

29TH ALASKA STATE LEGISLATURE (YEAR ONE)
SECOND SPECIAL SESSION
CONFERENCE COMMITTEE ON HB 2001
June 3, 2015
8:52 a.m.

[Note: Meeting was held in Anchorage, Alaska at the Anchorage Legislative Office.]

[8:52:21 AM](#)

CALL TO ORDER

Chair Neuman called the Conference Committee meeting on HB 2001 to order at 8:52 a.m

MEMBERS PRESENT:

House:

Representative Mark Neuman, Chair
Representative Steve Thompson
Representative Les Gara

Senate:

Senator Pete Kelly, Vice-Chair
Senator Anna MacKinnon
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT:

Aides to committee members and other members of the Legislature.

SUMMARY

HB 2001 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 2001 was HEARD and HELD in committee for further consideration

#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."

and

SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN)

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

8:53:03 AM

Chair Neuman relayed that limited powers of free Conference were granted by both the House and the Senate. He conveyed that the committee would be addressing open items 1, 6, 7, 8, 9, 10, 11, 12 and 15 based on the motion sheets distributed to members and dated June 2.

Vice-Chair Kelly MOVED to ADOPT the following:

Item 1	House
Item 6	House
Item 7	House
Item 8	House
Item 9	House
Item 10	House
Item 11	House
Item 12	House
Item 15	House

Chair Neuman OBJECTED for the purpose of discussion.

Chair Neuman reviewed each of the action items. Item 1 appropriated monies for the K-12 base student allocation (BSA) in the amount of \$16.5 equal to \$5,880 per student;

Item 6 provided funding in the amount of \$700 thousand for early learning for the Parents as Teachers Program; Item 7 apportioned money in the amount of \$2 million for Pre-kindergarten grants; Item 8 conveyed \$2.5 million to fund front line social workers within the Office of Social Services (OCS); Item 9 provided \$2.8 million in funding for the Senior Benefits Payment Program; Item 10 funded an additional \$1.75 million for the Alaska Marine Highway System for marine vessel operations; Item 11 supported an additional \$5 million to the University of Alaska's budget; Item 12 subsidized \$250 thousand for Public Communications Services and Public Broadcasting Radio. The total for the listed items equaled \$15 million. He reported that because of the \$2.5 million increase to OCS's budget for front line social workers the state would receive federal matching funds in the amount of \$681.7 thousand.

[8:55:34 AM](#)

Representative Gara recognized that the one item not addressed in the current committee hearing was the previous agreement between the House Republicans, House Democrats, and House Independents to honor the already-negotiated wage contracts. He felt that the legislature had moved the goal post backwards. He relayed that the House had a deal, which he understood did not include the Senate. However, there was a deal that crossed party lines within the House prior to pink slips being issued. He opined that the legislature should have had a budget. He informed the committee that he understood the Senate was a separate body. He asserted that there was a significant amount of give and take. He thought that the current deal in the legislature was similar to a home purchase agreement in which a purchase price was agreed upon and then changed a few days later.

Representative Gara reasoned that the Senate wanted to save additional money which he understood. However, he expressed frustration with being voted down on his method of saving state money. He believed there were smarter ways to save money than to break a wage agreement which increased wages by 1 percent the first year, 1 percent the second year, and 2.5 percent the third year. He claimed that the total increase for the three years stayed behind inflation. He furthered that the state employees did not get the agreed-to salary increases while contrastingly oil companies received \$600 million more than what was promised to them under Alaska's statutes. He wanted to attempt to discuss

the issue one more time in order to see if it was a way to save money.

Chair Neuman redirected Representative Gara to limit his discussion to the current agenda items. He also asked Representative Gara to limit his comments to his own thoughts rather than the thoughts of others.

Representative Gara speculated that the state could easily save \$50 million, \$100 million, or \$200 million by slowing down the payment that was currently an overpayment of oil tax credits. He understood that the state was allowed to make overpayments but did not feel it was the right thing to do in tight financial times. He referenced a statute limit of \$91 million. He opined that the oil companies were the only entities getting a good deal.

Representative Gara commented on education funding. He reported that there had been an agreement with House members made the previous Friday about education dollars. Although his caucus was in favor of reinstating the \$32 million one-time funding that was placed in statute the previous year, he understood the need for compromise. His caucus agreed to leave the one-time funding out of the budget. He asserted that he stood by the agreement made the previous Friday. He commented that the budget did not have everything he liked or wanted, but it was a compromise. His aim was to work together to reach an agreement and asserted that a budget should have already passed with the deal made the prior Friday.

[9:00:54 AM](#)

Vice-Chair Kelly stated that the governor signed a bill [HB 72] into law which rejected the monetary terms for meeting the state's collective bargaining unit agreements for pay raises; the cost of living adjustments (COLA) for union state employees. He stressed that the language in the bill survived both bodies [House and Senate]. He commented that, as far as working across party lines, there were a number of democrats in the House Majority that negotiated and came to an agreement. In the Senate there was a Democrat in the majority and a Democrat on the finance committee. The labor agreements were negotiated, talked about, and discussed in the open. The language survived both bodies in a 90 day process laid out in the state's constitution. He acknowledged what had been agreed upon across party lines.

In addition, he reported that the statutes required the contracts to have language in them that was subject to appropriation by the legislature. He reiterated that the legislature followed what was allowed in the contracts negotiating across party lines and had reached the current circumstance.

Vice-Chair Kelly clarified that with the current action items the committee would be giving money to education, to social workers, to the University of Alaska, and more. He summarized that the Senate started with \$860 million in reductions to the state's operating budget, lessened its cuts an additional \$50 million in its negotiations with the House, and currently suggested lowering cuts by another \$31 million. All of the negotiations were being done out in the open. He remarked that the obvious discussion was about giving pay raises at a time when the state had no business doing so due to an \$8 billion debt tsunami. He reiterated that the disagreement was whether the state should give pay raises while facing an \$8 billion deficit or do the responsible thing by dispensing funds in the most distributive way through education. He made it clear that the Senate Majority and the House Majority felt that it was far more responsible and beneficial to Alaskans to give money to education, social workers, and to the university system than to fund pay raises.

[9:05:17 AM](#)

Representative Thompson asked if the committee was discussing Item 3 or the open items.

Chair Neuman began to clarify the items being addressed.

Representative Thompson interjected that the committee was currently discussing Item 3.

Chair Neuman remarked that the committee should keep to the open items.

[9:05:47 AM](#)

Senator MacKinnon thanked Chair Neuman for working diligently and advocating for the House's position as it was brought forward to the Conference Committee. She reported that she was elected by a group of people from a conservative community who believed that the state needed

to take a hard look in tough fiscal times at right sizing government. She was elected by her constituents who were trusting her to represent all of Alaska. She mentioned that her co-chairman spoke to the huge deficit tsunami that the state was facing and to trying to come up with a solution together without pointing fingers. She felt that what was being proposed was a compromise. She relayed that the Senate said everything was on the table. She furthered that the Senate planted \$16.1 million outside of the base student Allocation (BSA) for education to widen the goal post. She did not support the characterization that the Senate brought less to the table or that the Senate moved the goal post inside. She believed that the goal post was planted outside. She clarified that when the Senate rolled out its compromise that it was headed for Conference Committee. She pointed out that the Senate offered \$16.1 million of additional spending in a range and that it proposed to accept \$31 million of new spending with the support of the Senate caucus in a time the state was drawing funding from savings.

Senator MacKinnon restated that the Senate's offer was a compromise and that every single one of the spending items that were conveyed by the House were accepted. She asked Chair Neuman to confirm that the compromise included \$15 million in new spending and all of the individual requests were included.

Chair Neuman agreed that the \$15 million of outside funding was included. He noted that he felt the offer was presented such that the \$15 million could be spent at the minority's discretion. He suggested that the money could be used to fund education outside the BSA or anywhere the minority saw fit.

Senator MacKinnon concurred that the Senate stepped up with an additional \$15 million of spending in the operating budget and left it up to the House Minority and the House Majority to allocate the funds. She stated that spending was very important in terms of right sizing government. She felt that it was important to get the state's house in order and to make sure the people working for the state received the benefits promised them. She also wanted to be sure that promises were sustainable. She concluded that the problem the Senate was facing was the difficulty of taking on recurring spending. She explained that the Senate placed \$16.1 million for education outside the foundation formula

to make sure everyone was involved in right sizing government with education being the Senate's highest priority. She opined that it was really about jobs. She suggested that the people that will get laid off will be new families not necessarily those that have been with the state for 10 to 20 years. She felt that the Senate was compromising and has tried to accommodate the agreement reached in the House. The Senate also had items that it wanted to negotiate as well. She specified that, as the co-chairs of both the Senate and House had already stated, the negotiations needed to take place in front of the general public so that it would not be hearsay whether the Senate was willing to compromise. Members agreed that education was the highest priority. However, she contended that with education taking \$1.3 billion and Health and Social Services taking \$1.3 billion and held harmless then the rest of the state would be picking up all of the cuts. She reported that some departments were taking a 30 percent cut. She stated that it was not about the state's highest priority it was about money being available. She appreciated the good faith efforts on behalf of the House Minority and Majority and wanted to demonstrate to the public that the Senate was ready to discuss reconciliation and to put forward a fully-funded budget.

[9:11:22 AM](#)

Vice-Chair Kelly clarified that the \$15 million could be spent in any way the minority wanted to within the context of what was on the table in Conference Committee. He pointed out that members were limited to the topics at hand and with the caveat that the funds be distributed within the group and not for pay raises.

[9:11:57 AM](#)

Representative Gara stated that it was not about spending. He wanted the public to understand that the legislature could go outside the confines of the items identified by waiving Uniform Rule 42B and addressing other items. He reiterated that it was not about spending. As the legislature moved forward, he hoped some of the \$250 million worth of budget savings and spending cuts the minority caucus proposed would be considered in order to change the deal. He indicated that if he voted "yes" on the open items he would not be voting "yes" on the deal that

was being proposed. He asked if the wage agreement was currently an open item.

[9:13:04 AM](#)

Chair Neuman conveyed that what was being offered was what was in front of the Conference Committee. The offer was to accept the open items currently being addressed. If the items were accepted he would close the Conference Committee.

Representative Gara asked if a "yes" vote would close the Conference Committee.

Chair Neuman responded affirmatively. He stated that accepting the items would close the Conference Committee.

Representative Gara responded, "I cannot do that, Mr. Chair."

Chair Neuman stated that his intent was to put the items on the table. All of the members of the Conference Committee would have an opportunity to confer with their respective caucuses before returning from a recess. The committee would reconvene once a decision was made. He wanted to make sure the public was aware of the discussion. He did not think the committee would be closing out presently. His plan was to recess once the discussion was over.

[9:14:08 AM](#)

Representative Thompson clarified that the only items being discussed were Items 1, 6, 7, 8, 9, 10, 11, 12, and 15. He also wondered if the other items not being address would be addressed at another time.

Chair Neuman responded that the items would be addressed one way or another.

Vice-Chair Kelly interjected that he thought items had to be addressed with a motion.

[9:14:31 AM](#)

Representative Thompson wanted to make sure that the other items would be addressed because he felt that a deal had been made. He suggested that the House did compromise after

30 days of working many hours, many nights, and seven days a week. He relayed that he had not been home in over a month. He mentioned that when the House had come up with a compromise agreement he felt as if it was a handshake saying "yes." He asserted that he had never been a person to go back on his word. He did not see how he could. He remarked that his word was all he had. He wanted to make sure that the other items would be addressed because they meant something.

Chair Neuman confirmed that the open items would be addressed first and there would be further discussions.

9:15:22 AM

Senator Olson asked if the committee would be taking a vote during the meeting. Chair Neuman responded in the negative.

Senator Olson asked if they could continue a discussion after the meeting recessed. Chair Neuman responded affirmatively.

Senator MacKinnon wondered if she heard correctly that the items that the Senate was agreeing to were not enough.

9:15:58 AM

Representative Gara thought that there was confusion. He stated that the items in Conference Committee along with the items agreed upon in the House would constitute a deal. He was not going back on his word. He furthered that the bill that passed the House was a compromise and he would not go back on his word. He avowed that his word was his bond. He continued that it appeared that the terms were changing. He suggested that there needed to be clarity. He wanted to better understand about agreeing to certain items.

9:16:43 AM

Chair Neuman explained that the open items were the only items being discussed. He further clarified that any previous compromises were voted on and either passed or failed just like any other legislation. He pointed out that the committee was a different committee and that committee members were only addressing what was before them currently. He reiterated that what was before the committee

could be accepted in full or in part, but limited to the open items. He stated that the open items were all up for discussion. He stressed that anything voted on in the past was in the past. He asserted that the committee was starting over again with the current open items.

Chair Neuman affirmed the importance of funding education as heard from many Alaskans during public testimony. He understood that the Senate compromised by placing \$16.5 million inside the BSA formula rather than one-time funding outside the BSA, as originally proposed. He also addressed the additional \$15 million that was being added to the budget. He relayed that members from the minority had asked him if the \$15 million in additional monies could be put towards education funding outside of the BSA which he confirmed was possible.

Chair Neuman returned to what was mentioned earlier that the oil credits were currently due and that the payment was an overpayment. He emphasized that the payment was a payment due to the state. He summarized that the open items on the motion sheets in front of the committee made up an offer brought forward in good faith. He specified that the committee would continue to work [on a compromise]. He explained that what was before the committee for consideration was what was contained in the motion sheets. He stated that any one of the items could be accepted or denied. He pointed out that it was a different day, a different piece of legislation, and a different committee. He reported that the committee would continue to discuss the items. He specified that he would be recessing the meeting to the call of the chair with the hopes that following a break the parties would get together to support the present motion.

[9:19:32 AM](#)

Senator MacKinnon took a moment to thank members of the legislature, particularly those who were away from their families or struggling. She also offered birthday wishes to Senator Kelly.

Chair Neuman commented on some of the sacrifices legislators and staff made in order to do the state's work. He emphasized that there was a significant amount of work being done by a number of committed people in the midst of a state fiscal crisis.

Vice-Chair Kelly qualified his statement that it was not about him in particular but representative of what everyone was going through. He informed the committee that he had not slept in his own bed more than 5 times since January 7, 2015. He affirmed that it was what he had signed up for.

Chair Neuman added that he had had only 4 or 5 personal days off since January 10th.

9:21:28 AM

Representative Thompson informed the committee that he had a legal opinion from Legislative Legal Services that he could attend the Conference Committee meetings telephonically and could vote on individual items telephonically. He also reported that he had to be present on the final vote and would have to sign off on the committee report.

Chair Neuman thanked Representative Thompson for the information.

9:22:30 AM

Representative Gara commented that there were disagreements on the budget of which he wanted to work through as quickly as possible. He wanted to clarify to the public that the committee members liked each other and wished Vice-Chair Kelly a happy birthday. He added that his heart went out to legislators who had family issues and life struggles like the 700 thousand Alaskans who shared the same experience.

9:23:22 AM

Senator Olson asked if the Senate Minority would have a say in the \$15 million in funds to be allocated.

Chair Neuman responded that he did not have an answer for Senator Olson presently but possibly in the future. He suggested speaking with Representative Gara.

Chair Neuman recessed the Conference Committee to the Call of the Chair.

HB 2001 was HEARD and HELD in committee for further consideration.

9:24:04 AM

RECESSED

[Note: The meeting did not reconvene and was rescheduled for a later date.]

#

ADJOURNMENT

9:24:04 AM

The meeting was adjourned at 9:24 a.m.