

HOUSE FINANCE COMMITTEE
March 7, 2017
1:38 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:38 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 Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Dan Saddler; Representative Lora Reinbold;
Representative Jennifer Johnston.

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 agenda for the afternoon.

#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. 57

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^AMENDMENTS: LANGUAGE

[1:39:28 PM](#)

Co-Chair Seaton addressed the departments in the language section. He reminded the committee that backup documents from Legislative Legal Services were included in the packet.

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AT EASE

[1:41:16 PM](#)

RECONVENED

Co-Chair Foster MOVED to ADOPT Amendment L H HSS 49 (copy on file):

Juvenile Justice

Nome Youth Facility

L H HSS 49 - Contingency funding to keep the NYF open unless DHSS determines that closing it reduces costs

Offered by Representative Foster

30-GF1855U.21 Wallace 3/6/17

Add contingency language appropriating \$1,693.9 of UGF to keep the Nome Youth Facility open unless DHSS determines that the cost of closing the Nome Youth Facility is equal to, or exceeds, the cost of keeping it open.

Representative Wilson OBJECTED.

Co-Chair Foster read the amendment description [see above]. He elaborated that the prior year the funds had been addressed in the committee process; funds had been removed and added back into the budget. However, the governor had not included funding in his proposed budget for the upcoming year. The amendment added contingency language specifying the legislature would continue to appropriate needed funds unless the department found it was more cost-effective to close the facility.

Representative Wilson was confused by the amendment. She believed language amendments were typically aimed at getting something done that did not have a dollar amount. She surmised that if closing the facility would mean it would cost more than \$1.693 million and it would mean the expense would be included elsewhere in the budget. She asked about the plan for the youth if the Nome facility closed. She asked if the funding would be sufficient to shift back to the Nome youth facility to keep it open.

Co-Chair Foster answered that \$2.6 million was currently budgeted for the facility. The governor had left \$1 million in his proposed budget to transport youth back and forth from Nome to another location such as McLaughlin Youth Center [in Anchorage], Bethel, or Fairbanks. The amendment specified that if it looked like costs to the department would exceed \$1.6 million (for services such as transportation and cultural programs), the Nome youth facility would be allowed to remain open with those funds.

Representative Wilson understood that \$1 million remained in the budget for travel. She restated Co-Chair Foster's statement that \$2.6 million had been removed by the governor. She asked if the language meant that \$693,900 would have to come from other facilities in order to complete the funding.

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Co-Chair Foster explained that \$2.6 million was the total budget; of that amount \$1 million remained [in the current budget], which meant there was a deficit of \$1.6 million. The department would need to prove that it could provide the alternative for less than the \$2.6 million. He reasoned the Nome facility should be kept open if the cost exceeded that amount. He believed other things had not been factored in such as culturally relevant programs and work programs offered in the Nome facility that were not offered in other locations. He explained that the Nome facility should remain open if it turned out it would cost more to transport the youths. He added that in order to close the facility the department would have to determine it would be cheaper to close the facility.

Representative Wilson spoke to her understanding that the current budget contained \$1 million for the transportation of youths from Nome to facilities in other locations and back. She stated there was not currently \$1.6 million designated toward Nome. She surmised that because other services would still be offered, potentially all of the costs could be pooled together. She was trying to ensure the amendment would not remove funding from another youth facility. She wondered if the amendment had any "teeth" requiring the department to find \$1.6 million and keep the facility open if it merely contained contingency language. She remarked that closing the facility may "be more, but it's actually in the other facilities that are open." She was concerned about short-handing other facilities by keeping the Nome facility open. She wanted to verify "whether or not we're actually making them [DHSS] look for it, or the budget stays the same, they can just reallocate it over here if they want to, to keep it open."

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Co-Chair Foster answered that the amendment would not take money from any other youth facilities such as Mclaughlin,

Mat-Su, Kenai, and Fairbanks. The amendment would be the addition of a UGF increment. He detailed that the facility should remain open if it turned out it would cost more than \$2.6 million to close the facility.

Vice-Chair Gara believed the amendment read incorrectly. He believed the word "unless" on the second line should be "if." He stated the goal was to keep the Nome Youth Facility open if closing it would cost more.

Co-Chair Foster agreed.

Vice-Chair Gara considered offering an amendment to Amendment H HSS 49.

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AT EASE

[1:51:30 PM](#)

RECONVENED

[Note: it was determined the amendment language was correct; therefore, the conceptual amendment was not offered.]

Representative Thompson commented that the youth from Nome would be transferred to another youth facility in the state. He asked if there were provisions in the Department of Health and Social Services (DHSS) budget to cover the cost of the additional kids who would be added to another facility. He wanted to ensure they were not putting burden on other facilities that did not have sufficient funding to care for additional youths.

Co-Chair Foster answered that currently the Mclaughlin Youth Center was at 102 percent capacity. The intent had been to transfer kids from Nome to Mclaughlin. He reasoned that there may be times where some openings were available, but there may not be. He continued that if the youth were only transferred to Mclaughlin, the center may have to open up a wing that had previously been closed, which would increase costs. He added that Mclaughlin also used Kenai and Mat-Su as overflow.

Representative Thompson thought it meant there would be increased costs elsewhere. He asked if the cost would be

part of the \$1.6 million that would be a benchmark for whether money was being saved or not.

Co-Chair Foster replied that thus far the costs included in the governor's \$1 million were travel, detention (for instances when weather prevented travel), the trials in Nome, and other. There were other costs that had not initially been figured in for a whole list of programs offered related to cultural identity (e.g. subsistence related programs) that were not offered at a facility like Mclaughlin. At present, a dollar amount had not been determined on the items. The amendment would give the department time to quantify the issues. He concluded that if it turned out the Nome facility cost more to keep open, the facility would be closed; however, if it was more expensive to close the facility, it would remain open.

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Representative Thompson asked if there was a deadline on when the department's study had to be complete. He asked if the determination would be made by June 30 [2017].

Co-Chair Foster answered that he had asked the department to review the issue, but a date had not been set. He explained that the contingency specified that if DHSS could not prove shutting down the facility would save the state money by the time the budget was passed by the legislature on April 17, the money would be appropriated.

Representative Wilson WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment H HSS 49 was ADOPTED.

[1:55:53 PM](#)

Vice-Chair Gara MOVED to ADOPT Amendment L H DBT 8 (copy on file):

Debt Service
School Debt Reimbursement
L H DBT 8 - Restore School Debt
Reimbursement amount to FY18 Gov Requested amount
Offered by Representative Gara
Reference: 30-GH1855U.7.

This amendment restores School Debt Reimbursement to the Governor's FY 18 level of \$115,956.6. Please note corresponding REAA amendment 30-GH1855U.8.

Representative Wilson OBJECTED.

Vice-Chair Gara reviewed his amendment that would restore the statutory school debt reimbursement the state owed to the full amount. He noted the statutes were always subject to appropriation. He detailed that about one week earlier the committee had considered the idea of saving funds by reducing state money going to school debt reimbursement. However, he believed the committee had heard clearly from the public that the reduction would hit local communities harder than he would like. He furthered that Anchorage and Fairbanks had tax caps and if they had to absorb the costs, they would have to find something else to cut in their local budget such as police or other. He believed public testimony had been convincing that the full amount should be restored.

Representative Wilson testified in opposition to the amendment. She stated that any time cuts were made it would be hard. She believed that unfortunately the state could not keep taking on the responsibility. She had told her constituents that the 70/30 or 60/40 percent split on bonds was not guaranteed. She advised constituents to be prepared for 100 percent. She shared that Fairbanks had bonded at 100 percent since there had been a moratorium - the community had decided it was important enough (even if it had to foot the bill) to "be able to do this." She stated that the Fairbanks North Star Borough did not have police. She explained that the City of Fairbanks had police, but it would not affect city police because it would be a borough debt. She knew there had been questions about whether people would prefer a cut to the school bond debt reimbursement or to the Base Student Allocation (BSA). She reasoned that at this point anything would take some adjustments. She clarified that the reduction to the bond reimbursement did not constitute a broken promise by the legislature. She continued that the state had been lucky enough to have enough revenue to keep the 70/30 or 60/40, but she believed most municipalities knew that the funding was by appropriation.

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Representative Pruitt spoke against the amendment. He was challenged with voting on the current amendment prior to voting on a BSA discussion. He thought there was an understanding the committee had already indicated by voting to include the reduction to the bond reimbursement that something different would have to be done with education in the current year. He stated he thought there was more to be done beyond funding, but it would not happen through the budget bill. He disagreed with specifically going after the bond debt reimbursement - various communities had handled the issue differently. He remarked that "this is kind of focused in on specific communities just because they're the ones that it deals with." He believed the legislature had to do something and would have to reduce, but he believed it was probably better to do it through the BSA mechanism rather than the debt mechanism. However, because he had not been able to vote on the BSA component as of yet, he would vote against the current amendment. He did not want to double up and remarked that based on the outcome of a vote on the BSA, perhaps the bond reimbursement could be reconsidered.

Representative Thompson echoed the sentiment of the previous speaker. He did not want to see both items prevail. He thought it may need to be addressed on the House floor in order to ensure the right mix was established. He disagreed with not funding the school bond debt; however, he would vote against the amendment.

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Vice-Chair Gara appreciated the comments that individuals were trying to save money. He referred to one comment that if the legislature followed statutory formula and provided the funding to schools for bond debt reimbursement that classroom funding should be cut instead. He did not agree with cutting school funding. He detailed that schools were roughly \$30 million behind where they had been two years earlier. He believed that at some point it was necessary to move the state forward and provide a state where people wanted to raise their children. He believed the legislature should pay the statutory formula - the state's payment of \$48 million to help towards school debt reimbursement.

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Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Gara, Grenn, Guttenberg, Kawasaki, Foster, Seaton

OPPOSED: Pruitt, Thompson, Tilton, Wilson

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment L H DBT 8 was ADOPTED.

[2:03:31 PM](#)

Representative Ortiz WITHDREW Amendment L H DBT 9 (copy on file).

[2:03:50 PM](#)

AT EASE

[2:04:17 PM](#)

RECONVENED

Co-Chair Seaton MOVED to ADOPT Amendment H SAP 18 (copy on file):

Language Amendments

L H SAP 18 - Reinsurance program

Offered by Representative Seaton

See 30-GH1855U5, Wallace, 3-2-17

This amends sec. 10(g) and (h) in HB 57, version U. The Department of Commerce, Community, and Economic Development, Division of Insurance, has applied for a federal waiver of Section 1332 of the Patient Protection and Affordable Care Act. If this waiver is approved, federal funding may become available in an amount equal to the federal savings from lowered insurance premium subsidies for eligible Alaskans. Approval of the waiver is expected before June 30, 2017. Funding from the Alaska Comprehensive Health Insurance fund would continue to be required to reinsure Alaskans who were not eligible for federal subsidies.

The change to subsections (g) and (h) extends the time period of this Reinsurance Program appropriation from the calendar year 2018 program to the calendar years

2018 through 2022 programs to match the term of the waiver.

New subsection (i) adds expenditure authorization for federal receipts that may become available in fiscal year 2018 with the approved waiver for the calendar year 2018 Reinsurance Program. The federal waiver will be for a five-year period; however, future receipts cannot be obligated in the state budget so additional federal receipt authorization will be requested in future years for the annual receipt collections.

New subsection 31(c) makes these appropriations contingent upon federal approval of the Section 1332 waiver. This contingent language is required for eligibility for the federal waiver because it makes Alaska's program budget-neutral for the federal government.

Representative Wilson OBJECTED.

Co-Chair Seaton reviewed his amendment related to health insurance program. The amendment adjusted the appropriation Sections 10(g) and (h) in HB 57, the name of the reinsurance program to conform to legislative drafting style, and Section 10(h) to match the timing of the reinsurance program federal waiver. The amendment would add federal receipt authority for funds from the waiver and added a contingency section for the appropriations pending approval of the waiver. The change would extend the current calendar year 2018 appropriation made in Section 10(h) to cover the term of the federal waiver through calendar year 2022 (FY 23). The amendment would also add federal receipt authority for receipts collected in 2018 and allowed them to be spent over the lifetime of the waiver. He continued that since future receipts could not be obligated, the department anticipated requesting federal authorization in the state budget annually for the term of the waiver. The amendment would also add contingency language for appropriations pending federal approval of the waiver. The federal government required the contingency so the waiver would be neutral for its budget. Without the language federal funds would not be available. Federal funds for the calendar year 2018 program were estimated at \$48 million. The amendment would back up the reinsurance program - the Alaska Comprehensive Health Insurance Association (ACHIA) amount that had been passed to reduce the individual market

for the 7.5 percent increase instead of the 48 percent increase in the health insurance program.

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Representative Wilson discussed that the legislature had put \$55 million into the program the previous year. She asked if there was another appropriation in the current year budget for the program. Alternatively, she asked if the amendment pertained to utilizing the \$55 million from the previous year.

Co-Chair Seaton answered that it was the \$55 million that with federal waiver approval would be spread over five years (\$11 million per year) instead of the \$55 million in state funding that would be needed annually if the state did not receive the federal waiver of \$48 million.

Representative Wilson asked for verification that the amendment would also allow federal funds to be accessible without coming back to the legislature. She commented that the state was basically taking on what the federal government probably should have been doing through its program. She added that the department would also have the ability to utilize the funds without having to come back to the legislature for approval.

Co-Chair Seaton agreed. He detailed there would be federal receipt authority for \$48 million matching with about \$11 million in state funds to achieve the program reductions with the intent of maintaining a health insurer within the state.

Representative Wilson WITHDREW her OBJECTION.

There being NO further OBJECTION, Amendment L H SAP 18 was ADOPTED.

2:09:08 PM

Co-Chair Seaton MOVED to ADOPT Amendment L H SAP 19 (copy on file):

L H SAP 19 - Deposit the FY18 ASLC Dividend into the General Fund
Offered by Representative Seaton
See 30-GH1855U.3, Wallace, 3-2-17.

This amendment deposits the Alaska Student Loan Corporation FY18 dividend of \$1.2 million into the general fund and also deactivates the ASLC Dividend fund code (1150, which is classified as UGF) so the dividend is spent as UGF (code 1004). There is no impact on UGF spending and no loss of information caused by this amendment.

Representative Wilson OBJECTED.

Co-Chair Seaton explained the amendment that would move the Alaska Student Loan Corporation (ASLC) dividend into the General Fund.

Representative Pruitt asked about the policy shift. He wondered why a separate fund had been created. He queried what had been drawn from the fund in the past. He understood there was no impact in undesignated general funds (UGF). He wondered how the amendment shifted the payment process and about the reasoning behind the proposal to eliminate the fund code.

Co-Chair Seaton explained the fund code was obsolete and not tracked. He detailed the fund code was merely "something else sitting on the books" used to deposit the money into; however, it was not used for anything else. The dividend was spent as UGF. He detailed that the amendment provided language to clean up fund codes for clarity and to eliminate confusion about whether the funds were UGF or DGF. He concluded it was better off in the UGF category, which was all the amendment would accomplish.

Representative Wilson understood the amendment would eliminate the [ASLC] fund; however, it had been her understanding that the \$1.2 million ASLC dividend was the first dividend in a long time, if ever.

Co-Chair Seaton replied that he believed it was the first [ASLC] dividend in "a while," but he believed there had been dividends in the past.

Representative Wilson asked if the \$1.2 million dividend was derived from interest on higher education loans Alaskans had taken out.

Co-Chair Seaton answered that the amount came from proceeds from the ASLC, most of which was derived from interest on the debt paid. He detailed that interest rates were calculated at a period in time. The funds were collected over time - sometimes the number was higher and other times it was lower. He explained that when the state received more money a dividend could be paid into the General Fund to help offset the existing budget deficit.

Representative Wilson believed the money was coming from Alaskans who had taken out a loan. She wondered if there was a mechanism to lower the rates for student loans instead of generating a dividend to the state. She wanted to make sure the state was not charging more for student loans than was necessary.

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Co-Chair Seaton did not know the exact statutory construction, but normally people borrowed money and paid an interest rate. He furthered that no matter what the competitive interest rate was at the time, the borrower paid the interest rate set at the time they borrowed the money. He reasoned that the excess funds had been generated and could help offset a portion of the budget deficit. He did not know of any mechanism in place that would automatically lower people's interest rates if current interest rates were lower. He added it was generally an application process if it existed.

Representative Wilson stated she would look into whether there was a mechanism to adjust current student loans so that the state was not making it harder for Alaskan students to pay back their loans. She wondered how the issue would be tracked in the future if the fund code was removed.

Co-Chair Seaton answered that a dividend had to be accepted by the legislature; it would come to the legislature regardless of the removal of the fund code.

Representative Wilson WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment L HSAP 19 was ADOPTED.

[2:15:52 PM](#)

Representative Wilson MOVED to ADOPT Amendment L H SAP 20
(copy on file):

H SAP 20 - Eliminate ERA payouts in FY17 and FY18, and
fund K-12 with UGF at 95 percent of FY18 formula
amounts
Offered by Representative Wilson
30-GH1855U.16

See attached language from the Division of Legal and
Research Services. The intent of this amendment is to
ensure no funds are transferred from the Earnings
Reserve Account to either the General Fund or to the
Public Education fund and funds the Public Education
Fund at a reduced level (95 percent).

Co-Chair Seaton OBJECTED.

Representative Wilson explained the amendment would
eliminate the [Permanent Fund] earnings reserve account
(ERA) payment for FY 17 and FY 18. It would also fund K-12
with UGF at 95 percent of the FY 18 formula amounts. She
was concerned that taking a large amount from the ERA would
mean there may come a point where the Permanent Fund corpus
was also tapped, which she did not support. She believed
the issue should go to a vote of the people. She recalled
having the discussion with colleagues several years earlier
who also believed the issue should go to a vote. She
stressed the significance of the issue. She continued that
the state had been lucky to have the balance in the ERA,
but the budget would withdraw funds from the account for FY
17 and FY 18. She referred to late Governor Jay Hammond and
his 50/50 plan. She believed he had been cautious that
taking more than a yearly amount could have a negative
effect. She reiterated that the amendment would eliminate
the ERA payouts. She supported taking the issue to a vote
of the people. She spoke to the K-12 component of the
amendment. She remarked that the formula included
transportation funds because the service was a Base Student
Allocation (BSA) by default. She elaborated that the state
was giving transportation money to communities without any
type of bus service. She did not know if that had been the
reason for the transportation, but it was what it had
become. She concluded it was outside of the BSA, but was
utilized and funded in the same fashion.

Co-Chair Seaton spoke to his objection. He stated that a 5 percent budget cut was harder on most communities and on all school districts. He elaborated that the elimination of the fund draw for FY 17 and FY 18 would severely hamper the passage of a budget.

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Vice-Chair Gara understood the point of the amendment was to save money, but he opposed it. He explained that schools had already been cut in the past several years. He did not support an additional 5 percent cut to school funding. He stated that he wanted to make sure people wanted to raise their children in Alaska. He believed the amendment went in the wrong direction. He continued that it was incumbent on the legislature to come up with a fiscal plan to start funding the needed services. He hoped a plan could be agreed upon by the end of session.

Representative Pruitt spoke in support of the amendment. He remarked there were several things going on with the amendment that involved a substantial amount of money and policy. He highlighted the moving of money into the Public Education Fund as well as into the General Fund. There were two components - one for FY 17 and one for FY 18. He believed the committee would have a robust discussion about whether or not to pay the current year's budget from the ERA. He did not believe the funding should merely occur in the budget process. He reasoned that the discussion should occur around the many different proposed bills aimed at dealing with the challenge of state revenues. He stated "this doesn't create the stability that's needed." He understood that a particular bill would be passed - at the end the fiscal notes would move with the budget and could be incorporated into the budget during closeout. He disagreed with making the policy at present without the bills. He also disagreed with taking money from FY 17, which he understood the governor had also included in his budget.

Representative Pruitt addressed the 5 percent reduction to the BSA. He explained that if Amendment L H SAP 20 passed he would request that the committee reconsider the prior amendment related to school bond debt reimbursement because he did not want to double up. He believed the current strategy needed to be handled differently. He remarked that he continued to hear the legislature had cut education. He

acknowledged there had been a veto the previous year by the governor. He continued that education funding had increased continuously. He recalled that the previous year the committee had heard a presentation showing that the legislature had increased education higher than the rates of inflation for the previous eight years. He continued that the increase had been 30 percent, which was quite a bit more than inflation. He stated that the legislature had continued to show its commitment to education. He believed that at present it was necessary to do things differently, which meant that Anchorage and other areas would have to participate in a different way. He postulated that if anything had been classified in the "sacred cow" category, which he believed the committee had done with a good portion of the current budget, then they were never really honestly going to tackle the budget. He understood there were challenges to education; however, he did not see significant policy consideration related to how education was being delivered. He stressed that the legislature was not having a conversation about how education was delivered; therefore, unfortunately they faced scenarios like the one facing the committee where "we almost take a hatchet as opposed to really addressing the inherent challenges with delivering education through Alaska." He reiterated his support for the amendment. He requested that the school bond debt reimbursement be reconsidered if the amendment passed. He did not believe the two items should be doubled up.

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Co-Chair Foster acknowledged Representatives Dan Saddler, Lora Reinbold, and Jennifer Johnston in the audience.

Representative Wilson provided wrap up on the amendment. She explained that one of the reasons she had offered the amendment was because the budget would take more out of the ERA than was necessary. She detailed that the proposed budget would take the money from one savings to another (i.e. from the ERA to the Public Education Fund) because one account earned a substantial amount of money and the other earned a minimal amount. She equated it to a person getting ready to retire and putting all of their money into a high earning stock portfolio, but choosing to cash out the stocks and place the funds in a low earning savings account that had ample money. She agreed that a plan was needed, but she believed the state would lose hundreds of

millions of dollars by removing money out of the ERA early. She elaborated that it would mean cashing out stocks that had a potential of significant gain due to the current market environment. She continued that to fulfill the provision in the budget it would mean cashing in stocks even though it may not be a decision the Alaska Permanent Fund Corporation (APFC) would chose to make. She was concerned about money the state would lose. She believed it meant the state would have to "take those hundreds of millions of dollars and go somewhere else and find it." She stated it would then be necessary to look to state residents to fill the gap, when it would have been possible to fill the gap by the state's own investments making money. She believed it made no sense.

Representative Wilson addressed the education component of the amendment. She expressed her support for education. She spoke to home schooling and costs. She shared that she had home schooled her children and had received a fraction of the money - the funds had come out of her own pocket. She stated that the [low] costs home schooled children were educated on was amazing. She stressed that the state payed over \$50,000 per student in some districts. She added "the sad thing is, we're still at the bottom." She urged the use of technology. She understood not all areas had broadband. She emphasized that doing the same thing repeatedly with education would cost more and it had not worked well. She acknowledged that Alaska had great teachers, but she pointed to the importance of allowing them to use technology and options that were not as costly as some current methods. She believed people would want to move from the state if the legislature continued to take more money out of their savings accounts. She stated that utilizing savings did not constitute a plan, the only change was the money would be taken from a different fund. She stated it was the people's fund - she thought they should vote. She believed using the ERA was a huge mistake that would cost Alaskans.

Co-Chair Seaton MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendment L H SAP 20 FAILED (4/7).

[2:29:41 PM](#)

AT EASE

[2:35:24 PM](#)

RECONVENED

Representative Wilson MOVED to ADOPT Amendment L HSAP 21 (copy on file):

L H SAP 21 - Supplemental payment of FY17 permanent fund dividend
Offered by Representative Wilson
30GH1855U.12

See the attached language from the Division of Legal and Research Services. The intent of this amendment is to appropriate \$663,350,000 from the earnings reserve account to the dividend fund for the payment of supplemental FY17 permanent fund dividends to eligible individuals who received a permanent fund dividend in October 2016.

Co-Chair Foster OBJECTED.

Representative Wilson read from the amendment description [see above]. She corrected a typo in the description and clarified the amount was \$666,350,000 instead of \$663,350,000. The amendment would restore the governor's veto from the previous year in order "to give the people their money back."

Vice-Chair Gara remarked that there were different views around the building about the size of the dividend. He noted the House Minority leader had proposed a dividend of \$1,000 and the Senate had proposed \$1,000 the previous year. He stated it was a debate the legislature would continue to have for the remainder of the current session.

Representative Pruitt did not support the amendment. He pointed out that the current and next amendment were similar, but they pertained to different years. The current amendment would restore the governor's veto from the previous year [FY 17]. He shared that the previous year when the committee had voted on SB 128 [2016 legislation pertaining to the Permanent Fund Dividend and earnings] he

had highlighted the "huge shift" that the public had not really been aware of at the time. He added that the governor had made a decision that the legislature had chosen not to override. He spoke to several reasons he believed the legislature should not merely restore the governor's veto. First, the economic challenges residents and the state had gone through the prior fall had already passed. He did not mean to imply that the reduction did not impact residents and the economy. However, he believed it would create an "up and down scenario" if the amendment passed. He reasoned that passage of the amendment would give people hope there would be an additional \$1,000 from the prior year. He surmised it was highly likely the governor may veto the amount again. He was concerned it would create instability in the eye of the public. He shared that people had emailed him the prior year saying they understood that something would have to be done, but requesting the legislature to hold off on the timing because they had budgeted based on the amount. He opined that instead of looking to the previous year, it was time to move forward. He believed the previous amendment and the next amendment that talked about how to fill the revenue gap both included their own conversations, which constituted the moving forward component. He concluded that he would love to be able to give residents the money, but in order to prudently manage the people's money in the Permanent Fund and to ensure money was available in the future, he believed it was appropriate to look forward and not back.

Representative Tilton spoke in support of the amendment. She agreed that the legislature had an obligation to help people manage expectations. However, residents had expected to receive the money the previous year, but it had been vetoed by the governor. She stated that the veto had resulted in more residents dipping below the poverty level than before. She felt strongly that everything the legislature did when it considered reducing the PFD resulted in a changing of the economy.

Representative Wilson provided wrap up on the amendment. She underscored that the money was sitting in the ERA and more interest was being earned daily, but based on the direction of the discussions most of the money would go to government, not residents. She shared that she had spoken with constituents and she believed the money belonged to the people, which had been the agreement when the fund had

been formed. She detailed that once the fund had been created the legislature had passed statute specifying that some of the funds would be set aside for residents. She noted that the other portion of the funds could be used for government for essential services, but she thought a vote of the people should occur. She stressed that the money did not have to be earned by residents, it was given to each resident. She furthered that residents did not own most of the resources under their land, unlike in the movies where someone found oil on their land and became rich off sales (like in North Dakota and other locations). She stressed that the resources belonged to the state in Alaska unless a person had specific rights to the land, which was not common. She continued that the Permanent Fund belonged to the people. She believed the legislature should have overridden the governor's veto the previous year. She thought state residents should be part of the discussion if the dividend amount changed. She believed government needed to learn to handle its own funds before they "grab others." She reiterated that the funds should have gone to residents.

[2:43:43 PM](#)

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson

OPPOSED: Thompson, Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Pruitt, Foster, Seaton

The MOTION to adopt Amendment L HSAP 21 FAILED (2/9).

[2:44:34 PM](#)

Representative Wilson MOVED to ADOPT Amendment L HSAP 22 (copy on file):

L H SAP 22 - Fully fund FY18 permanent fund dividend payment.

Offered by Representative Wilson
30GH1855U.11

See attached language from the Division of Legal and Research Services. The intent of this amendment is to

fully fund the FY18 permanent fund dividend payment to eligible recipients.

Co-Chair Foster OBJECTED for discussion.

Representative Wilson explained that the amendment would restore full funding for the FY 18 Permanent Fund Dividend. She detailed that no legislation had been passed to change the amount. She stated the amount in the budget had been chosen by someone else. She believed the full amount belonged to residents. She added that the full funding should be maintained until legislation made a change or a vote occurred.

Representative Guttenberg spoke discussed that he had been present when Permanent Fund votes had taken place. He shared that he had spoken with various people around the state and the Capitol Building who were older and wiser. He elaborated that he had voted on the issues. He stated that many people had reinterpreted their personal recollections. He recalled that there had been a substantial amount of money that needed to be put away - otherwise it would be spent. He detailed that the initial discussion had not been about a dividend program, that the money would belong to the people, or about a sovereign relationship with the money and land. He stated that those items were all modern arguments. He did not dispute the validity of the arguments, which he believed were valid for the people holding the beliefs. He reiterated that when there had been a vote to create a Permanent Fund that was protected constitutionally, the arguments had not been relevant and had not been part of the dialogue. He recalled that the conversation had been limited to putting the money aside in order to conserve it. He believed the objective had been very successful.

Representative Pruitt spoke in support of the amendment. He remarked that the amendment seemed similar to the prior amendment, but it was different. He detailed there was existing policy for the "going forward" piece in one of the bills. He believed it needed to be established in one of the bills instead of making the change within the budget. He stated that the long-term policy would follow the bill and be a part of the conference committee discussion. He reiterated his belief that it should be done through legislation (through the long-term establishment of the stable revenue source the legislature was trying to

establish for the Permanent Fund and other) and not the budget process.

[2:48:39 PM](#)

Representative Wilson provided wrap up on the amendment. She recommended asking residents what they thought by taking an advisory vote of the people. She supported asking residents what they believed the fund should be and how much the payoff should be. She stated "convince them that essential government services have been whittled down to where it needs to be to where they're willing to give more than just the 50/50 that was brought up before." She explained that allowing the people to vote would mean the legislature would not have to "decide whether I have a different opinion than someone else or someone else does too." She continued that there were many bills in the current process that addressed what the dividend payout should be. She supported letting the bills go through the process. She elaborated that if one of the bills passed and it impacted the budget the change would be adjusted in the fiscal notes associated with the bill. Alternatively, if nothing passed related to the dividend for the current year, the amount would not change. She believed that putting the dividend payment in the budget would mean determining the amount before letting the process run its course. She stressed that the budgetary component was not a policy call - the policy calls were associated with all of the legislation that allowed Alaskans to be part of the discussion. She underscored that the budget did not allow Alaskans to be a part of the discussion. She supported fully funding the dividend in the current year.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Pruitt

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz,
Thompson, Seaton, Foster

The MOTION to adopt Amendment L H SAP 22 FAILED (3/8).

[2:51:05 PM](#)

Representative Pruitt requested to hear Amendment L H SAP 23 (copy on file) at a later time. There being NO OBJECTION, it was so ordered.

[2:51:59 PM](#)

Vice-Chair Gara MOVED to ADOPT Amendment L H FND 3 (copy on file):

Fund Capitalization (no approps out)
Oil and Gas Tax Credit Fund
L H FND 3 - An additional reduction of \$7 million in oil tax payment, resulting in \$30 million payment
Offered by Representative Gara
30GH1855U.22

The state has not fixed its current budget deficit any more sustainably than it did last year, and last year's appropriation was \$30 million. It is intended that when the state adopts a sustainable fiscal plan and meets our constitutional obligation to get the public maximum benefit from their oil resources, funds will be available to pay these accrued credit subsidies in greater amounts. In FY18 it is projected that paid oil and gas production taxes will be less than oil and gas credits generated by FY18 activity under current law. This leaves the state with negative production tax revenue for FY18.

Representative Wilson OBJECTED.

Vice-Chair Gara stated that currently there was a very generous oil tax subsidy system and a very small oil tax production system. He elaborated that currently oil fields were either paying zero percent or 4 percent as a tax to the state; however, there were more oil tax credits in the current year than incoming production taxes. He stressed the importance of fixing the system. He detailed it was a debt the state would owe; therefore, reducing \$7 million of the payment would only increase the state's future obligation. He WITHDREW the amendment.

Vice-Chair Gara MOVED to ADOPT Amendment L H FND 4 (copy on file):

Regional Education Attendance Area School Fund 1222

L H FND 4 - Restore REAA deposit to FY18 Gov Request amount
Offered by Representative Gara
Reference: 30-GH1855U.8.

This amendment restores REAA funding to the Governor's FY18 amount of \$40.64 million. Please note corresponding amendment 30-GH1855U.7 for School Debt Reimbursement.

Representative Wilson OBJECTED.

Vice-Chair Gara explained the amendment contained the corresponding restoration of funding for school construction and maintenance. He referred to an earlier amendment that had restored funding for school debt reimbursement. Amendment L H FND 4 would restore funding in an equivalent percentage to Regional Educational Attendance Area (REAA) school districts at the governor's proposed \$17 million cost. He noted the funding matched the percentage going to urban schools.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment L H FND 4 was ADOPTED.

[2:54:43 PM](#)

Representative Ortiz WITHDREW Amendment L H FND 5 (copy on file).

[2:55:04 PM](#)

AT EASE

[2:55:47 PM](#)

RECONVENED

Representative Tilton WITHDREW Amendments L XFR 3 and L XFR 4 because she had received inaccurate information from the department.

[2:56:44 PM](#)

AT EASE

[3:11:51 PM](#)

RECONVENED

Representative Tilton made clarifying remarks regarding her withdrawn fund transfer amendments. She had questioned the balance and had received the information the current morning related to fund balances with humble apologies from the department about the previous incorrect information provided. She underscored that legislators drafted amendments based on information provided by the department. She stressed the importance of the veracity of the information legislators received. She emphasized that the legislature was dealing with the people's money.

^AMENMDENTS: ALL REMAINING ITEMS

[3:13:43 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 5 (copy on file):

Centralized Administrative Services
Office of Administrative Hearings
H DOA 5 - More closely align the FY 18 budget request with the FY 17 Management Plan.
Offered by Representative Wilson

The FY 17 Management Plan has a budget of \$137,000 in the Services line and the FY 18 budget request is \$339,100 which is an increase of \$202,100 over the FY 17 Management Plan. Therefore, a reduction of \$85,400 in the Services line is made to this allocation to more closely align the FY 18 budget request with FY 17 Management Plan and to delete all unrestricted general funds (fund source 1004). This amendment is intended to encourage the Department to manage its own budget more prudently.

Co-Chair Foster OBJECTED.

Representative Wilson read from the amendment description [see above].

Representative Grenn spoke against the amendment. He pointed out that the services line from the FY 16 actuals was \$336,900, which was more in line with the FY 18 budget request of \$339,100. He detailed that the increase reflected in the services line from the FY 17 management plan due to the need to bring the Office of Administrative Hearings receipts on budget, thus the increase in the interagency receipt authority and not UGF. The current tax at issue with some of the pending cases was over \$100 million. He believed it would eliminate the department's ability to pursue the cases if some of its personnel was reduced.

Representative Wilson provided wrap up. She agreed that the FY 16 budget was higher than FY 17. She surmised that FY 17 management did not think it needed as much money. The amendment would decrease funds by \$85,000 and would not make any reductions to personal services. She clarified that the office would continue to have the same number of employees. She elaborated that the budget was still higher by \$202,100. She emphasized that the \$85,000 reduction only applied to the services line of the office's budget.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Grenn, Guttenberg, Ortiz, Gara, Seaton, Foster

Representative Kawasaki was absent from the vote.

The MOTION Amendment H DOA 5 FAILED (4/6).

[3:17:57 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 6 (copy on file):

Office of the Commissioner

H DOA 6 - Delete one Special Assistant position and associated costs.

Offered by Representative Wilson

This amendment deletes the Special Assistant to the Commissioner from the FY 18 budget request. This reduction will require the Commissioner's Office to

provide oversight and policy direction in a more efficient manner with less high level management.

Co-Chair Foster OBJECTED.

Representative Wilson read from the amendment description [see above]. She noted that the topic had been discussed by the committee for numerous years. She appreciated the special assistant, whose most basic job was to answer questions from the legislature. In the past the committee had been told that the time it would take to answer legislators' questions would be increased if the position was eliminated. She remarked that legislators may have to do more of their own research. Given budget constraints, she believed it may be prudent for legislators to do the work themselves.

Representative Grenn was opposed to the amendment. The Department of Administration commissioner's office had one special assistant. The position was responsible for tracking and responding to any legislation involving the department. He contended that without the position the department's ability to answer questions from the legislature would be dramatically reduced. He referenced Representative Tilton's earlier statements about the importance of receiving timely and accurate information from departments. He believed the only remaining general funds for the Office of the Commissioner budget were related to the fiscal note for SB 74 (Medicaid reform legislation passed in 2016) and could not be deleted.

Representative Wilson stressed that the funding was not General Fund match; it was \$19,500 in general funds. She explained that the \$123,800 in interagency receipts meant the department was responding to other agency requests (not the legislature). She did not believe the information Representative Tilton had received had come from the special assistant. She agreed that legislators would have to wait longer to receive answers from the department; however, at some point the legislature had to consider whether the information requests were mission critical. She stated the amendment should not pertain to funding the department already had because it was not matched. She referred to the \$123,800 in interagency receipts and wondered what it was that other departments actually needed fulfilled.

Co-Chair Foster MAINTAINED his OBJECTION

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Guttenberg, Ortiz, Gara, Grenn, Foster, Seaton

Representative Kawasaki was absent from the vote.

The MOTION to adopt Amendment H DOA 6 FAILED (4/6).

[3:22:12 PM](#)

Representative Wilson WITHDREW Amendment H DOA 7 (copy on file).

[3:22:30 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 8 (copy on file):

Finance

H DOA 8 - Delete funds for positions deleted by the Department with no funding reduction.

Offered by Representative Wilson

The Department deleted 16 positions associated with the statewide accounting system and the Integrated Resource Information system as this project is now in the stabilization phase. CIP receipts associated with the positions were deleted, however the positions deleted were partially funded with general funds which were not deleted. This amendment deletes the general funds associated with the positions that were not deleted by the Department in the FY 18 budget request.

Co-Chair Foster OBJECTED.

Representative Wilson read the amendment description [see above].

Representative Grenn spoke in opposition to the amendment. He understood from his work with the department that the funding for the positions had already been deleted. He detailed that the department had hoped funding for the positions could be found through DGF, but it had not been realized. The department had removed the positions after

realizing funding was not available going forward. He explained that eliminating the UGF funding would result in cutting different operating positions currently filled and providing support to the statewide administrative services.

Representative Wilson provided wrap up on the amendment. She stressed the capital improvement project funding had been removed, but the general funds had not. She inferred that if the department was spending the funds on other positions perhaps it was due to contractual agreements and paying extra. She underscored that the funding in the amendment had been designated for positions that had been deleted. She continued the funds were in the budget and it was clear where the CIP amounts had been taken out. She emphasized that no general funds had been removed. She surmised the department could be using the \$398,000 for something else; however, she believed the associated funding with deleted positions needed to be deleted as well.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Ortiz, Gara, Grenn, Guttenberg, Seaton, Foster

Representative Kawasaki was absent from the vote.

The MOTION to adopt Amendment H DOA 8 FAILED (4/6).

[3:25:10 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 9 (copy on file):

H DOA 9 - Delete funds for positions deleted by the Department with no funding reduction.
Offered by Representative Wilson

The Department deleted four vacant Business Analyst positions and one part-time college intern associated with the statewide accounting system and the Integrated Resource Information system as this project is now in the stabilization phase. This amendment deletes the general funds associated with the

positions that were not deleted by the Department in the FY 18 budget request.

Vice-Chair Gara OBJECTED.

Representative Wilson remarked that she would assume the budget books received by the legislature were accurate. She stated that she would not say the department was saying one thing and the books said something different. She referred to a conversation about FY 16 and stated "maybe the books lie." She stressed that all the committee had to rely on was the budget documents received. She read the amendment description [see above]. She relayed that the amendment would delete \$36,100 in general funds.

Representative Grenn spoke against the amendment. He shared his understanding after speaking to the department that the positions had been deleted in the 2017 management plan. He elucidated that the position funding had already been cut; the actual PCNs [position control numbers] were deleted after the department realized the funds were no longer available. He suggested hearing from DOA on the issue.

Co-Chair Seaton noted the committee would not be hearing from the department.

Representative Wilson emphasized that the budget books showed the positions as deleted for four vacant business analysts and one part-time college intern. She continued that the books also showed the other funds as a negative number and nothing had been listed under general funds. She noted it was necessary to look at the details in the book and at the prior year to determine the funding amount for the positions to determine what they had been paid. She did not want to accuse someone of being untruthful, but she believed the books and the department could not both be correct. She stressed that the FY 18 budget books did not delete the \$36,100.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Ortiz, Gara, Grenn, Guttenberg, Foster, Seaton

Representative Kawasaki was absent from the vote.

The MOTION to adopt Amendment H DOA 9 FAILED (4/6).

[3:28:49 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 11 (copy on file):

Personnel

H DOA 11 - Funding reduction to eliminate increase in Personal Services.

Offered by Representative Wilson

Four positions were deleted from this allocation, however, the Personal Services line item increased by \$295,900 between the FY 17 Management Plan and the FY 18 budget request. This amendment eliminates the increase in the Personal Services line item from the FY 18 budget request.

Co-Chair Foster OBJECTED.

Representative Wilson read from the amendment description [see above].

Representative Grenn spoke against the amendment. He relayed that the Division of Personnel had cut three positions, none of which were associated UGF. The fourth position referenced in the amendment had been transferred to the shared services organization within the department for accounting services. He detailed that given the positions did not have associated UGF, there had not been a decrease in workload and eliminating the funds would result in the elimination of other positions and a significant reduction in service level.

Representative Pruitt did not understand what Representative Grenn had said.

Representative Grenn explained that it was his understanding that the Division of Personnel had cut three positions, none of which had associated UGF. The fourth position referenced by the amendment was a transfer to shared services within the department for accounting services. Given that the positions did not cut UGF and there had not been a decrease in the workload of the

division, eliminating the funds would result in the elimination of other positions.

[3:31:52 PM](#)

Representative Thompson stated it got confusing that the subcommittees had not been able to address individual PCNs. He believed there had been no way of having a pure question and answer scenario with the departments or of obtaining real figures to go off of. He thought the budget process was flawed. He wanted to know whether three positions had been eliminated. He wondered why there had been an increase to the personnel services line of \$295,000 from the previous year. He thought the two things were incongruent.

Vice-Chair Gara asked whether the amendment sponsor had spoken with the department to determine what the funds were being used for and what would happen to the department if the deletion occurred.

Representative Wilson answered that she had not spoken with the department. She detailed that the department had cut three positions. The fourth position had been cut and transferred to another area. There were four fewer people in the division, yet it had increased personnel services by \$295,900. She emphasized that the amendment did not cut any positions. She did not believe she should have to talk to the department. She stressed that the budget books should show if positions were taken out of the budget. She explained that FY 17 showed the positions; whether funding had come from UGF, federal funds, or other; and how much the positions made. She reasoned that whether or not the positions had been paid with UGF funding, the amount was increasing and the number of people was not. She believed there should be an explanation for the increase (e.g. contracts increased) and that the same increase should be seen in all of the other allocations. She elaborated that the growth had not been seen in personal services as shown in the proposed budget. She noted that funding had been cut, but the department had not cut the specific funds targeted by the amendment. She was not claiming the department was not using the funds for something else; however, less people would mean lower payroll in most businesses. There were fewer people in the division, yet the state was paying more for the existing positions, which did not make sense to her. She acknowledged there may be a difference between looking at the book and talking to the

department; however, she believed the two conversations should match up.

3:35:44 PM

AT EASE

3:39:50 PM

RECONVENED

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Gara, Grenn, Guttenberg, Ortiz, Seaton, Foster

Representative Kawasaki was absent from the vote.

The MOTION Amendment H DOA 11 FAILED (4/6).

3:40:39 PM

Representative Wilson MOVED to ADOPT Amendment H DOA 12 (copy on file):

Labor Relations

H DOA 12 - Delete funding for position deleted by the Department with no funding reduction.

Offered by Representative Wilson

The Department deleted a Labor Relations Analyst position in the FY 18 budget request, however deleted no funding associated with the position. This amendment deletes the FY 2017 budgeted cost of the position.

Vice-Chair Gara OBJECTED.

Representative Wilson read the amendment description [see above]. She added that the budgeted cost of the position to be deleted was \$185,100.

Representative Grenn did not support the amendment. He addressed his remarks to the current and other similar previous amendments. The Department of Administration had an unallocated reduction of \$1.216 million in FY 17, necessitating adjustments to the positions by the

department to manage the reduction. He explained that the relations analyst position had been deleted in the FY 18 governor's budget request as the position was vacant due to lack of funding (a result of previous cuts to the division). Currently all positions within the Division of Labor Relations were filled; eliminating the UGF would result in cutting existing positions.

Vice-Chair Gara concurred with Representative Grenn. He underscored that the past several amendments would be a double cut to the department. He detailed that the funding had already received an unallocated cut and positions had been deleted. The amendments would cut the same amount of funding a second time and would delete more money than the positions cost.

Representative Wilson provided wrap up. She stated that the details addressed unallocated costs and deleted positions with associated funding. She continued that whatever the reason the items had been defunded, the details were shown in the budget. She elaborated on the budget details and explained the books showed whether not a position went to shared services or transferred a position from one allocation to another. She noted that sometimes the budget listed a position without the money. She underscored that the book did not show the [labor analyst] position as not being funded, which is where it should be. She looked very closely to determine where the positions had been deleted. She had observed that a portion of the money had been deleted for other positions. She stressed that departments were not being consistent, which was causing confusion. She had found that money had been attached to the [analyst] position for 2017; the position had been deleted for FY 18, but the associated funding had not been deleted.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Tilton, Wilson, Pruitt

OPPOSED: Gara, Grenn, Guttenberg, Ortiz, Foster, Seaton

Representative Kawasaki was absent from the vote.

The MOTION to adopt Amendment H DOA 12 FAILED (4/6).

[3:45:51 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 13 (copy on file):

H DOA 13 - Funding reduction of one PFT position and related costs.
Offered by Representative Wilson

This amendment deletes a Labor Analyst position from the FY 18 budget request. This will require the Department to redistribute the work load to remaining staff and to be more efficient in providing labor relation services.

Co-Chair Foster OBJECTED.

Representative Wilson read from the amendment description [see above].

Representative Grenn spoke in opposition to the amendment. He detailed there were currently six labor relations analysts on staff who processed grievances, interpreted contracts covering the 15,000-plus state employees, and negotiated collective bargaining agreements on the state's behalf (6 out of 11 agreements were currently in progress). He believed a reduction in staff would mean the state would need to hire a contractor, which would be more expensive. He concluded that eliminating the position would lead to increased costs.

Representative Wilson opined that frequently contractors were more efficient and cost-effective. She believed there had not been any study conducted on the issue. She requested to see the information if it was available. She surmised that if everyone took a small amount it would mean things could be streamlined versus taking large cuts out of one department or another.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Pruitt, Thompson

OPPOSED: Gara, Grenn, Guttenberg, Ortiz, Seaton, Foster

Representative Kawasaki was absent from the vote.

The MOTION to adopt Amendment H DOA 13 FAILED (4/6).

3:48:28 PM

Representative Wilson MOVED to ADOPT Amendment H DOA 18 (copy on file):

Office of Information Technology
State of Alaska Telecommunications System
H DOA 18 - Align FY18 personal services budget with previous expenditures and delete all overtime pay.
Offered by Representative Wilson

FY 16 actual expenditures in the Personal Services line item were \$2,631,100. The FY 18 budget request is \$3,035,500 for this line item which results in an increase of \$404,400 over FY 16 actual expenditures. This amendment reduces the FY 18 budget request for the Personal Services line item by \$404,400 in this allocation to align the FY 18 budget request with FY 16 actual expenditures.

There is a small amount of premium pay, ranging from \$100 to \$19,000, budgeted for nearly all positions in this allocation. This amendment eliminates the total amount of premium pay in the amount of \$144,486 included in the FY 18 budget request. Declining revenues dictate that overtime hours be reduced and that state services be provided in a more efficient and effective manner.

These reductions are intended to encourage the Department to manage its own budget more prudently.

Co-Chair Foster OBJECTED.

Representative Wilson explained that the amendment would take \$548,900 from the General Fund. She read the amendment description [see above].

Representative Grenn spoke against the amendment. He stated that the amendment dealt with the telecommunications system that provided 24/7 backup to the state's first responders, which was a critical state service. He thought it was probably not the best to look at year-to-year division due to the wide fluctuations based on services, not on needs

from year-to-year. He did not believe any cuts could be made to the service at the present time.

Vice-Chair Gara understood how hard it was to write an amendment. He understood Representative Wilson worked hard. However, in looking for efficiencies it was not possible to just read a book and not speak to anyone. It would be more compelling to him to learn she had spoken with the department.

Representative Guttenberg agreed it was not easy to write budget amendments, especially decrements. However, he emphasized the importance of knowing the impact of the amendment when making a reduction. He discussed that the amendment pertained to first responders and telecommunication systems. He questioned the impact of the proposed cut.

Representative Pruitt mentioned Representative Grenn's comment related to fluctuations [based on services]. He asked whether another year would work if the current year did not. He thought the amendment sponsor was making a point that there were [budget] actuals compared to what had been appropriated. He wondered if there was reason to believe the \$3 million was needed. He wondered if costs were all below that number. He thought perhaps there was another number to use besides the \$548,900 (e.g. \$300,000 or the average of a couple of numbers). He believed merely writing off the idea because the numbers fluctuated did not take into consideration the fact that the legislature was funding something higher than a previous year. He elaborated that the most recent year with actual numbers available showed there had not necessarily been a need for the entire appropriation. He reasoned that the committee could have had the conversation earlier, but it had not occurred.

[3:55:49 PM](#)

Representative Wilson provided wrap up on the amendment. She stated that she found it interesting the legislature was not supposed to look at the increment from year-to-year. She countered that building a budget required looking from year-to-year. She emphasized that the budget books had been put out for a reason and included the departments' mission, accomplishments, challenges, and components. She remarked that she had tried asking questions on each

component back in December [2016] and was still waiting for answers. She agreed that "in a real world" talking to the department would not hurt. She stressed that she was not going to look at budgets back to 2010. She asked what the state had not been doing in FY 16 that was critical in FY 18 at a total increase of \$548,900. She addressed fluctuation and wondered what had made it grow by \$500,000 in a year. She wondered what had changed that resulted in such a substantial growth. She believed the increase should mean something like a telecommunications tower had collapsed or new people would need to be hired because a new grant was received that required significant work. She spoke about budgeting. She had not seen anything showing the office had not been able to meet its mission. She underscored that the biggest difference between FY 16 and FY 18 was \$548,900. She was not sure the department had even addressed the increase. She had seen that the numbers were inflated until the real numbers came in; it sometimes made departments look like they were spending more money than they really were. She reiterated the importance of the budget books.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Pruitt, Thompson, Tilton

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Foster, Seaton

The MOTION to adopt Amendment H DOA 18 FAILED (4/7).

[4:00:04 PM](#)

Representative Tilton MOVED to ADOPT Amendment H DOA 19 (copy on file):

Public Communications Services
Public Broadcasting - T.V.
H DOA 19 - Decrease to TV public broadcasting
Offered by Representative Tilton

10 percent reduction

(Page 4, line 12 - 30-GH1855A)

Representative Ortiz and Co-Chair Foster OBJECTED.

Representative Tilton explained the amendment. She believed that public communications services (radio and television) were always in legislators' sights when it came to the budget. She reasoned that it was not because legislators did not support the programming. She posed the question as to whether public broadcasting television constituted a constitutionally mandated core service and whether it should be paid for by the state. She referred to substantial public testimony from across the state, some of which was in favor of the services. However, she believed there had not been testimony about what portion of the stations' budget was funded by the state compared to private donation. She concluded it was difficult to make budget decisions without having the information. The amendment would not completely eliminate funding for public broadcasting in order to give the stations time to adjust to the reduction.

Representative Grenn spoke in opposition to the amendment. He indicated that since FY 15 public broadcasting television had undergone a 23.3 percent cut in general funds. He detailed the budget subcommittee had heard from several stations across the state, all of which were opposed to further cuts. The stations had provided information about their state funds during public testimony that ranged from 10 to 20 percent. He believed committee members had been impressed by the low number. He also thought public broadcasting had done a great job rallying private support to make up for cuts to state funding that had occurred in the past several years. He detailed that public broadcasting provided vital information to the entire state - it was the only source of service in many areas. He believed eliminating such a strong vehicle for communication was not a prudent course of action.

Representative Tilton questioned what the state was supposed to provide as a government. She spoke to the state's deficit and the need to fill public safety necessities, troopers, education, and other services. She expounded that the amendment would give public broadcasting time to increase private funding and find other ways to support the services.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to adopt Amendment H DOA 19 FAILED (4/7).

[4:04:47 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 20
(copy on file):

Satellite Infrastructure
H DOA 20 - Grants Reduction
Offered by Representative Wilson

This amendment makes a reduction of \$100,000 from the
FY 18 budget request in the Grants line. FY 17
Authorized was \$92.2 and by reducing FY 18 grants it
more closely aligns with FY 17 Authorized and leaving
\$60.0 in this allocation.

Co-Chair Foster OBJECTED.

Representative Wilson read the amendment description [see
above].

Representative Grenn spoke against the amendment. He
indicated that the amendment tied to the previous
amendment. He discussed that the department had been
working hard to bring the cost down for satellite
infrastructure. He detailed that the infrastructure was
critical to the delivery of audio and video news, public
affairs, legislative and state government content
education, community emergency alert services, and rural
Alaskan communities. The historic funding for satellite
infrastructure had been around \$160,000 including the FY 16
actuals - it was also the proposed amount in the FY 18
budget.

Representative Guttenberg highlighted that critical
emergency management needs went over various satellite
systems. He spoke of the critical emergency management
needs using various satellite systems. He referred to
numerous telecommunications issues, the increased use of
satellite and broadband, and other. He wondered what the
\$100,000 reduction represented in a policy call aside from

a budget reduction. He questioned how much time the reduction would mean the satellites would be down and what would be put at risk. He did not support making cuts without understanding the impact. He stressed that the state relied on the infrastructure. He was concerned about trying to make a value judgement without understanding the impacts a reduction would have.

Representative Wilson thought the value judgment should be about whether the state should be providing the services. She suggested there may be other entities that could partner to provide the service. She stated the most successful programs involved private/public partnerships; however, she stressed those partnerships would not be encouraged if the state continued to fund everything at 100 percent. She stressed that the discussion was about budget. She questioned whether other funding options had been explored and why government had taken the service over in the first place. She reasoned that it was sometimes difficult to make the distinction between budget and policy, which frequently intertwined. She suggested spreading out the pain in small amounts throughout the budget in order to avoid devastating impacts on various entities.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Grenn, Guttenberg, Ortiz, Gara, Seaton, Foster

Representative Kawasaki was absent from the vote.

The MOTION to adopt Amendment H DOA 20 FAILED (4/6).

Representative Wilson WITHDREW Amendments H DOA 22 and H DOA 23 (copy on file).

Representative Wilson MOVED to ADOPT Amendment H DOA 24 (copy on file):

Alaska Public Offices Commission
H DOA 24 - Delete funding for positions deleted by the
Department with no funding reduction.
Offered by Representative Wilson

The Department deleted two positions in the FY 18 budget request without taking funding reductions in the Personal Services line item for the positions deleted. The FY 2017 budgeted cost for these two positions was \$128,700. This amendment deletes the funding that was budgeted for these positions.

Co-Chair Foster OBJECTED for discussion.

Representative Wilson read the amendment description [see above].

Representative Grenn spoke in opposition to the amendment. He explained that the Alaska Public Offices Commission (APOC) had left the positions vacant in an attempt to find other funding sources. Since 2015 APOC had seen a 42 percent reduction in its budget and had deleted six vacant positions, making it more difficult for the agency to fulfill its mission. The agency's mission was to encourage the public's confidence in its elected and appointed officials. He believed deleting an additional \$128,000 in UGF from personal services would mean the elimination of another position. He underscored the critical service APOC provided as the public's watchdog.

Representative Thompson stated that the amendment went "back to the process, and we're in the process at the present time." He noted some positions had been deleted, which he was glad to see. He continued that over the past several years the subcommittees had looked at PCNs, which had not been allowed during the process in the current year. He elaborated that in the past the Department of Transportation and Public Facilities subcommittee had looked back five years to identify five or six positions that had not been filled in five years. He detailed the agency had been using the money allocated to the positions wherever it wanted (e.g. for overtime pay and other). He furthered that subcommittees had not been allowed to question the department or go after those type of things. He felt like the [subcommittee] system was flawed and that the committee had not done its job.

[4:13:00 PM](#)

Co-Chair Seaton reminded members that departments were required to maintain a certain vacancy factor; therefore if UGF was cut, it meant a cut would occur to a filled

position. He noted the vacancy factors varied between departments - the vacancies were needed to enable departments to hire people when they got the funding. The vacancy factors were critical to the way funding worked for personal line items.

Representative Thompson stated that positions that were intentionally left empty for three to five years would not be filled, but the state had been funding them. He did not disagree with the remarks made by Co-Chair Seaton in relation to positions that had not been funded the preceding year, but should be filled. He continued that amendments did not propose to eliminate positions that had been vacant for only one year. He concluded that their amendments only proposed to eliminate vacant positions that were being taken advantage of by departments.

Vice-Chair Gara emphasized that it had taken several minutes of speaking to the department to receive the needed information about the specific positions. The funding for the positions had been deleted in FY 17 with an unallocated cut. He emphasized that the amendment would result in a double cut to the department (like four other previously proposed amendments). He stressed it was necessary to speak to the department versus merely reading the budget book. He stressed that the cut would delete additional positions.

[4:14:58 PM](#)

Representative Wilson remarked that the ability to have the discussions in subcommittee would also be helpful. She agreed that some of the positions had been deleted because departments had to fulfill a vacancy factor - the information was included in the budget books. She believed a person should be able to look at the budget books to get all of the information. She acknowledged that if she had only looked at the basic numbers without drilling down into the detail it would be her fault; however, she had reviewed the details. She furthered that the details addressed whether positions had been transferred and whether the money had been transferred with them. She added that sometimes positions were transferred without the money. The details also showed whether positions were funded with interagency receipts. She explained the details in the books should specify whether cuts had been unallocated in 2017.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Guttenberg, Kawasaki, Ortiz, Gara, Grenn, Foster, Seaton

The MOTION to adopt Amendment H DOA 24 FAILED (4/7).

[4:18:27 PM](#)

Representative Tilton MOVED to ADOPT Amendment H DOA 26 (copy on file):

Motor Vehicles

H DOA 26 - Outsource of services through business partners

Offered by Representatives: Tilton, Wilson

It is the intent of the legislature that the Division of Motor Vehicles outsource administrative and licensing services to private sector business partners to the extent practicable. The Division has reported that during FY16 and FY17 private sector business partners have processed 15 percent of the total transactions and collected 17 percent of the revenue for the division. As a result DMV is looking at expanding both the number of business partners throughout the state and the number of services those business partners can provide.

Vice-Chair Gara OBJECTED for discussion.

Representative Tilton explained the amendment that included intent language. She had heard from the department that it was looking at moving services out to its business partners, which she wanted to ensure the department would continue to pursue. She read from the amendment description [see above]. She believed it was a good return on investment.

Representative Grenn applauded the intent of the amendment; however, he was uncertain of its necessity and would not support it. He detailed that since July 2016 the Division of Motor Vehicles (DMV) had entered into six contracts consisting of four private businesses and two financial

institutions. Additionally in the coming month the division would be conducting a pilot program with one of its current private business partners that would enable DMV to process and issue driver's licenses and state identification cards. Once the 90-day pilot period was over the division would verify its processes were running smoothly. The intent was to open the opportunity to all businesses currently performing DMV services.

Representative Thompson supported the amendment. He noted that the amendment did not require the division to do anything and did not specify that a certain amount of money would be saved. He furthered that it merely encouraged DMV to continue to outsource services [to private sector business partners]. He explained that customers paid for the additional \$10 fee on top of the license plate fee. He opined that the outsourcing was a good thing. The amendment merely encouraged the department to keep up the work.

Representative Pruitt spoke in favor of the amendment. He stated that just because DMV was outsourcing services currently did not mean it would not decide to stop in the future. He believed it was good for the legislature to encourage DMV to continue the practice. He told of a recent experience he had at DMV where he had waited over two hours. He detailed that the employee who had helped him had discussed challenges and had specified that no one listened to the employees. He believed it represented the difference between working in the confines of a bureaucratic system. He supported individuals driving the market and the success of the particular organizations. He believed a shift would occur where more people were heading in that direction. He noted that if the shift successfully occurred it meant the number of state employees and facilities would need to be reduced. He believed there should be other providers in the private sector. He added that the market would drive the success of the private sector business partners - people would not patron the businesses if the service was not superior to service provided by DMV. He believed people currently wanted an option that exceeded their experience at DMV. He appreciated the department was working on the issue, but he wanted it to continue.

[4:23:36 PM](#)

Representative Wilson supported the amendment. She wanted to make sure the department was not merely looking at

cities that currently had the service. She wanted to ensure outlying areas such as Delta, Bethel, Nenana, or Nome had the service as well. She shared that she had also spent a significant amount of time in line at DMV. She remarked that people were willing to pay extra to avoid waiting in DMV lines. She stated that the service could be outsourced for less money. She believed the department had done a good job working on the issue, but she wanted to ensure it expanded to communities beyond the road system. She remarked on the DMV business hours that did not expand beyond the standard workweek. She wanted to encourage the private sector to provide availability during off work hours.

Representative Guttenberg stated that every dealership could sell tags. He noted there were quite a few places in Fairbanks that operated as a business - it was not cheaper, just very convenient. He continued that it was possible to get online to see how crowded DMV was at any given time. He remarked that DMV was a money maker for the state, with low cost. He would not oppose the amendment, but he would like to see a report or concept of the discussion about "what they're doing, where they've been, how successful they are." He added that a person could purchase a hunting license at numerous places. He reasoned that DMV had been working to outsource services and he believed it would be beneficial to have the division provide the legislature with a status report. He was interested to learn why some businesses could not or would not provide the service. He reiterated that there were numerous places providing the service, which was not cheaper (there was a surcharge), but was more convenient.

[4:27:00 PM](#)

Representative Tilton provided wrap up. She expressed high hopes to find some common ground on something during the current meeting. She highlighted that the division had already started outsourcing services. She wanted to continue to encourage a public/private sector relationship where everyone was working together to help combat the current deficit. The practice allowed DMV to "look and work on the things that they have to" and allowed another option for the public. She communicated that the private business partnerships collected 17 percent of the revenue for DMV, which was a good return.

Vice-Chair Gara stated that he would probably support the amendment if it was written differently. He thought the directive to outsource should be softer. He MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Pruitt, Thompson, Tilton, Wilson, Grenn, Guttenberg, Seaton, Foster

OPPOSED: Kawasaki, Gara

The MOTION PASSED (9/2). There being NO further OBJECTION, H DOA 26 was ADOPTED.

[4:29:54 PM](#)

Representative Wilson MOVED to ADOPT Amendment H CED 7:

Executive Administration
Commissioner's Office
H CED 7 - Delete Special Assistant
Offered by Representative Wilson

This amendment makes a reduction of \$150,000 from the Personal Services line of the FY 18 budget request and deletes one of two Special Assistant to the Commissioner positions and the associated personal service. Any duties performed by this position that must be continued can be redistributed to remaining staff in the Commissioner's office or in the Division of Administrative Services.

Co-Chair Foster and Vice-Chair Gara OBJECTED.

Representative Wilson read the amendment description [see above]. She relayed that the \$35,300 came from general funds and \$114,700 from interagency receipts.

Representative Guttenberg was opposed to the amendment. He stated the commissioner's office had already been reduced by eight positions since 2015 including a deputy commissioner and three staff. Additionally, the reductions had cut all of the administrative support in the Anchorage office and removed a communications position. He communicated that the commissioner sat on 30 boards and commissions including the department's 6 core and 6 corporate agencies. He elaborated that administrative

services had been designated as backup, but it did not have the capacity to perform in that role due to cuts of 26 percent since 2015. He detailed that the division had lost 13 positions - more than half of administrative services positions were information technology staff who create and maintain computer programs for the department to function. The division managed the department including finances, procurement, human resources, and other functions. He continued that the cut would fall on a department and commissioner that was already overburdened and would negatively impact the basic core function of the department.

Representative Pruitt supported the amendment. He stated that "part of the reasons why we argue that we can't cut is part of the reason why I don't think the department should exist." He believed that at present there was no need for a separate department. He continued they could come up with a reason to keep the positions because there was too much to do at the department. He expounded that due to the substantial number of boards and commissions the commissioner sat on, it was necessary to delegate responsibility out to other people. He opined that there were too many boards and commissions, too much government, and too much busy work. He believed the amendment took an appropriate look and was part of a larger discussion about whether or not it was necessary to reanalyze what government looked like. He thought there should be an analysis done to determine whether all of the existing boards and commissions were needed. He suggested considering whether some of the boards and commissions could be combined to increase effectiveness and efficiency. He spoke to the argument that the positions were needed because the workload was too significant for a reduced number of people; however, he did not believe it was the way to increase the effectiveness and efficiency of government. He appreciated the amendment. He shared that he had defended the position the previous year when he had chaired the Department of Commerce, Community and Economic Development budget subcommittee. However, he chided the department for failing to work to become more efficient in that area over the past year.

[4:35:41 PM](#)

Representative Wilson provided wrap up. She stated "shame on us if we're making somebody go to 30 boards and

commission meetings." She believed the bigger question was about the \$114,700 in interagency receipts that was not being used by the commissioner. She detailed that someone else was using the position and the department was funding it with other sources besides the commissioner's office. She reasoned if the funding had been used to offset the 30 boards and commissions, it would have appeared as general funds or other funds, but not interagency receipts. She concluded that the specific special assistant was not spending time on boards and commissions. She believed the position was doing work that should be done by other departments. She continued that interagency receipts were the most difficult funding source to follow (with the exception of those used by the Department of Transportation and Public Facilities for facilities). The amendment did not address the responsibility of the commissioner to be on 30 boards and commissions, but she hoped the legislature felt there were better uses of the commissioner's time. She explained that the majority of the funding addressed by the amendment was primarily interagency receipts, which she believed meant the position was doing something another department could do.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Ortiz, Gara, Grenn, Guttenberg, Kawasaki, Foster, Seaton

The MOTION to adopt Amendment H CED 7 FAILED (4/7).

[4:38:11 PM](#)

Representative Wilson MOVED to ADOPT Amendment H CED 9 (copy on file):

Community and Regional Affairs

H CED 9 - Streamlining

Regional Affairs with reduction in personnel and other line items

Offered by Representative Wilson

This amendment deletes 22 positions and makes a reduction of \$2,400,000 from the Personal Service line of the FY 18 budget request for the following items:

Anchorage- deletes 2 of 3 Grants Administrators, 10 of 14 Local Government Specialists, and 1 of 3 Research Analysts

Fairbanks-deletes 2 of 4 Grants Administrators and 2 of 4 Local Government Specialists

Juneau-deletes 2 of 3 Local Government Specialists, 2 of 3 Grant Administrators and 1 of 2 Research Analysts

A reduction of \$100,000 is made to the Travel line item to the In-State Employee Travel category. A reduction of \$130,000 is made to the Services line item for Education Services and reduction of \$200,000 is made to Grants line.

Co-Chair Foster OBJECTED for discussion.

Representative Wilson explained the amendment. She discussed that the department did a multitude of things, many of which had been started when the state had been flush with money and had been able to provide more and more assistance to communities that were understaffed. She noted that other communities had to fulfill those same obligations on their own. The amendment was an attempt to begin streamlining the Division of Community and Regional Affairs. She read from the amendment description [see above]. She believed it was necessary for the state to get smarter with its existing resources. She believed the funding was going to communities that may have alternative private funding sources. She underscored that providing the funds was not constitutionally mandated.

Representative Guttenberg read briefly from Article 10, Section 14 of the Alaska Constitution:

An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.

Representative Guttenberg spoke in opposition to the amendment. He explained that the next section of the constitution related to the Boundary Commission, which was also under the Division of Community and Regional Affairs.

He stressed that assisting local governments was mandated in the state constitution. He continued that many of the staff (i.e. local grant administrators, government specialists, and research analysts) helped communities to make decisions and assisted them with technical things that rural Alaska did not have the capacity to do. The grants administrators assisted with local Boundary Commission issues, "which we all both love and hate at the same time." He referred the amendment's proposed \$2.8 million cut and remarked that many of the positions traveled to rural Alaska and slept on gymnasium floors and provided necessary services that saved the state a significant amount of money. He noted that the amendment did not contain information showing what services would be reduced and did not address any constitutional requirements the state had. He referred to the travel cost and reasoned that the state's geographical makeup made it necessary for employees to travel to rural areas.

[4:42:42 PM](#)

Representative Wilson countered that the state was and would continue to assist communities. She explained that the question was what level the state could afford to assist and at what point should communities be required to maintain the service on their own. She continued that many small communities did not require the assistance. She addressed the numerous grant personnel due to a plethora of capital grants. She elaborated that when the state had been flush with money it had given a large amount to communities and positions had been needed to follow the grant funds. She explained that the grant funding had been reduced annually. She believed it was unnecessary to maintain the same number of grant administrator positions when the number of grants had been diminished. She continued that it was not possible to travel as much when funding had been reduced. She reasoned it was necessary to use other methods of communication such as Skype and cell phones. She acknowledged that the total travel cost could not be eliminated - there were existing issues with broadband capability. She was not proposing eliminating all assistance, but she did not believe it was possible to continue providing services at the same level. She added that a policy call to consider was whether to discontinue certain state services once a community reached a particular size.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendment H CED 9 FAILED (4/7).

[4:45:22 PM](#)

Representative Tilton MOVED to ADOPT Amendment H CED 10 (copy on file):

Serve Alaska

H CED 10 - Eliminate Serve Alaska

Offered by Representatives: Tilton, Wilson

There are two personnel at a cost of \$244,162 to administer a \$1.9 million federal grant.

This amendment zeros all spending from all fund sources and functionally eliminates the entire program.

(Page 5, line 16 - 30-GH1855A)

Co-Chair Foster OBJECTED for discussion.

Representative Tilton explained that the amendment would eliminate the Serve Alaska program and associated federal funding. She referenced the program's mission to foster support and promote the ethics of service and volunteerism by inviting all Alaskans to contribute their time. She believed it was something Alaskans already did without a program. She detailed that the program had \$237,700 in personnel costs to the state (excluding any retirement and benefit costs). She elaborated that the federal government was also in a deficit position in providing \$1.9 million to help generate volunteerism. She believed the people of Alaska already had volunteerism in their hearts. She did not believe a program requiring state funds was necessary. She reasoned there were other places and programs that administered similar things including disaster services, economic opportunities, economic and educational

opportunities. She believed there were several existing programs that could absorb the services.

Representative Guttenberg spoke against the amendment. He referred to the sponsor's statement about other places to receive the services. He countered that to a large extent, the Serve Alaska program was it. He continued that in many ways instead of having employees administer the service, volunteer programs had been created and efforts had been made to train youth to do good things for society. He discussed the proposal to cut \$1.8 million after \$195,000 in general funds. The state was in a partnership with the Corporation for National Community Service. He continued that the state was serving Alaska with RuralCap, which administered resilient youth programs; it was also working with Alaska Native youth programs to prevent substance abuse and suicide. Additionally, the program worked with AmeriCorps to create a youth taskforce working to engage kids in high schools and peer-to-peer outreach. He also listed the Sitka AmeriCorps program, Anchorage Parks Foundation, and the Salvation Army.

Representative Guttenberg stated that over the years the legislature had asked people to do more with less and eventually more with nothing. He stressed that all the state had to do was create an infrastructure, ask them to bring in volunteers, and train kids with work ethic. He underscored it was the lowest level of volunteerism to get people to actually make a difference in their community and to encourage young people to start off in a career of understanding volunteerism. He hoped it would mean youth would continue to volunteer in places like the Salvation Army, church, community, and other for the rest of their lives. It was not possible to merely tell a person to go volunteer. The program accomplished a significant amount with low dollars. He believed an infrastructure for volunteerism was needed. He explained that even kids cleaning up garbage in the spring had a supervisor volunteer. He emphasized that the program accomplished a significant amount at a very low cost.

[4:50:21 PM](#)

Vice-Chair Gara was opposed to the amendment. He addressed comments made during the amendment discussion pertaining to the Department of Commerce, Community and Economic Development. He referred to an earlier statement that it

was necessary to start cutting the department's agencies. He stressed the agency had been cut 65 percent in the past several years. The department was supposed to make rural communities more vibrant, help with the economy, and help reduce the cost of energy across the state. He emphasized that the proposed amendment would end AmeriCorps, which was a bipartisan nationwide program. He did not understand why someone would want to cut \$200,000 and eliminate \$2 million in federal matching funds. He believed in AmeriCorps, which he referred to as an urban Peace Corps. He opined that eliminating the program in Alaska would be a grave mistake.

Representative Wilson believed AmeriCorps was already in Fairbanks and went through the borough. She thought nonprofits could pick it up and apply for the federal funds, which she believed some were already doing. She wondered why the state had provided funding for the program. She questioned whether Anchorage or another nonprofit had been asked to organize the program. She underscored that the state was not responsible for always providing funding. She believed at a certain point the program no longer needed assistance from the state. She supported AmeriCorps volunteers, but did not believe the state should pay for it. She hoped the subcommittee chair would look into whether the federal funding could be used by a non-governmental entity.

[4:53:36 PM](#)

Representative Tilton provided wrap up. She had no problem with AmeriCorps or any other volunteer program and encouraged the programs. She shared that she had belonged to the Lion's Club and had worked with young teens picking up trash - she did not think it was necessary to go to an organized program to learn how to volunteer. She stated there were numerous opportunities in schools, churches, and local Lions and Elks clubs. She stressed that the amendment was not directed at any particular program. She did not believe it was the state's responsibility to fund the program. She reasoned it was necessary to consider whether a program was a core service or constitutionally mandated or whether it was merely a nice service.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

Representative Thompson was absent from the vote.

The MOTION to adopt Amendment H CED 10 FAILED (4/6).

[4:55:42 PM](#)

AT EASE

[5:00:20 PM](#)

RECONVENED

Representative Wilson MOVED to ADOPT Amendment H CED 13
(copy on file):

Economic Development

H CED 13 - Delete the allocation and all funding as it
does not contribute to the mission of the Department
Offered by Representative Wilson

This amendment deletes all positions and funding for
this allocation from the FY 18 budget request. The
mission of the Department is to promote economic
development opportunities, however, this allocation
does not contribute to the Department's mission.
Instead, the division focuses on research and
technical assistance that are not critical to the
life, health or safety of Alaskans.

Co-Chair Foster OBJECTED.

Representative Wilson read from the amendment description
[see above]. She elaborated that the amendment would remove
\$769,400 from personal services, \$91,200 from travel,
\$720,100 from services, \$20,300 from commodities, and
\$2,900 from capital outlay. The amendment would remove five
permanent full-time positions for a total of \$1,603,900
(\$173,300 in federal receipts, \$783,500 in general funds,
\$72,600 in interagency receipts, \$109,600 in capital
improvement program receipts, \$128,400 in statutory
designation, and \$336,500 for vehicle rental tax (general
funds)).

[5:02:39 PM](#)

Representative Guttenberg addressed the amendment, which pertained to the economic development mission of the Department of Commerce, Community and Economic Development. He read from a portion of the amendment description: "the division focuses on research and technical assistance that are not critical to the life, health or safety of Alaskans." He stressed that the department focused on economic development. He cited examples including Made in Alaska, Alaska Products Preference, Minerals Commission, tourism oversight for the state, visitor research, the Alaska Regional Development Organizations designations, and the Comprehensive Economic Development Strategy. He referenced the fiscal deficit facing the state and reasoned that economic development would be instrumental in addressing the problem. He countered complaints about staff doing research. He stressed that opportunities had to be identified to capitalize on Alaska's resources. He reasoned that without research it would not be possible to determine correct decisions. Additionally, the decision making process was expensive. He referred to the numerous funding sources included in the amendment. He opposed the amendment.

Representative Pruitt remarked that the subject was a tough one. He detailed that everyone wanted to see economic development; however, it was necessary to consider a department or division's success in putting forward that mission. He discussed that when the Department of Energy had been formed the goal had been to move away from utilization of oil from outside of domestic sources. He expounded that at the time 70 percent of the country's oil came from domestic sources, whereas at present it was 30 percent. Yet the state continued to spend a large amount of money on the department. He did not know whether the department's efforts had been successful - he believed it was necessary to determine whether success in bringing about economic diversification had occurred. He remarked that the state continued to fund the department, but the mission as it had been established "has not been there." He was not trying to claim that no good work had been done by the department. However, he believed the department was "stuck in the same ways."

Representative Pruitt recalled a conversation several years back with a former House Finance Committee member. He shared that the conversation had been about a small company with several employees. He elaborated that the state had

spent \$100,000 trying to help the small company operate its business. He remembered asking why. He stated that unfortunately that type of situation occurred in the Division of Economic Development. He continued that sometimes it became less about how to create a larger diversification versus work to help on a smaller scale. He believed the legislature should potentially look at eliminating the division's funding. He spoke to challenges the state had created throughout various levels of government. He relayed that the vehicle rental tax had originally been intended to go towards marketing for tourism; however, \$336,000 was budgeted to go towards economic development. He remarked that sometimes larger cuts to the budget needed to be made because it was not possible to cut small increments in the budget due to the complexity of the bureaucratic system. He supported the amendment.

Representative Tilton added that she wanted to encourage economic development, but she believed one of the best ways to foster economic development was to streamline permitting and regulations, which she did not believe the department did.

[5:09:36 PM](#)

Co-Chair Seaton opposed the amendment. He was surprised that his colleagues would say that the legislature did not need to worry about economic development. He detailed that the division housed the ARDORs program [Alaska Regional Development Organizations], which focused on many different sections of the state. He continued that without the ARDORs program there would not be regional economic development. The division also included the Minerals Commission, which was working on promoting different mineral locations across Alaska. He pointed to the successful Made in Alaska program that had diversified local economies and had enabled them to produce for an Alaska product preference program. He remarked that they could develop everything out of state and could abandon looking for different opportunities, but he did not believe it was something that should be done. He continued that economic development was one of the things the state had always tried to focus on because it did not happen if directed efforts were not made by the state. He believed the state needed to help where possible. He concluded it was not possible to throw a substantial amount

of money into things, but the amount provided to the division was not large.

Representative Wilson provided wrap up. She disagreed with the comment that if the state did not do something, economic development did not happen. She believed the Minerals Commission, the ARDORs program, and research were all positive; however, she questioned why the things needed to be government services. She stressed there was a research institution that the legislature heard about from the University of Alaska. She asked what research the department was doing that could not be done by the research institution. She believed the Made in Alaska program could be combined with tourism. She was uncertain why the vehicle rental tax was being utilized by the division. She emphasized it was not about whether the program was good or bad, but about whether government needed to fund the services. She believed many people from the private sector would disagree with the statement that if government did not provide the work it would not get done. She opined that when government took on the work it was because the private sector knew something would be expensive and would ultimately not work.

Representative Wilson discussed that municipalities across the state had their own economic development staff. She continued that putting services in silos ended up costing more money and did not result in increased success. She thought the Minerals Commission could be housed under the Department of Natural Resources. She believed nongovernmental organizations could be eligible for federal grants if the state chose not to utilize them. She opined that more could be done at the local level with increased participation. She emphasized that she did not believe the people providing the services were bad in any way - the larger question was whether the state should be doing the work in the first place. She stressed that when the state had been small it had been necessary for government to take on the work because there had not been any real structure. She underscored that times had changed and the state was growing. She concluded the state should be able to stand on its own two feet. She was in favor of seeing which programs would be supported by Alaskans and communities. She believed positive services offered by the state would be picked up by the private sector or the University. She underscored it was not necessary to have a department focusing on the services.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Pruitt, Thompson

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendment H CED 13 FAILED (4/7).

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 announced the schedule for the following morning.

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ADJOURNMENT

[5:16:04 PM](#)

The meeting was adjourned at 5:15 p.m.