

HOUSE FINANCE COMMITTEE  
May 9, 2018  
6:23 p.m.

6:23:34 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 6:23 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

Paul Labolle, Staff, Representative Neal Foster; Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Lacey Sanders, Analyst, Legislative Finance Division; Rob Carpenter, Analyst, Legislative Finance Division; Representative Lora Reinbold.

PRESENT VIA TELECONFERENCE

Shawnda O'Brien, Assistant Commissioner, Health and Social Services.

SUMMARY

CSSB 142 (FIN) AM  
APPROP: CAPITAL BUDGET

CSSB 142 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#sb142

CSSB 142(FIN) AM

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

6:24:29 PM

Co-Chair Foster explained that the committee had heard a similar version of the bill the previous day [HB 284]. He reviewed his intent for the meeting.

Co-Chair Seaton MOVED to ADOPT the proposed committee substitute for CSSB 142(FIN) AM, Work Draft 30-GS2565\N (Martin, 5/18/18).

Representative Pruitt OBJECTED for discussion.

PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, explained the changes in the CS. He began with Section 1 (the numbers section), page 3, line 18 where \$1 million undesignated general funds (UGF) had been added to Alaska Travel Industry Association (ATIA) for tourism marketing development. The change brought the increment to the governor's request of \$3 million.

Representative Wilson asked if the increment was rental tax money or other UGF.

Mr. Labolle answered that the funding was UGF. He noted that rental receipts had been expended. He continued with page 3, line 32 where \$1 million UGF had been appropriated from the Metlakatla Indian community for the Metlakatla Ketchikan Intertie.

6:27:12 PM

Representative Pruitt asked Mr. Labolle to specify the fund source going forward.

Co-Chair Foster recognized Representative Lora Reinbold in the audience.

Mr. Labolle moved to page 4, line 4 that included \$197,000 for the Prince William Sound Science and Technology Institute for the Prince William Sound Science Center from the Exxon Valdez Restoration Fund. Page 4, lines 9 through 15 included an additional \$6 million UGF for the Village Safe Water and Waste Water expansion upgrade and replacement of existing services [see page reference correction below].

Co-Chair Foster noted the committee's version of the bill did not show the specified increment on page 4. He asked about the page number and believed it should be page 5, lines 9 through 15.

[6:29:30 PM](#)  
AT EASE

[6:29:53 PM](#)  
RECONVENED

Mr. Labolle clarified that page 5, lines 9 through 15, included an additional \$6 million UGF for the Village Safe Water and Waste Water expansion upgrade and replacement of existing services.

Representative Thompson asked about the breakdown in UGF or other funds for the increment.

Mr. Labolle replied that the additional funding was all UGF; there was no match component using another fund source.

Representative Tilton looked at lines 6 through 8 [page 5] pertaining to the Wrangell junkyard.

Mr. Labolle replied that page 5, line 7 applied to the Wrangell junkyard contaminated site cleanup. The increment included a fund source change replacing \$2.5 million General Fund (GF) with funds from the [Department of Environmental Conservation (DEC)] emergency response account. An additional \$2.5 million had been added from the

same account to fully fund the project at the \$5 million level in the governor's request.

Representative Wilson stated it was her understanding the emergency response fund was not meant for that type of thing. She asked if the committee was going to ignore DEC's testimony from the previous day that its practice had been going to the lower cost provision. She asked if the committee was going to go ahead with taking the funds out anyway.

Co-Chair Foster replied the funds would come from the spill response fund.

Representative Wilson stated it was the same fund the legislature had already used \$8 million from.

Co-Chair Foster agreed.

Representative Wilson surmised they were setting a new precedent.

Co-Chair Foster believed Representative Wilson was correct. He asked for comment from Mr. Labolle.

Mr. Labolle confirmed Representative Wilson was correct in terms of the use of the funds. He could not speak to whether it set a precedent and deferred to the Office of Management and Budget (OMB) for further detail.

Representative Wilson responded that the committee had been told by DEC the previous day that the funds were supposed to be for the lower cost. She viewed the decision to use the funds [for the Wrangell junkyard contaminated site cleanup] was a policy change. She believed it opened the door for the funds to be utilized "in this kind of fashion" in a fund that "probably was supposed to be used for refined in the first place."

Co-Chair Foster replied it was a policy call. The committee would have the amendment process the following day.

[6:33:16 PM](#)

Mr. Labolle moved to page 5, line 28 where a total of \$8 million had been added to a Department of Fish and Game (DFG) wildlife management, research, and hunting access

project. The funding consisted of \$1 million statutorily designated program receipts and \$7 million in federal receipts. He advanced page 7, line 12 where \$1 million UGF had been added to Pioneer Home renovations and repair, which increased funding to the governor's original request of \$2 million. Page 8, line 31 included \$3.5 million UGF to the Department of Public Safety (DPS) for the enhanced 911 project. The increment represented a portion of the \$9.5 million requested by the governor and was intended to allow DPS to phase the project.

Representative Wilson asked how the project would impact the current contracts with Mat-Su and Kenai.

Mr. Labolle responded that as a phased project, the state did not envision it would open for full operations in the coming year. The contracts would continue until the completion of the project.

[6:35:14 PM](#)

Mr. Labolle moved to page 10, line 16 where \$1 million UGF was included for public and community transportation state match at the governor's original request. He moved to page 10, line 22 where \$5 million UGF was added to the Municipal Harbor Facility Grant Fund, which brought funding to the governor's original request.

Representative Pruitt asked about the intent for the additional \$5 million. He asked if the funding was for a specific project or to be used statewide.

Mr. Labolle replied that the funds spread around the state. He offered to provide a report to members that included the list of projects and funding.

Mr. Labolle advanced to a \$2 million UGF increment for Alaska Court System deferred maintenance on page 11, line 28. He reported that the governor had proposed \$3 million.

[6:37:29 PM](#)

Mr. Labolle moved to Section 4 (supplemental section) beginning on page 18. The University of Alaska Anchorage long-acting contraception study had been removed from the bill. He advanced to page 18, line 20 where an increment for the Sultana New Ventures, LLC - Alaska Healthcare

Transformation Project had been increased by \$250,000 UGF for a total of \$500,000.

Representative Wilson asked about backup pertaining to the \$500,000.

Mr. Labolle replied that he would provide the detail to the committee. He moved to line 28, page 18 where \$250,000 UGF was appropriated to the Municipality of Anchorage for Hillcrest subdivision drainage. He noted it was a separate project from the Hillcrest clean water appropriation discussed the preceding day.

Representative Wilson wanted to know if the \$500,000 increment [for the Sultana New Ventures, LLC - Alaska Healthcare Transformation Project] would open the state to a lawsuit since it was taking blame. She referenced the \$250,000 drainage increment and asked if it was connected to the Department of Transportation and Public Facilities (DOT) project.

Mr. Labolle affirmed that the two causal links were the same.

Representative Wilson asked if the drainage correction could potentially impact the water well situation.

Mr. Labolle deferred to Legislative Legal Services or the Department of Law (DOL).

[6:40:00 PM](#)

Representative Wilson stated that the issue discussed the previous day was that a project done by DOT potentially caused some type of contamination, which was the reason for the \$500,000. She wondered if the \$250,000 drainage project could correct the problem and save the homeowners \$25,000 a piece by eliminating their need to sign up for a water program. She remarked it would be a substantial savings for homeowners.

Co-Chair Foster flagged the item and would look into getting someone from Legislative Legal Services or DOL to address it.

[6:40:54 PM](#)

Mr. Labolle moved an increment of \$18 million GF mental health funds for substance use disorder service expansion on page 19, line 7. He noted the increment was a governor's supplemental request.

Representative Wilson asked for verification that the GF mental health fund source was still general funds. Mr. Labolle replied in the affirmative.

Vice-Chair Gara stated the funds were to be spent over four or five years to do things Medicaid did not cover. The funds would expand capacity. For example, the state did not have very long-term alcoholism rehabilitation and was low on detox centers. He noted that the funds would expand capacity - Medicaid only covered treatment at an existing facility.

Mr. Labolle answered in the affirmative. He noted there was a drafting error later in the bill - the increment had been included in the numbers and language sections. The language section [incorrectly] showed a multi-year appropriation, but as shown in the numbers section the increment was a standard five-year capital lapse to allow for expenditure during the five-year period.

Representative Pruitt spoke about what to expect in the long-term. He thought it sounded like the funding may start programs that would last longer than four to five years. He asked if the legislature should expect it to transition into an annual operating cost in the future.

Mr. Labolle believed the governor's plan was to determine what the load would be, which would give an idea what the operating component should be. He noted that to begin, it was necessary to build capacity.

Representative Pruitt expected the component would lead to a long-term operating cost. Mr. Labolle replied it was most likely.

Vice-Chair Gara stated there had been a recognized lack of treatment capacity for individuals with substance abuse problems. He did not believe there was even six-month inpatient alcoholism treatment in Alaska. If the state expanded capacity the places would become Medicaid eligible; currently the state did not have adequate

capacity. He agreed there would be more facilities being used in the future, which he supported.

Representative Wilson asked if the \$18 million would be for people who were not eligible for Medicaid expansion and did not have their own insurance.

Mr. Labolle answered it was his understanding. He stated it was an OMB project and deferred to the department for further detail.

[6:44:54 PM](#)

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, asked to hear the question again.

Representative Wilson complied. She surmised the component was directed at individuals who were ineligible for Medicaid and Medicaid expansion. She assumed the individuals did not have their own insurance. She asked about the size of the group.

Ms. Pitney replied the increment went to grants for bringing providers, largely nonprofits, up to speed to serve individuals. The individuals served may or may not have Medicaid. There was currently a lack of providers. The program would get providers initial seed money to increase access to more providers. There was a breakout between the different kinds of programs including opioid abuse, alcohol abuse, and a couple of other categories. She would provide the document within the next 20 minutes.

Representative Wilson surmised it was not money for treatment. She believed the component was an incentive package for individuals to fill out the required paperwork to become Medicaid eligible. She thought the grants would also potentially be utilized to bring providers up from the Lower 48 with encouragement to take Medicaid patients.

Ms. Pitney answered the administration was looking for access to substance abuse treatment programs for individuals in the state. There was currently a lack of access. She did not believe the issue had anything to do with the paperwork; it was about the need to have more providers in the field.

[6:47:49 PM](#)

Representative Wilson understood there were not enough providers. She thought it sounded like the administration believed the providers were already in Alaska, but they were not providing services to the specific group of people. Alternatively, she wondered if Ms. Pitney was saying there were not enough providers in the state and the funds would be utilized to bring more providers into the state in order to increase access to services.

Ms. Pitney replied the intent was to get more providers in the state. She explained that there were not enough services in the state. The component largely focused on existing nonprofits expanding services. Each of the nonprofits required nurses, psychiatrists, and other.

Representative Wilson provided a scenario where a nonprofit currently did not provide the service addressed by the component, but perhaps it offered something similar. She asked for verification the grants would give funding for nonprofits to seek out additional staff in order to provide the expanded service. She surmised the grants would be utilized to allow nonprofits to expand services versus directing the grants to actual patients in need of service.

Ms. Pitney replied in the affirmative.

[6:49:39 PM](#)

Mr. Labolle moved to page 19, line 20 and reported that \$250,000 UGF had been added to the sexual assault kits backlog analysis and storage equipment project for a new total of \$2,750,000 on page 19, line 20.

Representative Thompson asked Mr. Labolle to repeat the amount.

Mr. Labolle replied \$250,000 was the addition to the existing appropriation that had come from the Senate.

[6:50:40 PM](#)

AT EASE

[6:53:11 PM](#)

RECONVENED

Mr. Labolle moved to an increment of \$525,600 for the Department of Military and Veterans Affairs (DMVA) for the cost of air guard facilities maintenance on Section 7, page 23, line 28. The funds were associated with the cost of the C-7 acquisition requested by the governor. The increment included \$131,400 UGF and \$392,400 in federal funds [see below for corrected amount].

Co-Chair Foster asked Rob Carpenter with the Legislative Finance Division to put himself on the record.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, introduced himself for the record.

Co-Chair Foster returned to page 18, line 28 pertaining to the [Anchorage] Hillcrest issue. He reported DOL and Legislative Legal Services were not available during the current meeting. He noted that some backup documents were being printed and would be disseminated to committee members shortly.

Representative Wilson asked for the amount previously listed by Mr. Labolle [pertaining to the DMVA C-7 acquisition]. She asked if the increment was \$392,400 or \$394,200 [in federal funds].

Mr. Labolle clarified the increment was \$394,200. He moved to Section 12, page 27, line 24, subsection (b), which included the governor's supplemental request for open-ended federal authorization of FY 18 Medicaid.

Representative Wilson thought most Medicaid funds had to be matched by GF. She asked if there was another section that included unlimited GF matching funds.

Mr. Labolle replied in the negative. He explained that additional General Fund authority would have to be granted for open-ended GF spending. The increment was for federal authority that may be granted that may not require a match or may be met by an existing match.

Representative Wilson thought Medicaid services were all matching funds. She asked if there were Medicaid services the state currently received that did not require a match.

Mr. Labolle deferred the question to OMB.

6:57:03 PM

Ms. Pitney answered that the governor's supplemental was for \$47 million GF to provide the match for federal funds. The federal funds had been secured through the Legislative Budget and Audit Committee (LB&A) process; there were enough federal funds for FY 18, but there were not sufficient general funds to match. Although, the language was open-ended for federal funds, the state was short the match. Beginning later in the current week or early the following week, the state would stop paying providers if the GF supplemental request was not fulfilled. The administration had requested a total of \$98 million. The fast track supplemental had only provided a portion and the remainder was \$47 million.

Representative Wilson stated the increment was not GF. She wondered if the language got the state in trouble because it had gone for more federal funds, which required coming back with a supplemental for GF. She added that Ms. Pitney had just testified that the state had been able to get federal funds because of the language, but there had been a matching requirement that the administration did not have authority for. As a result, the state had a supplemental asking for GF to match federal funds received through open-ended language.

Ms. Pitney answered that the governor had not asked for open-ended federal funds for Medicaid. The state had sufficient federal funds for the Medicaid formula. The formula covered services for eligible individuals - providers providing services expected Medicaid to be paid.

Representative Wilson understood. She was trying to determine why the language was in the bill. She had thought someone had stated that it had been a governor's request. She wanted to ensure there was not a request for open-ended federal funds that would require a GF supplemental in the future. She wondered who had included the language in the bill and why.

Mr. Labolle deferred to the Legislative Finance Division.

Co-Chair Foster reported that he and Co-Chair Seaton had to leave for a meeting. He handed the gavel to Vice-Chair Gara.

7:00:27 PM

AT EASE

7:01:20 PM

RECONVENED

Representative Wilson continued discussing language on page 27, line 24. She pointed out that the language specified that federal receipts [received during FY 18 for Medicaid services] were estimated to be \$0. She did not know why the language would be included if it was estimated to be \$0. It was her understanding that most Medicaid services had a GF match. She was concerned about giving authority for unlimited federal receipts without going back to LB&A and believed the state would end up with supplementals if it received more federal funds.

LACEY SANDERS, ANALYST, LEGISLATIVE FINANCE DIVISION, replied that the governor's operating budget did include an open-ended, estimated to be \$0 language appropriation as a supplemental request for FY 18. Through the LB&A process a \$525 million federal authorization was approved based on the department's [Department of Health and Social Services] estimates for the remainder of FY 18. There was a match component of \$92 million, which was also requested. A portion of the match (\$45 million) had been approved in the fast track supplemental, leaving approximately \$48 million needed to match the \$525 million federal authority. The open-ended language would allow the department to receive any federal receipts above the \$525 million request. She confirmed a match component that would be needed, but the department may have the ability to transfer it from other areas. The number was estimated to be \$0 because the department believed the \$525 million should be sufficient. However, if a small amount was needed for a cleanup item, the department would have the ability to collect the receipts.

Representative Wilson asked why the legislature would use the LB&A process instead. She reasoned that the Department of Health and Social Services (DHSS) had not found the \$92 million matching funds in the past year that had resulted in a supplemental request.

Ms. Sanders answered that there may not be sufficient time to get through an LB&A process by July 1 [2018] to approve the funds. She did not want to speak for the LB&A

committee. She explained that the language [in the capital budget] was a vehicle to allow the department to collect the receipts if necessary.

7:04:09 PM

Representative Wilson wondered if DHSS could only accept more federal funds if they were able to find matching UGF in another place such as a contingency fund. Alternatively, she wondered if they accepted federal funds it would mean another supplemental budget in the future.

Ms. Sanders asked Representative Wilson to repeat her question.

Representative Wilson complied. She was concerned that federal funding all required matching funds. She noted that Ms. Pitney had testified the \$92 million supplemental was already matching. She mentioned the \$525 million in federal funding the state had already accepted. She provided a hypothetical scenario where the department was eligible for \$100 million in additional federal funds. She stated that the language [in the capital budget] would allow DHSS to accept the federal funding; however, it would require UGF match. She asked if the language would require the governor to find the matching funds prior to accepting the federal funds. Alternatively, she wondered if the additional funds would result in another supplemental.

Ms. Sanders replied there would be a required match the department would have to find internally. The funds could be UGF or there was a possibility of using tribal claiming or other receipts to match the funding. There would not be an opportunity to ask for another supplemental in FY 18. The next opportunity for a supplemental would be in FY 19. She explained putting the federal receipt authority in the capital budget was the opportunity to allow the department to collect any additional receipts. The department would be required to find the matching funds. She believed the federal government would not allow the expenditure of the receipts without the match.

Representative Wilson asked if there was any language in the bill associated with FY 19. She wondered if the language [on page 27, lines 24 through 26] was the only language in the bill that would allow the department to accept as many federal receipts as were available.

Ms. Sanders answered there was no open-ended language in FY 19 that she could recall. She would double check and follow up.

[7:07:04 PM](#)

Vice-Chair Gara did not recall seeing the "estimated to be \$0" language. He wondered if it was common. He provided a scenario where \$10 billion in federal funds became available. He stated his understanding that the budget would require state matching funds.

Ms. Sanders responded that there was similar language in the prior year's supplemental bill, except that language had been tied to UGF. The number had been estimated to be \$0, but it had come in higher than \$0. The language relied on the department's projections that the amount of federal receipts it received through the LB&A process was sufficient.

[7:08:03 PM](#)

Mr. Labolle continued to Page 27, line 27. The language was a drafting error he had mentioned earlier - the appropriation had been included in the language and numbers sections of the bill.

Representative Wilson asked Mr. Labolle to clarify. She wondered whether the language was or was not needed [on page 27, lines 27 through 30]. Mr. Labolle answered that the section would have to be deleted because it also appeared in the numbers section.

[7:08:40 PM](#)

Mr. Labolle moved to page 27, line 31 through page 28, line 6. The appropriation of \$1,736,000 UGF, \$682,000 interagency receipts, and \$682,000 in statutorily designated program receipts would help alleviate the nursing staff shortage at the Alaska Psychiatric Institute (API).

Vice-Chair Gara relayed that the department was available for any questions.

Representative Wilson asked what happened if the \$682,000 in interagency receipts and designated program receipts did not come to fruition. She asked if the funding would still allow the intended work to be done.

Vice-Chair Gara asked to hear from the department. He asked what would happen if the receipts did not come in. Additionally, he asked if the receipts were payments from clients.

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, HEALTH AND SOCIAL SERVICES (via teleconference), answered that if the interagency receipts did not come in, DHSS would rely on the available UGF to cover the cost of the staff and any of their other expenses. Currently, the department monitored interagency receipt activity throughout the year; if there was a need to cut back on costs it was typically done by maintaining the department's vacancy factors. The same would be true of the statutory designated program receipt authority.

Representative Wilson asked if the designated program receipts category was made up of payment from the clients or Medicaid insurance. She questioned who the interagency receipts were coming from.

Ms. O'Brien answered that the statutory designated program receipt authority included private pay insurance and private pay from clients. The interagency authority was Medicaid receipts - the department billed Medicaid for the services not covered through insurance - received through a Reimbursable Services Agreement (RSA).

Vice-Chair Gara asked if the component was comprised of some hiring bonuses and methods for increasing pay to attract staff to try to deal with the shortage at API.

Ms. O'Brien replied in the affirmative. She detailed the increment was the department's best guess at what the results of the salary review would be. The department was trying to pursue having salaries increased for nursing professionals to address recruitment and retention issues and to bring the pay up to the market value of other private hospitals and providers. The department had also estimated what the costs would be if it was able to offer hiring bonuses through an agreement with the unions. She elaborated DHSS would have to go into an agreement with the

unions to establish the bonus system as a way to entice people to work for the state.

[7:13:18 PM](#)

Mr. Labolle advanced to page 28, line 26 (Section 14, subsection (c)) where \$6.2 million UGF was used to capitalize the disaster relief fund.

Representative Wilson thought the funding was already included in the operating budget.

Mr. Labolle believed there were expenditures or authority in the operating budget, whereas, the language in the capital budget was a fund capitalization. He deferred to LFD for further detail.

Representative Wilson wanted to make certain the legislature was not double funding the increment.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, answered the increment was a capitalization to bring the disaster relief fund closer to the average spent annually. The increment was an addition to bring the total in the fund to the yearly average expenditure.

[7:14:54 PM](#)

Representative Wilson remarked that she would look the information up. She thought the increment was in the supplemental or elsewhere. She recalled amendments that had talked about the specific portion of the funding. She asked if a certain amount had been allocated in another bill and the increment in the capital budget added to that figure.

Mr. Carpenter replied in the affirmative.

Representative Wilson asked for verification that the increment in the capital budget was \$6.2 million in addition to the \$3 million in the operating or supplemental budgets.

Mr. Carpenter answered that the fast track supplemental included \$4 million and the capital budget included an additional \$6.2 million.

Representative Pruitt thought \$10 million for a disaster relief fund seemed like a lot of money. He asked about the average disasters the state was spending \$10 million on annually.

Mr. Labolle recalled from the discussion on the fast track supplemental that there was not an average annual expenditure. There were huge years and relatively modest years, which was the reason the fund was needed.

Representative Pruitt asked what the money had been used on the past year that had drained the disaster relief fund resulting in the need for a \$10 million appropriation.

Ms. Pitney responded that she did not have an example, but there was a list she could provide. The administration had asked for a slightly lower amount with the anticipation that it would come back for a supplemental if necessary. The Legislative Finance Division appropriately recommended planning for what the average was. She elaborated the \$4 million in the fast track supplemental was to address the depletion of the fund. She explained that over the past three years, the state had been frugal about what was put into the fund; therefore, over time the fund had been depleted and had resulted in the need for a supplemental. The legislature and LFD wanted to stay away from supplementals; therefore, LFD had appropriately put forward a fund balance in the program that made the need for a supplemental unlikely.

[7:18:44 PM](#)

Representative Pruitt wanted to understand whether the fund was truly used for disasters. He asked if it was a pool of money that was potentially seen as a place to access if there was a need for something. He stated the account was called a disaster relief fund and he wondered if the funds were always used for true disasters. He remarked that a linguistic emergency had just been declared in Alaska- he wondered if the funds could be used for something of that nature.

Ms. Pitney answered there was a process the administration went through that included DMVA, homeland security, DOA, the Department of Commerce, Community and Economic Development (DCCED), and the governor's office. After homeland security assessed communities, the group reviewed

the information. For example, a recent wind storm had ruined several houses in a community, which had been deemed worthy of disaster relief funding. When funds were used, a notification letter with backup information was sent to the finance co-chairs. She detailed that the funds were used for emergencies. She believed if the legislature saw something come through on the language emergency [mentioned by Representative Pruitt] out of the disaster relief fund it would question the use.

Representative Wilson asked where the money resided. She wondered the funds automatically transferred from the Constitutional Budget Reserve (CBR) or earnings reserve into another fund versus coming back for a supplemental.

Mr. Labolle replied that the funds in the disaster relief fund could be spent by the administration without further appropriation, but the purpose had to meet the statutory requirement and the administration had to declare a disaster in order to qualify for the funding. The administration would not have the ability to spend directly from the CBR in a similar situation.

Representative Wilson wondered what would happen if the legislature did or did not approve the \$6.2 million. She assumed the \$6.2 million would remain in the CBR or earnings reserve if the legislature did not approve the funds. Alternatively, if the legislature approved the \$6.2 million she believed the money would be removed from one of the funds and would be deposited into a fund [the disaster relief fund] where it would earn nothing while waiting to be utilized. She asked if her understanding was accurate.

Ms. Pitney replied that the funds were all managed by the Department of Revenue Treasury Division. She explained that even money in designated purpose funds was invested. She clarified the funds did not earn 7 percent interest, but they did earn money. The funds would be part of the managed funds of the GF.

[7:22:50 PM](#)

Mr. Labolle turned to a \$4.5 million appropriation to DOT for the Knik Arm Crossing project that had been made on the Senate floor (page 39, line 11).

Representative Wilson asked how much money would be available for the project after the appropriation. She wondered about the next step for utilizing the funds.

Mr. Labolle replied the appropriation would put \$4.5 million towards the project. He had not received backup on the next step.

Representative Wilson explained that she did not know whether the fund had gone to zero. She noted some reappropriations had been done in 2017. She did not know whether there were additional funds still available for the project and believed \$4.5 million seemed like an odd amount. Therefore, she assumed the appropriation had been included to account for whatever the Senate believed was the next step.

Mr. Labolle believed there was \$2.5 million remaining in the fund [for the Knik Arm Crossing project].

Vice-Chair Gara asked Ms. Pitney if it was accurate that \$2.5 million was sitting in the fund.

Ms. Pitney replied that she would follow up.

Mr. Carpenter corrected there was \$2.9 million remaining for the project. He believed the \$4.5 million was intended to replace the money that had been reappropriated from the project in 2017.

Vice-Chair Gara asked for verification the \$4.5 million did not match any federal funds.

Ms. Pitney responded that because the appropriation was a recent add to the budget and was not part of the governor's request she did not know exactly how the project would work. The project as it had existed did not qualify for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and the loan had been sought. She detailed the financing was complicated and the project would cost several hundred million. She did not know the intent of proposed appropriation.

[7:26:02 PM](#)

Representative Wilson stated it was her understanding there was the possibility of a transportation stimulus package.

She speculated that perhaps more funding was anticipated. She remarked that hopefully the backup would address some of the questions.

Vice-Chair Gara stated that according to the radio [the transportation stimulus package] was contingent on a federal gas tax. He did not believe the tax would happen any time soon.

Mr. Labolle moved back to Section 19, page 30, lines 22 through 27. The increment was a reappropriation requested by the Department of Education and Early Development (DEED) not to exceed \$3.4 million, major maintenance from Pitkas Point K-8 school renovation for DEED cleanup of the Pitkas Point School site. He detailed that the school was no longer open, and students were being bused to an adjoining village in St. Mary's. The renovation was no longer needed, but the school needed to be mothballed.

Representative Wilson remarked that Mr. Labolle had stated the site required cleanup. She asked if the site was contaminated.

Mr. Labolle believed there was some contamination, but the school also needed to be closed up.

Representative Wilson referenced an earlier discussion on the use of [DEC response] funds for the [Wrangell] junkyard. She asked if the Pitkas Point contamination cleanup would be eligible for funds through the same process.

Mr. Labolle deferred the question to DEC. The DEED had determined that because it had funds for renovation to the school that was no longer needed, it could use a lesser amount from that appropriation with the remaining amount lapsing back to the major maintenance fund.

Representative Wilson reasoned if the [DEC response] fund could be utilized for cleanup, more money would go back to the maintenance program - many schools needed the funds. She thought it would be a split amount given that mothballing the school would not qualify for cleanup money. She reasoned that if there was contamination it was exactly what cleanup money (\$5 million pulse an existing \$8 million) was being used for in another community. She requested a cost breakdown of the mothballing and

contamination. She wanted to hear from Kristin Ryan [Director, Division of Spill Prevention and Response, Department of Environmental Conservation] about whether the cleanup would fall under the response fund guidelines. She noted the committee had been told the response fund was healthy at present.

[7:29:24 PM](#)

Representative Pruitt pointed to the \$3.4 million that he believed appeared substantial for mothballing only. He wanted to understand what needed to be cleaned up. He wondered if mothballing the school meant the intent was to reopen the school at a later date.

Vice-Chair Gara requested Ms. Pitney to follow up with an explanation the following morning.

Mr. Labolle added that DOT built the school and its axillary facilities between the 1960s and mid-1980s. The buildings had been in use until the site was closed and had been put into cold storage by the Lower Yukon School District. Additionally, there were four housing units onsite that were over 30 years old.

Ms. Pitney elaborated that it was a land trust through DEC.

Mr. Labolle elaborated that a land trust through DEC had obtained a DCCED brownfield assessment in 2015 to ascertain the extent of contamination and deterioration of the site and facilities. The remaining soil contamination was being resolved by the Lower Yukon School District, DEED, and the municipal land trust. The entities were attempting to resolve repairs and actions needed to bring the premises to a clean and neat presentable condition in order to responsibly terminate the lease. He continued that DEED anticipated transferring any remaining facilities to the municipal land trust, specifically a 10,440 square foot school facility, which would determine whether the buildings were able to have continued use in the community.

Vice-Chair Gara reiterated a request for OMB to follow up with information the following day.

Ms. Pitney nodded in affirmation.

Representative Wilson requested to hear what a municipal land trust was and who the state was giving the property to. She did not know if it was something specific to the Pitkas Point community.

Vice-Chair Gara noted that Ms. Pitney was nodding yes.

[7:32:48 PM](#)

Mr. Labolle turned to page 39, line 18 where \$8 million had been added to the community assistance fund, bringing the FY 19 amount to \$38 million (the same amount distributed in FY 17 and FY 18).

Representative Pruitt returned to community assistance. He stated that the legislature had added \$30 million to the supplemental budget from the Alaska Comprehensive Health Insurance Fund. He recapped that \$38 million had been funded in FY 17 and FY 18. He remarked that the legislature had not funded community assistance in the FY 18 budget, but the funding had been provided in the supplemental. He thought the reason for the \$30 million in the fast track supplemental was to reach an average of \$30 million in the following year. He thought it was keeping stable. He asked for verification community assistance had been funded at \$38 million in the last couple of years.

Mr. Labolle replied that Representative Pruitt was correct about the flow of money. He detailed that \$30 million had been included in the supplemental to backfill the account up to \$90 million because in the previous year's appropriation, the account had not been backfilled after the money flowed out. He explained the backfilled funds from the supplemental would flow out in FY 19. The FY 19 budget included \$30 million to backfill the money flowing out in FY 19. He relayed that supplementals would not be required in the following year; however, in FY 17 \$38 million that came out had been reduced in FY 18 through the remaining portion of the fund, but an additional \$8 million had been paid in to maintain a level funding. The increment in the capital budget did the same thing.

Vice-Chair Gara clarified the funds were a total of \$38 million, not \$38 million plus \$30 million.

Representative Pruitt understood.

7:35:46 PM

Representative Wilson thought some of the money for community revenue sharing had come in with the Power Cost Equalization (PCE) due to interest. She did not believe the fund source was supposed to be all GF. She believed all of the funds had done well in the past year. She could understand the reasoning for adding the money to the capital budget if the stock market had performed poorly in the past year; however, she thought there had been enough funding to pay out the share out of the PCE Fund.

Mr. Labolle replied there were two issues. He explained there was a normal appropriation from the fund where one-third of the fund flowed to community assistance without further appropriation. Whatever the fund size, one-third went to community assistance. The size of the fund had been approximately \$90 million, but historic funding of the community assistance fund had been greater than the \$30 million that spun off as one-third. He explained that for the last couple of years additional appropriations had been made to bring the balance to the higher funding level that was higher than the automatic spinoff.

Representative Wilson thought the point of the legislation was that the state shared its revenue when it was available. She remarked that the state did not currently have the revenue. She believed the reason for the legislation was because communities still needed the funding. She asked if it was still the intent of the legislature to fund at a certain level whether or not it was generated off the PCE Fund.

Mr. Labolle added that the PCE Fund was not necessarily the funding source for the community assistance fund - it could vary. He elaborated that legislation had passed that allowed excess earnings of the PCE Fund to be used for that and the Renewable Energy Grant Fund. He explained the PCE Fund had a couple of very good years that had resulted in excess earnings, which had been used to backfill the spend from the community assistance fund in the current year.

Representative Wilson spoke to her understanding of the purpose of the legislation to find another source that would provide some funding. She detailed that most communities had gotten used to the assistance funds the state had provided during years when revenue was strong.

She thought it sounded like the policy was to let some of the funds spin off and if they were insufficient, the legislature would automatically appropriate UGF. She stated it was not the way she recalled the legislation. She reasoned the legislature could always add more to it; she was just trying to determine what the policy call had been at the time.

[7:39:25 PM](#)

Vice-Chair Gara did not want community revenue sharing to fall. In FY 15 roughly \$60 million had been sent to communities. The amount had fallen to \$50 million in FY 15, and in FY 17 a statute slated the funding to decline to \$38 million. He added that the number was supposed to drop to \$30 million in FY 18 and FY 19. He believed the decreases were substantial. He explained that the past year the legislature had maintained the funding at \$38 million and the intent in the current version of the capital budget was to maintain the level at \$38 million. He confirmed that Representative Wilson's recollection of the statute was correct. The statute had revenue sharing falling to \$30 million - one-third of the \$90 million in the fund. He had not supported the legislation.

Representative Wilson was trying to remember the intent. She did not recall what the figures had been at the time, but she believed the goal had been to stay fairly consistent at the \$38 million. She reasoned the amount directed to community assistance was dependent on the stock market and other requirements. She elaborated that the first payout from the PCE Fund was directed to power cost equalization and then energy projects. She remarked that communities became dependent on funds and giving a certain amount or following statute was a policy call. She wanted to be consistent in the actions.

[7:41:26 PM](#)

Mr. Labolle moved to the final change located in Section 25, page 39, line 31 where \$100,000 UGF was appropriated to the Anchorage Coalition of Community Patrols, Inc. for the purchase of gas cards, decals, radios, and safety equipment.

Representative Wilson remarked that the increment was only for Anchorage. She asked if every community received funds

for that purpose. She asked about the basis for how the \$100,000 would be given. She asked if a grant was issued for safety equipment, whether the equipment would be considered state-owned or patrol-owned.

Mr. Labolle answered that prior to the [Senate] floor amendment the previous day he had been unaware there was an Anchorage Coalition of Community Patrols.

Representative Wilson requested additional information.

Vice-Chair Gara stated the item had been added in the Senate. He asked Ms. Pitney who to ask how the funds would be distributed.

Ms. Pitney answered that the increment was a named recipient grant. The DCCED would send the money to the named recipient for distribution as the entity saw fit.

Vice-Chair Gara questioned whether Representative Wilson was going to ask how the funding was competitive and how it was determined.

Representative Wilson asked for verification that the Anchorage Coalition of Community Patrols would receive the \$100,000 and it would determine what kind of setup each neighborhood would need in order to get gas cards, decals, radios, and safety equipment. She asked if the safety equipment included guns.

Ms. Pitney answered that the increment was new to her since the previous evening. She deferred to the maker of the amendment. She explained that the process for DCCED on a named recipient grant was to send the money to the entity awarded with the grant.

Vice-Chair Gara asked Ms. Pitney to try to reach a DCCED representative to testify on the topic.

[7:45:07 PM](#)

Mr. Carpenter added it [Anchorage Coalition of Community Patrols, Inc.] was a legitimate organization that had received grants in the past for community patrol. He detailed that DCCED would administer the grant and the entity would be required to sign a grant agreement and

adhere to the items listed. He stated that community patrol officers were not allowed to carry guns.

Representative Wilson was surprised to hear community patrol officers did not have guns. She clarified she was not claiming the state should buy the individuals guns, but she would not want to be in a position where someone else had a gun, but she did not.

Mr. Carpenter expanded on the comments. He pointed to an increment in Section 4, page 18, line 10 for community and neighborhood watch grants. The increment was specifically to address the statewide issue and was for named recipients and municipalities statewide. The DCCED could work with grantees on neighborhood watch. He explained the language was intentionally broad in order to address statewide issues. Whereas, the increment in the other section [located in Section 25, page 39, line 31] was specific to Anchorage because of problems facing the community.

Vice-Chair Gara clarified that he had not submitted the amendment. He defended community patrols and relayed that Anchorage had patrols in a number of its neighborhoods who acted as volunteers living in the community. He would be surprised if some of the individuals did not carry guns, but he was not certain they were allowed to. He noted the Fairview community had a patrol officer.

[7:47:21 PM](#)

Mr. Labolle relayed that he was finished outlining the changes in the CS.

Representative Pruitt WITHDREW his OBJECTION to the adoption of the CS. There being NO further OBJECTION, Work Draft 30-GS2565\N was ADOPTED.

Representative Pruitt noted that he did not see seismic money for Alaska National Wildlife Refuge (ANWR) in the budget. He stated that the administration had been asking for the funding and he wondered how vital the funds were from the administration's perspective.

Ms. Pitney replied the state had a tremendous opportunity and a limited time window. The administration had introduced the idea, had paused it, and had reintroduced it. She stated the difference it could make was not

quantifiable but could be orders of magnitude more than the \$10 million investment. The administration believed funding was a smart policy call to take advantage of the opportunity in [ANWR's] 1002 area; it was a high priority for the administration.

Representative Pruitt observed the bill did not contain an increment for the Port of Anchorage. He detailed there had been a \$40 million request. He believed it was something to consider (somehow the port would be paid for) that a good portion of the state would potentially see a rise in the cost of goods. He asked the committee to consider whether some funding was prudent.

[7:51:02 PM](#)

Vice-Chair Gara agreed. He believed the committee needed to consider what the state could afford.

Representative Wilson asked to hear the total UGF, DGF, and federal funds added in the CS compared to the version the committee had discussed the previous day.

Mr. Labolle deferred the question to Mr. Carpenter.

Mr. Carpenter answered the change from the Senate version of the bill was a total of \$49.5 million, including \$36.3 UGF.

Representative Wilson asked whether \$37 million requested for Medicaid was not included in the bill.

Mr. Carpenter replied that there was not the remainder \$47 million for Medicaid in the bill.

Representative Wilson apologized to [Medicaid] providers.

Vice-Chair Gara agreed it was a debt if the state owed funds to providers. He reasoned that it was not really a savings to fail to pay Medicaid money owed by the state.

CSSB 142(FIN) was HEARD and HELD in committee for further consideration.

Vice-Chair Gara reported amendments were due by noon the following day.

Representative Grenn asked for verification the CS had been adopted.

Vice-Chair Gara replied in the affirmative.

Vice-Chair Gara reviewed the schedule for the following day. He recessed the meeting to a call of the chair [note: the meeting never reconvened].

#

ADJOURNMENT

7:54:02 PM

The meeting was adjourned at 7:54 p.m.