

30TH ALASKA STATE LEGISLATURE
THIRD SPECIAL SESSION
CONFERENCE COMMITTEE ON SB 23
July 27, 2017
1:04 p.m.

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CALL TO ORDER

Chair MacKinnon called the Conference Committee meeting on SB 23 to order at 1:04 p.m.

MEMBERS PRESENT:

Senate:

Senator Anna MacKinnon, Chair
Senator Lyman Hoffman
Senator Donny Olson

House:

Representative Neil Foster, Chair
Representative Paul Seaton
Representative Lance Pruitt

MEMBERS ABSENT

None

ALSO PRESENT:

Laura Cramer, Staff, Senator Anna MacKinnon; David Teal, Director, Legislative Finance Division; Representative Lora Reinbold; Senator Click Bishop; Representative Steve Thompson; Senator Mike Dunleavy; Representative Dean Westlake; Senator Peter Micciche; Representative George Rauscher.

SUMMARY

SB 23 APPROP: CAPITAL BUDGET

FCC SB 23 was REPORTED out of committee with a "do pass" recommendation.

#SB23

CS FOR SENATE BILL NO. 23(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."

HCS CSSB23(FIN)AMH(BRFSUPMAJFLDH)(EFDFLDH)

"An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and other appropriations; amending appropriations; and making appropriations to capitalize funds."

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Chair MacKinnon announced the Senate committee members present at the meeting.

Chair Foster announced the House committee members present at the meeting.

Chair MacKinnon announced that the goal of the free conference committee was to agree on a committee substitute, and recommend it to the representative bodies for approval. She stated that there would be no public testimony. She announced that, pursuant to Uniform Rule 42, the free conference was appointed the current day by the Senate at 11:23am and by the House at 12:25pm. She shared that adoption of the conference committee report required an affirmative vote by a majority of members from each body.

Chair Foster MOVED to ADOPT the proposed free committee substitute for CSSB 23(FIN)am, Work Draft 30-GS1854\Y (Martin, 7/19/17).

Chair MacKinnon OBJECTED for discussion.

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LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, discussed the Summary of Changes (copy on file):

Does not include the following:

- o Supplemental Items that were approved in HB 57 - Operating Budget
- o Reappropriation of Alaska Gasline Development Corporation Funds
- o Additional appropriation for the Permanent Fund Dividend
- o FY 18 Operating Budget

Addition:

Section 11 Reappropriation of \$55,000 from SB 74 (2016 Medicaid Reform) for the Health Care Authority efforts (page 16, lines 20-28)

Changes:

Fund source for the capital budget, unless otherwise noted, is the Statutory Budget Reserve

Section 6 Oil and gas tax credit fund appropriation of \$20 million to pay tax credit liabilities - brings FY18 funding to the statutory calculation of \$77 million (including the operating budget appropriation) (page 15, lines 12-14)

Section 20 Revised fiscal note funding for the implementation of HB 111 to \$1.35 million from \$1.2 million (page 23, lines 3-5)

Inclusions:

Section 1 Fully fund Alaska Housing Finance Corporation programs at requested FY18 level (page 7, lines 19-22)

Section 1 Intent language relating to the replacement of the F/V Tustumena (page 7, lines 31-33 through page 8, lines 3-7)

Section 1 \$1 million for Public and Community Transportation State Match (page 8, line 12)

Section 11 Fiscal note for implementation of Real ID \$1.5 million (page 16, lines 15-19)

Section 14 Reappropriation of \$4.43 million of the Juneau Access project for the Kivalina K-12 replacement school (page 19, lines 24-31 through page 20, lines 1-7)

Section 14 Reappropriation of \$2.18 of various Department of Military and Veterans' Affairs projects for the Kivalina K-12 replacement school (page 20, lines 8-17)

Section 14 Reappropriation of \$500,000 of the Knik Arm Bridge and Toll Authority (KABATA) Funding for the Kivalina K-12 replacement school (page 20, lines 18-27)

Section 14 Backstop language: If KABATA reappropriations are short for the Kivalina K-12 replacement school, general funds would be used to fully fund (page 20, lines 28-31 through page 21, lines 1-2)

Section 18 Land purchase for Interior Veterans' Cemetery (page 22, lines 11-14)

Section 19 Reappropriations of \$7.3 million from DOT, DNR, and ARRC for the Arctic Strategic Transportation and Resources (ASTAR) project (page 22, lines 21-31 through page 23, lines 1-2)

Section 21 Reappropriation of \$21,285,000 million of the Juneau Access project to remain with the Juneau Access project (page 23, lines 23-26)

Section 21 Reappropriation of \$21,285,000 million of the Juneau Access project for capital projects in the greater Lynn Canal area (page 23, lines 27-31 through page 24, lines 1-10)

Section 21 Reappropriation of \$1 million of KABATA funding for Alaska Marine Highway Vessel Overhaul (page 24, lines 14-23)

Section 21 Reappropriation of \$1 million of the KABATA funding for Federal Highway Match (page 24, lines 24-31 through page 25, lines 1-2)

Section 21 Reappropriation of \$1.2 million from Art on Alaska Class ferries to the Alaska Class Ferries for Equipment (page 41, lines 20-27)

Section 21 Backstop language: If reappropriations are short for Federal-aid highway match, general funds would be used to fully fund (page 41 lines 28-31 through page 42, line 1)

Section 22 \$8 million to fully fund the Community Assistance Program (page 42, lines 5-8)

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Ms. Cramer stated that there was retroactivity language added on page 45, line 18, which stated that any reappropriations or projects that were scheduled to lapse at the end of FY 17 would not lapse. Instead, they would be directed in the CS as such.

Senator Hoffman wondered whether there was a revised fiscal note for HB 111. Ms. Cramer replied that there was a revised fiscal note, FN 4, which was an implementation by the Department of Revenue (DOR) for HB 111 for \$1.35 million. She stated that it was an increase from \$1.2 million in the House fiscal note.

Senator Olson looked at page 45, and wondered whether the lapsed retroactivity would be a large amount. Ms. Cramer wondered whether the question was regarding the total reappropriation amount in the budget.

Senator Olson clarified that he queried the amount that would have lapsed, and would have been in danger of losing without the language. Ms. Cramer replied that the total reappropriations were approximately \$20 million to \$25 million, but she did not have the exact number.

Chair MacKinnon REMOVED her OBJECTION. There being NO further OBJECTION, the proposed committee substitute was adopted.

Representative Pruitt MOVED to adopt Conceptual Amendment 1. He apologized that the amendments were not in writing. He stated that the amendment would be to Section 6, page

15, line 12. He moved that \$20 million be substituted for \$40 million.

Chair MacKinnon OBJECTED.

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Representative Pruitt explained the amendment. He stated that the amendment referred to the Oil and Gas Tax Credit Fund. He stated that was a strong possibility that some financial institutions could foreclose on some of the companies that were expecting the tax credits, if the state did not provide the \$95 million range. He felt that it was prudent to be cognizant of the legislature's word. He remarked that part of the downgrade was related to the decision making and process for how to fund government. He also asserted that the downgrade was related to the legislature's willingness and ability to pay for certain commitments. He wanted to prevent the foreclosure of certain assets. He understood that the \$40 million would suffice in assuring the avoidance of foreclosure.

Senator Olson wondered where the additional \$20 million would come from. Representative Pruitt believed that it would come from the Statutory Budget Reserve (SBR) as an additional amount.

Chair Foster commented that the House Majority Caucus wanted the oil tax credit number to be zero. He furthered that the House added \$57 million into the Operating Budget and another \$20 million into the Capital Budget. He did not support the amendment.

Representative Seaton remarked that current amount was the statutorily calculated amount, so companies should be aware of statutes and the potential obligations of the state. The change would increase above the statutory limit. He opposed the amendment.

Chair MacKinnon wanted to support the amendment, but stated that the bill was a compromise between the two bodies. He stated that the Senate had proposed \$288 million to pay one-third of the state's obligation, and shared with the House the risk of not funding at the higher level. She stated that the House had made other compromises. She felt that the CS was not ideal, but she supported the compromise.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt

OPPOSED: Hoffman, Seaton, MacKinnon, Foster, Olson

The MOTION to adopt Conceptual Amendment 1 FAILED (5/1).

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Representative Pruitt MOVED to ADOPT Conceptual Amendment 2. He stated that the amendment was on Section 21, page 23, lines 23-26, which reappropriated \$21.285 million to Juneau Access. He stated that the number would be changed to \$42.57 million. The amendment would strike the reappropriation language, "to the greater Lynn Canal area."

Chair MacKinnon surmised that the amendment would not use any reappropriation from the Juneau Access Project.

Representative Pruitt clarified that the Kivalina School money would not be addressed. He only was referring to money that was reappropriated to the Lynn Canal.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt

OPPOSED: Hoffman, Seaton, MacKinnon, Foster, Olson

The MOTION to adopt Conceptual Amendment 2 FAILED (5/1).

Representative Pruitt MOVED to ADOPT Conceptual Amendment 3. The amendment was for Section 21, page 24, lines 14 to 23. He remarked that there was reference to reappropriating \$1 million from the Knik Arm Bridge and Toll Authority (KABATA) to the Marine Highway Fund. He furthered that there was also a reappropriation of \$1 million for KABATA for federal highway match. The amendment would leave the \$2 million with KABATA.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt

OPPOSED: Hoffman, Seaton, MacKinnon, Foster, Olson

The MOTION to adopt Conceptual Amendment 3 FAILED (5/1).

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Representative Pruitt MOVED to ADOPT Conceptual Amendment 4. He explained that the amendment would be to Section 45 of HB 57. He announced that it would replace the Budget Reserve language with Earnings Reserve to the amount of \$1.7 billion. He wanted Legislative Legal to apply conforming language.

Chair MacKinnon OBJECTED. She queried the page number.

Representative Pruitt announced that there was no page number. He explained that it was in reference to the already passed budget. The amendment would substitute \$1.7 billion from the Earnings Reserve to pay for state government operations. He stressed that the state had been downgraded because it had not been able to address its current budget challenges. He remarked that many people were able to attend the Anchorage Economic Development luncheon, and spoke to the legislature not addressing some of the challenges. The amendment would replace language that had already passed with the utilization of Earnings Reserve money in place of the Constitutional Budget Reserve (CBR) money as indicated in the budget.

Senator Olson queried the impact of the amendment on the state's credit rating.

Representative Pruitt felt that the willingness for the state to use all of its assets with the fortitude and strength to make the decisions would speak volumes to the creditors. He stated that Alaska was third in the country in terms of credit ratings. He shared that he had recently visited New Jersey, which was in a much greater budget deficit. He felt that the budget situation was because of political willpower and an unwillingness to pay certain commitments, resulting in a downgraded credit rating.

Senator Olson understood that the reason for the downgraded credit rating was not because of where the funds came from for funding government, rather it was because there was no plan for new revenue.

Representative Pruitt agreed with Senator Olson. He felt that showing that Alaska could make a huge statement, would "speak volumes to those credit agency ratings."

Chair MacKinnon remarked that the Permanent Fund Earnings Reserve account was drawing 16 percent interest and the CBR was drawing between 2 and 3 percent. She felt that the amendment would be an unwise move. She remarked that there was a conversation about moving a large amount from the Earnings Reserve with a potential loss of \$4 million of interest. She opposed the amendment. She announced to credit raters that the legislature knew that all of its assets were available. She stressed that the Earnings Reserve was spent with a simple majority, and a court ruling had supported that function. She shared that the reserve had historically not been accessed, rather, it was protected for payments to Alaskans for the dividend program.

Representative Seaton remarked that the House and Senate had been working toward a comprehensive fiscal plan, and the amendment was an unstructured draw from the account. He felt that it would circumvent the process that the legislature was attempting to get its fiscal house in order. He opposed the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt

OPPOSED: Hoffman, Seaton, MacKinnon, Foster, Olson

The MOTION to adopt Conceptual Amendment 4 FAILED (5/1).

Chair Foster MOVED that the House and Senate adopt the FCCS SB 23 from the Free Conference Committee, and that Legislative Finance and Legislative Legal be directed to make appropriate conforming and technical changes.

There being NO OBJECTION, it was so ordered.

FCC SB 23 was REPORTED out of committee with a "do pass" recommendation.

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ADJOURNMENT

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The meeting was adjourned at 1:32 p.m.