

SENATE FINANCE COMMITTEE

April 11, 2016

2:05 p.m.

[2:05:52 PM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 2:05 p.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

Senator Pete Kelly, Co-Chair

ALSO PRESENT

Erin Shine, Staff, Senator Anna MacKinnon; Senator Mia Costello, Sponsor; SORCHA HAZELTON, Senator, Mia Costello; Laura Cramer, Staff, Senator Anna Mackinnon.

SUMMARY

SB 138 BUDGET: CAPITAL

SB 138 was HEARD and HELD in committee for further consideration.

SB 200 MANDATORY PHYSICAL ACTIVITY IN SCHOOLS

CSSB 200(FIN) was REPORTED out of committee with no recommendation and with one previously published zero fiscal note: FN 1 (EED).

SB 210 COMM. REV. SHARING;PROP. TAX EXEMPTIONS

CSSB 210(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero

fiscal note from the Senate Finance Committee for
the Department of Commerce, Community and
Economic Development

#sb200

SENATE BILL NO. 200

"An Act relating to physical activity requirements for
students in kindergarten through grade eight."

2:07:00 PM

Vice-Chair Micciche MOVED to ADOPT the committee substitute
for SB 200, Work Draft 29-LS1350\H (Glover, 4/11/16).

Co-Chair MacKinnon OBJECTED for DISCUSSION.

2:07:25 PM

ERIN SHINE, STAFF, SENATOR ANNA MACKINNON, highlighted the
changes in the committee substitute (CS). She noted the
technical change on Page 1, line 7; "grades kindergarten
through eight," had been reworded. She said that the second
change could be found on Line 10, where the words United
States Department of Health and Human Services had been
added. She relayed that Page 1, line 14, through Page 2,
line 4; Subsections 1 and 2 reworded language that had been
in the bill related to exemptions from participation in
physical activity.

2:08:39 PM

Co-Chair MacKinnon queried comments on the proposed
committee substitute.

2:09:00 PM

SORCHA HAZELTON, SENATOR, MIA COSTELLO, related that the
bill sponsor agreed with the changes in the CS.

2:09:18 PM

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO
OBJECTION, the proposed committee substitute was adopted.

2:09:25 PM

Vice-Chair Micciche MOVED to report CSSB 200(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

CSSB 200(FIN) was REPORTED out of committee with no recommendation and with one previously published zero fiscal note: FN 1 (EED).

[2:09:54 PM](#)

AT EASE

[2:11:31 PM](#)

RECONVENED

#sb210

SENATE BILL NO. 210

"An Act relating to the community revenue sharing program; changing the name of the community revenue sharing program to the community assistance program; and relating to the municipal property tax exemption on the residence of a senior, a disabled veteran, and a widow or widower of a senior or disabled veteran."

Vice-Chair Micciche moved to adopt the incorrect bill version.

[2:11:58 PM](#)

AT EASE

[2:12:12 PM](#)

RECONVENED

Vice-Chair Micciche withdrew his motion.

[2:12:20 PM](#)

Vice-Chair Micciche MOVED to report CSSB 210(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

[2:12:35 PM](#)

Vice-Chair Micciche OBJECTED for DISCUSSION.

Vice-Chair Micciche commented on his struggle with the new formula as it related to the distribution of funds between

communities. He felt that some communities would receive more revenue than others, he announced his intention to improve the formula.

[2:13:28 PM](#)

Co-Chair MacKinnon asked whether it was the percentage of dropping from a \$60 million program, down to a \$30 million program.

[2:13:35 PM](#)

Vice-Chair Micciche replied that his concern was not associated with the drop, it asserted that it was the difference between the status quo distribution of the \$38.2 million, and the distribution of the funds under SB 210.

[2:13:48 PM](#)

AT EASE

[2:14:11 PM](#)

RECONVENED

Vice-Chair Micciche WITHDREW the OBJECTION. There being NO further OBJECTION, it was so ordered.

CSSB 210(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Senate Finance Committee for the Department of Commerce, Community and Economic Development.

#sb138

SENATE BILL NO. 138

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[2:18:20 PM](#)

Vice-Chair Micciche MOVED to ADOPT the committee substitute for SB 138, Work Draft 29-GS2741\E (Martin, 4/7/16).

Co-Chair MacKinnon OBJECTED for DISCUSSION.

[2:18:38 PM](#)

AT EASE

[2:19:34 PM](#)

RECONVENED

[2:19:47 PM](#)

Co-Chair MacKinnon explained that the Capital Budget had been reduced.

[2:20:14 PM](#)

LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, relayed that she had worked with her counterpart on the other boys, as well as Rob Carpenter from Legislative Finance Division, to thoroughly scrub the budget and comb through previous capital appropriations.

[2:20:51 PM](#)

Ms. Cramer at page 2, section 1, which contained the agency capital appropriations proposed by the governor, as amended in the CS. The first change was located on Page 2, line 18; Alaska Energy Authority - Bulk Fuel Upgrades (HD 1-40). She explained that federal funding had been eliminated for the upgrades, as the project currently had significant outstanding federal funding. She said that the funding source had been switched from unrestricted General Fund (UGF), to Power Cost Equalization (PCE) funds. The second change was on Page 2, line 20; Alaska Energy Authority - Rural Power System Upgrades (HD 1-40). She said that the federal authority for the program had been eliminated and the funding source had been switched from UGF to PCE. The next change was on Page 2, line 30; Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40). She noted that the \$600,000 request had been decreased to \$400,000. She spoke to the next change on Page 3, line 16, where intent language for the Department of Education had been inserted, adding school major maintenance application criteria that would redirect applicants to the Alaska Housing Finance Corporation's (AHFC) Alaska Energy Efficiency Revolving Loan Fund. She continued to Page 3, line 31; Mt. Edgecumbe High School Deferred Maintenance (HD 35), which had been reduced from \$1 million to \$350,000 due to outstanding appropriations for deferred maintenance from previous years. She said that Page 4, line 7, reflected the reduction of the Statewide

Contaminated Sites Cleanup (HD 1-40) from \$1 million to \$500,000, also due to outstanding appropriations from previous years. The next change was on Page 4, line 21; Sport Fish Recreational Boating and Angler Access (HD 1-40), the \$750,000 UGF had been replaced with Department of Fish and Game receipts. The next change was on Page 4, line 26; Emergency Medical Services Match for Code Blue Project (HD 1-40) funding source had been changed from UGF to alcohol funds. She turned to Page 6, line 9, which reflected the change of \$771,400 in UGF funding for the NSTAR Re-platforming Project (HD 1-40) to a reappropriation from a previous capital appropriation for the Department of Revenue for oil and gas fiscal systems analysis. She noted that the project was fully funded, partially with the reappropriation. She spoke to the change on Page 6, line 11; the reduction of the AHFC Cold Climate Housing Research Center (CCHRC) (HD 1-40) from \$1 million to \$500,000.

Ms. Cramer directed committee attention to the change on Page 7, line 5; intent language had been inserted for the Department of Transportation and Public Facilities to provide the finance committees in both houses a list of federal earmarked capital projects expected to be requested for repurposing from the Federal Highway Administration. She said that the federal dollars would be reflected in the FY 18 Capital Budget, and not FY 17, but that the legislature had requested that the department provide a list of projects that they planned to submit to the federal government for repurposing. She continued to Page 7, line 14, which reflected that \$3 million of the \$12 million for funding the Alaska Marine Highway System Vessel Overhaul, Annual Certification and Shoreside Facilities Rehabilitation (HD 1-40) had been switched from UGF to Marine Highway Funds. She said that the Federal-Aid Highway State Match (HD 1-40) listed on Page 7, line 25, showed a fund source change from UGF to a reappropriation of lapsing funds in the amount of \$20.5 million. She noted that the Airport Improvement Programs and Statewide Transportation Improvement Programs (STIP) were itemized.

[2:25:46 PM](#)

Ms. Cramer looked at page 7, line 30, where intent language had been inserted that directed DOT&PF to submit a quarterly report to the House and Senate Finance Committees on the Federal Aviation Administration Grant Awards. She relayed that this would condition the department to share

updates on project advancement and project spending with the legislature. She turned to Page 12, line 5, which contained identical intent language pertaining to the Federal Highway Administration. She stated that the next change could be found on Page 18, line 9, which showed a reduction in the Judiciary; Deferred Maintenance, Renewal, Repair, and Equipment of \$688,100. She added that the current amount in the budget provided for the first 11 deferred maintenance projects. She noted that items that had been removed from the budget were as follows:

Department of Education and Early Childhood Development

RN 61010

Kake School Boiler Replacement

\$185,944

RN 61011

Petersburg Middle/High School Primary Boiler Replacement

\$49,135

RN 61012

Bristol Bay School Energy Upgrades and Renovations

\$11,048,454

Ms. Cramer asserted that the three projects qualified for the AHFC loan program, and referred back to the intent language on Page 3, line 16. She added that the \$7 million for the Kivalina K-12 Replacement School - Kasayulie had also been removed.

Office of the Governor

RN 60987

Primary and General Elections

\$3,814,000

Office of Military and Veterans Affairs

RN 61042

Bethel Scout Battalion - Phase 1 of 5

\$1,000,000

Department of Transportation and Public Facilities

RN 51320

Deferred Maintenance, Renewal, Repair and Equipment

\$8,000,000

RN 52032
Public and Community Transportation State Match
\$1,000,000

University of Alaska
RN 45326
Deferred Maintenance, Renewal, Repair and Equipment
\$10,000,000

[2:29:10 PM](#)

Co-Chair MacKinnon wondered whether the deferred maintenance requests had been eliminated due to the fact that those departments had sufficient funds in their deferred maintenance accounts. Ms. Cramer replied in the affirmative.

Ms. Cramer responded in the affirmative. She added that all reductions for deferred maintenance was because of outstanding appropriations that departments currently had in their budgets for deferred maintenance.

[2:29:49 PM](#)

Ms. Cramer turned to Page 19, section 2, which listed funding by agency for the appropriations made in Section 1. She furthered that Section 3, pages 22 through 23, listed statewide funding for appropriations made in Section 1. She related that the total UGF spend in Section 1 of the bill was \$79,747,061.

[2:30:22 PM](#)

Vice-Chair Micciche pointed out that Ms. Cramer had researched outstanding funds in all departments in order to put those funds to best use.

Ms. Cramer replied in the affirmative.

[2:31:29 PM](#)

Ms. Cramer turned to Page 24, section 4, which listed supplemental capital projects and grants. She listed the supplemental items that had been removed or reduced, starting with the Department of Administration; the Alaska Land Mobile Radio System reappropriation request of \$1,274,000 was reduced and \$1,000,000 request was removed.

She furthered that the request for reappropriation for the Alaska Railroad Corporation of \$1.6 million had been removed. She said that the Emergency Repair of Eklutna Overpass request of \$344,500, had been removed. She noted additional changes in the section; Page 24, line 12, Alaska Industrial Development and Export Authority (AIDEA) dividends would be used to fund the \$1,600,000 for the Nome Arctic Deep Draft Port Design. She pointed to Page 24, line 23, and noted that \$32,500,000 had been added for the Anchorage Legislative Information Office Building and Land Purchase; she noted that UGF funds would be used from the Alaska Capital Income Fund. She said that Page 25, section 5, listed the funding by agency for the appropriations made in the previous section. She noted that Section 6 listed the statewide funding for the appropriations made in Section 4; \$2,684,000 in UGF, \$32,500,000 in DGF. She stated that Section 7, pages 27 through 29, contained the supplemental operating items proposed by the governor. She listed the items that had been removed from the section. She revealed that \$450,000 for a state licensing audit increase had been removed. She explained that the Division of Legislative Audit was set to lapse some funds and had agreed to absorb the cost of the increase for FY17. She furthered that the following items were removed under the Department of Health and Social Services: \$520,000 for McLaughlin Youth Center Juvenile Justice Facility Staffing; \$75,000 for the Kenai Peninsula Youth Facility Juvenile Justice Facility Staffing; \$105,000 for Nome Youth Facility Juvenile Justice Staffing; \$300,000 for Juvenile Justice Health Care.

[2:35:00 PM](#)

Ms. Cramer looked at Section 8, pages 30 through 31. She noted that during the process of considering the governor's supplemental requests for capital and operating items, both bodies were working together, and that the conversation continued to evolve. She said that Section 8 listed the funding by agency for the appropriations made under the previous section. She stated that Section 9 reflected statewide funding for the appropriations made in Section 7; the UGF total for that section was \$52,580,500. She relayed that Section 10 began the language section of the legislation. She shared that the section began with the Department of Law, judgements and settlements, for the amount of \$2,388,534. She noted that Section 11 contained the ratification of certain expenditures for the Department

of Natural Resources for fire suppression in the amount of \$48,849,516. She continued to Section 12, which listed federal and other program receipts and allowed agencies to receive authorization of federal funds from the Committee of Legislative Budget and Audit. She noted that Section 13 contained insurance claims and allowed agencies to collect insurance settlements and to make repairs. She stated that Section 14 was related to the National Petroleum Reserve Alaska Impact Grant Program. The section listed the projects under the program. She continued to Section 15, which contained the Department of Administration labor contracts negotiations and arbitrations support of \$792,000. She turned to Section 16(a), which pertained to the Department of Commerce, Community, and Economic Development, the sum of \$80,000 was a reoccurring payment for the Life Alaska Donor Services; Section 16(b) listed the reappropriation from the Alaska Energy Authority British Columbia intertie and energy plan implementation. She continued to Section 17(a) which took a reappropriation for the Goose Creek Correctional Center start-up furniture and equipment and redirected it to the electrical arc flash assessment and remediation required by the Occupational Safety and Health Administration. She said that Section 17(b) would appropriate \$1,250,000 from the alcohol and other drug abuse treatment and prevention fund to the Department of Corrections for changes to the time accounting module of the Alaska Corrections Offender Management System and Victim Information Notification System to accommodate new parole and probation incentives. She stated that Section 18 appropriated \$500,000 for a temporary position, or contract, relating to the federal Every Student Succeeds Act. She turned to Section 19, which listed reappropriations of Department of Environmental Conservation water and wastewater infrastructure projects, the projects were listed for Haines, Sitka, Kenai, and Ketchikan. She noted the reappropriation to the Department of Public Safety on Page 40, line 11, section 20, for aircraft and vessel repair and maintenance, and deferred maintenance.

[2:40:46 PM](#)

Ms. Cramer looked at Section 41, page 40, line 25, which contained reappropriations in the Department of Revenue. She noted the reappropriation to AHFC for senior citizen housing at a total of \$1,750,000; \$6,600,000 for the weatherization program; and \$774,171 for the NSTAR re-

platforming project. She noted that the project was fully funded. She turned to Section 22, page 41, lines 18 through 29; reappropriation for the Department of Transportation and Public Facilities (DOT&PF) funds for the municipal harbor facility grant fund of \$4,442,000, which would provide grant funding for Kodiak, Alagnak, and Juneau harbors. Additionally, the section listed reappropriations to DOT&PF totaling \$20,500,000 for the federal highway match. She turned to Page 47, section 23, line 15, which contained the request from the Office of the Governor for the reappropriation to advance state government efficiency efforts; the committee had added the current structure and focus of AHFC, AEA, and AIDEA; the amount was not to exceed \$850,000. She relayed that Section 24 contained the appropriations for the Legislature; \$1.5 million was being expended specifically for Capitol complex security and renovations, and the remainder would be used for repair of technology improvements to, and other necessary projects related to legislative buildings and facilities. She relayed that Section 25 contained the fund transfer of the large passenger vessel gaming and gambling tax account to the Alaska capitol income fund, estimated at \$15,721,000. She continued to Section 26, which contained the project lapse provision. She concluded with the final sections of the bill related to retroactivity, contingency, and effective dates.

[2:45:03 PM](#)

Ms. Cramer noted that the total capital specific was \$79,747,100 in UGF funds; \$29,455,900 in DGF; \$107,643,300 in other funds; and \$1,312,231,400 in federal funds, for a total Capital Budget of \$1,529,077,600. She added that the total capital spend, including operating, capital and supplemental, was \$1,627,919,600. She said that the total capital reduction, including operating and supplemental, was \$92 million.

[2:46:17 PM](#)

Co-Chair MacKinnon asked whether the FY17 Capital Budget was less than in FY16.

Ms. Cramer replied that FY17 capital spending was lower than the previous year.

[2:47:40 PM](#)

AT EASE

[2:47:45 PM](#)

RECONVENED

[2:47:47 PM](#)

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO OBJECTION, the proposed committee substitute was adopted.

Co-Chair MacKinnon stated that amendments were due at 5pm the following day. She reminded the committee that the state was facing a \$4.1 billion budget shortfall. She discussed housekeeping.

[2:50:22 PM](#)

AT EASE

[2:50:50 PM](#)

RECONVENED

Senator Olson expressed concern over the removal of funds from the Capital Budget for the school in Kivalina.

[2:51:17 PM](#)

Co-Chair MacKinnon said that she was sympathetic to the request for funds. She reiterated that the state was facing an economic crisis.

[2:52:35 PM](#)

Vice-Chair Miccich recognized Co-Chair MacKinnon and her staff for their work on the Capital Budget.

[2:53:08 PM](#)

Co-Chair MacKinnon said that the bill proposed \$1.5 billion in spending on capital projects.

SB 138 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[2:53:51 PM](#)

The meeting was adjourned at 2:53 p.m.