

HOUSE FINANCE COMMITTEE
February 24, 2017
1:35 p.m.

1:35:30 PM

CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Dan Ortiz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

Representative Scott Kawasaki
Representative Steve Thompson
Representative Cathy Tilton

ALSO PRESENT

Cheryl Lowenstein, Director, Division of Administrative Services, Department of Administration; David Teal, Director, Legislative Finance Division; Catherine Reardon, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Thomas Cherian, Director, Division of Administrative Services, Department of Environmental Conservation.

SUMMARY

HB 115 INCOME TAX; PFD CREDIT; PERM FUND INCOME

HB 115 was HEARD and HELD in committee for further consideration.

HB 57 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 57 was HEARD and HELD in committee for further consideration.

HB 59 APPROP: MENTAL HEALTH BUDGET

HB 59 was HEARD and HELD in committee for further consideration.

Co-Chair Seaton addressed the meeting agenda.

#hb115

HOUSE BILL NO. 115

"An Act relating to the permanent fund dividend; relating to the appropriation of certain amounts of the earnings reserve account; relating to the taxation of income of individuals; relating to a payment against the individual income tax from the permanent fund dividend disbursement; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

[1:36:20 PM](#)

Co-Chair Seaton announced that the committee would not hear any presentations or take any action on HB 115 during the meeting. He made members aware of six amendments in their bill packets related to the Permanent Fund section of the bill. He relayed that the amendments would not be discussed that day.

HB 115 was HEARD and HELD in committee for further consideration.

#hb57

#hb59

HOUSE BILL NO. 57

"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 reappropriations, 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."

HOUSE BILL NO. 59

"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."

[1:37:19 PM](#)

^DEPARTMENT OF ADMINISTRATION SUBCOMMITTEE AMENDMENTS

[1:37:22 PM](#)

Representative Grenn provided a subcommittee report with a prepared statement:

As subcommittee chair of the Department of Administration I recommend that the fiscal year 2018 budget for the department include \$68,850,000 in unrestricted general funds and \$336,602,000 in total funds. If amendments are adopted the unrestricted general fund difference from the FY 15 management plan to the FY 18 House subcommittee recommended budget is a reduction of \$17,180,200, a 20 percent decrease. The unrestricted general fund difference from FY 18 management plan to FY 18 House subcommittee recommended budget is a reduction of \$3,104,700, a decrease of 4.3 percent. I have recommended one subcommittee budget amendment, four governor amendments, along with six statutory change proposals, which I will be forwarding on to the chairs of the House State Affairs and House Judiciary policy committees.

[1:38:28 PM](#)

Representative Grenn MOVED to ADOPT Amendment GA 1 (copy on file):

GA 1 2/15 Delete Deputy Commissioner (02-1040) No Longer Needed

Delete a full-time Deputy Commissioner (02-1040), range 28, located in Juneau, and the position's

associated funding. The Commissioner's Office will continue to have one Deputy Commissioner to assist in the oversight of divisions and department initiatives.

Co-Chair Foster OBJECTED for discussion.

Representative Grenn explained that the amendment would accept the governor's request to delete a full-time deputy commissioner, a range 28 position located in Juneau, from the Office of the Commissioner; it would reduce the personal services line in the Office of the Commissioner by \$173,600 in unrestricted general funds and \$15,500 in interagency receipts for a total decrement of \$189,100. With the passage of the amendment, the commissioner's office would still have one remaining deputy commissioner to assist in the general oversight of the department's operations and initiatives.

[1:39:22 PM](#)

Representative Guttenberg was concerned about deleting positions the legislature interacted with. He wondered if the department believed it would hamper its ability to facilitate conversations with the legislature or community.

CHERYL LOWENSTEIN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, answered the department had a number of initiatives that had required two deputy commissioners. The department had hired some leaders in Shared Services and the IT [Information Technology] initiative; it had also done some restructuring in the Division of Retirement and Benefits (DRB); therefore, the department believed it was becoming more self-sufficient with its directors and could afford to let one deputy go.

Co-Chair Foster WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment GA 1 was ADOPTED.

[1:41:19 PM](#)

AT EASE

[1:41:58 PM](#)

RECONVENED

Co-Chair Seaton MOVED to ADOPT Amendment HDOA 1 (copy on file):

L H DOA 1 - Actuarial costs for bills introduced by the legislature

Offered by Representative Seaton

See 30-GH1855J.4, Wallace, 1-31-17 [copy on file].

This amendment rewords section 9(f) in HB 57, version J, to clarify that the cost of necessary actuarial work done at the request of the legislature will be paid for from the general fund for FY17 and FY18.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read from the amendment description [see detail above].

Representative Guttenberg thought the work done at the request of the legislature was currently paid by the department, an RSS [receipt supported services], or with general funds.

Co-Chair Seaton answered it was currently unclear. He detailed that if a Public Employees' Retirement System (PERS)/ Teachers' Retirement System (TRS) bill came forward, the bill would be required to have an actuarial fiscal note. He furthered that the PERS/TRS board [Alaska Retirement Management Board (ARMB)] did not want to pay for actuarial work for legislative purposes. The amendment ensured that the General Fund would pay for any actuarial analysis required for legislative purposes under any potential PERS/TRS legislation.

Representative Guttenberg supported the idea that work done by the department at the legislature's request should not come out of the department's budget.

Representative Wilson remarked that she had looked at the subcommittee report online, but had not seen the amendments.

Co-Chair Seaton replied that he was the subcommittee chair for the language portion of the bill. He explained that the amendment was a language amendment and he wanted to take up the language amendments at the same time each department was addressed.

[1:45:10 PM](#)

Representative Wilson wondered where the amendments had been located prior to the meeting. She asked if the language reports were in another location online.

[1:45:41 PM](#)

AT EASE

[1:47:26 PM](#)

RECONVENED

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that under budget reports on the Legislative Finance Division (LFD) website, there was a House subcommittee recommendations link that included numbers, amendments, and narrative. The full subcommittee amendment packets were also posted online including the narrative, transaction detail, any language amendments, and supporting documents. He relayed that member's committee packets should reflect everything available online.

Representative Wilson surmised that currently there was no tracking on actuaries of how much the state owed. She asked if the report had to be separate. She asked about the time and cost required.

Co-Chair Seaton answered that actuarial analysis depended on what the bill said. He detailed that that an actuary would look at how a proposed bill would impact the PERS/TRS fund and retirement benefits for the foreseeable future. He asked to hear more from the administration.

Representative Guttenberg noted that the amendment would alter Section 9(f). He asked if the section pertained specifically to the PERS/TRS liability was across the board in all departments.

Ms. Lowenstein answered the language in the bill was new in the current year. Historically, bill's that impacted the PERS/TRS system required the department to ask its actuarial contractor to provide the historic information and number for the fiscal note. She relayed that DRB only had \$68,000 GF available for actuarial work; the amendment sought to address anything over that amount.

[1:51:11 PM](#)

Representative Guttenberg asked if Section 9(f) in HB 57 only referred to the work done in retirement and benefits and not other departments. Ms. Lowenstein answered in the affirmative.

Co-Chair Seaton asked what an actuarial analysis would cost if there was any major change in a PERS/TRS bill.

Ms. Lowenstein answered it would depend on the volume of work the actuary would need to do based on what the bill intended to do. The actuary would need to look at different historical information.

[1:52:13 PM](#)

Representative Guttenberg asked if there was a separate cost code for departments to use pertaining to legislative report requests.

Ms. Lowenstein answered that DRB had a cost collector. However, she did not believe the codes were the same between departments.

Representative Guttenberg intended to follow up on his question with the department.

Representative Wilson WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment L H DOA 1 was ADOPTED.

[1:53:24 PM](#)

AT EASE

[1:53:46 PM](#)

RECONVENED

Representative Grenn MOVED to ADOPT Amendment H DOA 2 (copy on file):

H DOA 2 - Reduce Available UGF for Training and Educational Conferences

Offered by Representative Grenn

The Department of Administration historically spends an average of \$37.2 in the Services line item of Labor Agreements Miscellaneous Items. This allocation is

identified by the Department of Administration as funding "training, educational conferences, agency memberships, and employee tuition." While accommodating provisions in certain bargaining unit agreements, these services are not statutorily required, nor are they integral to the Department's mission or efficiency goals. Reducing the FY18 general fund authorization for Services will encourage the Department to operate more efficiently to meet their mission of providing consistent and efficient support services to state agencies.

Co-Chair Foster OBJECTED for discussion.

Representative Grenn explained the amendment with a prepared statement:

This amendment would reduce the available unrestricted general funds for training and educational conferences by \$12,500 in the services line of the labor agreements miscellaneous items. The allocation covers things like training, educational conferences, agency memberships, and employee tuition for supervisory bargaining unit members. Though in some past years confidential employee association members partially exempt and fully exempt employees can also attend those trainings on a space-available basis. Currently the state is contractually obligated to provide \$50,000 in funding for the training; however, over the last nine years the Department of Administration has spent an average of \$37,200 for this purpose. This amendment would cut the historically unused portion of unrestricted general funds. Bargaining for the supervisory union agreement will begin in the fall of 2018, at which time it may be prudent for the department to reconsider these costs.

Representative Pruitt MOVED to ADOPT conceptual Amendment 1 to change the amount to \$50,000.

Vice-Chair Gara OBJECTED for discussion. He asked for clarification about the intent of the amendment to H DOA 2. He wondered if the amendment would restore or delete \$50,000.

Representative Pruitt proposed a \$50,000 decrement.

Vice-Chair Gara OBJECTED.

Representative Pruitt believed the chair of the subcommittee offered the \$50,000. He pointed out in the amendment description that the services were not statutorily required or integral to the department's mission or efficiency goals. He questioned whether the legislature should be funding services that were not integral to the departments' missions or efficiency goals or were not statutorily required. He explained this was the reason he was offering to restore the decrement to the full \$50,000 as included in the original budget.

Vice-Chair Gara wondered what kind of training would disappear if the remaining \$37,000 was deleted. He was trying to assess whether the proposed amendment to the amendment was a good idea.

[1:57:24 PM](#)

Representative Grenn answered the training included, but was not limited to conflict management; persuasion influence; strategic planning; leadership skills; supervisory training; and communication, coaching, and team building skills. The trainings were generally decided on through a survey of the membership and had to be approved by the DOA commissioner.

Vice-Chair Gara asked what the additional impact of the conceptual amendment would be. He was trying to determine what training would disappear if the funding was deleted completely.

Representative Grenn replied that the state was contractually obligated to provide \$50,000 for the training. If the funding was eliminated, trainings would potentially be absorbed through the Division of Personnel (the trainings would still occur).

Vice-Chair Gara MAINTAINED his OBJECTION to conceptual Amendment 1.

Representative Wilson remarked that only a portion of the funding was utilized. She asked what training was currently occurring. She elaborated that the original amendment proposed to remove some funding.

Representative Grenn believed the training topics covered varied from year-to-year based on what the supervisory union asked for. He deferred to the department for further detail.

Ms. Lowenstein asked for clarification on the question.

Representative Wilson explained that the department was not utilizing the entire \$50,000 in funding. She referred to the list Representative Grenn provided regarding types of training. She asked about the training provided in the past, including the type and who attended.

Ms. Lowenstein answered that each year the need was assessed through labor management council - typically a union and the employees looking at the training needs. She expounded that a contractor was hired, and staff were trained. She continued that if seats were available, the training could be opened to other members like CEA [Classified Employees' Association]. The department attempted to give \$50,000 worth in training, but when it was unable to find a good training, the full amount was not spent.

Representative Wilson asked who the department was training and what they were being trained to do.

Ms. Lowenstein replied the training under discussion applied to supervisory staff; supervisory skills were the biggest need. She noted that the training included a wide array of topics.

[2:01:54 PM](#)

Representative Wilson asked where the \$50,000 figure came from. She reasoned there were online courses available that cut down on travel expenditures. Additionally, tenured employees would not need the same training as new employees. She asked if the union contracts required a minimum level of training and \$50,000 had been the selected figure.

Ms. Lowenstein answered in the affirmative. The Supervisory Bargaining Unit contained the language, which had been added in 1994. The \$50,000 amount had been added in 1996. The budget item was contained in a separate component

outside of personnel. She added it was tracked and used specifically for that purpose.

Representative Wilson supported the amendment [to the amendment]. She reasoned it was unnecessary to keep all \$50,000 because the [original] amendment already removed some of the funding. She stated there were online trainings available; she surmised the funding amount appeared to be arbitrary and it had not been utilized. She thought perhaps the item needed to be renegotiated in the contracts. She continued that the training did not fit the department's mission or into the constitution. She understood the amount did not seem large, but increments added up quickly. She wanted to ensure the public's money was spent well.

Co-Chair Seaton asked for clarification.

Representative Wilson replied she was speaking about the amendment to the amendment.

Representative Guttenberg was opposed to the amendment to the amendment. He discussed that the original amendment proposed to take out excess capacity (the average amount the department was not spending annually). He continued that at some point in the past it had been decided that supervisory training would be tracked as a separate line item [in the budget]. He believed there were people in supervisory roles where it was a smart thing for the state to do, even though it was not statutorily required. He was amazed the funding increment was as small as it was. He noted he had been involved in training and he observed that funding trainings (even online) was expensive. He commented that people believed the state could get someone to donate training, but everyone believed the state would pay for it. He elaborated the legislature received things from the National Conference of State Legislatures (NCSL) that people thought was free, but that the state paid for. He stressed that the state had an obligation to ensure its supervisory staff are trained. There were numerous consequences that created other problems when supervisors that were not trained. He thought the small decrement of \$12,500 in the original amendment was appropriate, but he did not support the elimination of the entire amount. He used the legislature as an example and noted that staff did not receive trainings. He thought eliminating training for an entire class of supervisors was unwise.

Co-Chair Seaton opposed the amendment to Amendment H DOA 2 and remarked the state may not have a statutory obligation, but it had a contractual obligation to provide training. He continued that generally the state tried not to break its contracts. The issue could be negotiated in the next contracts.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion to amend H DOA 2.

IN FAVOR: Wilson, Grenn, Pruitt

OPPOSED: Gara, Guttenberg, Ortiz, Foster, Seaton

Representatives Kawasaki, Tilton, and Thompson were absent from the vote.

The MOTION to amend Amendment 2 FAILED (3/5).

Representative Wilson found it interesting that an argument against the amendment to the amendment had been that the state should not break its contract [to provide funds for training]. She pointed out that the original amendment to remove funding would also break the contract.

Co-Chair Foster WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment H DOA 2 was ADOPTED.

[2:08:35 PM](#)

Representative Grenn MOVED to ADOPT Amendment H DOA 3 (copy on file):

H DOA 3 - Accept the Gov's Revised Structure moving SATS from ETS to Office of Info Tech

Offered by Representative Grenn

This amendment accepts the Governor's revised structure moving the SATS allocation from the Enterprise Technology Services appropriation to the new Office of Information Technology appropriation.

Co-Chair Foster OBJECTED for discussion.

Representative Grenn explained that the amendment would accept the governor's request to move the State of Alaska Telecommunication Systems from its current location in Enterprise Technology Services to the new Office of Information Technology. The motivation for the transfer was to align all information technology functions under a single chief information officer, located in the Office of Information Technology appropriation. The amendment was structural in nature and had no direct fiscal impact.

Co-Chair Foster WITHDREW his OBJECTION.

There being NO further OBJECTION, H DOA 3 was ADOPTED.

[2:09:22 PM](#)

Representative Grenn MOVED to ADOPT Amendment H DOA 4 (copy on file):

H DOA 4 - Accept the Gov's Revised Structure moving ALMR from ETS to Office of Info Tech

Offered by Representative Grenn

This amendment accepts the Governor's revised structure moving the ALMR allocation from the Enterprise Technology Services appropriation to the new Office of Information Technology appropriation.

Co-Chair Foster OBJECTED for discussion.

Representative Grenn explained the amendment. The amendment was structural and had no fiscal impact. He detailed the amendment would accept the governor's request to move the Alaska Land Mobile Radio System (ALMR) allocation from the Enterprise Technology Services to the new Office of Information Technology. The transfer was necessary to align all information technology functions under a single chief information officer.

Co-Chair Foster WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment H DOA 4 was ADOPTED.

Representative Grenn MOVED to ADOPT Amendment GA 2 (copy on file):

GA 2 2/15 New Federal Grant to Comply with Commercial Motor Vehicle Safety Act

Federal regulations enacted in July 2015 require the Division of Motor Vehicles (DMV) to audit Commercial Driver's License (CDL) examiners and trainers every two years. To meet this new regulation, DMV applied for the competitive Federal Motor Carrier Safety Administration (FMCSA) grant in April 2016 and was awarded a three-year grant totaling \$1,434.6 in September 2016. This amendment provides FY2018 funding based on an FY2017 supplemental item of \$301.5.

Federal authority is needed in order to receive and expend this new federal grant. The DMV's proposed FY2018 budget does not contain any federal receipt authority.

Over the three-year federal grant period, the DMV will develop a program to insure the State of Alaska addresses existing FMCSA program findings of on-site inspections of all third-party testers/examiners, create strategies for correcting the findings, and implement sustainable business practices to maintain federal regulation compliance. This begins with the purchasing of a Commercial Skills Test Information Management System (CSTIMS) to be used to track compliance and progress of the program. This is a yearly software licensing fee of \$36.0 effective in FY2018. Existing staff will make any necessary programming changes or updates and will maintain the database to assure compliance and compatibility with the CDL Information System Modernization program. Additionally, the DMV will hire two nonpermanent positions, an Administrative Assistant II, range 14, located in Anchorage, and a Training Specialist I, range 16, located in Anchorage, for the length of the federal grant responsible for populating the CSTIMS with CDL provider and employee information to track compliance and produce progress reports.

The new federal regulations require the DMV to audit CDL examiners and trainers every two years. There are 90 state and third-party CDL testing facilities located throughout Alaska, and approximately 80 percent are located on the road system. The DMV will lease one used vehicle from the state equipment fleet

to achieve compliance and facilitate timely on-site inspections at these facilities. On-site inspections will be performed by existing DMV staff.

Currently, the DMV has audited 25 percent of testers using a highly-manual process. This federal grant allows the DMV to develop a lasting, efficient program that will train staff, and track the facilities and trainers' progress. Once the program is implemented, DMV anticipates minimal ongoing costs that will be supported with current resources.

Without this federal grant, the DMV may be unable to adequately address the findings in the CDL program and perform federally-mandated auditing. As such, the division may be cited with a finding for non-compliance.

The following PCNs are added:

Nonpermanent Administrative Assistant II (02-#018), range 14, located in Anchorage

Nonpermanent Training Specialist I (02-#019), range 16, located in Anchorage

Co-Chair Foster OBJECTED for discussion.

Representative Grenn explained the amendment with a prepared statement:

This amendment accepts the governor's request to increase the Division of Motor Vehicles federal receipt authority by \$500,000. In July 2015 federal regulations were enacted requiring the Division of Motor Vehicles to audit on a biannual basis commercial driver's licenses examiners and trainers. To ensure adequate compliance with this new regulation the DMV applied for the federal Motor Carrier Safety Administration grant in April of 2016. They were awarded this three-year grant in September of 2016, totaling \$1,434,600. This amendment is necessary for the division to receive a portion of these federal grant funds in FY 18 as the governor's original proposed budget does not contain any federal receipt authority.

Representative Pruitt did not object, but wanted to ensure he understood. He wondered about the impact to the state

once the grant ended. He stated it sounded like the federal government had enacted something and had provided some associated funding. He asked if there would be an opportunity to pay for the item with some fees charged to commercial drivers when the three years was up.

Representative Grenn deferred to the department.

Ms. Lowenstein answered that the federal funds were to set a program up within the Department of Administration, Division of Motor Vehicles (DMV) to enable the division to meet federal regulations and audit commercial driver's licenses examiners and trainers on a biannual basis. The intent was to ensure the correct training was provided and licenses were given. She explained that after the program was established, the two positions were non-permanent and would be deleted. There was currently a software cost of about \$36,000 and there would potentially be a fleet vehicle the state would need to pay for. Aside from those things, the department was trying to use internal resources. The grant was for implementing the program and getting the data in place.

[2:13:41 PM](#)

Representative Pruitt asked if the \$36,000 software cost was annual or a one-time cost.

Ms. Lowenstein answered the cost would be an annual maintenance cost.

Representative Pruitt understood that the positions would be deleted [after the program was implemented]. He asked if there was intent to have the \$36,000 and the fleet vehicle covered by fees charged to the individuals applying for commercial licenses. Alternatively, he wondered if the cost would be absorbed by DMV.

Ms. Lowenstein answered that a fee was not currently lined out. There was a cost associated with the type of license. Additionally, she believed the cost of the license was being looked at as well. She relayed it was possible the license cost could increase.

Representative Pruitt asked if the \$500,000 [proposed increase in the DMV federal receipt authority] was for the next three years or one lump sum over three years.

Ms. Lowenstein replied there was a supplemental of \$301,000 for the current year and \$500,000 for next year, which would be used again the following year.

Representative Wilson asked for verification there was no legislation required to pass the new regulation. Aside from the staff needed to implement the program, she asked if there was nothing else required with the legislature to see exactly what the program would do and what effect it would have on the DMV and its private contractors.

Ms. Lowenstein confirmed that no legislation was required. She detailed that the state was trying to meet new federal regulation to avoid an audit finding.

[2:15:55 PM](#)

Vice-Chair Gara knew there was a fair amount of demoralization going on amongst state employees. He remarked there had been a number of cuts over the years and DOA had cut staff. He discussed that the department had applied for \$1.5 million of federal grants to deal with a federal regulation the state had no control over; the grant had been received and it was saving the state money. He appreciated the service of the department's employees and the hard work the department did to obtain the competitive grant to offset money the state would otherwise have to spend. He did not want to be part of any unintentional message that employees working hard should be demoralized.

Representative Wilson was glad the department went out for a grant, but she remarked that sadly most of the federal grants offered by the federal government were for many other things besides what the state thought they were for. When it came to truckers it seemed there were more and more layers imposed on them. She wanted to ensure the funds would not reduce the number of truck drivers or may negatively impact the DMV and private contractors. She underscored the [federal] money would run out and there would be some continuing cost associated. She believed the department would need to look to the private sector (either the drivers or the fees) to collect the funds. She asked if there was a place to view the regulations. She would not oppose the amendment, but it was another item that the state had not been asked to weigh in on. She reasoned that a large group of workers would be impacted by the

regulations. She concluded that typically it was not a good thing when the federal government gave the state money to do something. She requested detail on what the regulation entailed.

Ms. Lowenstein replied that the department would provide the requested information.

Co-Chair Foster WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment GA 2 was ADOPTED.

[2:19:04 PM](#)

AT EASE

[2:21:24 PM](#)

RECONVENED

Representative Grenn read from a statement:

There were six statutory change proposals approved by the subcommittee. The first statutory recommendation I'll forward to the chair of the House State Affairs, would streamline the Alaska Public Offices Commission reporting statutes. Ensuring that the commission's ability to fulfill its mission and more effectively serve the Alaskan public.

The second statutory recommendation I will be forwarding on to the House State Affairs will provide statutory authority to the Alaska Public Offices Commission to collect fees from certain user groups.

The third statutory recommendation going to State Affairs would standardize the minimum age across senior fee exemptions within the Division of Motor Vehicles.

The fourth statutory change recommendation being forwarded to the chair of the House State Affairs Committee would modify or repeal two vehicle registration fee exemptions with the Division of Motor Vehicles, reducing foregone General Fund revenues.

Statutory change five and six will be forwarded to the chair of the House Judiciary Committee for consideration and further explanation. Statutory change recommendation number five would examine

whether it would be beneficial to add a requirement that persons seeking public defender services or a fee waiver for services, sign an affidavit of assets for qualification. Finally, the sixth statutory change proposal recommends the exploration of instituting a nominal fee for Child in Need of Aid case appeals to the Alaska Supreme Court.

2:23:23 PM

AT EASE

2:23:33 PM

RECONVENED

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
SUBCOMMITTEE AMENDMENTS

2:23:33 PM

Representative Guttenberg provided a report. He relayed the Department of Commerce, Community and Economic Development (DCCED) finance subcommittee had held seven meetings during its review of the governor's budget. The subcommittee recommended accepting the governor's proposed budget with one amendment. He relayed he would offer three pieces of intent language as well. He indicated that the governor did not submit any recommendations for the department the previous week. The subcommittee's recommended budget included unrestricted general funds (UGF) of \$11,536,600, designated general funds (DGF) of \$44,593,200, other funds of \$58,461,700, and federal funds of \$20,356,300, for a total of \$134,947,800.

Representative Guttenberg relayed the management plan included an increase of general funds of \$19.3 million over the governor's proposed FY 18 budget. He detailed there was 63 percent less UGF in the DCCED budget than there had been in the state's peak budget year. Only 6 percent of the department's FY 18 budget was UGF.

Representative Guttenberg reported that DCCED had 512 permanent full-time positions and 5 temporary positions; the number of employees was down more than 8 percent from the FY 15 peak. Six of the department's programs were self-supporting, including the Division of Banking and Securities; Division of Corporations, Business and Professional Licensing; Division of Insurance; Insurance

Investments, the Regulatory Commission of Alaska (RCA), and the Alaska Industrial Development and Export Authority. In FY 16 the department had contributed \$26.4 million to the General Fund (\$26.4 million after paying for its six self-supporting programs).

[2:26:15 PM](#)

Co-Chair Seaton asked if there were six amendments Representative Guttenberg intended to offer.

Representative Guttenberg answered that there were four amendments.

[2:26:54 PM](#)

Representative Guttenberg MOVED to ADOPT Amendment H CED 1 (copy on file):

H CED 1 - Add promoting statewide broadband access to CEDS and report strategies to legislature.

Offered by Representative Guttenberg

It is the intent of the legislature that the department include expanding broadband access across Alaska as a goal in its comprehensive economic development strategy, and provide to the House Finance Committee, the Senate Finance Committee and the Legislative Finance Division by December 1, 2017 strategies for promoting broadband infrastructure and financing statewide.

Co-Chair Foster OBJECTED for discussion.

Representative Guttenberg explained that he had submitted the amendment and a separate amendment dealing with the RCA because of his concern about the lack of the state's direction for broadband. He read the amendment description [see above for detail].

Representative Guttenberg relayed that a committee in DCCED was considering a broad statewide economic development plan that included broadband. The amendment would provide more direction and emphasized the importance of the development of an infrastructure plan that would include broadband.

Representative Pruitt wanted to understand any associated cost. He wondered if the December 1 timeframe could be fulfilled. He remarked looking at broadband statewide was a big task. He asked if the intent was to direct the department to do work outlined in the amendment. He believed it sounded like the amendment directed the department in a policy way instead of asking the department to look at the feasibility of the issue. He asked for confirmation the amendment's intent was to ask DCCED to start the process of the state's involvement in broadband on a larger scale.

Representative Guttenberg answered that the statewide fiscal strategy had been paid for and was already operational. He reported there were federal matching funds. He explained it was not the intent and there was no specific plan in place outside of the Alaska Plan - which was a segment of the Alaska telephone community - to move forward in a plan. The amendment did not ask for anything physical in terms of laying wire or conduit or putting up satellites. The amendment merely asked the department to include expanding broadband access statewide as its goal in a comprehensive development strategy. The amendment underscored the importance of including broadband in the strategy. He added that the committee was already meeting in DCCED.

Co-Chair Foster WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment H CED 1 was ADOPTED.

2:30:49 PM
AT EASE

2:31:01 PM
RECONVENED

Co-Chair Seaton MOVED to ADOPT Amendment H CED 2 (copy on file):

H CED 2 - Life Alaska Donor Services, Inc. - Donor Program Offered by Representative Seaton

Funding for the Life Alaska Donor Services, Inc. is more appropriate in the operating budget bill. Funding will be used for promoting the donation program. The Governor included this grant funding within the FY18

capital budget bill. This amendment moves the funding to the operating budget as it is an ongoing operating program.

Vice-Chair Gara OBJECTED for discussion.

Co-Chair Seaton explained that the governor included grant funding item within the FY 18 capital budget for the Life Alaska Donor Services Inc. He detailed the item was more appropriate for the operating budget and funding would be used for promoting the donation program. He furthered that money collected by DMV through the voluntary donations to the Organ Donor Awareness Fund created under AS 13.50.160 was deposited into the Anatomical Gift Awareness Fund and then granted to Life Alaska Donor Services Inc. for promotion of the donation program. Life Alaska had served since 1991 to facilitate the donation process in Alaska. The program provided tissue distribution to local surgeons, managed the Alaska Donor Registry, and worked in partnership with LifeCenter Northwest, the federally designated organ procurement organization located in the State of Washington to educate the community about anatomical donation. Life Alaska also had an extensive family services bereavement program that provided ongoing support to families who had lost a loved one.

Representative Wilson asked how much was in the fund at present. She had never heard of it.

Co-Chair Seaton answered that the grant had been funded for several years. Since FY 12 the amount had ranged from \$35,000 to \$80,000 based on donations that were voluntary.

Representative Wilson asked why it was being done by the state. She stated it was not a government function. She remarked that money from license plates went to nonprofits. She wondered why Life Alaska Donor Services would not be part of the Pick, Click, Give Program.

Co-Chair Seaton cited AS 13.50.160, which directed the program. The voluntary contributions were collected through DMV. He explained there was a donor insignia put on a driver's license that would allow tissue donation if the individual was killed in an accident. The program made tissue donations available through the donor registry for recipients across Alaska.

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Representative Wilson asked if there was an administrative fee collected by the state associated with the donations.

Co-Chair Seaton replied that he did not know.

Vice-Chair Gara WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment H CED 2 was ADOPTED.

[2:34:58 PM](#)

Representative Guttenberg MOVED to ADOPT Amendment H CED 3 (copy on file):

H CED 3 - Increase Receipt Supported Services For Professional Licensing Programs and Boards

Offered by Representative Guttenberg

In FY16 Corporations, Business and Professional Licensing had an unexpended balance of \$125,000 in Receipt Supported services. In order to provide flexibility for the licensing programs and boards to make operational decisions, this increment increases RSS authorization for Professional Licensing by \$500,000.

Co-Chair Seaton OBJECTED for discussion.

Representative Guttenberg explained that the amendment would increase receipt supported services by \$500,000. He specified that in FY 16 [Professional Licensing] had an unexpended balance of \$125,000. The department had decreased the amount, but the amount was then insufficient. The increment had been recommended by fiscal analysts to allow them to use receipt supported services to run the Division of Corporations, Business and Professional Licensing.

Co-Chair Seaton WITHDREW his OBJECTION. There being NO further OBJECTION, H CED 3 was ADOPTED.

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Co-Chair Seaton WITHDREW Amendment H CED 4 (copy on file). He stated that the department had undergone recent

conversations with the federal government that would require changes to the proposed language. He planned to offer a revised version later in the budget amendment process.

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AT EASE

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RECONVENED

Representative Guttenberg MOVED to ADOPT Amendment H CED 5 (copy on file):

H CED 5 - AIDEA to report to legislature firm costs for Ambler Mining District Industrial Access project

Offered by Representative Guttenberg

It is the intent of the legislature that the Alaska Industrial Development and Export Authority provide to the House Finance Committee, the Senate Finance Committee and the Legislative Finance Division by September 30, 2017 a report regarding the proposed Ambler Mining District Industrial Access project. The legislature intends that AIDEA's report include: A firm estimate of the cost of planning, engineering, permitting and construction of the road and bridges; a firm estimate of road and bridge maintenance costs for the first five years of operation; and a list of all confirmed mining partners and their Ambler Mining District measured and proven reserves as reported to the Securities and Exchange Commission.

Co-Chair Foster OBJECTED for discussion.

Representative Guttenberg explained that when he had gone through Alaska Industrial Development and Export Authority's (AIDEA) budget for the Ambler Road, there had been a significant gap between documents provided by the department and what the department could actually tell the committee. He detailed there was 200 miles of road and 11 bridges. He remarked that bridges easily cost \$20 million apiece. He reported that the subcommittee had not been able to get answers to understand the nature of the road and what it would cost. He noted that some people reported it would cost \$400 million. The amendment asked for a report by AIDEA estimating the cost of planning, engineering, and

permitting. The report should provide a better picture of the road and what it would cost. He stated the legislature had always been told there were business partners participating in the development of the road; however, "we could not find any." He wanted to ensure the legislature had the necessary information when going forward with the road, which could be considered a mega project.

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Representative Pruitt thought it sounded like there were some things AIDEA was not able to tell the legislature. He surmised there could be a reason. For example, if AIDEA was working on a project with certain partners and the information may be confidential. He referred to language in the amendment "proven reserves as reported to the Securities and Exchange Commission"; information he noted the legislature could look up on its own. He asked if AIDEA had requested the amendment or if it had consternation about the issue.

Representative Guttenberg replied he had not been able to find the name of anyone. He did not expect to receive any confidential information; it was not the intent of the amendment. The amendment requested receiving information about the bare bones of the project. He believed AIDEA should have concrete cost estimates as it had been working on the project for a couple of years. He stated it was a pioneer road and there were no standards, but the project was working forward to breaking ground. He believed the legislature should have a better picture. He did not imagine it would be a comprehensive plan, but the subcommittee had not been able to get answers to its most basic questions.

Representative Wilson expressed confusion about the amendment. She stated that AIDEA did numerous projects and was its own entity. She asked if AIDEA was currently asking for money from the state for the project.

Representative Guttenberg answered in the negative, AIDEA had the money at present. He thought the governor had allocated more. He furthered that when the subcommittee had wanted to look at the project, the amount of information available was only a map and a PowerPoint presentation. He thought the legislature should have more detail on the project status because at some point AIDEA would request

more funding from the state. For example, he wanted to know about the status and if anyone on the other end of the road wanted the project. He stated it was planned to end in the Kiana/Ambler area. He wanted concrete evidence the road was being built to something someone wanted.

Representative Wilson understood AIDEA was not asking for money. She reasoned it may come back and ask for funds and at that point she expected the agency to provide more information to the legislature. However, AIDEA may find private partners to participate. She believed it was no longer a Department of Transportation and Public Facilities (DOT) project because it would have been too expensive due to all the regulations. She elaborated that AIDEA had a process to be able to determine what information it needed to decide whether a project should go forward. She did not believe the legislature should get involved at present as the agency was not requesting funding. She thought they should wait until AIDEA came back to the legislature. She did not want to set a precedent that the legislature needed to know more information about every project AIDEA worked on. She continued that if AIDEA found private and federal funding, the legislature should encourage that. She thought the amendment sent the wrong message.

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Vice-Chair Gara thought Representative Guttenberg was merely trying to be fiscally responsible. He explained the Ambler Road had come up over the years and the legislature had received very little information. The legislature did not know whether it was a worthwhile investment; it may or may not be. He believed the goal of the amendment was to learn about the scope of the costs. He thought it was responsible.

Co-Chair Foster WITHDREW his OBJECTION.

Representative Pruitt OBJECTED.

Representative Wilson stressed that AIDEA was not asking for any funding from the state. She agreed that the legislature would need more information about the project if AIDEA was requesting funds. She believed there were other projects AIDEA was currently working on that the legislature had no insight into cost. She stressed that AIDEA financed the projects. She reasoned that if AIDEA was

required to give more detail on the current project it could set a precedent for providing the same information on other projects even when no state funding was requested. She did not believe that was the correct approach. She continued that AIDEA was responsible for conducting due diligence on a project, selling bonds for a project, and moving forward. She reiterated that AIDEA was currently asking for no funding for the project. She hoped it was able to do the project without asking for funds.

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Representative Pruitt opposed the amendment. He agreed with statements made by Representative Wilson. He detailed that AIDEA operated as an investment bank. He did not support that the amendment was asking the agency to move within the legislature's timeframe. He believed the amendment micromanaged the agency. He stressed that it had been shown that when the legislature tried to micromanage AIDEA, it was unsuccessful. He furthered that if AIDEA requested funds from the legislature in the future, the legislature could determine whether it would provide the financing. He opined that AIDEA should be doing its due diligence on the project that could potentially bring revenue to the state via jobs and potentially open access to portions of the state that paid higher costs. He did not know that micromanaging by the legislature would provide a better result. He stressed that AIDEA's role was to invest in Alaska, which the legislature should let it continue to do without micromanagement.

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Representative Guttenberg explained that AIDEA was a state agency. He detailed that the project did not have federal funds because it was a pioneer road - there was no standard for a pioneer road. He continued that DOT could not build a pioneer road, which he believed was the reason it had been given to AIDEA. He stated that bridges and other structures would have to meet some standard to accommodate heavy equipment. He wanted the legislature to have a snapshot of the status. He clarified he was not asking AIDEA to put something in front of the legislature "to go or not to go," because that was not the intent. He stated that the legislature should require AIDEA to provide detail on a project it was spending substantial money on. He was not looking for a finished engineering design, he merely wanted

to know the status, how the agency planned to move forward, and who the partners were. He wanted to know if partners were being negotiated. He stated that "we've criticized a lot over the years for mega projects and roads to nowhere." He reiterated his desire for a snapshot of the project. He did not want to go another 10 years and look back and ask why the legislature had not known the status year earlier. The amendment asked the agency to provide insight into the project at present.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg, Foster, Seaton

OPPOSED: Grenn, Ortiz, Pruitt, Wilson

Representatives Kawasaki, Tilton, and Thompson were absent from the vote.

The MOTION to adopt Amendment H CED 5 FAILED (4/4).

[2:50:14 PM](#)

Representative Guttenberg MOVED to ADOPT Amendment H CED 6 (copy on file):

H CED 6 - Regulatory Commission of Alaska study & report on promoting statewide broadband access.

Offered by Representative Guttenberg

It is the intent of the legislature that the Regulatory Commission of Alaska analyze the Federal Communications Commission's Alaska Plan (FCC Record: FCC-16-115A1_Rcd, Issued 8/31/16), compare it to the Alaska Broadband Task Force's Blueprint for Alaska's Broadband Future (University of Alaska, October 2014) and provide to the House Finance Committee, the Senate Finance Committee and the Legislative Finance Division by December 1, 2017 a description of how the RCA can promote broadband infrastructure and financing statewide.

Representative Wilson OBJECTED for discussion.

Representative Guttenberg explained that the amendment asked the RCA to do a gap analysis. He stated that the RCA was self-supported with fees - the amendment had no cost.

The Alaska Telephone Association's (ATA) Alaska Plan, which did not include everyone, had been adopted by the Federal Communications Commission (FCC); the ATA was scheduled to give a presentation to the RCA the following month. He reiterated that the Alaska Plan did not cover everyone and did not include all areas of the state or every carrier. In 2014, the legislature had released a Broadband Taskforce report. Although it had not been complete, there was no one in the state to provide a snapshot of the status (i.e. where the gaps were and what was going on). He continued that the work was in the RCA's mission. Although the RCA did not regulate broadband in Alaska (the FCC had primacy), the amendment asked the agency to take a look; the report would be a gap analysis. He noted the amendment would be something to be used in conjunction with the previous amendment he had offered; it would enable the state to plan what should be done in the future. He stated the amendment asked for a comparison between what it had and did not have. He reiterated there was no cost to the amendment; the RCA already looked at the information.

Representative Wilson asked if there was someone from the Regulatory Commission of Alaska available.

Co-Chair Seaton replied in the negative.

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CATHERINE REARDON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied the department did not have a specific representative at the current meeting.

Representative Wilson noted she had gone to the RCA with questions in the past related to transmission. She explained the agency was very careful about things they could and could not weigh in on. She asked if the agency would feel comfortable weighing in on the issue. Alternatively, she asked if it would interfere with decisions the agency had to make as a regulatory commission.

Ms. Reardon answered that RCA chair [Robert] Pickett was aware of the language and had not communicated any concerns about the proposed intent language. She reviewed the amendment's intent language that requested the RCA to provide a description of how it could promote broadband

infrastructure and financing statewide. She imagined the entity could say it did not have a way to provide the information. However, the RCA had not presented a concern.

Representative Guttenberg understood the concern related to the regulatory aspect, but he noted that the RCA did not regulate broadband. He noted the FCC had control of that aspect.

Representative Wilson was concerned the amendment asked the agency to perform work that was not in its purview or expertise. She understood where the amendment sponsor was coming from because there had been several taskforces and reports that had all provided the same information. She did not think the amendment was a bad idea, but she did not think the RCA was the appropriate agency to do the work. She thought there may be another entity within DOA that may be able to do the work. Additionally, she believed the Department of Education and Early Development (DEED) had been the last entity to do the broadband study. She reasoned the RCA's mission did not pertain to promoting broadband. She emphasized the agency regulated utilities. She believed RCA's docket was full and she did not want to increase its responsibility if it did not have the appropriate expertise. She remarked that some agencies had started the work; however, she questioned whether they would be the appropriate agencies because they had set up taskforces in the past, but there had been no follow through. She noted that DEED had done significant work on the subject.

[2:57:02 PM](#)

Representative Guttenberg answered that all the state agencies he had found, primarily conducted broadband work pertaining to what state agencies needed. He considered the bigger statewide picture about where gaps existed. He noted that the agencies all had a small component. For example, he had spoken with DEED who had discussed programs, e-rate, and tribal and Native clinic broadband. He remarked that no state agency had a comprehensive view of the subject. He continued that the Department of Transportation and Public Facilities, "for transportation modes, has that." He continued that the RCA was the was the closest entity that came to looking at the statewide picture outside of state government. He stressed that broadband and telecommunication was listed in the things the RCA was

supposed to do. The FCC regulated them, but the RCA had telecommunications in its mission statement. He noted that trying to find an agency that considered the big picture was a failing of the state. He continued that the broadband taskforce had "sat on the table for these years and nothing's happened." He explained that the economic strategy group only looked at the big picture, not specific things. The amendment asked an entity with regulatory authority [RCA] for an update on the big picture. He wanted to know how broadband could be promoted across the state.

2:59:00 PM

Representative Wilson respected where Representative Guttenberg was coming from. She detailed that if the conversation was about transmission lines and the number of utilities she agreed the RCA dealt with those issues frequently. She underscored that the agency did not deal with broadband. She thought the frustration was that no one appeared to be dealing with broadband; there merely continued to be a lot of talk about the subject. She did not believe broadband fell under the commission's purview. She referred to the agency's heavy load and felt uncomfortable asking the RCA to consider the issue without expertise. She believed the agency would end up spending its money, time, and energy on something that was not within its purview. She did not know the right agency to consider the issue.

Representative Wilson MAINTAINED her OBJECTION.

Representative Ortiz discussed the enormity of the broadband issue. He expounded the discussion was about making change and reform, distance delivery, and cutting the cost of education perhaps through distance delivery. He emphasized there was a broadband deficiency. The information was needed. He did not know whether the RCA was the best suited to provide the information, but he applauded Representative Guttenberg's effort to get the information.

3:01:08 PM

Representative Guttenberg stated that the Alaska Telephone Association had convinced the FCC to adopt the Alaska Plan and seemed to think that the RCA was the appropriate entity to consider broadband because it was giving its

presentation to the RCA. He did not know of a more appropriate agency to consider the issue and reasoned that the issue had to land someplace. He added that every state agency had a deficiency in broadband. He spoke to the need for broadband pertaining to education, the correctional system, telemedicine, and other. He stressed that inaction cost the state an increasing amount of money.

A roll call vote was taken on the motion.

IN FAVOR: Grenn, Guttenberg, Ortiz, Gara, Seaton, Foster
OPPOSED: Wilson, Pruitt

Representatives Kawasaki, Tilton, and Thompson were absent from the vote.

The MOTION PASSED (6/2). There being NO further OBJECTION, H CED 6 was ADOPTED.

Representative Guttenberg reported that he had no recommendations to any committees concerning indirect costs.

^DEPARTMENT OF ENVIRONMENTAL CONSERVATION SUBCOMMITTEE REPORT

[3:03:35 PM](#)

Co-Chair Foster provided a subcommittee report in a prepared statement:

The finance committee for the Department of Environmental Conservation had five meetings focused primarily on indirect expenditures identified in the 2017 Legislative Finance Indirect expenditure report and recommends the House Finance Committee budget for the Department of Environmental Conservation include the following funding: \$15,297,900 in unrestricted general funds, \$29,892,200 in designated general funds, \$12,801,500 in other funds, \$23,896,600 in federal funds, for a total of \$81,888,200 for FY 18. This is a decrease from the FY 17 management plan unrestricted general fund of \$1,530,800, that's a 9.1 percent decrease.

The subcommittee has no recommended budget amendments. The subcommittee has one statutory change proposal,

which we'll be forwarding to the chairs of the House Resource Committee. That is a recommendation that the House Resource Committee bring forward legislation amending statutes relating to the authorization of the department to create and/or make adjustments in permitting, permit fees, other fees, and fee structures, which are identified in the 2017 Indirect Expenditure Report. These changes could enable DEC to capture lost revenue associated with the costs of regulated inspections and permits.

Representative Wilson shared she had met with the Fairbanks mayor earlier in the day. She referred to federal funds and remarked that with the new federal administration numerous Environmental Protection Agency funds had been frozen. She noted the budget included a high number of federal funds at \$23 million. She asked what portion of the federal funds may be in jeopardy. She had been told that the \$2 million in the DEC budget for her borough was in limbo. She was concerned if the remaining \$21 million was in jeopardy.

Co-Chair Foster deferred to the department.

THOMAS CHERIAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, answered that the department had been working with its federal funding partners. No federal funds had been deducted yet. The department believed it would receive the federal funding reflected in the current proposed budget.

Representative Wilson asked if the legislature may know before the end of the current session if any of the federal funding would not be available.

Mr. Cherian answered it was unclear at present and the department was currently working with the federal government on the issue.

Representative Wilson noted it was a big concern because the state relied on the federal funding for myriad things. She added that the decision to move forward would have to involve a different discussion if the funds were not all received.

HB 57 was HEARD and HELD in committee for further consideration.

HB 59 was HEARD and HELD in committee for further consideration.

Co-Chair Seaton discussed the schedule for the following week.

ADJOURNMENT

[3:08:36 PM](#)

The meeting was adjourned at 3:08 p.m.