

HOUSE FINANCE COMMITTEE  
March 15, 2018  
2:13 p.m.

2:13:28 PM

CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 2:13 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

Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Fabienne Peter-Contesse, Director, Administrative Services, Department of Natural Resources; Rob Carpenter, Analyst, Legislative Finance Division, In Room;

PRESENT VIA TELECONFERENCE

Megan Wallace, Legislative Legal Services, Juneau; Amanda Holland, Deputy Commissioner, Department of Transportation and Public Facilities; Amanda Holland, Deputy Commissioner, Department of Transportation and Public Facilities;

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.

#### AMENDMENTS

Co-Chair Seaton reviewed the agenda for the meeting.

#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."

[2:14:27 PM](#)

#### ^AMENDMENTS

[2:14:34 PM](#)

Co-Chair Seaton relayed the order of the amendments. The committee would resume with the University of Alaska amendment, SAP 28, the Department of Revenue amendment, amendments for the Department of Military and Veterans Affairs, the Department of Natural Resources amendments,

and amendments for the Department of Transportation and Public Facilities.

Co-Chair Seaton MOVED to ADOPT Amendment L H UOA 3 (copy on file):

University of Alaska  
Anchorage Campus  
L H UOA 3 - Alaska mother and baby vitamin D research  
Offered by Representative Seaton

See 30-GH25640.2

This adds \$499.5 over FY19 and FY20 for research to be conducted by the Institute for Circumpolar Health Studies to establish a baseline for prenatal and newborn vitamin D levels for Alaska women and children, to determine the prevalence of vitamin D deficiency among pregnant women and newborns, and to consider whether prenatal vitamin D screenings and supplementation guidelines should be modified for Alaska women and children.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton indicated the amendment had been discussed in the previous hearing. He provided a brief summary of the bill. He relayed there could be a tremendous amount of cost savings based on the use of Vitamin D. He hoped to ensure the nutritional needs of Alaskans.

Representative Wilson asked for Co-Chair Seaton to review the amounts associated with the amendment. Co-Chair Seaton responded that the amendment added \$499,500 over FY 19 and FY 20 on research. The fund source was designated general funds (DGF) from Alaska Comprehensive Health Insurance Association (ACHIA).

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

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

[Representative Pruitt was absent from the vote].

The MOTION to ADOPT L H UOA 3 PASSED (6/4).

[2:18:37 PM](#)

Co-Chair Seaton MOVED to ADOPT H SAP 28 (copy on file):

Language Amendments

H SAP 28 - Contingency provision for the Permanent Fund ERA draw to the general fund and to the PFD Fund Offered by Representative Seaton

See 30-GH25640.33

This amendment changes the "title" of sec. 28 from Contingency to Contingencies and adds a new subsection (b). New subsection (b) makes the Permanent Fund earnings reserve account draw to the general fund and to the permanent fund dividend fund contingent upon the failure of another bill to be passed by the 30th Legislature and enacted into law that would make a similar draw calculation and distribution and that provides for the distribution of a PFD.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above). He elaborated that the amendment included contingency language that if the House and Senate passed a bill that did similar things, the PFD would not be double funded.

Representative Wilson asked if there was a reason why the contingency would not be based on the failure of a bill rather than the passage of a bill. She referred to bills concerning funding for schools and seniors. Contingency language for both bills were based on passage of legislation. Co-Chair Seaton responded that if another bill passed, it would have a fiscal note. Basically, the amendment indicated that if another bill did not pass, the funding would be enforced.

Representative Wilson was trying to be consistent with the language of the other 2 bills. She suggested that if SB 26 passed, it would come with a fiscal note. She asked if she was correct. Co-Chair Seaton clarified that it would come with a fiscal note. He repeated his explanation.

Representative Pruitt asked that if the other bill passed, because it would not be an appropriation, it would automatically take place rather than the legislature having to shore it up at the end of the legislative process. The amendment indicated that the money would go into the general fund no matter what. It ensured that the legislature did not do a double draw from the earnings reserve account (ERA) if another piece of legislation was passed. The money would automatically be dropped into the general fund and the legislature would be pulling money from the ERA. He thought the amendment was sufficient. Co-Chair Seaton responded that he had requested the amendment from the Legislative Finance Division to ensure that the state did not incur a double draw.

Representative Tilton asked for someone from the Legislative Finance Division to come to the table to verify the information. Co-Chair Seaton commented that Legislative Legal Services drafted the amendment. He would have someone from Legislative Legal Services call into the committee meeting.

[2:24:27 PM](#)

AT EASE

[2:27:22 PM](#)

RECONVENED

MEGAN WALLACE, LEGISLATIVE LEGAL SERVICES, JUNEAU (via teleconference), introduced herself.

Co-Chair Seaton restated his question. He asked Ms. Wallace to explain how the amendment worked. Ms. Wallace replied that the amendment before the committee was a contingency clause stating that the appropriations in 8(c) and 8(d) of the bill, which were the Permanent Fund (PF) appropriations, were contingent on the failure of substantive PF legislation being passed. It meant that appropriations in 8(c) and 8(d) would only take effect if there was no other legislation that passed the legislature during the 30th Alaska State Legislature. If a substantive PF bill passed, the PF draws would need to be addressed in either a fiscal note or another appropriation bill.

Representative Wilson wondered if her thinking was correct. She presented a hypothetical example in which a bill contained a 50/50 plan. She wondered if the bill parameters

would override what the contingency language included. The new bill would replace the numbers. Ms. Wallace responded affirmatively. The contingency clause stated that the appropriations in 8(c) and 8(d) were contingent on the failure of any bill. The contingency clause was contingent on the failure aspect rather than the ultimate percentages or amounts agreed upon in a substantive PF bill. Co-Chair Seaton thanked Ms. Wallace for her time.

Representative Wilson WITHDREW her OBJECTION.

There being NO OBJECTION, H SAP 28 was ADOPTED.

2:30:54 PM

Representative Wilson MOVED to ADOPT Amendment H DOR 7 (copy on file):

Taxation and Treasury  
Treasury Division  
H DOR 7  
3001: Financial Services  
Offered by Representative Wilson

FY17 Actuals were \$345.0 and the FY19 Governor's request is \$640.3. A decrement of \$100.0 will result in a FY 19 budget request of \$540.3 for accounting, auditing, management/consulting services, \$195.3 over FY 17 actual expenditures.

Co-Chair Seaton OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Co-Chair Seaton noted that the custodian fees for consulting services were posted as expenditures in the treasury division's financial services account. The consulting service expenditures varied from year-to-year. In FY 19, due to internal investing, the treasury division anticipated spending the amount specified in the budget. The treasury division reduced the financial services line by \$2 million since FY 15. The division already took a UGF reduction of \$525,900 in the FY 19 proposed budget. Since FY 15, the Treasury Division had reduced its general fund from \$5.5 million to \$2.8 million. Reducing the general fund amount by \$100,000 could result in a reduction of revenue from other fund sources depending on expenses and

their allocations. If the amendment was adopted the treasury division might have to submit a supplemental request in the following year to continue with internal investing.

Representative Wilson explained that services had increased \$300,000 from FY 17 actuals to the governor's FY 19 request and general fund spending had increased in the same amount.

Co-Chair Seaton MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

OPPOSED: Pruitt, Thompson, Tilton, Wilson

The MOTION to ADOPT H DOR 7 FAILED (4/7).

[2:34:53 PM](#)

Co-Chair Seaton directed members to turn to page 40 of the amendment packet.

Representative Pruitt MOVED to ADOPT Amendment H MVA 4 (copy on file):

Military and Veterans' Affairs  
Office of the Commissioner  
H MVA 4  
Delete Special Assistant  
Offered by Representative Pruitt

Eliminates funding for this increment added in the Governors FY19 budget

Representative Kawasaki OBJECTED for discussion.

Representative Pruitt explained that the amendment removed a position that had been added recently in Washington D.C. The department had submitted some of its concerns in writing, which he appreciated. He reported that there was an indication from the defense department budget that was recently passed, that the position might be needed in the future but not presently. He thought that there would not be a need until FY 21 for a facility in Alaska. He had received feedback that Alaska's delegation had been very

effective. He used the 425 as an example. He argued that the department did not currently need an additional person in Washington D.C. to advocate on the state's behalf. He spoke of the legislature investing \$300,000 in FY 12 to hire consultants. Once the money ran out there were a couple of years where there were no appropriations. He thought the timing was off. He urged members to support his amendment.

Representative Kawasaki relayed that the finance subcommittee for the Department of Military and Veterans Affairs (DMVA) looked at the increment and the supplemental request. The department felt it was such an important factor for DMVA that they added the amount as a supplemental item in December of the previous year. He reported that between FY 15 and FY 17 the department had seen a decrease to the general fund outlay for DMVA. At the same time, the department had been able to increase federal funding by 43 percent (\$1 investment for every \$42 received by the federal government - a \$16 million agency spend that recuperated \$744 million statewide). He thought Representative Thompson could speak to the importance of the growth in the Fairbanks area. The economy had not been doing well but most recently had a flood of projects that had come to Eielson Airforce Base, Wainwright AFB prior to that, and in Fort Greely with the missile defense command. The increment was important if the department wanted to grow the Department of Defense investment in the State of Alaska. He reported that there were currently 35 other states that had a military affairs office specifically dealing with force structure and military base issues. Alaska was in competition for federal dollars. He stressed the importance of having someone with their eyes and ears on the ground in Washington DC to help Senator Murkowski, Senator Sullivan, and Congressman Young in advocating for a strong military presence in Alaska. He also emphasized the importance of bringing funds to the state and having a point person for veterans. The Republicans in the subcommittee decided not to touch this increment. He asked members to oppose the amendment.

[2:41:10 PM](#)

Representative Thompson would be voting against the amendment. He had received letters from the Fairbanks Chamber of Commerce and other entities that voiced great concerns about the amendment. The special assistant

position was very important to Fairbanks. The state had problems with its military in Fairbanks. The coal plant at Fort Wainwright and the PM 2.5 non-attainment designation would influence force structure in the future. He thought the state could have a problem with the F-35s at Eielson Airforce Base. Although the base itself was outside of the nonattainment area, the housing to accommodate the new airmen would be built in the North Pole area. The Environmental Protection Agency (EPA) might not allow construction because of the nonattainment area. He mentioned that the Department of Defense had made the statement about the realignment of bases. He did not want Alaska to get in the crosshairs. He could not support the amendment.

Co-Chair Seaton indicated that Brian Duffy was available for questions.

Representative Wilson asked how long the position been in the budget. Representative Pruitt was hired December 1, 2017.

Representative Wilson asked if Representative Pruitt had a position description. Representative Pruitt responded that it was a new position based in Washington D.C. In FY 17, there was an attempt to add position at \$127,000, but it was vetoed by the governor.

[2:44:08 PM](#)

Representative Wilson understood Representative Thompson's comments about the PM 2.5 EPA designation. She reported efforts to be in compliance. She discussed matching federal dollars and wondered whether they would have to be used to pay for a special assistant or if they could be used to pay for a position in Alaska. She thought a position would be more affective at home helping veterans. She expressed concerns about the governor vetoing the position again. She wanted to hear from someone in the governor's office. Co-Chair Seaton indicated that Brian Duffy was online and might be able to comment. Representative Wilson wanted to hear from the governor's office. She thought something might have changed since the position was vetoed.

Representative Kawasaki thought 2011 was the peak of what the governor's office had. He continued that when John Kats was there three other assistants and contractors associated

were in the Washington D.C. office. They handled a multitude of things including Base Realignment and Closure (BRAC), veterans' services issues, and military issues. He thought the office in Washington D.C. was staffed by two employees or less. The total number of staff in Washington D.C. advocating on behalf of the military had shrunk considerably over the years. The position being considered would be working specifically on military issues because it was such an important part of the state. He thought the governor's office could speak to the fewer amount of support staff in Washington D.C. presently. Representative Wilson wanted clarity around why the governor vetoed the position previously. She wondered if something changed.

2:47:30 PM

AT EASE

2:52:37 PM

RECONVENED

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, reported that there was a veto in June 2016 that affected the FY 17 budget. There were many vetoes at the time. The governor's office was looking for all possible reductions in addition to the reductions made by the legislature. The rationale around the veto was that it was a contract that provided for representation for the base realignment federal process. At the time the DMVA leadership did not believe the state was getting the proper level of service for the value of the contract. Without the contracted representation, the responsibility was shifted to a deputy commissioner within the department. The department realized that the responsibilities associated with representing the state regarding base realignment was a full-time job. Instead of hiring a contractor again, the department thought it was more appropriate to create a position.

Representative Wilson asked how many people the state had in Washington DC. Ms. Pitney was unsure of the exact amount. She noted a small group of 3 people from the governor's office and 1 person from the Department of Military and Veterans Affairs.

Representative Pruitt noted that there was a group in Washington D.C. to advocate on the state's behalf. He commented that the state's delegation was aligned. He

thought the 2.5 particulate was a local issue. He did not think a person was needed to address the issue in Washington D.C. It was a far-reaching issue. He did not believe someone in this position would be able to influence the Pentagon about the attainment levels. He thought the local community would need to focus on the issue. There was a conversation previously about moving the F-16s to Anchorage. It could not happen because of logistics. He spoke to the military growth in Fairbanks and whether an additional person was necessary presently. He spoke to the fact that the duties had been assigned to other positions prior to the initiation of the new position. He argued against creating a new full-time position.

Representative Kawasaki 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 MVA 4 FAILED (4/7).

Co-Chair Seaton MOVED to ADOPT Amendment H MVA 5 and Amendment H MVA 6(copies on file):

[H MVA 5]

Veterans' Services  
H MVA 5  
Delete \$100.0 UGF (funding to be added back as a IncOTI)  
Offered by Representative Seaton

This amendment deletes \$100.0 UGF to be restored in a separate amendment as a one-time increment.

[H MVA 6]

H MVA 6  
Restore \$100.0 UGF as a  
One-Time Increment for an additional Veterans' Service Officer  
Offered by Representative Seaton

The Department of Military and Veterans' Affairs received an increase to their federal State Administrative Agency grant award to pay for a program manager position and its associated costs. The position was previously paid for with UGF and that funding was maintained in the Veterans' Services base budget.

The department has expressed that the intent for the \$100.0 UGF funds that have now become available through this use of federal grant funds was "to re-roll those GF monies to bring on an additional Veteran Service Officer". The department has also expressed concern that the federal grant now being used for this position may be uncertain in future years. In concert with another amendment that deletes the \$100.0 UGF from the base budget and out of consideration to the concerns and original intent of the department, this amendment restores the \$100.0 UGF as a one-time increment so funding needs may be reviewed during the next legislative session.

There being NO OBJECTION, H MVA 5 and H MVA 6 were ADOPTED.

[3:01:56 PM](#)

AT EASE

[3:02:22 PM](#)

RECONVENED

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

Administration & Support Services  
Office of Project Management & Permitting  
H DNR 5  
3011: Other Services  
Offered by Representative Wilson

FY17 Actuals \$74.7, FY18 Management Plan \$100.0 and FY19 Governor \$400.0. A reduction of \$100.0 would leave \$300.0 for Other Services-professional service contracts required by project proponents.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Representative Guttenberg spoke to his objection. He opined that the amendment assumed that the reduction was available and that all contractual services were funded with general funds, which they were not. He continued that account 3011 for other services, depending on statutory designated receipt spending, depended on matching what was funded by industry. In FY 17, DNR lapsed only \$240,000 out of a \$62 million budget. The cut would result in a loss of 1 position and a reduction of services. The program was commonly referred to as "OPMP" [Office of Project Management and Permitting]. It was a service inside of DNR that was meant to facilitate the management of permits. He thought state resource development would be hindered with this amendment.

Representative Wilson explained that personal services was at \$1.3 million and was increased to \$1.8 million. The first thing she did before she looked at general funds for this decrement was to make sure that she was not taking any general funds currently being used for personal services. She wanted to know whether the department was spending money where it was allocated. She had not heard anything from DNR about the decrement and whether it would cause issues.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to ADOPT Amendment H DNR 5 FAILED (5/6).

[3:06:25 PM](#)

Representative Tilton MOVED to ADOPT Amendment H DNR 6 (copy on file):

Fire Suppression, Land & Water Resources  
Mining, Land & Water  
H DNR 6  
Decrease in services.  
Offered by Representative Tilton

Reduction in services is 3.3 percent higher than FY 17 Final.

Amendment: 3700  
HCS: 3962.6  
19GovAmend: 3855.6  
FY17Final: 3579.4  
FY17CC: 3563.2

Representative Guttenberg OBJECTED for discussion.

Representative Tilton explained the amendment. The amendment decreased the service line in the Division of Mining, Land, and Water by \$262,000. The FY 17 actual was \$3.5 million, and the FY 19 governor's request was \$3.8 million. There was an increase in every item under services with a 4 time increase in the information technology software licensing line item.

Representative Guttenberg replied that there was an assumption that it was possible to cut all the general funds out of contractual services and that all the contracted services were funded through the general fund. They were not. He had received feedback from the department that there were increases in federal grants. The service line was a combination of federal grants and federal projects that were ongoing and increasing. The department reported that if the cut were to be implemented at least 2 positions would be deleted and services would be reduced in resource development.

Representative Wilson commented that in this area there was \$4.3 million in general funds. The reduction would not affect the matching general fund dollars in the amount of \$308,000. She noted that there were designated general funds for permitting that had increased from \$9.7 million FY 17 actuals to \$12.2 million. There had been increases in funding. She would be supporting the amendment.

Representative Tilton opined that there were plenty of general funds in the component. Under education services the amount was 2.5 more in the budget than in the actuals for FY 17 and 4 times more for software licensing. She asked members for their support.

Representative Guttenberg 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 DNR 6 FAILED (4/7).

3:10:30 PM

Co-Chair Seaton MOVED to ADOPT Amendment H DNR 7 (copy on file):

Fire Suppression, Land & Water Resources  
Mining, Land & Water  
H DNR 7

Line Item Transfer to Correct  
Line Items for Amendment H DNR 3  
Offered by Representative Seaton

This amendment corrects the line items for amendment H DNR 3 from round 1.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above).

Representative Wilson WITHDREW her OBJECTION

There being NO OBJECTION, Amendment H DNR 7 was ADOPTED.

Representative Wilson MOVED to ADOPT Amendment H DNR 8 and Amendment H DNR 9 (copies on file):

[H DNR 8]

Fire Suppression, Land & Water Resources  
Mining, Land & Water  
H DNR 8 3003: Information Technology  
Offered by Representative Wilson

FY2017 Actuals \$220.5 and FY19 Governor \$900.0. A reduction of \$200.0 leaves \$700.0 for software licensing

[H DNR 9]

Fire Suppression, Land & Water Resources  
Mining, Land & Water  
H DNR 9

4000: Business

FY17 Actuals \$348.7 and FY19 Governor \$508.2. A reduction of \$100.0 leaves \$408.2 for books, office supplies, office furniture and computers.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendments (see above).

Representative Guttenberg explained that within information technologies the unified programs were placed back into the operating budget. They had previously been in the capital budget. He thought the decrement assumed that all the contractual services were UGF, which they were not. He explained when all UGF was cut from a program that really was not UGF, other things were affected. The funds were for software licensing fees and 3 positions. The information technology equipment and contracts for software were designed to streamline operations and permitting for resource development. He thought the loss of 3 positions would be detrimental to the development of the state's resources.

Representative Wilson was sure that the department did not place personnel in the information technology line item. She thought personnel was reflected in personal services. She argued that the amount was for software licensing rather than personnel. She thought the state needed to cut down on spending for books, office supplies, furniture, and new computers. She relayed that there was a substantial increase reflected in the budget. She asked members for their support.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson, Grenn

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

The MOTION to ADOPT Amendment H DNR 8 and Amendment H DR 9 FAILED (5/6).

[3:15:24 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DNR 10 (copy on file):

Forest Management & Development  
H DNR 10  
3011: Other Services  
Offered by Representative Wilson

FY17 Actuals \$1,603.5 and FY19 Governor \$2,061.3. A reduction of \$100.0 leaves \$1961.3 for other services: professional service contracts to support forest practices and reforestation projects, printing and graphics services, central travel fees.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Representative Guttenberg wanted to hear from the department as to why general funds were not available and what happened when general funds were reduced in a line item. He noted that two federal projects resulted in a large increase in contractual services. The department was doing more with what it had and did not fully spend contractual services in FY 17 because it collected all the federal National Income Accounts (NIA) revenue. The department anticipated that another position would be cut and there would be a loss of services to Alaskans.

[3:16:59 PM](#)

FABIENNE PETER-CONTESSÉ, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES, introduced herself and asked Representative Guttenberg to restate his question.

Representative Guttenberg restated his question. Ms. Peter-Contesse responded that when looking at the expenditure of a particular line item it was difficult to determine the source of funding, as it was mixed. She pointed to the FY 17 actuals for forest management and development in the amount of \$1.6 million. She indicated that the division might not have spent all the authority in that line item because the division might not have collected all of the revenue. A person could not assume that the difference between \$1.6 million and the governor's amount of \$2 million consisted of all general funds. In the

current case, the reason there was a significant difference between FY 17 actuals and the governor's FY 19 was because in FY 18 the department had 2 new federal programs come online within the component: the Tongass young growth project and the forest inventory assessment program. Both programs had significant contractual components. In FY 18 and FY 19 the department was contracting to provide services for both federal grant programs. The component had been cut by 35 percent in UGF since FY 15. The department could not take the reduction out of the line item, as there was nothing left in the other line items. The impact of a cut of \$100,000 equated to a position somewhere in forest management and it would add to the 35 percent UGF reduction over the prior 4 fiscal years.

Representative Wilson asked how much of the \$1.6 million that was spent in FY 17 were general funds and how much were federal dollars. Ms. Peter-Contesse responded that she could not tell Representative Wilson the breakdown of a particular line item by funding source, as the state did not budget in that way. The state budgeted by line item in total and by funding sources in total. She could go to personal services to look at a breakdown, because when the department budgeted its personnel they budgeted by funding source. She could estimate that a certain amount of money going out the door in contractual services was from a certain federal program. However, there might be a mix of funding in each line item.

[3:21:15 PM](#)

Representative Ortiz summarized that if the reduction moved forward it would potentially hinder the utilization of resources in the Tongass Forest. He asked if he was correct. Ms. Peter-Contesse responded, "That's correct."

Representative Wilson imagined if a reduction was going to affect federal receipts it was due to matching funds. However, there was no general fund match for this item. She noted money left over would be utilized for travel, services, or commodities. She argued that the department should have designated any matching funds.

Representative Guttenberg MAINTAINED OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to ADOPT Amendment H DNR 10 FAILED (5/6).

3:23:20 PM

Representative Tilton MOVED to ADOPT Amendment H DNR 11  
(copy on file):

Geological & Geophysical Surveys  
H DNR 11  
Decrease in services.  
Offered by Representative Tilton

Decrease is equal to FY 15 Actuals and is 9.9% above  
FY17Final\*.  
FY15Actuals: 2048.6  
FY16Actuals: 2042.9  
FY17Actuals: 1434.2  
FY17Final: 1819.1

Representative Guttenberg OBJECTED for discussion.

Representative Tilton read the amendment (see above).

Vice-Chair Gara understood the numbers but wanted to know what kind of impact would be felt by the department. The department had experienced an overall reduction of 33 percent since FY 15 from \$88 million to \$58 million.

Ms. Peter-Contesse relayed that the Division of Geological and Geophysical Surveys experienced a 35 percent reduction in UGF since FY 15 and has replaced some of its funding with federal increases through federal grants. The department would see an increase in federal grants in the coming year. A significant amount of this money would be spent on contractual services. The department had grants for the Alaska Volcano Observatory in the amount of \$900,000. The division also had an EPA and a Federal Emergency Management Agency (FEMA) grant dealing with life, health, and safety issues in the State of Alaska. She asserted that to assume that the \$280,000 reduction was only a UGF decrease was inaccurate. She reported that about one quarter of the division's funding was federal receipts, the majority of which would come to the state in the form of federal grants. A high percentage of positions within

the division were funded with UGF. If \$280,000 was going to be deleted from this component, positions would have to be eliminated. The department had eliminated \$1 million in FY 16 in the airborne geophysical surveys which limited the division's ability to fly surveys or contract out for surveys. Additional cuts would limit the amount of data collection that DNR could perform in support of industry and development in Alaska and would negatively affect revenues in the long-term.

3:27:40 PM

Co-Chair Seaton asked if matching funds were designated general funds or unrestricted general funds. Ms. Peter-Contesse responded that some federal grants did not require a funding match, and some did. The department could use general funds, capital project matching funds, or in-kind. A match did not have to be designated as a general fund match to satisfy a grant.

Representative Tilton explained that there was no place indicating a GF match. The amount would be 9.9 percent higher than FY 17 finals. She asked for support of the amendment.

Representative Guttenberg MAINTAINED 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 DNR 11 FAILED (4/7).

Representative Wilson WITHDREW Amendment H DNR 12 (copy on file):

Geological & Geophysical Surveys  
H DNR 12  
3009:  
Structure/Infrastructure/Land  
Offered by Representative Wilson

FY17 Actuals \$192.1 and FY19 Governor \$920.5. A reduction of \$200.0 would leave \$720.5 for surveys,

contracts and professional services associated with field data collection.

Representative Wilson MOVED to ADOPT Amendment H DNR 13 and Amendment H DNR 14(copies on file):

[H DSNR 13]

Fire Suppression Activity  
H DNR 13  
4004 Safety  
Offered by Representative Wilson

FY17 Actuals \$694.8 and FY19 Governor \$1,015.0. A decrease of \$100.0 would leave \$915.0 for safety supplies.

[H DNR 14]

Fire Suppression Activity  
H DNR 14  
4020: Equipment Fuel  
Offered by Representative Wilson

FY17 Actuals \$1,389.0 and FY19 Governor \$3,250.0. A decrease of \$100.0 would leave \$3,150.0 for fuel.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendments (see above).

Representative Guttenberg indicated that the state funded fire suppression by finding a baseline of operations and funding at that level. The assumption was that when a fire occurred the state funded at whatever cost. He suggested that making the reductions would require a supplemental request sooner.

Vice-Chair Gara noted that there were 2 lines of fire suppression appropriations in the budget since FY 15. They were down by about \$500,000 combined. He asked where the \$100,000 in safety supplies would come from. Representative Wilson replied that she could get into the weeds and look at the department's list. She indicated that the amount was still an additional \$300,000. She was not proposing cuts down to the FY 17 level. It was one quarter of the increase.

Vice-Chair Gara asked what safety supplies the maker thought could be reduced. Representative Wilson argued that she was not asking to hold the line to FY 17. She had left an increase in the proposed budget.

Representative Guttenberg MAINTAINED OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION Amendment H DNR 13 and Amendment H DNR 14 FAILED (5/6).

[3:34:51 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DNR 15 (copy on file):

Agriculture  
Agricultural Development  
H DNR 15  
3011: Other Services  
Offered by Representative Wilson

FY17 Actuals \$70.0 and FY19 Governor \$342.0. A decrease of \$100.0 would leave \$242.0 for professional service contracts.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Representative Guttenberg spoke to his objection. In the past, when he had worked on budget amendments, he had always consulted with the Legislative Finance Division and the department to better understand the impacts of amendments. Like many of the amendments, this assumed that the contracts were funded by general funds and would result in a loss of services to Alaskans. One position would be lost as well. He explained about matching funds as they related to positions. He reemphasized that the reduction would result in a loss of services. He noted that the amendment dealt with agriculture, which the state was trying to expand. He thought better understanding the

impacts of amendments was something that should be brought to the table.

Vice-Chair Gara conveyed that he had always consulted with the departments about the potential impacts of a particular amendment. He did not think it worked to come up with a number without consulting with the department. He thought it was best to understand the impacts before filing an amendment.

[3:37:58 PM](#)

Representative Ortiz asked to hear from the department about the potential effects of the amendment under consideration.

Ms. Peter-Contesse reported that the component, agricultural development, had been reduced by about 25 percent since FY 15. The proposed cut was an additional reduction of about 9 percent UGF. She explained that the reason for the significant difference between FY 17 actuals and the governor's proposed FY 19 budget was because in FY 17 the division lapsed about \$200,000 in federal receipt authority. In other words, it lowered the amount of money the department spent in the line item. In FY 19, the department expected to receive federal receipts, anticipated needing federal authority, and planned on spending the money. The component was heavily funded with UGF. Personnel was also heavily funded with UGF. The cut would result in the elimination of a position. The director of the division would have to make some tough decisions about what was left to cut.

Representative Wilson wrapped up her argument in favor of the amendment.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

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

The MOTION to ADOPT Amendment H DNR 15 FAILED (4/7).

[3:42:13 PM](#)

Co-Chair Seaton MOVED to ADOPT Amendment H DNR 16 (copy on file):

Parks & Outdoor Recreation

Parks Management & Access

H DNR 16

Use additional vehicle rental tax receipts to replace unrestricted general fund

Offered by Representative Seaton

Vehicle rental tax receipts from FY17 are available for appropriation in FY19. VRT receipts have increased by \$3.1 million, though \$2.0 million is due to a one-time payment timing issue so is unlikely to be repeated. However, that leaves \$1.1 million that is available to be used in the operating budget on an on-going basis.

This allocation's budget already includes \$3,042.0 of vehicle rental tax receipts. This amendment reduces the unrestricted general fund by \$1.1 million and adds \$1.1 million of vehicle rental tax receipts, for a new total of \$4,142.0 vehicle rental tax receipts in this allocation.

Representative Pruitt OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above).

Representative Pruitt indicated that the original vehicle rental tax was intended for tourism and marketing. The legislature decided not to use the money for its intended purpose early on. The legislature made up for it by allocating general funds. He had been in charge of the finance subcommittee when general funds were initially reduced. There had been a substantial reduction in Alaska's tourism marketing. He explained that part of the reason the legislature had additional money available last year in vehicle rental taxes was because of the investment that had occurred in prior multiple years in marketing Alaska.

Representative Pruitt had concerns that the legislature was going to shift and establish the fund source as a long-term source for the line item. If the state was not investing in marketing, it was unlikely that it would maintain the current level of taxation. If the state was not marketing

Alaska, there would not be as many people engaging in Alaska which would result in less rental tax revenues. He thought that about 85 percent of the taxes were generated by non-Alaskans. Instead of shifting the funding over, it was an opportunity to utilize \$1.4 million in continued marketing. He disagreed with using UGF as a long-term source of funding. He mentioned that there was a significant amount of competition that had arisen over the years regarding marketing. He mentioned traveling to China, a country that had an incredible growing economy and a middle class that would exceed the whole of the United States in less than a decade. He reported people in China asking him about the Aurora, but noted Alaska was not on their list of places to see it. He thought there was a missed opportunity. There was a growing Chinese middle class that wanted to expand their horizons, but he felt Alaska would be on the back end. He suggested that instead of offsetting with general funds, the state should be reanalyzing whether the state should be taking the money intended for marketing and putting it back into additional marketing. He did not agree with the suggested utilization of funds. He thought that shifting and eliminating some UGF and adding DGF on a long-term basis was a distraction. He thought it would be more important to address something within the department that needed to be reanalyzed in terms of delivery. He asked for a "no" vote. He would rather see the money used as it was intended - for marketing Alaska.

[3:47:44 PM](#)

Representative Grenn echoed the sentiments of Representative Pruitt. He asked if the fund change source would go towards tourism development and marketing. Ms. Peter-Contesse responded that the Division of Parks and Outdoor Recreation currently had about \$3 million in vehicle rental tax receipts in its budget which funded parks management and access in the largest state park in the country. It was used for all areas and was directly related to tourism.

Representative Grenn asked if parks were available for residents. Ms. Peter-Contesse responded affirmatively.

Vice-Chair Gara asked if the funding was being taken away for tourism and marketing. Co-Chair Seaton responded, "It is not."

Vice-Chair Gara agreed that the state needed to do more for tourism marketing. Other states funded their tourism marketing through a tax paid by businesses - an income tax, sales tax, or business tax. Those companies then received a credit back from the state. The state received some of the revenue, and some of it was used to pay for tourism marketing. In Alaska, outside of the cruise ship industry, the state paid resulting in a net negative, unlike other states. He thought this would be the answer for tourism marketing. The legislature needed to figure out a way to address the issue without it resulting in a net negative to the state.

3:50:40 PM

Representative Ortiz understood that Representative Pruitt was the person that instructed tourism marketing folks to move away from general funds and rental taxes and to find a different way to fund their activities. I agreed with the representative's statement about the importance of tourism marketing and the economic benefits it brought to the state. He remembered the representative being a spokesman for the industry moving away from their practice of receiving rental tax receipts and GF dollars to do their activities. He asked if he was mistaken.

Representative Pruitt responded, "Yes, you are mistaken." He had told the tourism marketing people that depending on just general funds was not the appropriate mechanism. He suggested the legislature needed to come up with a sustainable model. The original intent of the vehicle rental tax was for marketing. Presently, the legislature had disseminated the funds to other areas. A decade prior, a decision was made to use vehicle rental tax receipts for various other things rather than tourism marketing. He continued that while he had advocated coming up with a sustainable model, the idea of funding it with only general funds would not work. He suggested that since the state currently had more vehicle rental tax receipts than in the past, the legislature should honor the initial intent of the tax which was to support tourism marketing. He asserted that he was not going to take away \$3 million from parks and recreation, as it was not feasible. Since additional funds were coming in, he thought it was worth considering using them for what they were originally intended, tourism marketing. He admitted he had said that the state did not just need to use general funds. However, he thought the

intent of the vehicle rental tax should be taken into consideration.

Representative Wilson asked if the allocation would be one-time funding or continuous funding. Co-Chair Seaton responded that it would be one-time funding. He reported the anticipation of an annual increase of \$1.1 million in vehicle rental tax receipts. The increase was already designated for park management and access. Alaska's parks drew viewers and tourists to Alaska. He indicated that the appropriation would not take away any dollars that were currently used for tourism marketing. Rather, it was additional funding for park management and access. The funding also matched up with Pittman-Robertson money that could be used for wildlife viewing and on trails relating to tourism marketing.

[3:55:05 PM](#)

Representative Wilson wondered whether the funds would be designated general funds versus vehicle rental tax receipts. She thought the maker of the amendment wanted a specific designation. Co-Chair Seaton responded that the vehicle rental tax was DGF and would be going to park management and access. The funding would not be placed into a general bucket.

Representative Wilson asked if currently Pittman-Robertson funds were in the division's budget. She did not see the funds listed in the different allocations. Co-Chair Seaton responded that there were some Pittman-Robertson funds used in wildlife viewing and access, but more funds were available. The state had been turning down money from the federal government. The money was available, but a 25 percent state match was needed.

Representative Wilson thought it had to do with another section of DNR. She was concerned about a crossover. She wanted to know if any Pittman-Robertson funds were currently in the component detail. Co-Chair Seaton replied that Pittman-Robertson funds were previously used only with fish and game funds for hunter access, not for viewing and tourist access. The amendment would allow the use of the matching funds that were not fish and game funds for park management and access which would promote tourism.

Representative Wilson asked if the money would be transferred through interagency receipts. Co-Chair Seaton indicated that DNR could respond to her question.

Ms. Peter-Contesse responded that currently most of the Pittman-Robertson money that came to DNR, came through reimbursable services agreements (RSA)s through interagency receipts. She continued that much of the money was matched with funds in the capital budget. She relayed that DNR could not directly take in Pittman-Robertson funds, only the Department of Fish and Game (DFG) could do so.

[3:58:52 PM](#)

Representative Wilson asked if the funds in the park management division could be used to match the funds in DFG. Ms. Peter-Contesse responded affirmatively. She expounded that there was an assumption that there were sufficient matching funds. The fund source change was not increasing the department's budget. In other words, the department was not getting additional funds to match additional projects. If there were projects in the works, and the department had extra funding, the department could potentially use the money as extra matching funds. However, since it was not an increase to DNR's budget, it was not providing extra leigh way to match Pittman-Roberson funds.

Representative Wilson suggested that although the co-chair wanted the money used in a certain way, the department would not necessarily be using it in that way. She thought Ms. Peter-Contesse was saying the money would be used somewhere else and that there was no excess money to match Pittman-Robertson funds at DFG. Ms. Peter-Contesse answered that the money acted like general funds. Since it was not an increase to the budget, it did not provide increased capacity.

Representative Wilson was previously going to support the amendment. However, she was hearing that the money would not be used for its intended purpose which was to match funds in specific areas. Rather, the money would be placed into a big pot of money.

Co-Chair Seaton replied that the intent was not only for matching Pittman-Robertson funds. He mentioned changing Pittman-Robertson funds that were available. He noted a position in DNR that was already in the budget, a 25

percent match for a position that would be able to recruit matching money for Pittman-Robertson from communities. The money had not been able to be used before on smaller projects because it took too much oversight and management for getting municipalities and fund sources to do the match. He was not saying that the money would be the match. However, a position would be available that was already funded. The vehicle rental match was displacing UGF in the budget.

Representative Wilson appreciated the information. However, it sounded like his intent was that the funds would be additional money. She opined that the larger discussion should be about using the Pittman-Robertson funds for viewing versus hunting access and the use of guns.

Representative Pruitt MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to ADOPT Amendment H DNR 16 PASSED (6/5).

[4:04:22 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DNR 17 (copy on file):

Parks & Outdoor Recreation  
Parks Management & Access  
H DNR 17  
2000: In-State Employee Travel  
Offered by Representative Wilson

FY17 Actuals \$86.2 and Governor FY19 \$170.0. A decrease of \$50.0 would leave \$120.0 for employee travel to attend meetings, conferences and training.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Representative Guttenberg spoke to his objection. He indicated that there was an assumption that all the funding consisted of general funds, which was not accurate. He

reported that the reduction was a cut to service. He was told by the department that the reduction could lead to the loss of an employee. Travel was necessary for people to do their jobs. He noted that many park service employees were peace officers who could not be trained online. As a result of all the complications associated with the reduction, he thought the state would lose an employee.

[4:05:53 PM](#)

Co-Chair Seaton asked to hear the impact from the perspective of DNR. Ms. Peter-Contesse replied that the component had been reduced by 51 percent UGF in the prior 4 years. The division had lost 25 positions and the department had placed parks in passive management. Alaska had the largest state park in the nation and required travel. The funding allowed people to travel to Alaska's state parks to maintain them, to train peace officers, to bring people into Anchorage, and to bring superintendents together to prepare for the park season. The department had reduced travel significantly. If funding was eliminated in the travel line (assuming it was all UGF even though much of it was probably DGF) it was likely the money would be eliminated in the personal services line resulting in the loss of a permanent part-time position.

Representative Wilson provided wrap up on the amendment. She indicated that the travel line was \$190,320. She was unsure where the decrease was because it was at \$191,000 for FY 18 and FY 19. The actual in personal services was \$9.539 million. Currently it was \$9.924 million - both increases occurring in the prior 2 years. She opined that sometimes it was just necessary to use the phone and teleconferencing rather than traveling. The reduction had to do with in-state travel.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to ADOPT Amendment H DNR 17 FAILED (5/6).

[4:09:12 PM](#)

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

Parks & Outdoor Recreation  
Parks Management & Access  
H DNR 18  
3007: Advertising and Promotions

Offered by Representative Wilson  
FY17 Actuals \$123.8 and FY19 Governor \$300.0. A  
decrease of \$100.0 leaves \$200.0 for advertising and  
promotions.

Representative Guttenberg OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Representative Guttenberg spoke to his objection. He emphasized that the amendment assumed that UGF could be cut without affecting other things. Parks and Outdoor Recreation did not spend all of its contractual services because it did not collect enough in federal receipts, statutory designated program receipts, or interagency revenue. The proposed reduction translated to the loss of a position. If undesignated funds were cut, it had a rippling affect in other areas, particularly personnel.

Representative Wilson provided wrap up on the amendment. She argued that advertising and promotions had been done on a budget of \$123,800 and the increment had nearly double. She had not seen any additional commercials or brochures. Services had gone up to \$300,000 from FY 17 to FY 19. There was \$1.4 million in UGF and another \$4.3 million in general fund programs. She argued that the state could not advertise and have promotions in the same way it did when it did not have money. The state might have to look at fees or taxes. She was unclear why double the money was needed for advertising and promotions. She asked members for their support.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to adopt Amendment H DNR 18 FAILED (5/6).

4:12:55 PM

AT EASE

4:23:50 PM

RECONVENED

Representative Tilton MOVED to ADOPT Amendment H DOT 3  
(copy on file):

Administration and Support  
Commissioner's Office  
H DOT 3 - Intent language relating to traffic safety  
concerns  
Offered by Representative Tilton

It is the intent of the Legislature that the Department of Transportation and Public Facilities develop criteria to identify critical locations and the types of lighting needed to decrease traffic safety concerns. In addition, the Department should work with local power utilities collaboratively to mitigate the cost of installation and operation.

Co-Chair Foster OBJECTED for discussion.

Representative Tilton read the amendment (see above). She elaborated that the reason for the amendment was that it was a safety issue for Alaskan families and different individuals who would benefit from the development of criteria in the inventory of the small intersections. Also, partnering with the local power utilities would be a way to minimize costs.

Representative Guttenberg had an experience where DOT had a study in which it placed a street light in an inappropriate place. It took a significant amount of community time and input from the public. No one wanted the light. Although the study did not fit the criteria, it was used in order to use federal highway safety funds. The installation of the light did not address the problem of crashes or meet the needs of the community.

Co-Chair Foster WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment H DOT 3 was ADOPTED.

4:26:48 PM

AT EASE

4:28:29 PM

RECONVENED

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

Administration and Support  
Program Development and Statewide Planning  
H DOT 4 - Legislative Intent for Use of Transportation Alternatives Program Funding  
Offered by Representative Grenn

Wordage: It is the intent of the legislature that federal Transportation Alternatives Program funding that is otherwise eligible under federal law for transfer to other federal-aid apportioned programs not be transferred from the Transportation Alternatives Program unless the state is in jeopardy of losing the funding.

Explanation: The Department of Transportation has transferred 25% of Transportation Alternative Program funds to the Surface Transportation Flexible category that maintains eligibility for Transportation Alternatives Program type projects. This amendment directs the Department of Transportation to keep all money that is eligible for Transportation Alternative grant applicants within the Transportation Alternatives Program.

Co-Chair Foster OBJECTED for discussion.

Representative Grenn presented the amendment (see above). He conveyed the Department of Transportation and Public Facilities (DOT) had helped draft the amendment. The department indicated that the amendment would not pose a burden, as it kept track of the information. The department approved of the amendment.

Representative Guttenberg asked if the amendment would have any impacts on the Statewide Transportation Improvement Program (STIP), the Fairbanks Metropolitan Area Transportation System (FMATS), or other projects.

Representative Grenn responded that the funding came from the Fixing America's Surface Transportation (FAST) Act. It would not.

Representative Guttenberg asked Ms. Holland to explain the funding.

AMANDA HOLLAND, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), replied that the Federal Aid Highway Program provided a certain fund for what was called the Transportation Alternatives Program through the transportation reauthorization bill. It was a part of the FAST Act which was a part of the 2016 transportation reauthorization bill. The program had funds set aside. She suggested that if, at the end of the obligation period the funds were not all obligated, they could be moved to a different area for a different program. The funds would not impact STIP or FMATS.

Representative Wilson asked if the intent was to have a report. She did not see such wordage in the amendment. She wondered if the amendment needed to be amended. Representative Grenn thought the amendment might need amending.

[4:33:01 PM](#)

AT EASE

[4:33:52 PM](#)

RECONVENED

Co-Chair Seaton invited Rob Carpenter to the table.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, IN ROOM, relayed that the question was whether a report needed to be added to the amendment. He indicated that LFD provided an annual report to the legislature that provided a response from each agency on their legislative intent. He thought there was already a reporting mechanism in place. He wondered if it would be sufficient. Representative Grenn responded affirmatively.

Co-Chair Foster WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment H DOT 4 was ADOPTED.

4:35:04 PM

Representative Wilson MOVED to ADOPT Amendment H DOT 5 and H DOT 6 (copies on file):

[H DOT 5]

Marine Highway System  
Marine Vessel Operations  
H DOT 5 - 3011 Other Services  
Offered by Representative Wilson

FY2017 Actuals were \$437.0 and the FY19 Governor's budget request is \$600.0. A decrement of \$100.0 will result in a FY 19 budget request of \$500.0 which is \$63.0 over FY 17 actual expenditures.

[H DOT 6]

Marine Highway System  
Marine Vessel Operations  
H DOT 6 - 4002 Household/Institutional  
Offered by Representative Wilson

FY2017 Actuals were \$2,544.4 and the FY 19 Governor's request is \$3,165.2. A decrement of \$250.0 will result in a FY 19 budget request of \$2915.2, which is \$370.8 over FY 17 actual expenditures.

Representative Ortiz OBJECTED for discussion.

Representative Wilson read the amendments (see above).

Representative Ortiz wanted to hear from the Department of Transportation and Public Facilities (DOT) about the impact for both amendments.

AMANDA HOLLAND, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), explained that the Alaska Marine Highway System budget was developed based on the number of operating weeks that were anticipated for the budget year. If certain pieces of the operating budget were cut like the other services line or the household institutional line, it would upset the balance for the development of the budget. The impact to the department would be that a single line item cut could result in the department being unable to deliver the

operating weeks of service that it had committed to through the budget process and through its published schedule. Ultimately, it could result in sailing cancelations.

Co-Chair Foster mentioned that in the other services line item in FY 17 the actual was \$437,00 and the governor proposed \$600,000, an increase of \$163,000. The sponsor of the amendment wanted to decrease the amount by \$100,000. He suggested that while FY 17 was \$437,000 the average actual cost for the previous 5 years was \$609,000. The governor was requesting \$600,000 which he thought was consistent with the average for the past 5 years. He thought the committee had to look at why the other services line was so low in FY 17. He reported that the reason the number was so low was because there were 6 fewer service weeks of sailing due to weather, overhaul delays, mechanical issues, and only 9 of 11 ships were operating. The department did not anticipate the same issue occurring. There would likely be more service weeks in FY 19. He also noted that while the other services line was \$163,000 more in comparison to FY 17 and when looking at the total services line, it had decreased from \$10.9 million down to \$10.8 million. Overall, the total services line was down by about \$100,000. He also noted that when looking at the household line item in Amendment H DOT 6, the actual in FY 17 was \$2.54 million. The governor was requesting \$3.6 million so it looked like a large increase. It represented an increase of \$621,000 over FY 17. However, when looking at the average over the previous 5 years, the household line item had averaged \$3.27 million. The governor's request of \$3.17 million which was about \$100,000 less than the 5-year average. Again, it went back to the fact that FY 17 was an anomaly. He suggested that with normal operations in FY 19, a request of \$3.16 million for the household line item was reasonable. He would be opposing H DOT 5 and H DOT 6.

Representative Wilson asked how many ships were currently operating. Ms. Holland responded that there were 9 ships operating. Representative Wilson closed by saying, "They had 9 ships then; they have 9 shops now. Thank you."

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to ADOPT Amendment H DOT 5 and Amendment H DOT 6 FAILED (5/6).

[4:41:30 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOT 7 (copy on file):

Marine Highway System  
Marine Vessel Fuel  
H DOT 7 - 4020 Equipment Fuel  
Offered by Representative Wilson

FY 17 Actuals were \$15,298.2 and the FY19 Governor's request is \$20,593.4. A decrement of \$1,000.0 will result in a FY 19 budget request of \$19,593.4 which is \$4,295.2 over FY 17 expenditures.

Co-Chair Foster OBJECTED for discussion.

Representative Wilson presented the amendment (see above).

Co-Chair Foster spoke to his objection. He noted that the amendment was similar to Amendments H DOT 5 and H DOT 6. There had been 6 fewer weeks of sailing operations in FY 17 due to unforeseen circumstances. Normal operations in the current year would result in more services weeks and more fuel usage. The 5-year average for fuel was \$25.3 million. The governor's request was for \$20.6 million, \$4.7 million less than the 5-year average. He reemphasized that FY 17 was an unusual year. Even with only 9 ships operating in the current year, there was still the normal number of service weeks. In FY 17 there were 6 fewer ships operating, but there would be more operating in the current year. Therefore, he thought the governor's request of \$4.7 million less than the 5-year average was reasonable. He would be opposing Amendment H DOT 7.

Representative Wilson wrapped up her argument in favor of the amendment.

[4:44:46 PM](#)

Representative Ortiz thought the DOT representative meant that 9 ships were in the fleet rather than in operation. He

knew for a fact that 9 ships were not currently in operation. Recently, there were only 3 ships in operation.

Representative Wilson wanted to hear from the department.

Ms. Holland responded that the department had 10 ships in in the fleet. One ship was in permanent layup, the fast vessel ferry, M/V Chenega. The department had 9 vessels that operated. They had certificates of inspection, which meant the department could operate them. Throughout the year, no matter what year the department was operating, those vessels had to go through an annual overhaul. When the department was scheduling its vessels, it included scheduling vessel overhauls. The majority of the department's vessels went into overhaul during the winter season because it was a lower-ridership demand season. The department had more vessels running in the summer season when ridership was high.

Representative Wilson commented that it sounded like the department's normal protocol.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION to ADOPT Amendment H DOT 7 FAILED (4/7).

[4:47:22 PM](#)

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

Marine Highway System  
Overhaul  
H DOT 8 - 2002 Out of State Employee Travel  
Offered by Representative Wilson

FY17 Actuals were \$85.4 and the FY19 Governor's request is \$224.4. A decrement of \$75.0 will result in a FY 19 budget request of \$149.4.

Co-Chair Foster OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Co-Chair Foster noted that the FY 17 actuals were \$85,400 and the governor's request was \$224,000 which represented an increase of \$139,000. The amendment sought to cut \$75,000 of the \$139,000. He pointed out that every year the budget included \$224,000 for the line item. It had been consistent. As much of the overhaul work was done in-state in Ketchikan, there was only so much work that could be done at any one time. Thus, necessitating the need for overhaul work out-of-state. The out-of-state travel proposal was \$139,000 higher compared to FY 17. However, the governor's proposal for in-state travel relating to overhauls was down by \$164,000. In looking at the total travel for in-state and out-of-state, it was down by \$25,000. He thought the number was reasonable and would be opposing Amendment H DOT 8.

Representative Wilson questioned the department being able to control its in-state travel but not their out-of-state travel. She did not believe the legislature could keep doing things the same way as before. She asked for member support.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Grenn, Pruitt, Thompson

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

The MOTION to ADOPT Amendment H DOT 8 FAILED (5/6).

4:50:28 PM

AT EASE

4:51:12 PM

RECONVENED

Co-Chair Seaton relayed that the committee had gone through all of the amendments. The Legislative Finance Division and Legislative Legal Services would develop new committee substitutes for HB 285 and HB 286 incorporating the amendments that were adopted.

Co-Chair Foster moved to give the Legislative Finance Division and Legislative Legal Services the ability to make technical and conforming changes when developing the new committee substitute for HB 285 (FIN).

There being NO OBJECTION, it was so ordered.

Co-Chair Foster moved to give the Legislative Finance Division and Legislative Legal Services the ability to make technical and conforming changes when developing the new committee substitute for HB 286 (FIN).

There being NO OBJECTION, it was so ordered.

Co-Chair Seaton relayed that in the following meeting the committee would be adopting the new committee substitutes for the budget bills and moving them from committee. He noted other items on the following day's agenda.

#

ADJOURNMENT

[4:53:00 PM](#)

The meeting was adjourned at 4:53 p.m.