

29TH ALASKA STATE LEGISLATURE
FOURTH SPECIAL SESSION
CONFERENCE COMMITTEE ON HB 256 and HB 257
May 30, 2016
9:19 p.m.

9:19:18 PM

CALL TO ORDER

Chair Kelly called the Conference Committee meeting on HB 256 and HB 257 to order at 9:19 p.m.

MEMBERS PRESENT:

Senate:

Senator Pete Kelly, Chair
Senator Anna MacKinnon
Senator Lyman Hoffman

House:

Representative Mark Neuman, Vice-Chair
Representative Steve Thompson
Representative Les Gara

MEMBERS ABSENT

None

ALSO PRESENT:

David Teal, Director, Legislative Finance Division; fiscal analysts with the Office of Management and Budget and Legislative Finance Division; and aides to committee members and other members of the Legislature.

SUMMARY

HB 256 APPROP: OPERATING BUDGET/LOANS/FUNDS

CCS HB 256 was REPORTED out of committee with a "do pass" recommendation.

HB 257 APPROP: MENTAL HEALTH BUDGET

CCS HB 257 was REPORTED out of committee with a "do pass" recommendation.

DEPARTMENTS:

FISH & GAME
HEALTH & SOCIAL SERVICES
TRANSPORTATION & PUBLIC FACILITIES
UNIVERSITY OF ALASKA
FUND CAPITALIZATION
FY16 SUPPLEMENTALS
LANGUAGE
FISCAL NOTES
EXECUTIVE BRANCH-WIDE UNALLOCATED APPROPRIATIONS

#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."

SENATE CS FOR 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."

and

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."

SENATE CS FOR 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; and providing for an effective date."

[9:20:09 PM](#)

Chair Kelly communicated that the committee would take up items in HB 256 and HB 257, based on the motion sheets distributed to members earlier in the day, dated May 30, 2016 (copy on file), for the following departments:

Fish & Game
Health & Social Services
Transportation & Public Facilities
University of Alaska
Fund Capitalization
FY16 Supplementals
Language
Fiscal Notes
Executive Branch-wide Unallocated Appropriations

[9:20:44 PM](#)

DEPARTMENT OF FISH and GAME:

Vice-Chair Neuman MOVED to RESCIND the motion on adopting Item 8.

There being NO OBJECTION, it was so ordered. Item 8 was back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following item for the Department of Fish and Game's budget:

Item 8 House

There being NO OBJECTION, it was so ordered. The action reclosed all conferencable items in the Department of Fish & Game's budget.

[9:21:17 PM](#)

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Vice-Chair Neuman MOVED to RESCIND the motions on adopting Item 9 and Item 19.

There being NO OBJECTION, it was so ordered. Item 9 and Item 19 were back before the committee for consideration.

[9:21:36 PM](#)

AT EASE

[9:22:03 PM](#)

RECONVENED

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following items for the Department of Health and Social Service's budget:

Item 9	House
Item 19	House

There being NO OBJECTION, it was so ordered. The action reclosed all conferencable items in the Department of Health & Social Services' budget.

[9:22:33 PM](#)

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Vice-Chair Neuman MOVED to RESCIND the motions on adopting Item 19 and Item 20.

There being NO OBJECTION, it was so ordered. Item 19 and Item 20 were back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following items for the Department of Transportation and Public Facilities' budget:

Item 19	House for both motions
Item 20	House

There being NO OBJECTION, it was so ordered. The action reclosed all conferencable items in the Department of Transportation & Public Facilities' budget.

[9:23:14 PM](#)

UNIVERSITY OF ALASKA

Vice-Chair Neuman MOVED to RESCIND the motion on adopting Item 10.

There being NO OBJECTION, it was so ordered. Item 10 was back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following item for the University of Alaska's budget:

Item 10 Senate

There being NO OBJECTION, it was so ordered. The action reclosed all conferencable items in the University of Alaska's budget.

[9:23:46 PM](#)

AT EASE

[9:24:07 PM](#)

RECONVENED

FUND CAPITALIZATION

Vice-Chair Neuman MOVED to RESCIND the motion on adopting Item 1.

Representative Gara OBJECTED for discussion. He asked if the proposed change would restore the K-12 funding to include the \$50 Base Student Allocation (BSA) increase.

JAMES ARMSTRONG, STAFF, SENATOR PETE KELLY answered in the affirmative.

Representative Gara thought the Senate had used a different source of funds and asked Mr. Armstrong for further explanation. He wondered if the increase was fully funded through unrestricted general funds (UGF).

Mr. Armstrong relayed that the Senate had adopted the governor's budget as it was presented, and stated that all the funds were UGF.

Representative Gara WITHDREW his OBJECTION.

There being NO further OBJECTION, it was so ordered. Item 1 was back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following item for Fund Capitalization:

Item 1 Senate

Chair Kelly OBJECTED for purposes of explanation.

[9:26:06 PM](#)

AT EASE

[9:26:46 PM](#)

RECONVENED

Vice-Chair Neuman explained that the action appropriated the amount necessary to fully fund the education foundation formula.

Chair Kelly REMOVED his OBJECTION. There being NO further OBJECTION, it was so ordered. The action reclosed the Fund Capitalization portion of the budget.

[9:27:07 PM](#)

FY16 SUPPLEMENTALS

Vice-Chair Neuman MOVED to RESCIND the motion on adopting Item 1.

There being NO OBJECTION, it was so ordered. Item 1 was back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following item for FY 16 Supplementals:

Item 1 House minus \$19 million

There being NO OBJECTION, it was so ordered. The action reclosed the FY 16 Supplementals portion of the budget.

[9:27:35 PM](#)

LANGUAGE

Vice-Chair Neuman MOVED to RESCIND the motion on adopting Item 4.

There being NO OBJECTION, it was so ordered. Item 4 was back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the Chair's recommendation on the following item for Language:

Item 4 House

Representative Gara OBJECTED for discussion. He asked Mr. Armstrong if the motion would return the funding for the cruise ship head tax back to the first seven ports per statute.

Mr. Armstrong stated that the House had all the necessary language to accept the funding. The Senate had not included the language, and were therefore rescinding and taking the House action so that roughly \$15 million would flow in to the communities.

Representative Gara WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:28:48 PM](#)

AT EASE

[9:29:11 PM](#)

RECONVENED

Vice-Chair Neuman MOVED to ADOPT Item 7, [Amendment 29-LS8006\A.31 (Wallace, 5/28/16)] to the Language portion of the budget.

Vice-Chair Neuman explained that the amendment language appropriated \$11.7 million of FY 16 funding and \$17.9 million of FY 17 funding to a variety of appropriations. It also included intent language that the appropriations remain in the base operating budget and were not one-time increments.

Representative Gara OBJECTED. He asked Mr. Armstrong if everything was in the base, rather than being a one-time item. [He made note of handwritten changes to the amendment.]

Mr. Armstrong specified that Section A provided that it was the intent that the funds remain in the base for Section B and Section C in the amendment.

Representative Gara asked if the \$10 million appropriation to the general fund for the University on line 16 had the effect of putting the \$10 million in to the base for FY 17 (even though the text specified FY 16 and FY 17).

Mr. Armstrong explained that the amendment provided \$10 million in funding for FY 16, so that on June 30 at 11:59 p.m.; \$10 million would be deposited toward the University of Alaska. Two minutes later, \$325 million for operating costs would be deposited for a total of \$335 million for the University, which matched the governor's budget request.

Representative Gara asked if the amount of funding would be in the base for FY 17.

Mr. Armstrong stated that the legislature could recommend what would and what would not be in the base each year, and the governor had the prerogative when he introduced his budget on December 15.

Representative Gara thought the wording of the amendment suggested that the funds were in the base for FY 17.

Chair Kelly concurred that the funds were for FY 17.

Representative Gara WITHDREW his OBJECTION.

[9:32:03 PM](#)

Representative Gara OBJECTED for discussion. He inquired about handwritten changes on page 2, which pertained to one-time K-12 grants in the amount of \$4,727,200.

Mr. Armstrong confirmed that the amount was reduced to the level quoted and handwritten on the amendment.

Representative Gara about line 6 to line 10, which specified (in handwriting) the return of funds on Pre-K grants:

1. \$320,000 for the Best Beginnings program
2. \$700,000 for the Parents as Teachers program
3. \$200,000 for implementation of HB 44 Erin's Law Ch 2, SSSLA15

Mr. Armstrong confirmed that the handwritten changes were a conceptual amendment which would be finalized by the legislative legal department later in the evening and would be correctly reflected in the final version of the bill.

Chair Kelly asked to let the record reflect that on line 2 of page 2, subsection (b), the sum of \$4,727,200 replaced \$5,752,900. He confirmed the additional changes listed above. He added that on page 3, line 1; "State Troopers Detachments" replaced the words "wildlife troopers."

Mr. Armstrong stated that the finalized changes would be corrected and published on BASIS the following day.

Representative Gara WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. Item 7 [Amendment 29-LS8006\A.31 (Wallace, 5/28/16)] was adopted.

[9:34:53 PM](#)

AT EASE

[9:35:26 PM](#)

RECONVENED

Vice-Chair Neuman MOVED to ADOPT Item 8 [Amendment 29-LS8006\A.30 (Wallace, 5/28/16)] to the Language portion of the budget.

Chair Kelly OBJECTED for discussion.

Vice-Chair Neuman explained that the amendment was an attempt to access the Constitutional Budget Reserve Fund to balance the FY 17 budget. Section A(a) reversed the constitutionally mandated sweep of general funds into the CBR at the end of FY 16. Section A(b) provided a CBR draw to cover appropriations made in the FY 17 Operating, Mental Health and Capital budgets. Section A(c) allowed an additional draw up to \$100 million to cover supplemental appropriations for FY 17.

Chair Kelly WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. Item 8 [Amendment 29-LS8006\A.30 (Wallace, 5/28/16)] was adopted.

[9:37:30 PM](#)

Vice-Chair Neuman MOVED to ADOPT Item 9 [Amendment 29-LS8010\A.50 (Martin, 5/29/16)] to the Language portion of the budget.

Chair Kelly OBJECTED for discussion.

Vice-Chair Neuman explained that the amendment reappropriated an amount estimated to be \$904 thousand to the Department of Commerce, Community and Economic Development for a grant to the Municipality of Anchorage for the Alaska Domestic Violence and Sexual Assault Program for domestic violence and sexual assault offender compliance checks and intervention for FY 17, FY 18, and FY 19.

Chair Kelly REMOVED his OBJECTION. There being NO further OBJECTION, it was so ordered. The action reclosed the Language portion of the budget.

[9:38:29 PM](#)

FISCAL NOTES

Vice-Chair Neuman MOVED to RESCIND the motion on adopting fiscal notes incorporated into HB 256 and HB 257.

Representative Gara OBJECTED for discussion.

[9:39:09 PM](#)

AT EASE

[9:40:24 PM](#)

RECONVENED

Representative Gara noted that a number of the fiscal notes had been adopted and thought the committee was considering new fiscal notes for HB 374 and HB 4002, while everything else had been previously adopted as-is.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION concurred with Representative Gara's statement.

Representative Gara WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. The fiscal notes were back before the committee for consideration.

Vice-Chair Neuman MOVED to ADOPT the documents with the following footers: "FY17 Fiscal Note Section to HB 256" as section 2 of HB 256; and "FY17 Fiscal Note Section to HB 257" as section 2 of HB 257.

Chair Kelly OBJECTED for discussion.

Vice-Chair Neuman explained that changes to the fiscal note section included:

1. Addition of the appropriation made by HB 374 of \$55 million Designated General Funds to the Department of Commerce, Community & Economic Development, Division of Insurance.
2. Addition of the appropriation made by HB 4002 of \$174 thousand unrestricted general funds to State Retirement Payments/PERS State Assistance.

Vice-Chair Neuman continued that as mentioned in the previous meeting:

1. Section 2 makes appropriations associated with the bills listed.
2. If a bill listed either fails to pass, its substance fails to be incorporated in some other measure, or is vetoed by the governor; the appropriations associated with that bill are reduced.

Chair Kelly REMOVED his OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:43:33 PM](#)

EXECUTIVE BRANCH-WIDE UNALLOCATED APPROPRIATIONS

Vice-Chair Neuman MOVED to ADOPT the following within the Executive Branch-wide Unallocated Appropriations portion of the budget:

- | | |
|--------|-------|
| Item 1 | House |
| Item 2 | House |

Representative Gara OBJECTED for discussion. He thought the items would resolve that there would not be any executive branch-wide unallocated cuts, and the previous \$100 million unallocated cut was no longer present in the budget.

Chair Kelly answered in the affirmative.

Representative Gara WITHDREW is OBJECTION.

9:44:21 PM

AT EASE

9:44:32 PM

RECONVENED

There being NO further OBJECTION, it was so ordered. The action reclosed the Executive Branch-Wide Unallocated Appropriations portion of the budget.

Chair Kelly returned to Item 7 in the Language section for clarification.

Vice-Chair Neuman restated that Item 7, [Amendment 29-LS8006\A.31 (Wallace, 5/28/16)] in the Language portion of the budget appropriated \$11.7 million of FY16 funding and \$17.9 million of FY17 funding to a variety of appropriations. It also included intent language that the appropriations remain in the base operating budget and are not one-time increments.

Chair Kelly restated that the motion to adopt Item 7 had passed.

Chair Kelly expressed thanks to staff.

Representative Gara thanked his staff and the members of the legislature for working together.

Chair Kelly thanked the members of the committee.

9:49:13 PM

Chair Kelly asked Mr. Teal to discuss an email addressed to committee staff (authored by Mr. Teal) with the subject "Fiscal/operating budget update" dated 5/26/16 (copy on file):

As part of our "technical and conforming" powers, we intend to modify the following estimated amounts in the operating bill:

1. from the ERA to the dividend fund: \$1.362 billion (replacing \$1.405 billion--no general fund impact)

2. from the general fund to the oil and gas tax credit fund: \$30 million (replacing \$73.4 million--this reduces the FY17 UGF budgeted appropriations by \$43.4 million).

No conferee action is required for these changes to occur, but announcing the updated information at a conference committee meeting would not be a bad idea.

A short fiscal summary is also attached. The FY17 deficit of approximately \$3.1 billion would drop to \$1.5 billion if the PFPA is adopted with a 5% payout.

Mr. Teal specified that the appropriation from the earnings reserve account (ERA) to the dividend fund was changed from early estimates to a reduced amount based on the latest Permanent Fund projections. He stated that the amount was necessary to fulfill the statutory formula, and was a conforming or technical change to reflect the current estimates. He furthered that the same adjustment was made to the GF appropriation to the oil and gas tax credit fund; the fallen oil prices and subsequent spring forecast had reduced the formula amount to approximately \$30 million. As the email stated, no conferee action was required, and the new revised estimates would appear in the bill.

[9:50:51 PM](#)

Senator MacKinnon stated that the final budget had been a difficult decision for all parties, and more work was needed. She referred to working with the minority and majority in the House and Senate to complete the budget; which addressed the need to cut, the need to invest, and the need to compromise. She stated that there had been a bipartisan, bicameral effort to ensure that state employees did not face pink slips the following day. She expressed appreciation for the compromise that occurred. She referred to the removal of a \$100 million unallocated cut; and stated that the committee did so with bipartisan, bicameral cooperation. She continued that recurring cost savings were found in various areas: \$30 million from Medicaid, \$10 million from Department of Corrections, \$17 million from power cost equalization reform, and \$30 million from

community revenue sharing. She referred to the previously mentioned \$30 million that would statutorily not be required in the budget calculation, and hoped for \$5 million to \$15 million more in savings from the oil and gas tax credit bill. She added that the committee had passed a bill that created \$9 million in new revenue. She thanked the members for their work. She emphasized that savings were happening due to the reform package of bills that had been passed and supported by both bodies.

[9:54:32 PM](#)

Chair Kelly thought that the state should observe significant savings through Medicaid reform bill and the crime reform bill. He estimated the savings over the next 5 years could be as much as \$479 million.

Senator Hoffman thought the deficit problem was ongoing and pointed out that with a \$400 million reduction, there would still be a substantial \$3.7 billion deficit. He acknowledged that there were plans to reduce the deficit, and hoped that the legislature could address it. He emphasized that there was work to be done, and the major portion of the deficit would continue even with the action being taken in the meeting.

Representative Gara thanked Chair Kelly and referred to the bipartisan Medicaid reform bill and a bipartisan criminal reform bill. He emphasized the need for compromise. He thought that the goal of finding \$100 million in savings to offset the \$100 million unallocated cut "placeholder" had been achieved.

[9:58:15 PM](#)

Senator MacKinnon remarked that the budget the committee had considered was under the targeted \$4.5 billion, including the capital budget. She stated that the unfunded portion of the budget that would need to be withdrawn from savings was approximately \$3.2 billion. She commented that despite rumors about the legislature moving from Juneau, she would be in Juneau the following day to work towards advancing bills to the Senate floor. She was ready to look at the Permanent Fund, and thought it was important to take care of those who provided services for Alaskans in need. She emphasized the further budget reductions that would happen the following year.

Vice-Chair Neuman commented that there had been a sizable goal, which had been accomplished, to achieve a total budget below \$4.5 billion. He referred to Medicaid reform and criminal justice reform. He noted that he had put intent language in the budget four years previously to form the recidivism reduction group, which had formulated the basis for criminal justice reform. He wanted to show the public that there had been legislation proposed and in place to further reduce the budget. He referred to HB 247, which would affect the FY 18 budget, and would show further reductions in the operating budget after addressing tax credits in Cook Inlet.

Vice-Chair Neuman continued to discuss the work of the legislature, pointing out that it had worked on legislation pertaining to reform of the Public Employees' Retirement System (PERS) and the Teacher's Retirement System (TRS). It was his intent to bring the legislation to the municipalities, and continue the discussion during the interim and beyond. He thought it had been a "reform year."

[10:01:55 PM](#)

Chair Kelly discussed the time that was necessary to put the budget together, and thought the first budget meeting the Senate had was in July of the previous year. He discussed the Senate Finance Committee's passage of the budget in March, and thought it had helped to provide more time to consider Medicaid and criminal justice reform. He thought logistics demanded that the committee have time and access to the committee room in order to have numerous lengthy meetings necessary to consider the bills. He referred to the goal of cutting \$400 million to \$500 million from the budget. He restated that the budget reductions would continue into the future, due to the reform bills.

Representative Thompson commented on the collaboration between the Senate and the House. He expressed enjoyment at having worked with Senator MacKinnon on the capital budget. He thanked legislators and staff.

[10:04:58 PM](#)

Vice-Chair Neuman MOVED to REPORT CCS HB 256 as amended out of committee with individual recommendations and the

authorization be given to the Legislative Finance Division and Legislative Legal Services to make any necessary technical and/or conforming changes. There being NO OBJECTION, it was so ordered.

CCS HB 256 was REPORTED out of committee with a "do pass" recommendation.

Vice-Chair Neuman MOVED to REPORT CCS HB 257 as amended out of committee with individual recommendations and the authorization be given to the Legislative Finance Division and Legislative Legal Services to make any necessary technical and/or conforming changes. There being NO OBJECTION, it was so ordered.

CCS HB 257 was REPORTED out of committee with a "do pass" recommendation.

Representative Gara recognized Representative Chris Tuck and Representative Mike Chenault for their work on the budget.

ADJOURNMENT
10:06:08 PM

The meeting was adjourned at 10:06 p.m.