its hard work.

Senator Olson stated that he saw the CS as an opportunity to move forward from what could be considered a stalemate. He used a football analogy to illustrate the importance of making appropriate choices.

Co-Chair Kelly spoke to the importance of the narrative in the press. He expressed that the CS was a strategy to get to conference committee, where all options would be discussed.

[1:36:53 PM](#)

AT EASE

[1:39:03 PM](#)

RECONVENED

Co-Chair Kelly stated that there was an amendment before the committee to consider, and noted that Senator Olson was a co-sponsor of the amendment.

Co-Chair MacKinnon MOVED to ADOPT Amendment 1, 29-LS0960\G.1 (Wallace, 5/30/15):

Page 30, following line 28:

Insert a new bill section to read:

"\*Sec. 10. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The sum of \$16,121,850 is appropriated from the general fund to the Department of Education and Early Development to be distributed as state aid to districts according to the average daily membership for each district adjusted under AS 14.17.41 O(b)(1)(A) - (D) for the fiscal year ending June 30, 2016."

Renumber the following bill sections accordingly.

Page 31, line 10:

Delete "11" in both places  
Insert "12" in both places

Page 31, line 17:  
Delete "12, and 13"  
Insert "13, and 14"

Page 31, line 18:  
Delete "Section 11"  
Insert "Section 12"

Page 31, line 19:  
Delete "secs. 14 and 15"  
Insert "secs. 15 and 16"

Vice-Chair Micciche OBJECTED for discussion.

[1:39:38 PM](#)

AT EASE

[1:40:35 PM](#)

RECONVENED

Mr. Armstrong discussed Amendment 1. He explained that HB 278 [education initiative legislation offered by the Parnell Administration that passed in 2014] had established a myriad of education funding over a three-year period. He detailed that approximately \$32.3 million had been established outside of the foundation formula for FY 16. He elaborated that Governor Walker's supplemental budget had removed \$32 million from FY 16 and \$19 million for FY 17. The amendment would restore half of the funding outside of the formula for FY 16 in the amount of \$16,121,850.

[1:41:38 PM](#)

Co-Chair MacKinnon clarified that the members were preparing for a conference committee, and her intent by adding her name to the amendment was to allow the conversation about education funding to take place. She referred to the problem of recurring costs faced by the state, as well as expenses such as the COLA increase and the Base Student Allocation (BSA). She related these issues to accessing the CBR, and the need for flexibility in the conversation about education funding.

[1:42:55 PM](#)

AT EASE

[1:43:31 PM](#)

RECONVENED

Co-Chair MacKinnon stated that if the House concurred with the Senate, education would have \$32 million.

Vice-Chair Micciche WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 1 was ADOPTED.

[1:44:20 PM](#)

AT EASE

[1:44:45 PM](#)

RECONVENED

Mr. Armstrong made an observation that he had never testified on three different versions of the operating budget before. He thanked staff from the Legislative Finance Division and Legislative Legal and Research Services.

[1:45:27 PM](#)

Co-Chair MacKinnon MOVED to REPORT SCS CSHB 2001(FIN)am out of committee with individual recommendations. There being NO OBJECTION, it was so ordered.

SCS CSHB 2001(FIN)am was REPORTED out of committee with a "do pass" recommendation.

[1:46:36 PM](#)

RECESSED

[7:10:31 PM](#)

RECONVENED

#

ADJOURNMENT

[7:15:22 PM](#)

The meeting was adjourned at 7:12 p.m.