

SENATE FINANCE COMMITTEE
January 23, 2017
9:03 a.m.

[9:03:32 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Mike Dunleavy
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Megan Wallace, Attorney, Legislative Legal Services; David Teal, Director, Legislative Finance Division.

SUMMARY

^PRESENTATION: INTENT LANGUAGE REPORT

[9:04:43 AM](#)

MEGAN WALLACE, ATTORNEY, LEGISLATIVE LEGAL SERVICES, presented a legal background to the intent language. She explained that most intent language was not enforceable.

Co-Chair MacKinnon asked for a restatement.

Ms. Wallace replied that legislative intent needed to be the minimum necessary to explain the legislature's intent regarding how money was to be spent. The intent could not administer the program of expenditures. The intent must not enact law or amend existing law. The intent may not extend

beyond the life of the appropriation. The language must be germane.

[9:09:02 AM](#)

Senator Dunleavy wondered what would occur with a bill separate from the appropriation that had its own intent language voted on by the legislature.

Ms. Wallace responded that a request to put intent language into substantive form, it would likely be the recommendation that it be drafted in order to be put into law in the department. Therefore, it could be enacted in a way that mandated an agency or department.

Senator Micciche surmised that the intent language could not be on an omnibus bill.

Ms. Wallace replied that appropriation bills were exempt from the single subject rule. She stated that a substantive bill would be bound by the single subject rule.

Co-Chair MacKinnon noted that there were attempts at responses to requests from the agencies and industries affected.

[9:12:17 AM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, shared that he had compiled the FY17 Legislative Intent Language into a summary (copy on file). He furthered that the Legislative Finance Division (LFD) had compiled a memo (copy on file). He outlined the color coding of the spreadsheet. He felt that there was probably too much intent language. He stressed that intent language was not enforceable.

Co-Chair MacKinnon commented that there would be a bill that directed where the reports would be delivered.

Mr. Teal felt that the intent should be as clear as possible. He stressed that much of the intent could be interpreted in various ways. He remarked that determining compliance was not an easy decision. He remarked that there could be differing opinions.

[9:17:15 AM](#)

Mr. Teal looked at item 2 of the spreadsheet. He stated that the intent language was not followed. A viable replacement was not found.

Mr. Teal noted that item 3 complied with the language, although a viable replacement was not found.

Mr. Teal looked at item 4, and remarked that it did not follow the language in the intent. He stressed, however, that there was progress.

Mr. Teal addressed item 5 related to tourism marketing. He remarked that in FY 17 funding for tourism marketing was \$1.5 million of UGF. The request in FY 18 was out of the operating budget and put in the capital budget at \$1.35 million of UGF, plus vehicle rental taxes of \$1.65 million. The UGF was reduced, but total GF was increased. The intent did not outline whether there was an intended reduction of state funds or UGF. He stressed that the industry plan called for an \$8 million assessment on industry, and using \$10.5 million of vehicle rental tax. He stressed that the tax was used by other agencies for other purposes mostly related to tourism development.

Mr. Teal addressed item 6, which was related to the Marijuana Control Board. He stressed that the board did not set fees to recover unrestricted general funds, because the fees were set before the intent language was adopted.

Mr. Teal looked at item 15. He stated that the intent was to find other sources of money to fund the Mount Edgecumbe High School Aquatics Facility. He shared that the Department of Education and Early Development (DEED) had identified some non-GF sources, but still requested an FY18 increment of \$100.0 UGF to open/operate the facility.

[9:22:11 AM](#)

Mr. Teal addressed item 17. He shared that the legislature asked DEED to turn to Alaska Housing Finance Corporation (AHFC) for energy efficiency loans. He stated that DEED felt that the loan option would not meet the needs of many applicants.

Senator von Imhof wondered whether the Mount Edgecumbe pool was currently not in operation.

Mr. Teal responded that he believed the pool was complete, but not in operation. They would maintain the empty pool, because they had no funds to operate it.

Senator von Imhof wondered whether there was another pool in Sitka that could be used.

Mr. Teal replied in the affirmative.

Senator von Imhof wondered whether that pool was in use.

Mr. Teal responded in the affirmative.

Senator Micciche wondered how the intent language was communicated to the departments. He asked how the departments prioritized the legislative intent.

Mr. Teal responded that the intent language was in one of the appropriation bills, and was communicated in that matter to the departments. He stated that they were addressed in the fall regarding compliance. He shared that intent language was unenforceable, but the departments still intended to follow the intent language. He stressed that intent language was particularly important during a legislature, rather than an election year when a subcommittee chair may be different. He stressed that there are many reasons for not complying with intent language, such as lack of funding.

[9:25:39 AM](#)

Senator Dunleavy wondered how to enact change.

Co-Chair MacKinnon understand that the solution would be made together because of conversations. She stressed that the legislature could not halt the building of the swimming pool. She explained that there was a difference between operating expenditures and capital expenditures.

Senator Micciche understood that the source of the intent language was approved by the legislature and the governor.

[9:33:10 AM](#)

Senator Dunleavy felt that the report indicated some lack of execution of the intent of the legislature. He stressed

that there had to be a determination of the best use of time.

Co-Chair MacKinnon shared an example of the reappropriation process.

Senator von Imhof hoped to examine the individual projects within programs.

[9:40:11 AM](#)

Co-Chair MacKinnon shared that conversations had taken place regarding the Mt. Edgecumbe pool.

Senator Olson remarked that the intent of the pool in Sitka was to address the large number of drownings in rural Alaska.

Mr. Teal responded that the language should be the minimum necessary to explain the intent of the appropriation. The intent should not administer the program.

Senator Olson wondered whether it was a waste of time to discuss intent language.

Mr. Teal felt that less intent may be more effective than more intent.

[9:45:26 AM](#)

Vice-Chair Bishop remarked that 44 of 88 of the topics had followed the intent of the legislature. He asserted that the administration must approve of those topics.

Mr. Teal replied that most of the agencies complied with most of the intent, because they followed what was already common practice. He stated that there were very good reasons why there was not compliance with intent language.

Senator Micciche suggested that there may be a guidance document from LFD and Legislative Legal for the subcommittee chairs, when drafting their requests.

Co-Chair MacKinnon shared that the reason for the discussion was in order for the Senate to prioritize their budget.

9:50:10 AM

Mr. Teal looked at item 22, which showed that due to FY17 budget reductions, two projects addressing Upper Cook Inlet stocks of concern (the Judd Lake Weir and Yentna River Fish Wheel) were deleted.

Mr. Teal addressed item 25. He remarked that there was an attempt to get the information to the public.

Mr. Teal highlighted items 30 and 31. The intent asked Department of Fish and Game (DFG) to examine how they survey fishermen. He stated that DFG responded that altering their survey techniques would be too costly, and the quality and quantity of data may suffer with those changes. He stated that it was white on the spreadsheet, because they were only required to evaluate, but chose not to adjust their practice.

Co-Chair MacKinnon queried the item numbers.

Mr. Teal replied that he was discussing items 30 and 31.

Mr. Teal looked at item 33, which showed that the intent of the legislature that the duties performed by the deleted Information Officers are absorbed within the Office of the Governor, in which the office did not comply.

Mr. Teal looked at item 38, which referred to attempts to privatize certain services. He stated that each agency had its own report and ability to discuss their progress.

Mr. Teal addressed item 39, which related to collocation of several state corporations including Alaska Aerospace Corporation (AAC), Alaska Energy Authority (AEA), Alaska Housing Finance Corporation (AHFC), and Alaska Industrial Development and Export Authority (AIDEA) to reduce administrative costs and duplication of services within those agencies. He stated that Department of Administration (DOA) was coordinating a plan to collocate the AEA, AIDEA and AHFC. The review did not include AAC.

Mr. Teal looked at item 40 discussed the transferring of investment responsibility of the CBR out of the Treasury to the Permanent Fund, and that intent was not followed.

Mr. Teal looked at item 44, which related to construction of roundabouts at Chena Hot Springs. The intent language asked that there not be any general fund money used. He stressed that most transportation was funded with match funding, so it was unknown whether the intent language was followed. He shared that the plan would use 100 percent federal money.

[9:55:12 AM](#)

Mr. Teal looked at items 47 and 48, and both discussed repurposing the youth facilities. He stated that each facility was closed, instead of repurposed.

Mr. Teal addressed items 50 and 51, which stated that the investment would be too great. The department reported that it would require an investment in other resources.

Mr. Teal highlighted item 62, which related to holding down the indirect costs for Village Public Safety Officers (VPSO). He stated that it may appear that there was an intent to hold the indirect cost rate at under 30 percent. The language was intended to work the opposite way, by allowing some contractors to have indirect rates much higher than 30 percent.

Mr. Teal looked at items 67, which required savings at rural airports. The intent was considered, however the proposed FY18 budget does not include any reductions.

Mr. Teal highlighted item 68, which directed Department of Transportation and Public Facilities (DOTPF) to open and staff three maintenance stations, but the funding was vetoed, so they did not comply.

Mr. Teal addressed item 69, which addressed cost of living differentials for maritime union employees. It was found that the intent could not be met without a statutory change.

Mr. Teal looked at items 74 through 81, which required the university to examine their own organization.

Mr. Teal addressed item 82, which he felt was a clear noncompliance by the university. The personal services were supposed to be reduced, but they were unable to reduce personal services because of bargaining agreements.

[9:58:49 AM](#)

Co-Chair Hoffman felt that the focus should not be strictly on the operating budget. He did not want to focus too hard on the legislative intent. He hoped to give direction to subcommittees to minimize any legislative intent, and to complete the budgetary process. He remarked that the senate had proposed to reduce the budget by \$300 million, and some felt that the reduction was too drastic. He reiterated that there was a \$3 billion budget deficit. He stressed that the time should be spent on addressing the fiscal dilemma, which the governor classified as a "crisis."

Co-Chair MacKinnon queried the percentage of the budget in formula programs.

Mr. Teal replied that 50 percent of the budget was formula programs.

[10:04:00 AM](#)

Co-Chair MacKinnon wondered if there would be \$3 billion for the budget, with 50 percent removed.

Mr. Teal replied in the affirmative.

Co-Chair MacKinnon shared that the programs needed to be reformed, because there was a \$3 billion shortfall.

Co-Chair Hoffman stressed that the timeframe was limited.

Co-Chair MacKinnon was grateful for the administration's attendance to the committee meetings.

[10:07:02 AM](#)

AT EASE

[10:07:10 AM](#)

RECONVENED

Co-Chair MacKinnon discussed the following day's agenda.

#

ADJOURNMENT

[10:07:49 AM](#)

The meeting was adjourned at 10:07 a.m.