

HOUSE FINANCE COMMITTEE
April 30, 2018
1:39 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:39 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 Mark Neuman (alternate)
Representative Dan Ortiz
Representative Lance Pruitt
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Steve Thompson

ALSO PRESENT

Paul Labolle, Staff, Representative Neal Foster; Rob Carpenter, Analyst, Legislative Finance Division; Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Shawnda O'Brien, Assistant Commissioner, Finance Management Services. Department of Health and Social Services.

SUMMARY

HB 284 APPROP: CAPITAL BUDGET

HB 284 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb284

HOUSE BILL NO. 284

"An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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AT EASE

1:41:02 PM

RECONVENED

Co-Chair Seaton MOVED to ADOPT the proposed committee substitute for HB 284, Work Draft 30-GH2565\D (Martin, 4/25/18).

Representative Wilson and Representative Guttenberg OBJECTED for discussion.

PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, explained the changes in the work draft. He shared that the work draft mirrored the recent changes by the Senate Finance Committee [to SB 142, the Senate's version of the capital budget]. He began with Section 1, pages 2 through 10 that included the agency capital appropriations proposed by the governor and amended by the Senate Finance Committee. He spoke to changes and highlights in the section beginning on page 2, line 19 pertaining to bulk fuel upgrades. The bill used nearly \$5 million in Alaska Industrial Development and Export Authority (AIDEA) dividends to replace undesignated general funds (UGF).

Representative Wilson remarked that the original budget distinguished between other and federal funds. She asked why the current version did not.

Mr. Labolle answered that it was a change made by the Senate Finance Committee that moved an appropriation from the contingency budget to the capital budget.

Representative Wilson asked for a copy showing a breakout of general, other, and federal funds. She explained that

version A of the legislation had broken out the information.

Mr. Labolle asked to have someone from the Legislative Finance Division (LFD) join the meeting.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, replied that the Office of Management and Budget (OMB) landscape format included general, federal, and other funds, but the legislative bills had never broken out federal funds; the categories had always been general and other. He noted that federal funds fell under the "other" category.

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Representative Wilson referenced version A of the bill, which had come from the governor and included the three categories. She asked if it was possible to see the funds broken out in the three categories. She reasoned that other funds could be anything.

Mr. Carpenter asked if she was speaking about reports or the legislation itself.

Representative Wilson was referencing the bill itself.

Mr. Carpenter answered that LFD was not currently programed to provide the breakout. He was not saying it was impossible, it had merely never been done by LFD.

Representative Wilson asked where version A of the bill had come from. Mr. Carpenter answered OMB.

Representative Wilson asked for verification that LFD had compiled the work draft currently before the committee [version D]. Mr. Carpenter replied in the affirmative.

Representative Wilson suggested help from Pat Pitney, Director, Office of Management and Budget, Office of the Governor in order to have a better understanding of where the money was coming from.

Mr. Labolle advised that the breakout of the funding for all projects in Section 1 was included in Section 2, pages 11 through 13. The information enumerated the various fund sources.

Representative Wilson used the Alaska Energy Authority (AEA) as an example and observed that the bill broke the funding down by department but not project.

Mr. Labolle answered that the financial reports broke the funding detail down by project.

Vice-Chair Gara asked for verification there was an LFD report for the current bill version.

Mr. Carpenter answered that all of the LFD reports were on its website; members should also have a copy. The reports broke the information out into detail.

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Representative Ortiz asked if Mr. Labolle was addressing the bill or reports.

Mr. Labolle replied he was speaking to the bill. He moved to page 3, lines 18 through 20. He detailed that the Senate had added the cruise ship tender dock reconstruction for \$1.1 million using cruise vessel passenger funds. Also, on page 3, lines 31 through 32, the Senate added the Ketchikan cruise ship dock berth 4 expansion for \$3 million in cruise vessel passenger funds. He moved to page 4, lines 5 through 9; the Senate had funded the first five projects on the school major maintenance list for \$24.2 million. Page 5, lines 14 and 15 pertained to Pittman Robertson funds received from the federal government. The Senate had been concerned with over spending the Fish and Game Fund and had replaced the \$2 million in Department of Fish and Game (DFG) funds with \$2 million in statutory designated receipts and \$2 million in the Charter Revolving Loan Fund.

Co-Chair Foster asked for a repeat of the information.

Mr. Labolle complied. There had been concern on the Senate side that the state was overspending DFG funds to match Pittman Robertson funds; therefore, the Senate Finance Committee had elected to use \$2 million in statutorily designated receipts and \$2 million from the Charter Revolving Loan Fund.

Representative Neuman asked if all of the Pittman Robertson funds had all been used and did not get any back on the

three-to-one match. He assumed it was the reason it had been necessary to replace the funding with statutorily designated receipts. Mr. Labolle answered it was his understanding.

Representative Neuman asked about the source of the designated receipts. He wondered if the source was fishing license [fees]. Mr. Labolle replied that he did not know the specific source.

Co-Chair Foster asked staff to follow up with the information. Mr. Labolle agreed.

Representative Wilson asked if the \$2 million under general funds was from the Charter Revolving Loan Fund.

Mr. Carpenter asked for a repeat of the question.

Representative Wilson pointed to [page 5] line 14 showing \$2 million in general funds and \$10 million other funds. She asked if the \$2 million in general funds came from the Charter Revolving Loan Fund. She assumed the \$10 million was Pittman Robertson funding.

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Mr. Carter answered that the \$2 million from the Charter Revolving Loan Fund was designated general funds (DGF).

Representative Wilson she asked for verification that the \$10 million was Pittman Robertson funding.

Mr. Carter answered there was \$6 million in federal Pittman Robertson funding. The total project was \$12 million, comprised of \$6 million federal funds, \$2 million from the Fish and Game Fund, \$2 million statutory designated program receipts, and \$2 million from the Charter Revolving Loan Fund.

Representative Guttenberg stated that the legislature had dealt with the issue in the Department of Natural Resources (DNR) and DFG operating budgets. He asked how the increment under discussion meshed with that.

Mr. Labolle would follow up.

Representative Guttenberg stated there had been other funds used in order to access Pittman Robertson funds. He was trying to determine how they meshed or conflicted.

Co-Chair Foster asked staff to follow up with the information.

Mr. Labolle continued with page 5, lines 21 through 27. The Senate had included \$20 million to address deferred maintenance needs with state agencies and had included intent language that the Office of the Governor prioritize deferred maintenance needs and distribute the funds to address the highest priority issues.

Co-Chair Foster asked if the figure was the total amount carried over from the contingency capital budget or part of the amount. Mr. Labolle answered that \$40 million had been included in the contingency budget; only half had been moved over.

Representative Wilson believed the legislature had allocated \$20 million the prior year with the same language. She wondered how much of that amount had been spent.

Mr. Labolle deferred the question to OMB.

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PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, responded that all but just under \$300,000 of the \$20 million had been distributed to priority projects to several different agencies. She would have to pull a report to determine the precise amount spent. The funds had been distributed and the projects were being worked on.

Representative Wilson asked to receive the project priority list attached to the money as well. She wanted to see how far down the [project] list they had gotten.

Ms. Pitney responded affirmatively.

Vice-Chair Gara remarked that some of the state's lowest capital budgets had been in the past few years. He referenced the \$20 million increment under discussion. He detailed that the University of Alaska had roughly \$1

billion in deferred maintenance. He asked for the remainder of the state's deferred maintenance cost.

Ms. Pitney answered the remainder was approximately an additional \$1 billion.

Vice-Chair Gara asked if the \$20 million increment [page 5, lines 21 through 27] was meant to go towards the total \$2 billion in deferred maintenance. Mr. Labolle answered that the \$20 million did not include the University.

Representative Tilton asked about an increment for the Office of the Governor for modernization and replacement of the electronic voting system (lines 19 and 20). She asked if the increment had been added in the new work draft.

Mr. Labolle believed the item was addressed later in the presentation.

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Mr. Labolle moved to page 5, line 28 through page 6, line 21 showing information technology (IT) projects for state agencies to modernize systems and upgrades in order to remain compliant with federal requirements. He believed the item would address Representative Tilton's question.

Representative Tilton clarified her question was about page 5, lines 19 and 20. She believed Mr. Labolle may have inadvertently missed the item.

Mr. Labolle replied that page 5, lines 19 through 20 was the governor's project to modernize and replace the existing election voting system. He detailed that \$3.8 million was funded using \$3 million in federal funds and \$800,000 in reappropriations located in Section 14, with \$1 million currently in the election fund.

Representative Wilson asked why \$800,000. She thought only \$150,000 was necessary to match the \$3 million. Mr. Labolle answered that the changes had been made by the Senate.

Representative Wilson asked if the reason for the Senate's change was unknown to the committee.

Mr. Carpenter replied that the total project cost requested by the governor was \$4.8 million. The Senate organized the

funding differently - instead of having two reappropriations and a scope change on an existing project, the Senate had reappropriated the money into the election fund and had taken all of the money out of the election fund. The project was identical to the governor's proposal other than the structure of the appropriations.

Representative Wilson believed the money was coming from left over money from the FY 18 budget. Alternatively, she asked if the money was from previous years.

Mr. Carpenter affirmed and deferred to OMB for further detail on the need for the \$800,000.

Ms. Pitney answered that the project scope and expectation of what it would entail was the reason the amount was \$4.8 million. She stated it was not necessarily the match. The state was fortunate to have \$3 million in federal grant funds for the project, but the additional request was to pay for the remaining anticipated cost.

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Representative Wilson asked if the money would go back into the General Fund if the cost happened to be lower.

Ms. Pitney replied the election fund did not lapse back - the funds would remain in the election fund and could be reappropriated if that was the will of the legislature.

Mr. Labolle turned to page 6, lines 25 and 26 and addressed funding for the emergency medical services for Code Blue at the FY 18 level of \$500,000. Page 6, lines 29 and 30 included funding for Pioneer Home renovations and repairs at the FY 18 level in the amount of \$1 million. Page 7, lines 15 through 20 included projects approved by the Exxon Valdez Oil Spill Trustee Council using Exxon Valdez Oil Spill (EVOS) funds. He turned to page 7, lines 30 to 31 and detailed that the Senate had reduced the National Mineral Security Program funding based on anticipated reduced funding from the federal government from \$15 million down to \$5 million.

Mr. Labolle moved to page 8, lines 24 through 25, which included funding for Alaska Housing Finance Corporation (AHFC) deferred maintenance for \$3 million in federal funds and \$3 million AHCC [Alaska Housing Capital Corporation]

funds. The increment was in addition to \$3 million in AHFC funds and \$1 million in federal funds included in the operating budget for ongoing maintenance.

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Mr. Labolle continued on page 9, lines 4 through 5 that funded senior citizen housing at the FY 18 level of \$1 million. Page 9, lines 6 and 7 included funding for the Supplemental Housing Development Program at the FY 18 level of \$3 million. Page 9, lines 13 through 17 included intent language in response to an accident that had closed the Glenn Highway and rerouted traffic for multiple days. The Senate had added language directing the development of a temporary traffic control plan as well as emergency traffic control guidelines for the Glenn Highway, milepost 0 to 35. Page 9, lines 26 through 28 included funding by the Senate for the Municipal Harbor Facility Grant Fund at \$5 million in UGF and reappropriations found in Section 22 of the bill.

Representative Ortiz asked where the \$5 million was located. He only saw \$3,031,000 on page 9.

Mr. Labolle answered that the remainder of the funding was from reappropriations and was located in Section 22.

Mr. Labolle turned to page 10, lines 6 through 10, which included \$51 million UGF funding for the federal aid highway match; an additional \$14 million in reappropriations was located in Section 21. Additional federal aid funding was also found in Section 21 for aviation.

Mr. Labolle addressed items that had been removed from the governor's request. Funding of \$40 million for the Port of Anchorage had been removed. The correctional security upgrade project had been moved from the numbers section to the language section and was funded with reappropriations located in Section 18. Fish and Game vessel and aircraft maintenance and repair upgrades had been moved from the numbers section to the language section and was funded with reappropriations located in Section 20. The Senate did not include an amendment from the governor requesting legal and financial due diligence related to AKLNG in the amount of \$750,000 for DNR and \$750,000 for the Department of Revenue (DOR).

Mr. Labolle relayed that the Senate did not include an amendment from the governor related to enhanced 911, which would have been about \$8.5 million. The Senate had removed funding for the Adak airport operations because the item was currently in conference committee on the operating budget. The Senate had removed \$1 million for public and community transportation state match. Lastly, the Senate had removed the governor's project for a commuter rail concept at a total of \$4.5 million.

Co-Chair Foster asked Mr. Labolle to provide the information to committee members.

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Vice-Chair Gara asked if the \$8.5 million for enhanced 911 was to develop a statewide system for areas without 911 service.

Ms. Pitney answered in the affirmative. She clarified that the requested funding had been \$8.5 million with an additional \$1 million reappropriation. The funding was for a consolidated 911 system and providing access to all communities. She explained that some communities still had to use an 800 number [to access 911]. Most communities had 911, but it was routed through the telephone system, so the caller's location was not known, making emergency situations very difficult. Enhanced 911 showed location based on the phone call. She relayed there were only a few communities with enhanced 911.

Vice-Chair Gara supported the project. He asked if the \$9.5 million would fully or only partially cover the enhanced 911 project.

Ms. Pitney answered that enhanced 911 would provide a caller's location. She detailed there was a newer version of 911 that allowed a person to send a picture and data.

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Co-Chair Seaton asked if the enhanced 911 involved the construction of a facility and removal of two contract facilities.

Ms. Pitney replied there was space in the old crime lab that would be built out for enhanced 911. The idea was to bring contracts currently with Wasilla and Kenai back in-house.

Co-Chair Seaton clarified that the increment did not pertain to the 911 and new telephone systems that had been discussed by the legislature in the past.

Representative Neuman asked about the consolidation. He stated that state troopers currently had to go through contract services like MatCom in Mat-Su. He asked for verification the consolidation would mean the contracts with dispatch organizations would not be necessary and the service would all be in-house. He believed the change would imbed the funding into the Department of Public Safety's (DPS) operating budget. He asked about the cost difference between contracting the services out versus doing the work in-house by DPS. He believed troopers liked the idea because it would increase safety by reducing the number of people the call had to go through. He communicated that troopers were supportive of their own trooper dispatch. He wondered if the shift would bring a savings.

Ms. Pitney responded that the administration believed that the operating funds currently in the form of contracts and some personnel (the contract was slightly different between communities) would remain the same if the services were brought in-house. The administration did not project a particular savings or expense beyond getting the project up and running.

Representative Neuman observed there were trends that seemed to go back and forth (e.g. in IT and human resources) between contracting services out and bringing services back in-house. He did not know the reason for going out to contract in the first place. He elaborated that the troopers wanted to see the service in-house and had been discussing the issue for several years. He had concern about how it prepared other communities who needed the money as part of their budgets. For example, if communities had contracts going out for several million dollars for dispatch, the change would include their dispatch at the same time. He asked if there was something that would help communities that were already using the funds for their dispatch at the same time to create

economies of scale. He reasoned it would impact the communities and he wondered how it would be dealt with.

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Representative Ortiz addressed the \$1.5 million reduction to AKLNG (two items of \$750,000 each). He asked how much the reduction set back the project.

Ms. Pitney replied that the funds were for DNR and DOR to conduct a state best interest finding. The reduction would slow the response time for answers to many questions about the project. She stated it was a priority project. She mentioned legal questions, and the Black and Veatch contract that was instrumental in helping to move the project. The project was at the point where the evaluation of state royalties, revenue, oil and gas impacts was important. They had taken a year off, which had been reasonable to wait for the market and gas supply contracts. However, the time had come to put money back into the due diligence.

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Representative Wilson stated there that she had spoken with the commissioner of DPS and had learned there would be another \$500,000 required in addition to more employees for the enhanced 911 system. She clarified that it was not a cost neutral program.

Vice-Chair Gara thought there were two changes pertaining to the Department of Health and Social Services (DHSS) budget. He referenced a \$2 million appropriation for Pioneer Home renovation and repairs to help add space for individuals dealing with dementia. He only saw \$1 million included and wondered if it had been reduced from \$2 million. He asked about the governor's position.

Ms. Pitney answered that the increment had been \$2 million. The administration believed \$2 million was the required cost.

Vice-Chair Gara asked for detail about the Code Blue project. He did not believe the amount included in the current bill was the amount requested by the governor.

Ms. Pitney answered that the governor had proposed the Code Blue project in the contingency capital budget to be paid for with a tax. The governor's budget had included \$1 million, \$500,000 had been the traditional base capital amount.

Vice-Chair Gara asked how the funds would be used for the Code Blue project.

Ms. Pitney answered that the Code Blue project was equipment related and primarily included safety equipment for community emergency medical services. She added that myriad items were funded through it.

Mr. Labolle relayed that he had a breakdown from the Code Blue organization showing what would be funded if the funding was \$1 million or \$750,000. He would provide the information to committee members.

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Co-Chair Foster stated the purpose of the meeting had been to highlight the changes made by the Senate to the capital budget.

Representative Wilson observed there were additional changes in the bill that had not been reviewed. She pointed to page 17 and remarked it was her understanding there was a bill for the University of Alaska for the UAA long-acting contraception study. She thought it was typical to wait until the bill passed before providing funding for a project in the capital budget.

Mr. Labolle answered it was later in the presentation. He moved to Section 2, pages 11 through 13 that included a breakout of funding by agency for the appropriations made in Section 1. Section 3 on pages 14 and 15 was the breakout of statewide funding for appropriations made in Section 1. Section 4, page 16 included supplemental capital projects and grants. Lines 10 and 11 included projects that moved the barracks from JBER [Joint Base Elmendorf-Richardson] to Mertarvik in order to help relocate the residents of the village of Newtok. He detailed that \$960,000 leveraged \$3.8 million in federal funds through the Denali Commission. Lines 15 and 17 increased the appropriation to an EVOS project that had been funded in FY 18 by \$3 million due to an update in the land appraisal.

Co-Chair Foster asked if a total of \$3 million had been moved over. He asked Mr. Labolle to identify whether full or partial amounts were carried over.

Mr. Labolle asked if Co-Chair Foster was speaking about the EVOS project or the JBER barracks.

Co-Chair Foster requested to hear the amount detail on items going forward. He wanted members to know whether a total or partial appropriation had been moved forward.

Representative Wilson asked why the Newtok increment included House Districts 1 through 40. She stated the project was very specific.

Mr. Labolle deferred the question to LFD.

Mr. Carpenter answered that he believed it was a drafting error.

Representative Wilson stated that the reappropriation of \$960,000 for the Newtok project came from the Susitna Watana [Hydroelectric Project]. She elaborated that the project involved moving a community. She asked if the community would match or pay the funds back. She was trying to determine why the state was paying to move an entire community.

Mr. Labolle believed the fund source had changed in the Senate and it was not the Susitna Watana reappropriation as requested by the governor. He did not believe there was a local match. He deferred to OMB for further detail.

Ms. Pitney replied that she was uncertain there was a local contribution. She detailed it was the top priority community that had been impacted by coastal erosion. Kivalina was high on the priority list as well, but Newtok moving to Mertarvik was further in the planning process. Part of the priority was to address eroding coastal communities where residents are displaced.

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Representative Wilson asked if the appropriation set a precedent of using state funds to move communities. As the state looked at possible payroll or other taxes because it

did not have enough money, she wondered how to justify allocating \$960,000 in general funds going to Newtok. She reasoned that disasters happened everywhere (e.g. Galena) and new builds had to occur. She wondered if the state would have to pay for the next community that experienced a problem like Newtok. She asked what would happen if there was no funding from the Denali Commission at that point to foot some of the bill.

Ms. Pitney replied that the planning process to move Newtok and other villages had been ongoing. The communities were moving as fast as possible with available funds. In the future, when match funding was available, the state would do everything possible to help communities in their relocation efforts.

Representative Wilson asked if the next community would be expected to receive the same amount of state assistance. She wondered if it would be a potential lawsuit if the state did not provide the funding because the current appropriation started down a road of providing state assistance.

Ms. Pitney responded it was a policy call. The village [Newtok] was ready and it was policy to do what the state could to help it relocate.

Mr. Labolle addressed a \$2.5 million increment for the processing and storage of untested sexual assault kits statewide page (16, lines 21 through 26). The Senate had added intent language to guide the department in the process.

Co-Chair Foster asked for verification that there had been zero funds for the item previously. He believed the increment was a total of \$2.5 million. Mr. Labolle agreed and relayed the increment was an "add" to the budget.

Representative Pruitt asked how close the funds would get to eliminating the backlog [in untested sexual assault kits]. Ms. Pitney replied that she would follow up.

Co-Chair Foster answered that based on his conversations with Senate members, \$6 million was needed to get caught up.

Representative Pruitt stated the item was something everyone felt was important to move forward on.

[2:24:45 PM](#)

Mr. Labolle moved to page 17, line 5 where the Senate had included the Klutina Lake road survey project for \$350,000. The item had been requested by the governor.

Representative Wilson asked why the increment pertained to House district 1 through 40. She remarked on the specific area of the project. She asked how long the survey was for \$350,000. She believed the road was six miles long.

Mr. Labolle replied that the increment was a part of a settlement with Ahtna. He deferred to LFD regarding the remainder of the question.

Representative Wilson commented that the Flint Hills settlement went all to district 3 and it was a lawsuit settlement. She wanted to know the difference between the two.

Mr. Carpenter answered that the bill version before the committee was the first draft by the Senate and there would be drafting errors. He appreciated members pointing them out.

Representative Wilson replied that she was just trying to make things equal.

Representative Guttenberg observed that the last two increments were judgements. He wondered if that could be the reason for the particular coding.

Mr. Carpenter replied that generally a more precise House district was specified if possible (unless the project impacted more than one district, which would require a statewide or regional specification).

Representative Guttenberg asked for clarification that the increment pertained to the Ahtna situation out in Glenallen.

Ms. Pitney answered it was a survey in that area. She detailed there was a right-of-way that had not yet been

surveyed. It was the state's best interest to survey the area. She elaborated it was not a judgement or settlement.

[2:27:49 PM](#)

Co-Chair Foster relayed that he and Co-Chair Seaton had a meeting at 2:30 p.m. and Co-Chair Seaton had made the motion to adopt the CS. Prior to leaving Co-Chair Seaton needed to withdraw his motion. He asked another member to move to adopt the bill.

Co-Chair Seaton WITHDREW his motion to adopt the CS. There being NO OBJECTION, it was so ordered.

Representative Grenn MOVED to ADOPT the proposed committee substitute for HB 284, Work Draft 30-GH2565\D (Martin, 4/25/18).

Representative Wilson OBJECTED for discussion.

Co-Chair Foster handed the gavel to Vice-Chair Gara.

Mr. Labolle continued on page 17, lines 9 through 12 that included \$500,000 for the University of Alaska to conduct a study for long-acting contraception and for the University to provide interim reports to the legislature.

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Representative Wilson stated it was her understanding the topic was included in separate legislation. She believed the normal process was to pass legislation with a fiscal note versus putting the funding in the capital budget.

Mr. Labolle replied that the increment had been added by the Senate.

Representative Wilson responded that there would be an amendment offered on the topic. She brought attention to another increment pertaining to the Alaska Marine Highway System (AMHS) that included House districts 1 through 40. She believed it should be corrected to reflect the accurate districts.

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Mr. Carpenter clarified that that the appropriation to AMHS affected a great deal of the state including Southeast and Southwest Alaska, out to the Aleutian Chain. He stated it was difficult to pinpoint a location, so the increment had traditionally been statewide.

Representative Wilson indicated that House district 3 had no ferries.

Vice-Chair Gara asked for verification that traditionally if an increment impacted multiple districts it was reflected as House districts 1 through 40. Mr. Carpenter responded that a region was identified when possible, but otherwise an increment was listed as statewide.

Representative Ortiz referred back to line 9 on page 17. He asked if there was paperwork detailing what the UA long-acting contraception study was. Mr. Labolle replied that he did not have backup pertaining to the particular project.

Representative Wilson assumed the allocation in the current version of the capital budget included the fiscal note amount from a separate Senate bill on the same topic.

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Mr. Labolle continued to Section 5 on page 18 that included funding by agency for the appropriations made in Section 4.

Vice-Chair Gara asked if they were changes from the original governor's bill.

Mr. Labolle responded in the negative. Section 5 included the funding breakdown for Section 4. Section 6 was the statewide breakdown of funding [for Section 4].

Mr. Labolle moved to Section 7, page 20. He relayed the Senate had included some supplemental operating items proposed by the governor. There were still several outstanding supplemental items that had not been agreed to by both bodies.

Vice-Chair Gara asked for clarification. He surmised there were supplemental items proposed by the governor that were not included in the current version of the capital budget. He asked if the items [in Section 7] were in the governor's

supplemental and represented no change from the governor's and Senate's proposals.

Mr. Labolle responded in the negative. He elaborated that there was a separate supplemental budget and the operating and capital budgets also included their own supplemental items. The fast-track supplemental bill had been passed and included supplementals from all three budgets that had been agreed upon. Supplemental items that had not been included in the fast track bill had been removed from the operating budget. The remaining supplemental items from all three budgets were in limbo and the only place to catch them was the capital budget.

Vice-Chair Gara surmised the supplemental items in the current version of the capital budget were some, but not all of the supplemental items in the governor's budget. He asked if the supplemental items included in the capital budget before the committee reflected the same numbers as the governor's proposal.

Mr. Labolle responded in the affirmative. He listed one exception pertaining to Medicaid. He explained that a portion of the Medicaid supplemental had been funded in the supplemental budget. However, the item was not included in the bill currently under consideration.

[2:35:07 PM](#)

Representative Guttenberg referred to page 20, lines 28 through 31 pertaining to DNR, OPMP [Office of Project Management and Permitting]. He stated that typically OPMP was in the operating budget. He asked for further detail on the reduction [of \$100,000].

Ms. Pitney responded that OPMP had agreed the money would not be used in the coming fiscal year. The funds had been reduced in the budget rather than lapsing at the end of the year.

Mr. Labolle advanced to Section 8, which included funding by agency for the appropriations made in Section 7. Section 9 was the statewide funding breakdown for appropriations made in Section 7. Sections 10 through 19 were the language section and primarily the governor's supplemental requests. Section 10, page 23, subsection (c), lines 1 through 7 included the Department of Administration (DOA) labor

contracts and negotiations and arbitration support for \$792,000. The subsection extended the lapse date through FY 19.

Representative Wilson asked about the average arbitration negotiation cost.

Ms. Pitney replied that she would follow up with specifics. There was an operating budget and the increment [on page 23] was a multi-year amount given the number of negotiations (some of which were contracted out). She relayed it was more than \$792,000 in a year.

Representative Wilson asked for verification it cost almost \$800,000 merely to negotiate the contracts. She believed the amount did not include the cost of the contracts themselves.

Ms. Pitney answered that the increment included funding over and above the operating for labor and personnel. Labor and personnel [DOA Personnel and Labor Relations] negotiated the contract, but occasionally the division needed contractual help. A small amount of contractual help had been used over the last two years; there was still money remaining in the \$792,000 that the administration wanted to extend in order to access contractual help in the coming year.

Representative Wilson surmised the increment was an operating cost in the capital budget.

Ms. Pitney answered it was the supplemental section of the bill. She explained that the last section and much of the current section included supplementals that had not made it into the fast track supplemental bill.

Representative Wilson observed it was still an operating cost. Ms. Pitney answered in the affirmative.

Vice-Chair Gara remarked that the supplemental portion of the bill included operating budget items. He elaborated that the section was a combination of the capital budget and the parts inserted by the Senate on the supplemental, which included operating and possibly some capital items.

Representative Neuman remarked it was standard practice. He asked if the \$792,000 was typical or a new add-in to enable

labor negotiations. He thought it was a new expenditure line. He asked if additional money for contract negotiations had been in the budget in the past.

Ms. Pitney responded the money had been included in the budget the first year of significant operating budget cuts; personnel had taken a substantial hit. She stated the funding had been included because labor negotiations had been underway at the time, which would have been difficult with the cut that had been taken. The funding had been a way to ensure the administration would be successful in the labor negotiations even though the base operating budget had been cut.

Mr. Labolle pointed to line 1 [page 23], which included language that was similar to a reappropriation. He detailed the increment to DOA was funded in SLA 2015, 2016 and 2017. The Senate had added the underlined language [on line 7] to the previous appropriation; it was a budget amendment rather than a reappropriation of a previous appropriation.

Representative Neuman asked if the legislature could expect the item to be embedded in the [DOA] budget going forward. He assumed the DOA budget would continue to have contract and labor negotiations in the future. Alternatively, he wondered if there would be a different appropriation for settling labor relations.

[2:41:50 PM](#)

Mr. Labolle answered the increment [page 23, line 4] was a one-time appropriation that would not appear in the base of the operating budget.

Mr. Labolle moved to Section 11, page 23, lines 8 through 18 for the Department of Education and Early Development (DEED). There was \$400,000 from the Municipal Capital Project Matching Grant Fund for the maintenance and operation of the Mt. Edgumbe aquatic center. Subsection (b) included 1 percent for art funds for the aquatic center were estimated to be \$200,000 and were appropriated to DEED for equipment, capital improvements, or maintenance of the aquatic facility.

Representative Wilson asked what Municipal Capital Project Matching Grant funds were typically used for.

Mr. Carpenter answered that it was an old program that had not been used in 10 to 12 years. He explained that at the time there had been municipal match and incorporated community matching grant funds that the state capitalized with around \$20 million; each community had received a portion based on a formula (approximately \$25,000 per year). Communities had been able to stockpile the funds over multiple years to fund a future project.

Representative Wilson asked if the increment would drain the fund to zero. Mr. Carpenter answered that the specific appropriation did not. The fund contained roughly \$253,000 after the appropriation. The programs were still on the books but had not been funded in many years.

Representative Wilson asked for the annual maintenance cost of the pool, once the additional \$600,000 was allocated in the current budget.

Mr. Carpenter deferred the question to OMB.

Ms. Pitney answered the annual anticipated cost [of the Mt. Edgecumbe aquatic center] was between \$550,000 and \$600,000. She noted that part of the cost could be paid with receipts.

Representative Wilson asked how much the state would pay annually for the aquatic center. Ms. Pitney estimated \$300,000.

Vice-Chair Gara asked for verification that the increments in the language section were governor's supplemental requests that had been included in the Senate's capital budget unamended. He understood that some of the items the governor had proposed were not included.

Mr. Labolle answered in the affirmative.

Mr. Carpenter added that subsection (b) [Section 11, page 23] had been added by the Senate and had not been included in the governor's budget.

[2:45:38 PM](#)

Mr. Labolle clarified that subsection (b) included 1 percent funding for arts; subsection (a) was the amount that had been in the supplemental.

Vice-Chair Gara surmised that the 1 percent funds in subsection (b) would have gone to arts, but instead they were going to the project listed under Section 11 [maintenance an operation of the Mt. Edgecumbe Aquatic Center].

Mr. Labolle answered in the affirmative.

Mr. Labolle moved to Section 12, page 23, lines 19 through 23 for the Department of Health and Social Services (DHSS). The increment was \$5 million to the Alaska Temporary Assistance Program to satisfy federal maintenance of effort requirements for FY 18 and FY 19. He added that the original supplemental request (the FY 18 portion) had been \$2 million and the Senate had added the \$3 million for FY 19.

Representative Wilson believed the \$3 million was currently included in the operating budget. She asked if it would go away.

Mr. Labolle believed the increment was conferencable and would come out of the capital budget.

Vice-Chair Gara asked if the \$5 million increment would fully satisfy the maintenance of effort requirement.

Ms. Pitney deferred to DHSS.

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, FINANCE MANAGEMENT SERVICES. DEPARTMENT OF HEALTH AND SOCIAL SERVICES, answered that the department was on track to meet maintenance of effort with the request. As written, the appropriation would occur in multiple years. She believed any amount not used in FY 18 could be used in FY 19, which the department projected would be necessary.

Vice-Chair Gara mentioned maintenance of effort for the Alaska Temporary Assistance Program. He asked if they were missing maintenance of effort funds for any other programs.

Ms. O'Brien replied in the negative.

Mr. Labolle moved to Section 13, page 23, lines 24 through 27 for the Department of Law (DOL). The increment was \$3.4

million for the Civil Division for judgements and settlements in FY 18.

Representative Wilson mentioned the Flint Hills settlement of \$14.3 million on page 4 of the legislation. She asked why it was listed under [House] district 3, Department of Environmental Conservation (DEC) and not under DOL. She stated that the funding had all come from a law suit.

Mr. Labolle answered that the appropriation for Flint Hills was being handled by DEC, whereas, the language pertained to DOL.

Representative Wilson remarked that DOL made the settlement and she understood that many times settlements went through departments. She stated that the increment to DEC made it look like her district was getting something special, while all they got was contaminated. She stated that part of the settlement had come through DOL. She asked if the bill specified the funding came from the lawsuit.

[2:50:19 PM](#)

Mr. Carpenter answered that DEC was contributing a substantial portion, as the increment was a large project to replace the water system - from the settlement itself. He explained the funding was going to a construction project versus paying out the settlement, which DOL was doing.

Representative Wilson stated that DEC was not using its own money. She believed it was funding from the General Fund. She assumed Flint Hills had also given money. She wondered if budget details were included in a budget book she had on hand.

Mr. Carpenter agreed. He detailed there was a multi-party contribution for the expensive project, including contribution from the state through DEC.

Representative Wilson stated it was a reason she got frustrated over the statewide portions. She detailed that the project looked like it was a special project for a district, but in reality, it had been bargained in a lawsuit. She would work with LFD to determine if there was a better way to distinguish the information.

Vice-Chair Gara stated that the district had been contaminated and everyone appreciated the need to address the issue, but the project had also received substantial tax credits to help pay for the refinery.

Representative Wilson corrected that Flint Hills had gone out of business before any of the tax credits came; the company received no tax credits and the contamination had been left.

[2:52:17 PM](#)

Representative Neuman asked about the \$3.37 million paid out on behalf of the DOL Civil Division [Section 13, page 23]. He asked if a large portion of the funds were going to a settlement. Alternatively, he wondered if the funding would go to numerous small settlements the division had agreed upon.

Mr. Labolle deferred to OMB.

Ms. Pitney answered she would follow up with detail. She believed one settlement was over \$1 million and the others were smaller.

Representative Neuman stated it was his concern. He believed there were one or two lawsuits in the Civil Division - he thought the \$3.37 million was for one or two settlements as opposed to numerous settlements. He requested detail.

Mr. Labolle turned to Section 14, page 23, line 28 through page 24, line 11. The increment was \$3 million in reappropriations for the election fund capitalization. He remarked the increment was the reappropriation he had referenced earlier in the numbers section. Section 15, page 24, lines 12 through 20 included standard receipt authority language for agencies to receive federal and other receipt authority from Legislative Budget and Audit. Section 16, page 24 included standard language referring to insurance claims; the item specified the amounts to be received in settlement of insurance claims would be appropriated from the General Fund to the State Insurance Catastrophe Reserve Account or to the appropriate state agency to mitigate the loss. Section 17 pertained to the National Petroleum Reserve and included \$11.6 million in impact aid grants appropriated to the Department of Commerce, Community and

Economic Development (DCCED) for capital project grants. Section 18, page 26, lines 1 through 5 included a Department of Corrections (DOC) reappropriation of \$1.6 million for security upgrades at correctional facilities.

[2:55:14 PM](#)

Vice-Chair Gara asked if Sections 19 and 20 were the same as governor's proposals.

Mr. Labolle affirmed the sections included governor's proposals, but noted they were funded differently. Section 19, page 26, lines 6 through 22 included the governor's request for a reappropriation not to exceed \$200,000 to DEC for project administration of water quality enhancement, water supply, sewage, and solid waste facilities grants to municipalities. Section 20, page 26, line 23 through page 27, line 11 pertained to the Department of Fish and Game and included reappropriations estimated at \$309,000 for maintenance, repair, and upgrades to vessels and aircraft. Section 21, page 27, lines 12 through 24 included \$12.1 million in reappropriations to the Department of Transportation and Public Facilities (DOT) for federal aid aviation match and other nonfederal aid highway program match.

Vice-Chair Gara pointed to lines 12 through 24 and asked for verification the difference from the governor's proposal was the reappropriation of AHFC energy rebate program funds.

Mr. Labolle answered in the affirmative. He noted it made up for the difference in the reduction in the numbers section.

[2:57:00 PM](#)

Representative Neuman stated that the increment took money from the Home Energy Rebate Program. He asked if use of the funds left the program with no remaining funding. Mr. Labolle believed the increment would zero out the program. He deferred to LFD for verification.

Mr. Carpenter added there would be funding remaining to complete closing out and wrapping up the program. The increment [page 27, lines 12 through 24] would take the remaining money that was unobligated.

Representative Neuman asked for verification that there was money sequestered for applicants who were expected to be approved. He believed the remaining balance would go towards closing out the program. He stated that the language for the program remained in the budget. He asked for verification that the program would be left unfunded for the time being. Alternatively, he wondered if the plan was to eliminate the program entirely.

Ms. Pitney replied that the rebate program had been closed to new applicants over one year back and any remaining funding had been moved towards weatherization. The program would remain in statute, but there was no activity.

[2:59:26 PM](#)

Vice-Chair Gara asked Mr. Labolle to only review items that differed from the governor's proposal. He added that Mr. Labolle would provide the committee with the parts of the governor's proposal that had been left out of the bill.

Mr. Labolle moved to page 33, line 27 through page 34, line 14. The item was an amendment requested by the governor but was not in the governor's amended version of the budget. He detailed it was a reappropriation not to exceed \$10 million to DOT for the international airport runway and taxiway rehabilitation. Section 22 included a reappropriation mentioned earlier for harbors and grants.

Representative Wilson asked why the money would not return to AEA.

Mr. Labolle answered that the Senate had chosen, in moving the funding from the contingency budget to the capital budget, to come up with a new fund source because the fund source in the contingency budget was not available. The increment was part of the items chosen by the Senate to make up the \$5 million.

Representative Wilson stated that typically AEA projects were energy related. She asked if it had been the norm for funding to go back into other AEA projects when projects were completed.

Mr. Labolle answered that in previous years it had been the norm for reappropriations to stay within agencies and for

legislative appropriations to remain within district. He explained that the past year was the first time that practice had begun to change.

[3:02:11 PM](#)

Mr. Labolle moved to a fund transfer from the Large Passenger Vessel Gaming and Gambling Tax Account to the Alaska Marine Highway System (AMHS) Fund on Section 23, page 34, lines 20 through 22.

Representative Pruitt asked if it was legal to use the funds for AMHS. He asked for verification it was not something directly impacting cruise ships. Mr. Labolle replied in the affirmative. An appropriation had to be made from that account to another account or it could not be spent.

Mr. Carpenter added that the gambling proceeds were different from the head tax. The head tax had restrictions, whereas there were no restrictions on the use of the gaming and gambling tax on vessels.

[3:03:17 PM](#)

Mr. Labolle moved to Section 24, page 34, lines 23 through 28, which reflected an add by the Senate. The appropriated fees collected from the NRA license plate (estimated at \$6,000) to DCCED to distribute as a grant for the Alaska Scholastic Clay Target Program for youth shotgun sports programs. He moved to a reappropriation of \$98,782 to the City of Kodiak for the engineering of a new fire hall in Section 25, page 34. He noted the old fire hall sustained structural damage caused by an earthquake in 2017. Section 26 included standard reappropriation language for renovation and repair of technology improvements. Section 27 was the lapse section.

Representative Wilson asked about Section 26. She spoke to the practice of overfunding in the operating budget. She asked if it had been the practice of the legislature to put lapsed operating budget funds into the capital budget instead of back in the General Fund.

Mr. Labolle replied in the affirmative.

Representative Wilson asked for a list of items the [lapsed] funding would go to. Mr. Labolle would follow up with the information.

Representative Wilson wanted to show that all lapsing funds did not go back to the General Fund as some may have thought.

Representative Pruitt referenced the Kodiak reappropriation in Section 25. He observed the funds were for the design. He wondered how the project would be paid for later. He asked if the legislature should expect a funding request for the project in the future.

Mr. Labolle deferred the question to OMB.

Ms. Pitney responded that the community was looking at all options because it had to get out of the old fire hall. She relayed it would be necessary to talk to the community about its financial plan.

[3:06:04 PM](#)

Mr. Labolle continued that Section 27 was the lapse section. Sections 28 through 30 were the effective date sections.

Vice-Chair Gara stated that Mr. Labolle would provide committee members with a memorandum on governor's proposed items that were not included in the current version of the bill. He mentioned items he would like to see addressed at a future meeting. He highlighted the missing money for the Medicaid supplemental. He reasoned that if the state owed the money, it owed the money. Additionally, there had been \$18 million originally in the governor's operating budget for a four-year alcohol and substance abuse treatment program to expand capacity. He believed it should be in the capital budget, but he did not believe it was anywhere in any of the budgets.

Representative Wilson highlighted the \$960,00 Newtok increment and requested follow up on whether the state had funded relocation of communities in the past. Separately, she clarified that the state was involved in the Flint Hills settlement because the state had owned the property with Williams that sold to Flint Hills. When the contamination had started on the property, the state had

been one of the defendants. She elucidated it was not like other projects where state money had been going into it. She elaborated that a lawsuit had occurred, and she believed another lawsuit was ongoing. She wanted an explanation about why the increment was showing up for DEC. She understood DEC would be doing the work, but it was a settlement and most of the time it stayed there [in DOL].

Vice-Chair Gara requested to hear from DEC at a future time. Ms. Pitney agreed.

Representative Grenn WITHDREW his motion to adopt the CS. There being NO OBJECTION, it was so ordered.

HB 284 was HEARD and HELD in committee for further consideration.

Vice-Chair Gara recessed the meeting to a call of the chair [note: the meeting never reconvened].

#

ADJOURNMENT

[3:09:25 PM](#)

The meeting was adjourned at 3:09 p.m.