

SENATE FINANCE COMMITTEE  
March 11, 2016  
3:56 p.m.

[3:56:52 PM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 3:56 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; David Teal, Director, Legislative Finance Division

SUMMARY

SB 139      APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 139 was HEARD and HELD in committee for further consideration.

SB 140      APPROP: MENTAL HEALTH BUDGET

SB 140 was HEARD and HELD in committee for further consideration.

CSHB 256(FIN)

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 256(FIN) was HEARD and HELD in committee for further consideration.

CSHB 257(FIN)

APPROP: MENTAL HEALTH BUDGET

CSHB 257(FIN) was HEARD and HELD in committee for further consideration.

#sb139

#sb140

SENATE BILL NO. 139

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

SENATE BILL NO. 140

"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."

[3:57:37 PM](#)

AT EASE

[3:58:44 PM](#)

RECONVENED

[3:59:12 PM](#)

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

DEPARTMENT: Corrections  
APPROPRIATION: Administration and Support  
ALLOCATION: Office of the Commissioner  
DELETE: \$164,500 Unrestricted General Funds (1044)  
POSITIONS: Delete 1 PFT Public Information Officer

DEPARTMENT: Education & Early Development  
APPROPRIATION: Teaching and Learning Support  
ALLOCATION: Student and School Achievement

DELETE: \$13 8,400 Unrestricted General Funds (1004)  
POSITIONS: Delete 1 PFT Information Officer III

DEPARTMENT: Environmental Conservation  
APPROPRIATION: Administration  
ALLOCATION: Office of the Commissioner  
DELETE: \$6,500 Unrestricted General Funds (1004)  
POSITIONS: Delete 1 PFT Information Officer III

DEPARTMENT: Health & Social Services  
APPROPRIATION: Departmental Support Services  
ALLOCATION: Public Affairs  
DELETE: \$52,000 Unrestricted General Funds (I 004)  
POSITIONS: Delete 1 PFT Information Officer III

DEPARTMENT: Natural Resources  
APPROPRIATION: Oil & Gas  
ALLOCATION: Oil & Gas  
POSITIONS: Delete 1 PFT Information Officer III

DEPARTMENT: Public Safety  
APPROPRIATION: Alaska State Troopers  
ALLOCATION: AST Detachments  
DELETE: \$157,300 Unrestricted General Funds (1004)  
POSITIONS: Delete 1 PFT Information Officer III

DEPARTMENT: Transportation & Public Facilities  
APPROPRIATION: Administration and Support  
ALLOCATION: Central Support Services  
POSITIONS: Delete 1 PFT Information Officer III

DEPARTMENT: Transportation & Public Facilities  
APPROPRIATION: Administration and Support  
ALLOCATION: Northern Support Services  
POSITIONS: Delete 1 PFT Information Officer III

ADD INTENT LANGUAGE:

It is the intent of the legislature that the duties performed by the deleted Information Officers are absorbed within the Office of the Governor.

EXPLANATION:

This amendment deletes eight Information Officer III positions and \$518, 700 Unrestricted General Funds (1004) from various agencies.

Co-Chair Kelly OBJECTED for DISCUSSION.

JAMES ARMSTRONG, STAFF, SENATOR PETE KELLY, stated that the committee must address Amendment 20.

Co-Chair MacKinnon MOVED to RESCIND the action to adopt Amendment 20.

Vice-Chair Micciche OBJECTED for DISCUSSION.

[3:59:57 PM](#)

Co-Chair Kelly explained the rescinding of the amendment. He stated that the amendment included PCN numbers, but it was not the intention to eliminate PCN numbers in the budget, rather it was related to the separation of powers.

[4:00:33 PM](#)

AT EASE

[4:00:40 PM](#)

RECONVENED

Co-Chair MacKinnon MOVED to ADOPT Amendment 22 (copy on file).

Vice-Chair Micciche OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Hoffman, Micciche, Olson, Kelly, Bishop, Dunleavy  
OPPOSED: None

The MOTION PASSED (7/0). There being NO OBJECTION, Amendment 22 was adopted.

Co-Chair Kelly explained the anticipated schedule for the upcoming weekend.

[4:02:34 PM](#)

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

DEPARTMENT: Administration  
DELETE INTENT LANGUAGE: At the discretion of the Commissioner of the Department of Administration, up to \$750,000 may be transferred between appropriations within the Department of Administration. A written

report documenting all transfers of funds between appropriations shall be provided to the legislature by January 31, 2017.

DEPARTMENT: Education and Early Development  
DELETE INTENT LANGUAGE: At the discretion of the Commissioner of the Department of Education and Early Development, up to \$500,000 may be transferred between appropriations within the Department of Education and Early Development. A written report documenting all transfers of funds between appropriations shall be provided to the Legislature by January 31, 2017.

EXPLANATION: This amendment deletes intent language within the Department of Administration and the Department Education and Early Development.

Co-Chair Kelly OBJECTED for discussion.

Mr. Armstrong explained Amendment 23.

Co-Chair Kelly WITHDREW his objection. There being NO OBJECTION, Amendment 23 was adopted.

[4:03:34 PM](#)

AT EASE

[4:04:39 PM](#)

RECONVENED

Co-Chair MacKinnon MOVED to ADOPT Amendment 24 (copy on file):

DEPARTMENT: Commerce Community & Economic Development  
APPROPRIATION: Alaska Seafood Marketing Institute  
ALLOCATION: Alaska Seafood Marketing Institute  
ADD: \$1,028,500 General Fund Match (I 003)  
EXPLANATION: This amendment restores the Alaska Seafood Marketing Institute's General Fund Match (UGF) to the FYI 7 Governor's requested level of \$3,428,400.

DEPARTMENT: Commerce, Community & Economic Development  
APPROPRIATION: Tourism Marketing & Development  
ALLOCATION: Tourism Marketing  
ADD: \$2,129,000 Unrestricted General Funds (1004)

EXPLANATION: This amendment restores Tourism Marketing Unrestricted General Funds (UGF) to the FYI 7 Governor's requested level of \$4,528,900.

Senator Dunleavy OBJECTED for discussion.

Senator Hoffman explained Amendment 24.

Co-Chair Kelly explained that the amendment was a 41.7 percent reduction to the previous year's number, which was a \$3.5 million cut to tourism marketing. He queried the reduction to the Alaska Seafood Marketing Institute (ASMI)

Senator Hoffman replied that they were each reduced by 30 percent.

[4:05:51 PM](#)

AT EASE

[4:06:15 PM](#)

RECONVENED

Senator Dunleavy MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Hoffman, Olson, Bishop, Kelly

OPPOSED: Dunleavy, Micciche, MacKinnon

The MOTION PASSED (4/3). There being NO further OBJECTION, Amendment 24 was ADOPTED.

[4:06:48 PM](#)

AT EASE

[4:08:51 PM](#)

RECONVENED

Vice-Chair Micciche MOVED to ADOPT Amendment 25 29GS2740\W.7, Wallace, 3/10/16 (copy on file):

Page 75, lines 22 - 23:

Delete all material.

Reletter the following subsections accordingly.

Page 81, line I:

Delete "secs. 1 1(e), 1 9(a), 23(d), 230), and 24(c)"  
Insert "secs. 1 1(e), 19(a), 23(d), and 23(j)"

Page 81, line 2:

Delete "secs. 11 (e), 1 9(a), 23(d), 23(j), and 24(c)"  
Insert "secs. 1 1(e), 1 9(a), 23(d), and 23(j)"

Page 81, line 6:

Delete "Sections 1 1(e), 1 9(a), 23(d), 23(j), 24(c),  
30, and 32(b)"  
Insert "Sections 1 1(e), 19(a), 23(d), 23(j), 30, and  
32(b)"

There being NO OBJECTION, it was so ordered.

Mr. Armstrong explained Amendment 25.

Co-Chair Kelly remarked that it was important to include this, and similar amendments in understanding the transferring of money.

Vice-Chair Micciche MOVED to ADOPT Amendment 26, 29-GS2740\W.12, Wallace, 3/11/16 (copy on file):

Delete "\$75,205,117"  
Insert "\$99, 166,576"

Page 77, lines 15 - 21:

Delete all material and insert:

"(b) The sum of \$116,699,959 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the teachers retirement system as an additional state contribution under AS 14.25.085 for the fiscal year ending June 30, 2017."

Co-Chair MacKinnon OBJECTED for discussion.

Mr. Armstrong explained Amendment 26.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 26 was ADOPTED.

[4:11:43 PM](#)

Vice-Chair Micciche MOVED to ADOPT Amendment 27, 29-GS2740\W.14, Wallace, 3/11/16 (copy on file):

Delete "23(o)"  
Insert "23(n)"

Page 73, lines 11 - 15:  
Delete all material and insert:

"(h) The amount necessary to fund the total amount for the fiscal year ending June 30, 2017, of state aid calculated under the public school funding formula under AS 14.17.41 O(b ), estimated to be \$I, 163, 984,500, is appropriated from the general fund to the public education fund(AS14.17.300)."

Page 73, lines19-20:  
Delete all material.

Reletter the following subsections accordingly.

Page 74, line 2:  
Delete "(o)"  
Insert "(n)"

Page 75, line 20:  
Delete "(p)"  
Insert "(o)"

Page 81, line 1:  
Delete "secs. 11(e),19(a), 23(d), 23(j), and 24(c)"  
Insert "secs. 1 1(e), 19(a), 23(d), and24(c)"

Page 81, line 2:  
Delete "secs. 11 (e), 1 9(a), 23(d), 23(j), and 24(c)"  
Insert "secs. 1 1(e), 19(a), 23(d), and 24(c)"

Page 81, line 6:  
Delete "Sections 11 (e), 1 9(a), 23(d), 23(j), 24(c), 30, and 32(b)"  
Insert "Sections 11 (e), I 9(a), 23(d), 24(c), 30, and 32(b)"

Co-Chair MacKinnon OBJECTED for discussion.

Mr. Armstrong explained Amendment 27.

Co-Chair MacKinnon REMOVED her OBJECTION. There being NO further OBJECTION, Amendment 27 was ADOPTED.

4:12:36 PM

Co-Chair MacKinnon MOVED to ADOPT Amendment 28, 29-GS2740\W.13, Wallace, 3/11/16 (copy on file):

Page 77, following line 14:

Insert a new subsection to read:

"(b) The sum of \$114,000,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution for the fiscal year ending June 30, 2017."

Reletter the following subsections accordingly.

Page 77, following line 21:

Insert a new subsection to read:

"(d) The sum of \$228,000,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the teachers' retirement system as an additional state contribution for the fiscal year ending June 30, 2017."

Reletter the following subsections accordingly.

Page 81, line 4:

Delete "sec. 29 of this Act takes effect"

Insert "secs. 25(b), 25(d), and 29 of this Act take effect"

Page 81, line 5:

Delete "sec. 29 of this Act is"

Insert "secs. 25(b), 25(d), and 29 of this Act are"

Page 81, line 8:

Delete "Sections 29, 32(a), and 32(c)"

Insert "Sections 25(b), 25(d), 29, 32(a), and 32(c)"

Co-Chair Kelly OBJECTED for discussion.

Mr. Armstrong explained the amendment.

Co-Chair Kelly remarked that there was an anticipation of getting nearly \$20 million in savings over several years from the amendment.

Mr. Armstrong shared that the savings was only an estimate.

Co-Chair Kelly WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 28 was adopted.

[4:13:59 PM](#)

Co-Chair MacKinnon MOVED to ADOPT Amendment 29 (copy on file):

DELETE:

Language section 9(c) under Alaska Permanent Fund.

Page 60, lines I 0-14

Delete all material.

REPEAL

Ch 23, SLA 2015, Section 1 l(b)

Page 67, lines 12-16

Delete all material.

EXPLANATION:

This amendment deletes the FYI 7 inflation proofing appropriation and repeals the FYI 6 inflation proofing appropriation for the Alaska Permanent Fund.

- FY16 inflation proofing is estimated to be \$47 million
- FYI 7 inflation proofing is estimated to be \$896 million

Senator Dunleavy OBJECTED for DISCUSSION.

Mr. Armstrong explained the amendment.

Co-Chair Kelly stated that the governor's bill included the amendment, the house inserted it, so now it would be a conferenceable item.

[4:14:47 PM](#)

AT EASE

[4:15:18 PM](#)

RECONVENED

4:15:23 PM

Co-Chair Kelly explained that there was a deposit made in the year prior intended for inflation proofing. He stated that the state was going into an inflationary period. He stated that the FY 17 estimate was much higher than the year prior.

Senator Dunleavy wondered if there was an estimate that the corpus would meet or exceed the current inflation rate. Co-Chair Kelly replied that the deposits were made to inflation-proof the fund.

Senator Dunleavy WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 29 was ADOPTED.

4:16:51 PM

Co-Chair MacKinnon MOVED to ADOPT Amendment 30 (copy on file):

PART A

Add the following wordage to the section 1 lead-in text (page 1 following line 6):

At the discretion of the head of each executive branch agency, up to five percent of the unrestricted general funds appropriated to each agency for FY20 I 7 may be transferred between appropriations within each agency.

It is the intent of the legislature that the Office of Management and Budget submit a report of transfers between appropriations that occurred in the first half of FY2017 by January 30, 2017, and a report of transfers in the second half of FY2017, by October 1, 2017, to the House and Senate Finance Committees and the Legislative Finance Division.

Explanation: To provide some flexibility, part A allows for the transfer of up to 5 percent of the department's UGF between appropriations within the departments.

PART B

DEPARTMENT: Executive Branch-wide Unallocated  
Appropriations

APPROPRIATION: Executive Branch-wide Unallocated  
ALLOCATION: Branch-Wide Unallocated

DELETE: \$100,000,000 Gen Funds (I 004)  
EXPLANATION: Part B is a \$100 million unallocated  
reduction to be spread throughout executive branch  
agencies.

Co-Chair Kelly OBJECTED for discussion. He explained that the amendment would be a \$100 million reduction. He felt that the amendment should be considered a "place holder", because there were many pieces that were required before the reduction could occur. He remarked that the amendment allowed for the governor flexibility to adjust appropriations.

[4:18:00 PM](#)  
AT EASE

[4:19:35 PM](#)  
RECONVENED

[4:19:39 PM](#)

Co-Chair Kelly clarified that it appropriations would occur within departments.

Co-Chair Kelly REMOVED his OBJECTION. There being NO further OBJECTION, Amendment 30 was adopted.

Co-Chair Kelly looked at Amendment 28, and remarked that it was a deposit to the PERS/TRS capitalization. He noted that it may be a \$16 million to \$20 million spending reduction. He queried the actuarial analyses on the amendment.

Vice-Chair Micciche wondered why the amendment did not show an increase in spending.

[4:21:39 PM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the FY 16 money was not intended to reduce

FY 17 spending. He stressed that the amendment was an appropriated reduction.

Vice-Chair Micciche felt that Amendment 28 had some potential for misunderstanding.

[4:22:44 PM](#)

AT EASE

[4:34:39 PM](#)

RECONVENED

[4:34:58 PM](#)

Co-Chair Kelly thanked the committee staff.

SB 139 was HEARD and HELD in committee for further consideration.

SB 140 was HEARD and HELD in committee for further consideration.

[4:37:15 PM](#)

AT EASE

[4:38:16 PM](#)

RECONVENED

#hb256

#hb257

CS FOR HOUSE BILL NO. 256(FIN)

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

CS FOR HOUSE BILL NO. 257(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

[4:39:00 PM](#)

Co-Chair Kelly noted the bills.

Senator Dunleavy stressed that the passage of the bills did not indicate the end of the legislative process.

Co-Chair Kelly remarked that there was still plenty of time left in the session.

Vice-Chair Micciche stressed that both legislative bodies were moving quickly, and thanked the departments for their work on the budget.

CSHB 256(FIN) was HEARD and HELD in committee for further consideration.

CSHB 257(FIN) was HEARD and HELD in committee for further consideration.

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[4:40:52 PM](#)

RECESSED UNTIL 8:30am March 12, 2016.