

HOUSE FINANCE COMMITTEE

March 4, 2017

9:00 a.m.

9:00:07 AM

CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 9:00 a.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 Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

John Moosey, Borough Manager, Mat-Su Borough, Palmer; Mark Miller, Superintendent, Juneau School District, Juneau; Ken Weber, Former School Teacher, Juneau; John Bennett, Alaska Center for Resource Families, Juneau; Bob Sylvester, Self, Juneau; Joy Lyon, Association for the Education of Young Children, Juneau; Maureen Hall, Self, Juneau; Rorie Watt, City Manager, City and Borough of Juneau, Juneau; Erin Walker-Tolles, Executive Director, Catholic Community Service, Juneau; Mary Rikken, Kids and Self, Juneau; Will Kronick, Self, Juneau; Brian Holst, Executive Director, Juneau Economic Development Council, and President, Juneau Board of Education, Juneau; Kathy Tran, Thunder Mountain High School Student, Juneau; David Parish, Self, Juneau; Andi Story, Juneau School Board, Juneau; Beth Rivest, Self, Juneau; Gavin Martin, Thunder Mountain High School Student,

Juneau; Cecelia Miller, Self, Juneau; Greg Fitch, Founder and Executive Director, Mental Health Consumer Action Network, Juneau; Anji Gallanos, Self, Juneau; James Gallanos, Self, Juneau; Susan Phipps, Mental Health Client Action Network, Juneau; Senator Dennis Egan.

PRESENT VIA TELECONFERENCE

Jeff Jabusch, City Manager, City and Borough of Wrangell, Wrangell; Brian Merritt, Self, Wrangell; Bob Metcalf, UAF-Northwest Campus, Nome; Doug Walrath, NACTEC, Nome; Peter Hoepfner, Board Member, Cordova School District, Cordova; Barb Jewell, Chair, Cordova School Board, Cordova; David Otness, Self, Cordova; Yoselyn Gheen, Valdez Imagination Library, Valdez; Clement Richards, Mayor, Northwest Arctic Borough, Kotzebue; Sue Steinacher, Self, Nome; Kelly Retnow, Self, Palmer; Mike Coons, Self, Palmer; Clay Koplun, Mayor, City of Cordova, Anchorage; Michelle Matthew, City of Quinhagak, Quinhagak; Jeanne Kitayama, Self, Haines; Page O'Connell, Self, Dillingham; Lois Repnow, Self, Palmer; Mary Stackhouse, Self, Wasilla; Amy Titus, City of White Mountain, White Mountain; Evelyn Verhagen, Self, Nenana; Amie Verhagen, Self, Nenana; Dr. Roger Holl, Self, Sterling; Mike Swanson, Self, Wasilla.

SUMMARY

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.

#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."

9:01:00 AM

Co-Chair Seaton indicated that testifiers would be limited to 2 minutes.

^PUBLIC TESTIMONY: BETHEL, CORDOVA, KOTZEBUE, NOME, VALDEZ, WRANGELL

9:01:42 AM

JEFF JABUSCH, CITY MANAGER, CITY AND BOROUGH OF WRANGELL, WRANGELL (via teleconference), opposed the reduction of the school bond debt reimbursement by roughly 50 percent. He understood the fiscal crisis the state was facing and the need to make cuts where they made sense. He had previously worked as the finance director for the city for 36 years and understood the ups and downs the state had faced. He shared that Wrangell had seen a reduction in revenues from the state over the past several years. He spoke to the burden the state continued to pass on to the municipalities. He detailed Wrangell already had the highest sales tax in the state at 7 percent and a 12.75 mill rate. He provided details about the city's senior tax exemption. The city was limited in the way it could raise taxes without unfairly taxing only a portion of its population. He opined that it did not make sense to raise taxes at the state and local levels to maintain services, while continuing to distribute a Permanent Fund Dividend (PFD). He supported using the Permanent Fund earnings to fund government prior to continuing to shift the burden to local governments.

Co-Chair Seaton pointed out that the Wrangell debt loss would be approximately \$96,000 under the bill.

Alternatively, if there was a 5 percent Base Student Allocation (BSA) reduction it would lose \$197,000. He asked testifiers to vocalize if they had a preference over the bond debt reimbursement or a BSA reduction.

9:05:10 AM

Representative Ortiz was interested in knowing which reduction was preferred over another. He thanked Mr. Jabusch for his work serving the community of Wrangell.

9:05:55 AM

BRIAN MERRITT, SELF, WRANGELL (via teleconference), spoke in support of the Alaska Marine Highway System (AMHS), which served as a lifeline to residents in Southeast. The ferry system was needed for seafood, tourism, local transportation, sports travel, and other. He did not want to see AMHS negatively impacted in any way. He agreed that the PFD was icing on the cake. He thought PFDs should not be reduced for handicapped individuals, seniors, and the impoverished. He believed the money could be better spent on services. He supported public education. He asked members to think of the entire state when making decisions.

9:08:11 AM

BOB METCALF, UAF-NORTHWEST CAMPUS, NOME (via teleconference), urged members to fully fund K-12 education. He indicated that the Nome region had no educational silos. He supported funding for the Technical Vocational Education Program (TVEP) and Northwestern Alaska Career and Technical Center (NACTEC). He spoke to the importance and impact of the program. He agreed that the cost of living and doing business was higher in rural Alaska, but he disagreed with claims that rural campuses were expensive. He spoke to cuts in state funding. He reported other facts about the rural campus in Nome. He concluded that equal opportunity education was necessary.

9:10:48 AM

DOUG WALRATH, NACTEC, NOME (via teleconference), supported HB 57. He stated it was evident it was not possible to cut the state's way to prosperity. He shared that a 30 percent operational cut to the program had been made over the past couple of years. He spoke to the loss of a certified

teacher position and a subsequent decline in enrollment. He detailed that prior to vocational training programs, graduation rates had been in the 30 percent range. He emphasized that graduation rates were presently 40 percent higher than they had been 10 to 15 years back. He also urged members to support pre-K through college education. He spoke in favor of funds for the Nome Youth Facility. He favored a comprehensive budget plan and the use of Permanent Fund earnings and/or a state tax until a time when new natural resources could sustain the state once again.

Co-Chair Seaton indicated Representative Pruitt had joined the meeting.

[9:13:22 AM](#)

PETER HOEPFNER, BOARD MEMBER, CORDOVA SCHOOL DISTRICT, CORDOVA (via teleconference), urged support for public education. He detailed that the amount of savings further cuts to education would bring would not compensate for the damage done to the education of Alaska's children. He discussed that the BSA had increased 10 percent, much less than inflation. He spoke to significant increases in healthcare costs that had impacted the school district. He opposed the reduction of the funding for the school bond debt reimbursement. The Cordova School District was looking at reduced funding from the city due to a series of deficits. He spoke about costs being shifted to Cordova. He stressed the need to preserve education funding. He underscored the need for an educated population.

[9:15:21 AM](#)

BARB JEWELL, CHAIR, CORDOVA SCHOOL BOARD, CORDOVA (via teleconference), supported comments made by her colleague Mr. Hoepfner. She reported that Cordova had funded to the cap each year - it had always put money into the school district because investing in education was an investment in the community and state. Due to the proposed state cuts, it was the first year the city would have to decrease the funding - it was looking at a loss of \$400,000 in funding from the city. She was opposed the reduction in the school bond debt reimbursement and municipal revenue sharing. She urged the committee to remember the return on investment provided by education. She provided statistics related to

the investment in education. She urged full funding for education.

[9:17:01 AM](#)

DAVID OTNESS, SELF, CORDOVA (via teleconference), opposed using the Permanent Fund to fund government. He believed it would disproportionately harm numerous Alaskans. He stated that Institute of Social and Economic Research (ISER) had reported the use of the Permanent Fund would further drive the recession. He discussed that 64 percent of Alaskans polled wanted changes in the oil tax credit system. He questioned whether the state had done enough with the consolidation of school districts, considering the sale of the Alaska Rail Road, or consolidation of the University system. He believed there were ways to get out of the deficit. He stated it was not the end of the world if a solution was not determined given reserve money. He thought the problem could be addressed gradually over a period of several years.

[9:19:13 AM](#)

YOSELYN GHEEN, VALDEZ IMAGINATION LIBRARY, VALDEZ (via teleconference), spoke of the benefits of Best Beginnings and the results of the program. She thought it was so important to fund early childhood education. She had grown up in Bethel and had seen the results of not having opportunities for children. She asked the committee to consider continued funding for the program. She thanked the committee.

Co-Chair Seaton relayed that the committee would break until additional testifiers became available.

[9:21:57 AM](#)

AT EASE

[9:46:19 AM](#)

RECONVENED

CLEMENT RICHARDS, MAYOR, NORTHWEST ARCTIC BOROUGH, KOTZEBUE (via teleconference), opposed the reduction in the payment to the opposed the reduction to the school bond debt service. He spoke of the devastating affects the reduction would have on the borough and the communities it served. He relayed that the \$1.9 million state contribution to school

bond debt reimbursement and the \$1.2 million local contribution to the school district was a significant portion of the borough's budget.

[9:49:18 AM](#)

Co-Chair Foster commented that Nome had taxing authority, but none of the surrounding villages did. He assumed Kotzebue had taxing authority and that none of the surrounding villages did. He thought the burden may fall on Kotzebue if that were the case.

Mr. Richards agreed. He shared that the borough was currently in litigation over its right to have a severance tax. He provided detail. He specified that most of the ten other villages had restricted property where property tax could not be raised. He stressed that the situation would be a substantial unfair burden on Kotzebue. He could not imagine placing any additional challenges on the borough's administration in determining how to meet the needs of the communities. He relayed that currently two communities were in the process of closing their doors because the revenue sharing was inadequate to maintain or support them throughout the year. He shared that the borough was struggling to help the two communities remain open. He opposed the proposed bond debt reimbursement reduction.

[9:51:43 AM](#)

Vice-Chair Gara was concerned with Mr. Richards' testimony. He spoke about the reduction in revenue sharing. He asked surmised losing a Base Student Allocation (BSA) increase would also negatively impact the borough. He asked for examples of how the reductions would be devastating to the region.

Mr. Richards responded that the borough's school bond debt reimbursement was currently \$1.9 million and the local school contribution was \$2.1 million. Without the funds the borough would only have \$2.9 million to operate. The borough had huge obligations to its communities including plowing snow, road maintenance, public safety, emergency service, water and sewer, elder services, and other. Additionally the Village Public Safety Officer (VPSO) program was struggling. He provided further detail. He spoke about the need for heating assistance. The borough

would have to absorb an additional \$700,000 out of its \$2.9 million in operating funds.

[9:54:42 AM](#)

SUE STEINACHER, SELF, NOME (via teleconference), relayed that things in Nome were getting desperate in the region. She thought it was embarrassing an income tax had not been implemented as the state was facing a fiscal crisis. She thought an income tax was more equitable than the cut to people's PFD. She did not want to see further of the PFD. She provided some information about the effects of the budget on the area. She reiterated her support for an income tax before doing things that continued to erode rural Alaska's ability to support itself. She shared that the community's emergency shelter that used to serve 12 people at night was now serving over 30 people per night. She added Nome was a community of 3,800 people with over 50 families on the waitlist to get into the 33 units of low income housing supported by the Alaska Housing Finance Corporation (AHFC).

[9:58:12 AM](#)

Co-Chair Foster thanked Ms. Steinacher and indicated that the committee would be looking at the prospect of an income tax in the form of a bill. He thanked her for her service having to do with low-income housing.

Ms. Steinacher added that any discussion of a sales tax was unthinkable in her mind. She stated rural Alaska was already paying 2 to 4 times the cost for goods in rural Alaska. The cost hurt low income families the most. She reiterated her support for an income tax.

Co-Chair Seaton indicated that the committee would begin hearing testimony from the off-net sites.

^PUBLIC TESTIMONY: OFF-NETS

[9:59:41 AM](#)

KELLY RETNOW, SELF, PALMER (via teleconference), spoke about HB 115 and advocated for separating use of the Permanent Fund and implementing an income tax into two bills. He remarked that when it was no longer economically feasible to support a hockey team it was closed down. He

furthered that some rural locations in Alaska were no longer economically feasible. He thought it was worth looking into. He understood it would be difficult, but he thought it may not be cost-effective to remain in some areas. He supported home schooling kids. He believed the education system wasted substantial money. He thought it had been a big mistake to close a North Slope refinery in recent years. He thought the legislature should use up the Constitutional Budget Reserve (CBR). He suggested the legislature making a promise to repay the Permanent Fund if money was used. He stated the new president was more economically orientated than environmentally orientated; therefore he believed the state's economy would turn around.

[10:03:46 AM](#)

MIKE COONS, SELF, PALMER (via teleconference), stated the budget process had been the least transparent he had seen. He believed there had been underhanded actions by the Majority. He stated the most recent bill version showed a cost of \$6.6 billion. He opined that all of the hard work from the past four years had been wiped clean. He opposed the use of the PFD, taxes, and changing oil and gas tax credits. He blamed the Democrats. He opposed the increase of government.

[10:06:17 AM](#)

CLAY KOPLIN, MAYOR, CITY OF CORDOVA, ANCHORAGE (via teleconference), opposed the reduction to the school bond debt reimbursement. He shared that the fish tax had plummeted in the current year due to the worst pink salmon run in three decades. Additionally, the federal government had stopped providing timber receipts. The City of Cordova had looked at reductions and other measures to help with its budget. The city was not able to fund its schools at the maximum allowable cap for the first time in many years. He emphasized that cutting the bond reimbursement impacted local funding for school classrooms. The city supported the legislature's efforts to find new state revenues, but he implored the committee to avoid handing down the cost of the state's commitments to match the bonds for school construction.

[10:09:13 AM](#)

MICHELLE MATTHEW, CITY OF QUINHAGAK, QUINHAGAK (via teleconference), opposed shifting costs to the municipalities. She believed a fiscal solution should make the entire state including municipalities, residents, businesses, and nonprofits whole again. The city supported a fiscal plan and was not in favor of continued cuts to resolve the deficit. The city did not feel comfortable with increasing taxes and shifting costs. She urged members to solve the budget crisis equitably. She thanked the committee for its time.

[10:10:16 AM](#)

JEANNE KITAYAMA, SELF, HAINES (via teleconference), appreciated the funding for early childhood education. She discussed that quality economic returns came from quality investments in early childhood education. She opposed the reduction to the school bond debt reimbursement. She thought the burden was being shifted to the municipalities. She asked that members find fair solutions to the state's fiscal problems.

Co-Chair Seaton reported that the committee would take a break until additional testifiers signed up.

[10:11:48 AM](#)

AT EASE

[10:30:57 AM](#)

RECONVENED

PAGE O'CONNELL, SELF, DILLINGHAM (via teleconference), asked the committee to consider increasing funds to maintain community based services for behavioral health. She shared that she had been a resident of Bristol Bay for 19 years and worked in the behavioral health field. She detailed that Alaskans with disabilities were more likely to live meaningful and productive lives with appropriate treatment and support that could help them remain stable and stay out of expensive emergency and institutional care. She communicated it was difficult to see people with behavioral health disabilities end up in jail due to a lack of community support. She supported a fiscal plan that supported a diverse source of revenues. She would be willing to pay a personal income tax. She shared a quote from Senator Paul Wellstone: "We all do better, when we all do better."

Co-Chair Seaton asked Ms. O'Connell if she was specifically speaking to the proposed reduction in the number of hours [per week] in the waiver program.

Ms. O'Connell answered that the waiver reduction would definitely impact her clients and many people in the region. She clarified she was in support of all community services. She detailed that the clients she served were piecing everything they could together for support, including transportation for the local senior center, meals, supported housing, and mental health services.

10:35:23 AM

LOIS REPNOW, SELF, PALMER (via teleconference), encouraged additional cuts to the budget. She opposed using the Permanent Fund and an income tax. She believed the state needed to live within its means. She provided detail about a tourist lodge that had burned down many years earlier that had never been rebuilt. She thought the state needed to look closely at what it was willing to spend money on to rebuild. She opposed the previous cut to the PFD. She encouraged placing a cap on the PF. She supported Senator Dunleavy's legislation and wanted to see a vote put forth to the people.

10:37:30 AM

MARY STACKHOUSE, SELF, WASILLA (via teleconference), spoke in support of HB 126 regarding insurance for the state defense force. She provided detail. She emphasized that the individuals were volunteers and were first responders to disasters. She supported insurance coverage for the individuals in the event of injury.

Co-Chair Seaton indicated that there were two areas pertaining to the state defense force - one would expand the program and establish a new base in a different area. He asked for verification Ms. Stackhouse was speaking only to insurance for the existing force.

Ms. Stackhouse replied she was speaking primarily to insurance for the existing force; however, if there were members located in village areas they could be first responders more quickly. Expanding the defense force would make it would make response much easier.

[10:40:14 AM](#)

AMY TITUS, CITY OF WHITE MOUNTAIN, WHITE MOUNTAIN (via teleconference), opposed shifting costs to municipal governments. She urged the legislature to adopt a fiscal plan. She relayed that rural governments did not have the money to pay for state offset costs. She detailed that the proposed amendments were temporary fixes to a long-term problem that needed to be addressed at present. She asked the committee to find another solution that did not involve shifting costs to municipal governments. She thanked the committee.

[10:41:33 AM](#)

EVELYN VERHAGEN, SELF, NENANA (via teleconference), opposed dipping into the earnings reserve account. She talked about the fact that her family depended upon the PFDs. She recommended that the legislators fully examine budget needs. She thought the legislators need to consider needs versus wants. She proposed spending more in times of a financial surplus, but she thought in the current circumstances the budget needs needed to be reevaluated. She talked about the high costs of living in Alaska.

[10:45:07 AM](#)

AMIE VERHAGEN, SELF, NENANA (via teleconference), opposed using the earnings reserve account and opposed a state income tax. She did not feel the legislature had made an earnest attempt to reduce the state's budget. She supported additional cuts. She advised a responsible 5 percent to the Base Student Allocation (BSA). She thought it was better to cut the BSA rather than reduce the school bond reimbursement. She encouraged having everyone share the burden. If the state did not practice discipline at present it would be more difficult later. She spoke of working hard every day in her family. She relayed that the PFD brought her family above the poverty line.

[10:50:09 AM](#)

DR. ROGER HOLL, SELF, STERLING (via teleconference), addressed HB 126 related to the workers' compensation for unpaid training for the Alaska State Defense Force. He

shared that he had previously been part of the force. He provided information about the force.

Co-Chair Seaton interjected and asked Mr. Holl if he was asking for the budgetary increase to expand the defense force. He relayed that a separate bill would be heard at a later date.

Mr. Holl responded that workers' compensation had an economic component and the force had always been told there would be an increased cost for workers' compensation for training rather than state active duty.

Co-Chair Seaton asked if Mr. Holl wanted to comment on expanding the defense force increment in the budget.

Mr. Holl responded that he believed the workers' compensation was a part of that increment. He relayed that the investment would protect the state from large liability claims for injuries or death. He provided further detail. He spoke about an entire budget being wiped out because of someone twisting their ankle.

[10:53:25 AM](#)

JOHN MOOSEY, BOROUGH MANAGER, MAT-SU BOROUGH, PALMER, spoke in opposition to the reduction to the school bond debt reimbursement program. He relayed the proposed reduction would cut state bond debt reimbursement for prior year capital improvement bonds by 41.8 percent, which would result in a dramatic cost change to Mat-Su in the amount of \$9.5 million. He shared that the district's school population had grown by 4 percent in the last year. He detailed that residents had been asked to vote on a school bonding proposal in 2011. The state had reneged on its promise when the governor had vetoed a portion of the amount. He stressed that the reduction would fall unequally on Mat-Su. He relayed that almost every resident would have to pay close to \$100 annually to offset the unexpected cost. He asked members to reconsider the cut.

[10:55:30 AM](#)

Co-Chair Seaton remarked that a 5 percent cut to the BSA would be a \$9.85 million cut to Mat-Su. He presumed Mr. Moosey would oppose that cut as well.

Mr. Moosey replied in the affirmative. He spoke to the importance of developing a plan so the communities could plan for reductions. He relayed that four years back the legislature had communicated its plan to cut revenue sharing over a period of time, which had allowed the borough to plan. He elaborated on the situation. He believed that when residents voted on an issue and the state then took the money away constituted a break in trust. He thanked members for its time.

Co-Chair Seaton indicated that no one else was online to testify. He recessed the meeting until 1:00 p.m.

[10:57:59 AM](#)

AT EASE

[1:02:51 PM](#)

RECONVENED

^PUBLIC TESTIMONY: JUNEAU

[1:03:25 PM](#)

MARK MILLER, SUPERINTENDENT, JUNEAU SCHOOL DISTRICT, JUNEAU, brought a stuffed gorilla to the testifier table. He often referred to the Anchorage School District as the 400 pound gorilla because it educated half the students in the state. He stated that shifting the bond debt for the Anchorage School District would negatively impact the education of half the students in the state because of the financing structure. He explained that the state did not provide sufficient funds to educate students in Juneau. He shared the district had a 100 percent graduation rate for special education and Alaska Native students in the current year. He detailed that shifting the debt to the city meant that either cuts would have to be made or property taxes would be increased. He stated that shifting the tax burden, making cuts, moving the PFD, would not change the issue. He believed everyone in Alaska had to know that at some point people would have to pay sales, income, and property tax.

Co-Chair Seaton recognized Senator Dennis Egan and Representative Justin Parish in the room.

[1:06:20 PM](#)

KEN WEBER, FORMER SCHOOL TEACHER, JUNEAU, spoke in support of early child education. He emphasized that the more children were invested in, the less they would cost later. He continued that the more education children were provided meant they would be productive members of society. He thanked the committee for its time.

[1:07:19 PM](#)

JOHN BENNETT, ALASKA CENTER FOR RESOURCE FAMILIES, JUNEAU, thanked the committee for its work to maintain support for early childhood education and services. The center provided support to the Office of Children's Services and he provided training to foster parents. He spoke to how early childhood experiences impacted a child's life. He discussed how adverse experiences impacted children - the results were dramatic and led to high costs for society (including drug problems and other). The best way to offset the experiences were to provide programs and support to children.

[1:09:41 PM](#)

BOB SYLVESTER, SELF, JUNEAU, spoke in support of the budget. He believed the committee's efforts to spread the pain was a good idea. He had supported an income tax in the past and he believed it was time to bring the income tax back. He stated that being fair was the key. He testified in favor of education and asked the committee to be as generous as possible.

[1:11:23 PM](#)

JOY LYON, ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, JUNEAU, thanked the committee for its work on behalf of the state. She appreciated the committee's work on a long-term fiscal solution that included new revenues. She supported an income tax. She thanked the committee for maintaining funding for early childhood education including Parents as Teachers, Best Beginnings, and other. She invited members to attend a film showing on the following Wednesday related to an early childhood experience study.

[1:13:13 PM](#)

MAUREEN HALL, SELF, JUNEAU, testified in support of healthcare and education. She worked as a school nurse. She

shared that she had over 1,000 students in her caseload. She stressed that it was not the time to be cutting education during given the current opioid epidemic facing the state. The high schools no longer had alcohol or drug counselors due to budget cuts. She was a mother of four and grandmother of six. Two of her children had been educated in the University of Alaska system, which she supported maintaining the budget for. She testified in favor of an income tax. She thought it was time for everyone to participate.

[1:15:33 PM](#)

RORIE WATT, CITY MANAGER, CITY AND BOROUGH OF JUNEAU, JUNEAU, thanked the committee for its work. He spoke in opposition to the cut to school construction bond debt. He emphasized that shifting the cost to the municipalities would negatively impact the state. He stated that community leaders had earned the trust of their citizens. He explained that citizens had paid statewide to local governments \$1.3 billion in taxes in 2015. He elaborated that the citizens had reelected most of the politicians because they liked the services they received. He supported a broad-based tax. He was heartened by Co-Chair Foster and Co-Chair Seaton's recent letter to the editor about the type of Alaska they wanted to live in.

[1:17:44 PM](#)

ERIN WALKER-TOLLES, EXECUTIVE DIRECTOR, CATHOLIC COMMUNITY SERVICE, JUNEAU, shared that the board of directors had passed a resolution to encourage the legislature to implement a sustainable budget and to use Permanent Fund earnings. She provided information about the service that served 11 communities in Southeast Alaska. She did not support cuts to municipalities. She spoke in favor of Meals on Wheels, transit programs, and other that supported seniors and disabled individuals. She asked the committee to consider doing what it could.

[1:19:52 PM](#)

MARY RIGGEN, KIDS AND SELF, JUNEAU, thanked the committee for its time. She believed the state's responsibility to protect its most vulnerable citizens did not go away during a budget deficit. She testified in support of Office of Children's Services staffing. She did not believe a single

person in the room could last in an OCS caseworker position for more than one year. She urged the committee to do what it could to shore up the agency's budget. She clarified she had never worked for the agency and had no reason to gain from testifying in support of the agency. She emphasized the importance of the issue and asked the committee to remember it was about Alaska's children.

1:22:05 PM

WILL KRONICK, SELF, JUNEAU, shared he had been a pre-school teacher and currently worked for a social work program working to reunite families with children in foster care. The families he worked with depended on services from the government and a functional budget. He asked the committee to implement a tax.

BRIAN HOLST, EXECUTIVE DIRECTOR, JUNEAU ECONOMIC DEVELOPMENT COUNCIL, AND PRESIDENT, JUNEAU BOARD OF EDUCATION, JUNEAU, testified that cuts to state government had been substantial and were sufficient. He stated that education is an investment in economic development and he asked the legislature to avoid pushing the tax burden onto local government. He shared that since 2011, over 100 positions had been cut in Juneau schools. He communicated that the state Chamber of Commerce had urged the governor and legislature to reduce spending to \$4.5 billion unrestricted general fund - he believed the budget was either there or close to that number. He remarked that the legislature had done what was needed and it had shrunk government substantially. He stressed that the cuts had hurt the education system and the economy. He asked the legislature to find ways to maintain services. He underscored a strong education system was critical to the state's economic future. He emphasized that nothing attracted business better than a talented workforce. He was concerned about the proposed cut to the state's share of school bond reimbursements.

1:25:09 PM

KATHY TRAN, THUNDER MOUNTAIN HIGH SCHOOL STUDENT, JUNEAU, spoke in support of full funding of the Base Student Allocation (BSA), school bond debt reimbursement, and pupil transportation. She discussed that for the past five years education had been flat funded, but it did not mean that education had not suffered its fair share of cuts. She

shared that the Juneau School District had cut teachers, staff, materials, programs, and other. She spoke to the importance of student/teacher relationships. She did not want her younger siblings to merely survive their education; she wanted them to flourish. She shared that she is a first generation Vietnamese American and she shared her personal story through the education system. Through the help of her teachers she had overcome difficulties with reading and writing. She wanted to see more success stories, which would begin with a well-developed education system. Education was an investment in the future of Alaska.

[1:27:48 PM](#)

DAVID PARISH, SELF, JUNEAU, testified in support of education. He shared that his seven children had all gone through the Juneau school system when it had been better funded. He believed the cutbacks and increased class sizes was not benefitting the community. He shared information about his place in Tenakee that had a well and septic system, while his place in Juneau did not. He supported extending the services farther out the road. He spoke in support of a future for fisheries. He spoke to the community's landfill and wanted to see it stop polluting the channel. He recalled fish stocks in the river around the landfill years back. He supported a cleanup project to decontaminate its water. He hoped the legislature would be successful.

[1:31:45 PM](#)

AT EASE

[1:32:38 PM](#)

RECONVENED

ANDI STORY, JUNEAU SCHOOL BOARD, JUNEAU, urged the legislature to continue to invest in education. The investment really impacted the state's future. She asked the committee to fully fund the Base Student Allocation (BSA). She spoke to \$11 million in cuts to the Juneau School District over the past several years. She stressed that education needed to be responsive to students and jobs for the present. She stated the board had to make unpopular cuts to balance the district's budget. She discussed that 100 percent of the Thunder Mountain High School senior Native Alaskan students had graduated. She was opposed to a

cut to the school bond debt reimbursement. She stressed the change would take away from teachers. She stressed that school boards could not generate revenue to meet the students' needs; they relied on the legislature and local municipal leaders for funding. She asked the committee to prioritize education.

[1:35:28 PM](#)

BETH RIVEST, SELF, JUNEAU, thanked the committee for its hard work on the budget. She stressed that funding education built tolerance and understanding. She supported reaching all of the state's students and people through education. She spoke from the perspective of a single parent. She relayed the travel struggle had become prohibitive due to cuts to the Alaska Marine Highway System (AMHS). She wanted her children to return to Alaska after seeing other parts of the world; if the goal was to reinvest in Alaska, they needed to encourage people to come back. She spoke to the Permanent Fund. She budgeted tightly and the PFD had provided funding for her children's medical bills and had helped to save for college. She explained the PFD was a community owned. She thanked the committee for working very hard.

Co-Chair Seaton noted the committee would break until 2:00 p.m. to give testifiers an opportunity to sign up.

[1:40:58 PM](#)

AT EASE

[2:01:44 PM](#)

RECONVENED

[2:02:40 PM](#)

GAVIN MARTIN, THUNDER MOUNTAIN HIGH SCHOOL STUDENT, JUNEAU, testified in support of full funding of the Base Student Allocation (BSA). He thanked the committee for its time. He was the senior president at Thunder Mountain High School. He shared that he is dyslexic, which had created tremendous struggles within his academic career. He shared his personal story in the education system. He discussed that research had shown that 75 percent of youths struggling with reading in third grade never caught up. The students were four times more likely to drop out of high school. The

goal of public education was to allow students with optimal education to succeed in life.

2:04:46 PM

CECELIA MILLER, SELF, JUNEAU, thanked the House for forming a coalition. She was excited the House had a leader from rural Alaska; she believed the perspective would be valuable. She supported the committee's look at new revenue sources. She spoke to concerns. She addressed the University and relayed its funding had been seriously cut. She detailed that one of the University's goals was to have 90 percent of its teachers being prepared in Alaska. She believed it would not happen if the University did not have the budget. She supported funding for K-12 education. She spoke in support of state employees. She shared that the pink slips passed out in the previous year had resulted in the loss of some great employees. She spoke to furlough. She encouraged the legislature to honor its contracts with state employees.

2:07:18 PM

GREG FITCH, FOUNDER AND EXECUTIVE DIRECTOR, MENTAL HEALTH CONSUMER ACTION NETWORK, JUNEAU, spoke in support of funding to bolster the mental health budget. He believed mental health should take the forefront. He believed investments needed to be made in new programs. He supported ADUs and respite, which would save funding. He explained they were basically residential centers that could be opened in places like Sitka, Juneau, and other. He believed it was important to take care of the state's people. He believed "we could do better." He understood the legislature cared about state residents. He thanked the committee for its time.

Co-Chair Seaton relayed the committee would break for 30 minutes. There were currently no additional testifiers in the room.

2:10:01 PM

AT EASE

2:41:49 PM

RECONVENED

ANJI GALLANOS, SELF, JUNEAU, spoke in support of education funding. She shared that she had two sons in the Juneau public high school system. She was encouraging and was encouraged by the support the committee had provided education thus far. She spoke to the value of Alaska's education system and the importance of continuing to support it. She wanted to contribute as a citizen and was more than willing to pay an income and sales tax. She wanted to ensure she was doing her part. She thanked the committee for its time.

[2:43:47 PM](#)

JAMES GALLANOS, SELF, JUNEAU, shared information about his background in social work and as a Juneau resident. He felt strongly about the prioritization of health, safety, and education. He spoke to challenges and struggles communities experienced and the importance of strong supportive communities and recovery environments. He spoke to the importance of giving people the opportunity to thrive. He supported a strong fiscal plan and seeking new revenues.

[2:45:33 PM](#)

SUSAN PHIPPS, MENTAL HEALTH CLIENT ACTION NETWORK, JUNEAU, shared that she had come to Juneau on vacation in 1975 and was still in Juneau. She was a survivor of mental health and substance abuse treatment and the corrections system (it had been 20 years since that time). She wanted to "get on the band wagon" for giving kids everything possible. She relayed that 400 people would be released from Juneau Correctional Center in the coming year due to recidivism legislation [SB 91] passed in 2016. She stressed only ten additional beds had been allocated to Gastineau Human Services. She relayed that consumer run programs worked very well. She shared information about her volunteer work for various treatment services. She urged the legislature to continue spending funds on services for people getting out of prison and without anything else.

^PUBLIC TESTIMONY: OVERFLOW

[2:47:28 PM](#)

MIKE SWANSON, SELF, WASILLA (via teleconference), was greatly concerned about a budget cycle that did not align spending with earnings. He believed the bill continued to

kick the can down the road. He did not support spending \$6.6 billion on the operating budget in FY 18. He cited data from the Department of Revenue regarding incoming revenue. He shared that former Governor Parnell had been voted out partially due to deficits and he stated that Governor Walker had doubled the deficit. He reasoned that at the current rate the state was spending savings it had one or two years before it would have to borrow money to pay its bills. He spoke to numerous taxes on mines, people, fishing, and other. He believed the only way forward was to cut the budget to a sustainable level. He believed \$2 billion should be cut from the budget. He supported cuts to everything including education and human services. He asked the committee to consider Gunnar Knapp's revenue analysis [formerly with Institute of Social and Economic Research (ISER)]. He supported cuts to oil tax credits. He did not support handouts for government or corporate Alaska.

[2:53:02 PM](#)

Co-Chair Seaton shared that the 3:00 p.m. to 5:00 p.m. slot had been reserved for any overflow testimony; however, there were no additional testifiers online or present.

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

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

#

ADJOURNMENT

[2:54:52 PM](#)

The meeting was adjourned at 2:54 p.m.