

HOUSE FINANCE COMMITTEE

March 1, 2018

1:03 p.m.

[1:03:44 PM](#)

CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:03 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Scott Kawasaki

PRESENT VIA TELECONFERENCE

Bryan Zak, Mayor, City of Homer, Homer; Donna Aderhold, City Council Member, City of Homer, Homer; Jim Hornaday, Kenai Peninsula College Council, Homer; Dave Lewis, Self, Homer; Ginger Fortin, Self, Ketchikan; Cynna Gubatayao, Finance Director, Ketchikan Gateway Borough, Ketchikan; Janalee Gage, Self, Ketchikan; Mary Deihl, Self, Homer; Heather Foxworthy, Parents As Teachers, Kodiak; Brenda Ahlberg, Kenai Peninsula Borough, Kenai; Louie Flora, Kachemak Bay Campus Community Advisory Board, Homer; Pat Branson, Mayor of Kodiak, Kodiak; Ghert Abbott, Self, Ketchikan; Joe Griskonis, Self, Kodiak; Robert Archibald, Self, Homer; Jeanette Grasto, National Alliance on Mental Illness, Fairbanks; Richard Theilmann, Self, Fairbanks; Don Gray, Self, Fairbanks; Kathy Karella, Self/Family, Fairbanks; Donald Karella, Self/Family, Fairbanks; Steven Hansen, Self, Fairbanks; Marna Sanford, Self, Fairbanks; Jody Potts, Self, Fairbanks; Ron Templeton, Fairbanks Fire

Department, Fairbanks; Randy Griffin, Self, Fairbanks; Kate Ripley, UAF Alumni Association, Fairbanks; Ron Johnson, Self, Fairbanks; Jeff Benowitz, Self, Fairbanks; Cindy Wright, UAF Alumni Board Member, Fairbanks; Alan Backford, Self, Dillingham; Kaleen Lamb, Self, Fairbanks; Brother Tom Patmor, Self, Clam Gulch.

SUMMARY

HB 285 APPROP: MENTAL HEALTH BUDGET

HB 285 was HEARD and HELD in committee for further consideration.

HB 286 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 286 was HEARD and HELD in committee for further consideration.

Co-Chair Seaton reviewed the meeting agenda.

#hb285

#hb286

HOUSE BILL NO. 285

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

HOUSE BILL NO. 286

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

[1:04:30 PM](#)

^PUBLIC TESTIMONY: HOMER, KENAI, KETCHIKAN, KODIAK, MAT-SU, and SEWARD

[1:07:00 PM](#)

BRYAN ZAK, MAYOR, CITY OF HOMER, HOMER (via teleconference), testified in support of community assistance funding. He thanked the committee for including the \$30 million in funding in the supplemental budget. He relayed the funding was important to many rural communities throughout Alaska.

[1:07:57 PM](#)

DONNA ADERHOLD, CITY COUNCIL MEMBER, CITY OF HOMER, HOMER (via teleconference), spoke in support of community assistance (also called revenue sharing). She stressed the importance of the funds to the community, especially considering state budget cuts. She shared that in 2015 the city had removed the funds from its operating budget because of the volatility of the funds. In recent years the community had used the funds for community health projects and towards the construction of a new police station that was a priority to the city. She detailed that Homer would most likely dedicate funds to police station construction. The station would include a community jail. She thanked the committee for its time.

[1:09:21 PM](#)

JIM HORNADAY, KENAI PENINSULA COLLEGE COUNCIL, HOMER (via teleconference), testified in support of the Kenai Peninsula College (KPC) budget. He shared there were three campuses located in the area. The college had been told that the state's funding for the University system had been decreasing annually by a significant amount. He detailed that in the past the state had provided 80 percent funding, but it was down to approximately 40 to 50 percent. He supported additional state funds. He mentioned matching funds for the University that brought in over \$2 million for the Bay Reserve. He stated that the program was on the cutting edge of salmon production, erosion, and ocean safety. Additionally, he supported Homer funding requests.

[1:11:30 PM](#)

DAVE LEWIS, SELF, HOMER (via teleconference), echoed testimony from the past three speakers. He relayed that state budget cuts had resulted in cuts to personnel that had managed grants through the Department of Fish and Game and the Department of Natural Resources. The state was

losing millions of dollars in grants because they had cut a position that may cost \$75,000 to \$100,000. He did not support the position cut.

[1:12:36 PM](#)

GINGER FORTIN, SELF, KETCHIKAN (via teleconference), shared that she had to travel to Anchorage for medical service and she was no longer able to fly. She was very concerned about cuts to the Alaska Marine Highway System (AMHS) that had resulted in reduced cross-gulf ferry service to her community. She spoke in support of funding for public radio.

[1:13:50 PM](#)

CYNNA GUBATAYAO, FINANCE DIRECTOR, KETCHIKAN GATEWAY BOROUGH, KETCHIKAN (via teleconference), thanked the committee for the additional \$30 million in supplemental community assistance funds. She stressed the importance of the funds for the borough. The funds had been dwindling in recent years, but they still represented about 4 percent of the borough's general fund budget and approximately 0.3 mills on an areawide property tax basis. She urged the committee to maintain the funds going forward.

[1:14:41 PM](#)

JANALEE GAGE, SELF, KETCHIKAN (via teleconference), testified in support of hospital-based behavioral health funds. She was supportive the governor's increments for public guardians, the Alaska Psychiatric Institute (API) and other. She explained that the opioid crisis and recidivism could not be addressed without acknowledging the mental health needs in communities. She supported API but believed relying only on one facility for the entire state and sending people in crisis to the facility caused further trauma by taking people from their homes. She stated that all the programs were burning at the end of their ropes and programs were short staffed. She provided an example.

[1:16:45 PM](#)

MARY DEIHL, SELF, HOMER (via teleconference), spoke against cuts to AMHS that had resulted in limited cross-gulf ferry service. She shared that she was visiting Ketchikan and had

to fly and rent a car because there had been no ferry service. She would have much preferred taking the ferry.

[1:17:34 PM](#)

HEATHER FOXWORTHY, PARENTS AS TEACHERS, KODIAK (via teleconference), testified in support of Parents as Teachers. She spoke about the money saved to local school districts because of the program. She pointed to research showing that every dollar spent on early education and preventative services saved the state up to \$14 later. She asked the committee how they felt when they had been first-time parents. She asked members to think about whether they had instantly been experts about children and had felt totally prepared for the situation. She stressed that healthy communities were built by healthy families.

[1:19:34 PM](#)

BRENDA AHLBERG, KENAI PENINSULA BOROUGH, KENAI (via teleconference), testified in support of funding for the community assistance program. She shared that 27 unincorporated communities received the funds and each community determined how to spend the funds. Over the years of managing the grant program she had seen it go from revenue sharing to community assistance. She had seen several great projects come to fruition over the years as a result of the funding. She spoke about matching grants and work by residents. She thanked the committee for its support.

[1:21:29 PM](#)

Co-Chair Seaton noted that there was currently no one else online to testify. He shared that the committee would break for 10 minutes.

[1:22:12 PM](#)

AT EASE

[1:36:36 PM](#)

RECONVENED

LOUIE FLORA, KACHEMAK BAY CAMPUS COMMUNITY ADVISORY BOARD, HOMER (via teleconference), testified in support of the proposed increase to \$336 million for the University. He noted it was still a decrease but represented a step in the

right direction. He believed funding for the University was a strategic long-term investment. He thought the University system well-suited to work on some of the challenges and capture the benefit of research funding for the Arctic pertaining to climate change. He reiterated his support for additional funding for the University.

[1:38:12 PM](#)

PAT BRANSON, MAYOR OF KODIAK, KODIAK (via teleconference), testified in support of community assistance funds and thanked the legislature for including additional funding in the supplemental budget. The cities around the state used the funds for local government operation. She expressed appreciation on behalf of the Alaska Municipal League as well.

Co-Chair Seaton noted the committee would take a break for 5 minutes.

[1:39:42 PM](#)

AT EASE

[1:47:07 PM](#)

RECONVENED

GHERT ABBOTT, SELF, KETCHIKAN (via teleconference), testified in support of protecting and fully funding Medicaid expansion allowed by the Affordable Care Act. The expansion had done considerable good for the health and well-being in Alaska. Medicaid expansion had provided substantial benefit to him after a suicide attempt. He shared information about a friend who benefitted from Medicaid expansion as well. He felt strongly that the accessibility of the program should be protected.

Representative Wilson relayed that Medicaid expansion was fully funded in the budget.

Mr. Abbott replied that he was grateful to hear the information.

[1:50:07 PM](#)

JOE GRISKONIS, SELF, KODIAK (via teleconference), echoed Mr. Abbott's testimony pertaining to Medicaid expansion. He believed it was important to speak about mental health in

Alaska. He stressed the importance of universal access in rural Alaska. He lauded the Kodiak LIO office for its services. He asked the committee to include money for specific services for mental health. He shared that he was working to harvest kelp. He spoke about his personal challenges and the importance of love and compassion in communities. He stated there were angels all around and funds from the legislature had saved lives. He thanked legislators for their work. He spoke to the importance of participation and being part of the change.

Co-Chair Seaton relayed the committee would take a 15-minute break.

[1:55:14 PM](#)

AT EASE

[2:11:15 PM](#)

RECONVENED

Co-Chair Seaton noted there continued to be no testifiers online. The committee would come back at 2:30 p.m.

[2:12:10 PM](#)

AT EASE

[2:29:02 PM](#)

RECONVENED

ROBERT ARCHIBALD, SELF, HOMER (via teleconference), testified in support of funding for the Department of Fish and Game budget to allow the department to access federal grants. He shared that he was a member of Friends at Kachemak Bay State Park and that federal funds would benefit the state park system.

Co-Chair Seaton relayed the committee would break until 3:00 p.m.

[2:31:50 PM](#)

AT EASE

[3:16:32 PM](#)

RECONVENED

^PUBLIC TESTIMONY: UTQIAGVIK, DILLINGHAM, and FAIRBANKS

[3:16:56 PM](#)

JEANETTE GRASTO, NATIONAL ALLIANCE ON MENTAL ILLNESS, FAIRBANKS (via teleconference), testified in support of funding for mental illness and substance abuse programs. She shared that she had adult family members with serious mental illness. She asked for the committee to support the subcommittee recommendation to add \$1.9 million of funds for three years to help hospitals better serve adults with behavioral health issues. She discussed a shortage of treatment beds. She asked for support for one-time funding of \$159,000 in state funds matched with Alaska Mental Health Trust Authority (AMHTA) funds to study the need for forensic beds for justice-involve individuals. She did not think the state hospital was large enough to meet the needs of the state. She supported the governor's request of funds for public guardians funding for the Office of Public Advocacy (OPA). She discussed the important work of public guardians, and their high caseloads. She also supported funding for substance abuse and treatment disorders.

[3:19:31 PM](#)

RICHARD THEILMANN, SELF, FAIRBANKS (via teleconference), spoke in support of funding for the University. He expected the government to fund roads, law enforcement, and the University. He pointed out that the University produced income, and thought cuts were unwarranted. He thought the University should be fully funded and that the funding should exceed that of the governor's proposed budget. He shared concerned about lack of University funding.

[3:20:57 PM](#)

DON GRAY, SELF, FAIRBANKS (via teleconference), testified in support of using Permanent Fund earnings to pay for government. He discussed an income tax and bonding to pay for new infrastructure. He was a former stock broker. He did not like the state's lack of a balanced budget. He discussed the Standard and Poor credit rating of the state. He thought the state should use the means it had available to pay for government. He thought the Permanent Fund should be reasonable. He considered that there should be progressive taxes to fund government priorities such as roads, public safety, and University. He thought K-12 education should be a priority.

3:23:15 PM

KATHY KARELLA, SELF/FAMILY, FAIRBANKS (via teleconference), testified in support of funding for services for individuals with mental and physical disabilities and substance abuse issues. She supported funding services for individuals in the criminal justice system. She discussed supports for mental health. Her brother in law was disabled and needed to utilize state services. She thought services needed to be easily accessible. Her family had used public guardian services. She emphasized the need for recidivism reduction services, and treatment for substance abuse.

3:25:36 PM

DONALD KARELLA, SELF/FAMILY, FAIRBANKS (via teleconference), spoke in support of funding for the homeless. He had worked in corrections for 15 years. He discussed the issue of mass incarceration and mental health issues. He shared concerns about lack of services for veterans and homeless. He was a Viet Nam veteran. He urged the legislature to take care of people that needed help. He referenced a comment from the U.S. Surgeon General that indicated a \$1 investment in mental health returned \$17.

3:28:02 PM

STEVEN HANSEN, SELF, FAIRBANKS (via teleconference), spoke in support of funding for travel in the Public Defender Agency. He was a public defender for the agency. He addressed the travel budget, which he considered an important tool through which his division delivered justice to the rural communities it oversaw. The Fairbanks Court System was responsible for rural courts in Tok, Delta Junction, Nenana, Fort Yukon, and Galena. The legislature had amended Criminal Rule 11 a few years previously, which had given the agency additional options for community sentencing. He had travelled to villages to hold community/alternative sentencing events, which he considered had been an effective tool in reducing recidivism. He wanted to ensure that communities could be safe by delivering a sentencing mechanism that seemed to have a strong effect. He discussed the issue of bringing clients into Fairbanks, and a recent court of appeals decision.

3:30:10 PM

MARNA SANFORD, SELF, FAIRBANKS (via teleconference), testified in support of funding for the Department of Public Safety, and for Public Defenders. She thought there could not be an effective criminal justice system without funding for public defenders. She emphasized the public defenders were the first people who came into jail to speak to offenders. She emphasized that Alaskan jails were housing the mentally ill of the state. She discussed the heavy caseloads of public defenders in the state. She referenced the comments of an earlier testifier that spoke about OPA, and supported funding for public guardians.

[3:32:23 PM](#)

JODY POTTS, SELF, FAIRBANKS (via teleconference), spoke in support of funding for the Village Public Safety Officer (VPSO) program. She was a Village Public Safety Officer (VPSO) sergeant and the VPSO coordinator at Tanana Chief's Conference. She thanked Representative Kawasaki and Representative Lincoln and the House Finance Subcommittee for the Department of Public Safety for the budget recommendations for the VPSO program in rural Alaska. She thought there was potential to make safer rural communities if regional contractors were allowed flexibility to manage the program to meet the needs of the citizens. She reminded that VPSO positions had over 30 vacancies, with over 100 rural communities without law enforcement present. She was concerned about justice for victims.

[3:34:11 PM](#)

RON TEMPLETON, FAIRBANKS FIRE DEPARTMENT, FAIRBANKS (via teleconference), testified in support of returning Public Employees' Retirement System (PERS) to a defined benefit retirement. He was the assistant chief of the Fairbanks Fire Department. He supported funding for fire departments. He discussed hiring practices of the fire department. He discussed the steep decline in applicants and the high rate of employee turnover in the fire department since the advent of Tier 4 in the retirement system. He discussed the expense of training new employees, and the impact on the department. He had seen other Alaskan fire departments experiencing the same problems with recruitment and retention of employees.

[3:36:28 PM](#)

RANDY GRIFFIN, SELF, FAIRBANKS (via teleconference), testified in support of a draw on the earnings reserve of the Permanent Fund. He had donated his PFD to the General Fund in previous years. He did not support an income tax. He supported further budget cuts.

[3:38:42 PM](#)

KATE RIPLEY, UAF ALUMNI ASSOCIATION, FAIRBANKS (via teleconference), testified in support of funding UA at the level recommended by the House Finance Subcommittee. She thought that investment in the University generated additional revenue of \$1 billion per year in the state. She considered that the University was an economic driver that trained and educated citizens. She discussed graduates of the University system, who relied less on other government safety-net services and stayed out of the criminal justice system. She discussed arctic research. She referenced a study by the alumni association, that found that 37,000 of the registered voters in Alaska were UA alumni. She thought UA President James Johnsen had correctly stated that a great state needed a great university.

[3:41:12 PM](#)

AT EASE

[4:02:00 PM](#)

RECONVENED

^PUBLIC TESTIMONY: OFF NET SITES

[4:02:06 PM](#)

RON JOHNSON, SELF, FAIRBANKS (via teleconference), commented on the Permanent Fund Dividend. He thought the legislature had assigned 33 percent of the Permanent Fund earnings to the PFD. Instead, he suggested reducing the PFD amount to \$800 and using the savings to increase the Department of Health and Social Services' budget. It would benefit people in need. Also, he urged the legislature to ramp down the total operating budget, as the state could not afford to spend the way it had previously. He referred to a previous caller who made comments about HB 83 that would allow new state employees a choice of defined benefits. He was not opposed to allowing new people to have defined benefits. However, if the state did so, a plan to

ensure a reasonable rate of return on the state's investments was necessary. He was concerned with the possibility of increasing the state's unfunded liability, as the state was already behind in its funding. He pointed out that there were large budget drivers: Health and Social Services, education, and the PFD. He thought it was necessary to control these costs if the state was going to solve its long-term budget problem. He thanked the committee.

[4:04:49 PM](#)

JEFF BENOWITZ, SELF, FAIRBANKS (via teleconference), encouraged the legislature to support the full budget request from the University of Alaska Board of Regents. He thought of the university system as a mutual fund: Not everyone would agree with every stock purchased, however, investing in an index fund would bring greater returns. He wanted the University to be careful about increasing fees. He thanked members for their service.

Co-Chair Seaton relayed that the committee would take a 10-minute break. If no one called in by 4:30 p.m. he would end public testimony.

[4:06:52 PM](#)

AT EASE

[4:17:01 PM](#)

RECONVENED

[4:17:21 PM](#)

CINDY WRIGHT, UAF ALUMNI BOARD MEMBER, FAIRBANKS (via teleconference), spoke in favor of the funding level supported by the House Finance Committee sought funding for the University of Alaska. She was a representative of the UAF Alumni Board of Directors. She earned an undergraduate degree in education in 1988. She thanked Representative Wool for his amendment to increase the investment in the University. She asserted that the University generated revenues of about \$1 billion each year. She thought the university was an economic driver by training and educating Alaska's citizens. She relayed that UAF was the worldwide leader in arctic research, something to be proud of. Approximately 37,000 of the registered voters in Alaska were UAF alumni. They stayed in the state, contributed to

their communities, bought or built homes, paid property taxes, raised families, and ran businesses. Students that leave the state for college often do not return to the state. President Johnson had stated, "Great states have great universities." She thanked the committee.

Co-Chair Seaton recognized Representative Kawasaki listening online.

[4:19:41 PM](#)

ALAN BACKFORD, SELF, DILLINGHAM (via teleconference), thought the state and federal governments were having financial problems due to abortion and similar things. He advocated for removing abortion from Medicaid benefits. He quoted from the Bible. He thanked the committee.

Co-Chair Seaton indicated there was no one online to testify. The committee would take a break until 4:30 PM.

[4:21:01 PM](#)

AT EASE

[4:31:12 PM](#)

RECONVENED

KALEEN LAMB, SELF, FAIRBANKS (via teleconference), asked to keep [inaudible] in the operating budget, as it would help everyone.

[4:33:03 PM](#)

BROTHER TOM PATMOR, SELF, CLAM GULCH (via teleconference), stated that since a large percentage of the state's budget would most likely be funded with money from the Permanent Fund and since most Alaskans were opposed to the draining of the fund, he advocated giving the fund some form of collateral. He suggested either to consider the money involved a loan or an outright sale of some of the state's resources. Some of the resources were costing money to maintain or were not being used by the public. He stated that the Dalton Highway cost the state approximately \$20 million per year to maintain. If the Alaska Permanent Fund Corporation owned it, the corporation could make it a toll road and lease or sell lots alongside it for traveler convenience. He provided other examples of state resources being owned by the Alaska Permanent Fund Corporation.

Co-Chair Seaton relayed that since there were no other testifiers online and it was after 4:30 p.m. he would be adjourning the meeting for the day. He relayed that written testimony could be submitted to housefinance@akleg.gov through 1:00 p.m, Saturday, March 3, 2018. He reminded members that amendments to HB 285 and HB 286 were due the Legislative Finance Division via the amendment system by 5:00 p.m., Saturday, March 3, 2018. Members were encouraged to submit amendments before that deadline. He reviewed the agenda for the following meeting.

HB 285 was HEARD and HELD in committee for further consideration.

HB 286 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[4:36:53 PM](#)

The meeting was adjourned at 4:36 p.m.