

SENATE FINANCE COMMITTEE
April 3, 2017
1:33 p.m.

1:33:15 PM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 1:33 p.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

James Armstrong, Staff, Senator Lyman Hoffman; David Teal, Director, Legislative Finance Division;

SUMMARY

CSHB 57(FIN) am(brf sup maj fld)(efd fld)
 APPROP: OPERATING BUDGET/LOANS/FUNDS

 SCS CSHB 59 (FIN) was REPORTED out of committee
 with a "do pass" recommendation.

CSHB 59(FIN)
 APPROP: MENTAL HEALTH BUDGET

 SCS CSHB 59(FIN) was REPORTED out of committee
 with a "do pass" recommendation.

#hb57

CS FOR HOUSE BILL NO. 57(FIN) am(brf sup maj fld)(efd fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; repealing appropriations; and making supplemental appropriations and reappropriations."

[1:34:15 PM](#)

Co-Chair MacKinnon MOVED to ADOPT the proposed committee substitute for CSHB 57(FIN) am(brf sup maj fld)(efd fld), Work Draft 30-GH1855\M (Wallace, 3/31/17).

Co-Chair Hoffman OBJECTED for DISCUSSION.

[1:34:33 PM](#)

JAMES ARMSTRONG, STAFF, SENATOR LYMAN HOFFMAN, explained the committee substitute. He referred to a document from the Legislative Finance Division (LFD), "Summary of Changes Senate Committee Substitute 2 and Senate Committee Substitute 3" (copy on file). The document outlined the changes to the technical CS and the current CS.

Co-Chair Hoffman stated that he would pause for questions.

[1:35:58 PM](#)

Mr. Armstrong discussed the document:

Section 1 (Numbers) of Operating and Mental Health Bill Department of Administration

1. Public Broadcasting Commission restores \$46.7 UGF, to the Governor's requested level.
2. Public Broadcasting - Radio restores \$2,036.6 UGF, to the Governor's requested level.
3. Public Broadcasting - T.V. restores \$633.3 UGF, to the Governor's requested level.
4. Satellite Infrastructure restores \$160.0 UGF, to the Governor's requested level.

Department of Corrections

1. Office of the Commissioner adds \$175.0 Statutory Designated Program Receipt authority to receive reimbursement from Community Resource for Justice for a Diversion Planner as a onetime increment.

Department of Natural Resources

1. Mental Health Trust Lands Administration restores \$250.0 MHTAAR for Public Relations Contracting, to the Governor's requested level.
2. Mining, Land and Water adds \$1 million Federal Receipt authority for the Hunting Guide Concession Program as a Temporary Increment (FY18-FY19).

Department of Public Safety

1. Council on Domestic Violence and Sexual Assault adds intent language as follows "It is the intent of the legislature that recidivism reduction funding appropriated in this allocation may be used to fund victim services programs."

Department of Revenue

1. Child Support Services Division adds \$50.0 General Fund/Program Receipts (1005) to section 1 for Paternity Testing. This addition replaces a language section appropriation with an estimate of \$46.0 General Fund/Program Receipts (1005).
2. Mental Health Trust Operations restores \$150.0 A/D T and P Funds (1180) for the FASD Campaign, to the Governor's requested level.
3. Mental Health Trust Operations adds \$43.3 MHT Admin (1094) for increase travel and contractual services.

Department of Transportation and Public Facilities

1. Marine Vessel Operations replaces \$40 million UGF (1004) with Alaska Marine Highway System Funds (1076).
2. Marine Vessel Operations replaces \$4,750.0 UGF (1004) with Transportation Maintenance Funds (1249) from the Capital and Mental Health Budget.

University of Alaska

1. Budget Reductions and Additions adds \$1.0 Special License Plate Receipts (1234) to section 1 for University of Alaska Special License Plate collections. This addition replaces a language section appropriation with an estimate of \$0.6 Special License Plates Receipts (1234).

Legislature

1. Salaries and Allowances deletes \$1,135.8 UGF for House and Senate per diem for 90-day session.
2. Special Session/Contingency deletes \$378.6 UGF for House and Senate per diem for 30-day special session.
3. New appropriation - House Session per diem a. New allocation - 90-day Session funds \$275/day per diem with \$977.6 UGF b. New allocation - 30-day Extended Session funds \$275/day per diem with \$325.9 UGF
4. New appropriation - Senate Session per diem a. New allocation - 90-day Session funds \$275/day per diem with \$488.8 UGF b. New allocation - 30-day Extended Session funds \$275/day per diem with \$162.9 UGF

1:40:39 PM

Co-Chair Hoffman surmised that the language gave the department as much flexibility as possible. Mr. Armstrong agreed.

Mr. Armstrong looked at Section 4:

Section 4 (Numbers) of Operating Budget

Personal Services reductions totaling \$16,791.2 UGF - includes the following language "Each commissioner or commissioner equivalent may transfer the unrestricted general funds appropriated in section 4 between appropriations within the specified department or agency."

Section 4 (Capital/Numbers) of Mental Health Budget

Department of Transportation and Public Facilities

Adds a Governor's requested Mental Health capital project titled MH Coordinated Transportation and Vehicles and funds the project with \$1 million General Fund/Mental Health (1037) instead of Transportation Maintenance Funds (1249). It also maintains \$300 thousand Mental Health Trust Authority Authorized Receipts (1092) for the project. This fund source change removes all Transportation Maintenance Funds from the Mental Health Bill.

1:41:30 PM

Mr. Armstrong addressed the language section:

Language Sections

1. Page 65 - adds an appropriation transferring the unexpended and unobligated balance, estimated to be \$17 million, from the Anchorage, U-Med district northern access appropriation to the Public Education Fund in FY17 (supplemental).
2. Page 67 - deletes a language appropriation with an estimate of \$46.0 General Fund/Program Receipts for Paternity Testing in the Child Support Services Division. \$50.0 General Fund/Program Receipts (1005) is added to section 1 for this purpose.
3. Page 67 - deletes a language appropriation with an estimate of \$0.6 Special License Plates Receipts (1234) for University of Alaska Special License Plate collections. \$1.0 Special License Plates Receipts (1234) is added to section 1 for this purpose.
4. Page 67, Section 20(a)-(c) - changes are a technical correction fixing the backstop language for the Department of Transportation and Public Facilities and Department of Public Safety. Section 1 appropriates funding related to the Motor Fuel Tax legislation; if a bill fails to pass, then UGF is appropriated through these sections and are estimated to be zero.
5. Page 75, Section 25 -
 - a. Subsection (g) deposits \$1,090,093.9 UGF into the Public Education Fund for Foundation Program - funding 94.3 percent in FY18 (a reduction of \$86,383.7 from the Governor's requested level when combined with the \$17 million UGF deposit into the Public Education Fund in FY17).
 - b. Subsection (h) deposits \$79,029.6 UGF into the Public Education Fund for Pupil Transportation - funding 100 percent in FY18 (an increase of \$6,409.8 from the Governor's requested level).

6. Page 76, Section 25(j) - adds an open-ended appropriation for the amount necessary to pay medical insurance premiums and the Department of Public Safety's costs associated with administering the peace officer and firefighter survivors' fund, estimated to be \$70.1 UGF. Normally this item would be a fiscal note appropriation but open-ended appropriations cannot be placed in the numbers section of the operating bill. This appropriation is contingent upon a bill passing and being signed into law. Section 35(e) also adds contingency language related to passage of the legislation.

7. Page 78, Section 26(c) - appropriates \$30 million from the unrestricted general fund to the Marine Highway Fund in FY17 (supplemental). Backstop language is also included in Section 35(f) which would reduce the appropriation to only the amount available in FY17 (the amount available from the Constitutional Budget Reserve to the general fund cannot exceed \$100 million in FY17 for additional appropriations made during the 2017 session).

8. Page 84, Section 31(c) - adds CBR borrowing and interest repayment language.

9. Page 84, Section 34(b) and (c) - adds retroactive effective date clauses.

10. Page 85, Section 35(c) - adds contingency language which provides that if the Motor Fuel Tax legislation is less than the level the Governor proposed, then section 20(b) is effective.

11. Page 85, Section 35(d) - adds contingency language which provides that if the Motor Fuel Tax legislation fails, then 20(c) is effective.

12. Page 85, Section 35(e) - adds contingency language that if the Peace Officer and Firefighter Survivors' Fund legislation fails, then 25(j) is not effective.

13. Page 85, Section 35(f) - Adds backstop language reducing the appropriation for \$30 million to the Alaska Marine Highways Fund in 26(c) by the amount necessary to appropriate no more than the amount available in FY17 (the amount available from the

Constitutional Budget Reserve to the general fund cannot exceed \$100 million in FY17 for additional appropriations made during the 2017 session).

Legislative Legal made editorial and technical changes throughout the bill that are not included in this list.

[1:46:37 PM](#)

Mr. Armstrong looked at Document 1 from LFD (copy on file). He explained that the document spoke to all funds. He noted that column 5 was the Senate subcommittee version 3 total. The current version was on the bottom of column 5, which proposed to spend the total agency and statewide operations of \$8,417,364,400. He noted that column 5 on page 2 captured the dividend amount. The dividend was based on the number contained in SB 26, with total spending at \$9,433,321,400.

Co-Chair Hoffman surmised that the dividend appropriation was not contingent on passage of the legislature. Mr. Armstrong agreed.

Mr. Armstrong looked at Document 2 from LFD (copy on file). The document reflected unrestricted general fund (UGF) spending. He noted that the total spending of UGF in column 5 was \$4,014,498,200. He stated that it reflected a UGF reduction from the management plan in the supplemental totals of approximately \$337 million. He noted that page 2, column 5 showed the draw for FY 18 from the Permanent Fund Earnings Reserve Account (ERA) for dividends totaling \$4,733,455,200 of UGF.

Senator Micciche surmised that the total included the dividend payout. Mr. Armstrong agreed.

[1:50:30 PM](#)

Mr. Armstrong looked at Document 3 from LFD (copy on file). He stated that he already spoke to the changes outlined in the document.

Mr. Armstrong looked at Document 4 from LFD (copy on file). He stated that the document contained the supplemental items in the committee substitute.

Mr. Armstrong looked at Item 6, which was the intent language in recidivism.

Co-Chair Hoffman WITHDREW his OBJECTION.

[1:53:11 PM](#)
AT EASE

[1:57:41 PM](#)
RECONVENED

[1:57:46 PM](#)

Co-Chair MacKinnon announced that the budget did not look like a budget for a smaller organization. She looked at Schedule 1, and noted the Department of Health and Social Services (DHSS) section. She looked at the \$354 million cut, and the Senate did not cut that money from DHSS. She requested a discussion about that number. She remarked that Schedule 1 looked at all funds, and Schedule 2 looked at UGF. She stressed that there was a reason for that separation.

[1:59:15 PM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the number was a large apparent cut, but the comparison with the FY 18 budget was tied to the FY 17 spending. He noted that column 2 showed supplemental funds.

Co-Chair MacKinnon stressed that the impact on the DHSS budget may not be known until the following year. Mr. Teal agreed.

Co-Chair MacKinnon wondered whether the funds were federal or UGF. Mr. Teal replied that it was mostly federal funds.

Co-Chair Hoffman looked at Schedule 2, and requested information about the 29.8 percent for the Department of Commerce, Community and Economic Development (DCCED); 23 percent for Department of Natural Resources (DNR); and the 57.8 percent for Department of Transportation and Public Facilities (DOT/PF). He wondered why those numbers were relatively high. Mr. Armstrong replied that the DCCED budget was funding for tourism that was moved into the Capital Budget.

Co-Chair Hoffman queried the budget for the tourism section. Mr. Armstrong replied that the number was \$3 million. He furthered that the reduction to DNR was associated to firefighting efforts in the current year. He looked at the DOT/PF budget, which showed a 57.8 percent reduction. He remarked that there was a fund source switch, as it was combined with the motor fuel tax.

There being NO further OBJECTION, the proposed committee substitute was ADOPTED.

[2:04:35 PM](#)

Co-Chair Hoffman explained that there was a new amendment process.

Senator Dunleavy queried the actual reductions, excluding supplemental, from FY 17 to the current committee substitute. Mr. Teal replied that the comparisons were different, depending on fund source.

Senator Dunleavy queried the UGF reduction. Mr. Teal replied that there was a reduction of \$336.9 million.

Senator Dunleavy wondered whether the \$262 million included the motor fuels tax. Mr. Teal replied in the affirmative.

Senator Dunleavy queried the amount of the motor fuels tax. Mr. Teal replied that it was \$70 million.

Mr. Teal explained that the reduction was \$337 million minus \$75 million, totaling \$262 million. He then subtracted \$70 million from \$262 million, equaling \$192 million.

[2:09:11 PM](#)

AT EASE

[2:23:27 PM](#)

RECONVENED

[2:23:34 PM](#)

Co-Chair Hoffman noted there was a new document addressing the current budget reductions in general fund.

Mr. Teal shared the comparisons.

Co-Chair Hoffman queried the definition of the supplemental budget. He surmised that it was expenditures in real dollars in the fiscal year, but were originally unanticipated. Mr. Teal replied in the affirmative.

Co-Chair Hoffman announced that it was impossible to ignore supplemental items.

^DEPARTMENT OF ADMINISTRATION AMENDMENTS

2:27:30 PM

Senator Dunleavy MOVED to ADOPT Amendments S DOA 11, 13, 15, 17 (copies on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

Senator Dunleavy MOVED to ADOPT Amendments S DOA 14, 16, 18, and 12 (copies on file). He explained the amendments.

Co-Chair Hoffman OBJECTED for DISCUSSION. He stressed that the communication components were essential to Alaskans.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

2:31:24 PM

AT EASE

2:32:58 PM

RECONVENED

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
AMENDMENTS

[2:32:58 PM](#)

Co-Chair Hoffman WITHDREW. Amendment S CED 4.

Senator Dunleavy MOVED to ADOPT Amendment S CED 5 (copy on file).

Senator Dunleavy explained the amendment.

Co-Chair Hoffman OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Bishop, Hoffman, MacKinnon

Senator Von Imhof was absent from the vote.

The MOTION FAILED (5/1).

^DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT AMENDMENTS

[2:35:13 PM](#)

Senator Olson MOVED to ADOPT Amendments S DOE 15, DOE 16 (copies on file).

Senator Olson explained the amendments.

Co-Chair Hoffman remarked that there was an attempt to not expand programs until the fiscal issues were resolved.

Senator Olson stated that he had filed a related bill.

A roll call vote was taken on the motion.

IN FAVOR: Olson

OPPOSED: Micciche, Dunleavy, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

2:37:47 PM

AT EASE

2:38:01 PM

RECONVENED

2:38:04 PM

Senator Dunleavy MOVED to ADOPT Amendment S DOE 17 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

Co-Chair Hoffman MAINTAINED his objection.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy, Olson

OPPOSED: Micciche, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (5/2).

2:39:52 PM

Senator Olson MOVED to ADOPT Amendments S DOE 18, DOE 19 (copy on file):

Senator Olson explained the amendments.

Co-Chair Hoffman OBJECTED.

Senator Olson stressed that these were important programs.

Co-Chair Hoffman felt that the senate may consider these issues in the future.

A roll call vote was taken on the motion.

IN FAVOR: Olson

OPPOSED: Micciche, Dunleavy, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

^DEPARTMENT OF HEALTH AND SOCIAL SERVICES AMENDMENTS

[2:43:42 PM](#)

Senator Dunleavy MOVED to ADOPT Amendment S HSS 19 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

Co-Chair Hoffman queried comments from the subcommittee chair.

Senator Micciche stated that he did not support the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

^DEPARTMENT OF NATURAL RESOURCES AMENDMENTS

[2:47:03 PM](#)

Senator Dunleavy MOVED to ADOPT Amendment S DNR 3, DNR 4 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

Co-Chair Hoffman surmised that the amendments were combined.

Senator Dunleavy agreed.

Vice-Chair Bishop stated that the subcommittee found that it was prudent to support the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

^DEPARTMENT OF PUBLIC SAFETY AMENDMENTS

[2:49:03 PM](#)

Senator Olson MOVED to ADOPT Amendments S DPS 18, 19, 20, 21 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Olson explained the amendments.

Co-Chair Hoffman queried comments from the subcommittee chair.

Senator Micciche explained that there was a full focus on the charge and mission through the changes. The agency received increased funding.

Senator Olson pointed out that there should be funding for protection of the most vulnerable people.

A roll call vote was taken on the motion.

IN FAVOR: Olson

OPPOSED: Micciche, Dunleavy, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

[2:54:39 PM](#)

AT EASE

[3:01:46 PM](#)

RECONVENED

Co-Chair Hoffman stated that Amendments DOT 15, 16, 17, and 18 have been withdrawn.

^DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES AMENDMENTS

[3:02:15 PM](#)

Senator Dunleavy MOVED to ADOPT Amendment S DOT 19 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

Vice-Chair Bishop remarked that there was a reduction in the fund, and the commercial vehicle rates were raised by the department.

Mr. Armstrong explained that there was a reduction of approximately two-thirds. He did not feel that the \$28 million could be "absorbed."

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy, MacKinnon

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman

The MOTION FAILED (5/2).

^EXECUTIVE BRANCH-WIDE APPROPRIATIONS AMENDMENTS

[3:05:06 PM](#)

Senator Dunleavy MOVED to ADOPT Amendment S RED 1 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

Co-Chair Hoffman explained that there was still work to reduce the budget further. The governor stressed that unallocated reductions were difficult to manage. He opposed the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (6/1).

^LEGISLATURE

3:06:51 PM

Senator Dunleavy MOVED to ADOPT Amendment S LEG 10 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

Co-Chair Hoffman noted that the Legislative Council was a joint committee of the House and the Senate. He opposed the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Dunleavy, Von Imhof, MacKinnon
OPPOSED: Micciche, Olson, Bishop, Hoffman

The MOTION FAILED (4/3).

^PERMANENT FUND DIVIDEND

3:09:00 PM

Senator Dunleavy MOVED to ADOPT Amendment S PFD 1 (copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

3:09:19 PM

AT EASE

3:15:09 PM

RECONVENED

Senator Dunleavy explained the amendment.

Mr. Armstrong stated that PFD 1 was the fund source change.

Senator Dunleavy was mistaken.

3:16:32 PM

AT EASE

3:17:07 PM

RECONVENED

Senator Dunleavy WITHDREW his motion.

Senator Dunleavy MOVED to ADOPT Amendments S PFD 1 and 2
(copy on file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendments.

IN FAVOR: Dunleavy

OPPOSED: Micciche, Olson, Von Imhof, Bishop, Hoffman,
MacKinnon

The MOTION FAILED (6/1).

^FUND TRANSFERS

[3:19:01 PM](#)

Senator Dunleavy MOVED to ADOPT Amendment S XFR 1 (copy on
file):

Co-Chair Hoffman OBJECTED for DISCUSSION.

IN FAVOR: Dunleavy, Olson

OPPOSED: Micciche, Von Imhof, Bishop, Hoffman, MacKinnon

The MOTION FAILED (5/2).

Mr. Armstrong thanked the committee staff for the work on
the budget.

Co-Chair Hoffman stressed that there was a monumental
budget deficit. He stated that the legislature must
continue to reduce the budget and spending.

Co-Chair MacKinnon disclosed her close economic
relationship regarding her husband and the Construction
Education Foundation.

Vice-Chair Bishop thanked the subcommittee members.

[3:23:36 PM](#)

Senator Micciche remarked that the agency operations reductions were \$211 million, which moved closer to the budget goal. He felt that the reductions were close to 50 percent from the operating and capital budgets.

Senator Dunleavy felt that the Senate had worked to reduce the budget, and felt that there needed to be further reductions.

Co-Chair MacKinnon MOVED to REPORT SCS HB 57 (FIN) out of committee with individual recommendations.

SCS HB 57 (FIN) was REPORTED out of committee with a "do pass" recommendation.

[3:29:29 PM](#)

AT EASE

[3:31:34 PM](#)

RECONVENED

Co-Chair MacKinnon stressed that there are multiple ways to cut the budget.

#hb59

CS FOR HOUSE BILL NO. 59(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[3:36:15 PM](#)

Co-Chair MacKinnon MOVED to ADOPT the proposed committee substitute for CSHB 59(FIN), Work Draft 30-GH1856\R (Wallace, 3/31/17).

Co-Chair Hoffman OBJECTED for DISCUSSION.

JAMES ARMSTRONG, STAFF, SENATOR LYMAN HOFFMAN, explained the committee substitute.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Co-Chair MacKinnon MOVED to REPORT SCS CSHB 59 (FIN) from committee with individual recommendations. There being NO OBJECTION, it was so ordered.

SCS CS HB was REPORTED out of committee with a "do pass" recommendation.

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ADJOURNMENT

3:37:59 PM

The meeting was adjourned at 3:37 p.m.