

SENATE FINANCE COMMITTEE

May 8, 2017

1:33 p.m.

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CALL TO ORDER

Co-Chair MacKinnon 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 Shelley Hughes
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Laura Cramer, Staff, Senator Anna MacKinnon.

SUMMARY

SB 23 APPROP: CAPITAL BUDGET

SB 23 was HEARD and HELD in committee for further consideration.

#sb23

SENATE BILL NO. 23

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

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Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 23, Work Draft 30-GS1854\0 (Martin, 5/17/17).

Co-Chair MacKinnon OBJECTED for discussion.

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AT EASE

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RECONVENED

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

Section 1, Pages 2-8: Agency capital appropriations proposed by the Governor and amended by the Senate Finance Committee

Changes:

Page 2, line 24: Add language that the appropriation to the Alaska Energy Authority - Bulk fuel program is conditional upon receiving matching federal funds

Eliminated Federal funding to AEA for the Bulk Fuel Upgrades and Rural Power Systems upgrades \$20,146,000 - significant amount of prior year federal authorization

Page 3, line 9: Reduced the appropriation to the Inter-Island Ferry Authority by (\$135,000)

Page 3, line 11: Inserted language relating to the reappropriation found in Section 33 to the Inter-Island Ferry Authority for \$135,000 from a past appropriation providing a total of \$250,000

Page 3, line 14: Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion: Reduced this request from \$600.0 to \$400.0 - In line with FY17 funding level

Page 4, line 15: \$20 million appropriation from the Alaska Capital Income Fund to the Office of the Governor for state-wide agency deferred maintenance - carry's out the intent of SB 107

Page 4, line 17: Intent language that the Office of the Governor prioritize deferred maintenance needs and distribute the funds to address the highest priority issues

Page 6, line 12: Alaska Permanent Fund Corporation Headquarters Renovation \$4,050,000 APFC receipts

Page 6, line 30: AHFC Supplemental Housing Development Program - reduced the appropriation from \$3 million to \$2.25 million - this was the FY17 funding level

Page 6, line 32: AHFC Teacher, Health and Public safety Professionals Housing reduced the appropriation from \$1.750 million to \$1 million - FY17 funding level

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Co-Chair MacKinnon referred to page 6, line 12; and clarified that the funds were from the Alaska Permanent Fund Corporation.

Ms. Cramer continued addressing the changes to the CS:

Page 7, line 15: Reduced State Equipment Fleet from \$15 million to \$12.5 million

Page 7, line 11: Alaska Marine Highway System Vessel Overhaul the funding source was switched from General Funds to Marine Highway Vessel Replacement Funds and reduced by \$1 million

Page 7, line 21: Reduced Federal Program Match from \$58 million to \$12 million

Page 7, line 26: Inserted language relating to the reappropriation found in Section 32 for Federal-Aid Highway State Match totaling \$43.2 million - providing total match of \$55.2 mil (a reduction of \$2.8 mil from \$58 mil)

**The breakout of aviation and highway projects has been provided to members and is posted online

Ms. Cramer referred to the document, "Dept. of Transportation - Federal Match Aviation and Highway List," (copy on file) which was a breakout of aviation and highway

projects submitted by the Department of Transportation and Public Facilities (DOT). She stated that typically the projects were listed in the bill, however it was not done so in the current bill to provide more flexibility for the department to move up and down the list as projects stalled. It was thought that the change would allow the department to complete more projects with the limited amount of funding it received.

Ms. Cramer continued addressing the Summary of Changes document:

Items removed from the Governor's requested budget in Section 1:

The appropriation to the Life Alaska Donor Services because this has been included in the Operating Budget, \$80,000 receipts

Public and Community Transportation State Match
\$1,000,000,000

Sec. 2 pages 9-11: The breakout of funding by agency for the appropriations made in section 1

Sec. 3 pages 12-13: The breakout of statewide funding for the appropriations made in section 1

UGF - \$84,714,674

DGF- \$37,650,000

Other - \$57,618,930

Fed Receipts - \$1,186,992,943

TOTAL - \$1,366,976,547

Page 8, line 22: Added \$5 million from the Alaska Capitol Income Fund to the University of Alaska for Deferred Maintenance

Ms. Cramer summarized that there was a total of \$25 million in Section 1 for deferred maintenance, which was approximately the amount in the Alaska Capital Income Fund.

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Ms. Cramer continued to discuss the Summary of Changes:

Sec. 4 page 14: Supplemental capital projects and grants

Items not included from the Governor's Supp Capital request:

Reappropriation from the Juneau Access Project to Arctic Strategic Transportation and Resources Project \$7,798,000

Transportation Infrastructure Enhancement in Greater Lynn Canal \$34,140,100

Sec. 5 page 15: Funding by agency for the appropriations made in Sec. 4

Sec. 6 page 16: Statewide funding for the appropriations made in Sec. 4

UGF:	\$75,000
DGF:	\$4,680,000
OTHER:	\$9,000,000
TOTAL:	\$13,755,000

Sec. 7 page 17-37: supplemental operating items proposed by the Governor

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Vice-Chair Bishop asked if Ms. Cramer had been referring to Section 7, pages 17 to 37.

Ms. Cramer answered in the affirmative.

Senator von Imhof asked about the meaning of operating expenditures in the capital budget.

Co-Chair MacKinnon explained that standard practice was to roll the supplemental request from the governor into the capital budget, because the operating budget had already left the body.

Ms. Cramer reminded that the items being discussed were supplemental items and therefore applied to the current fiscal year.

Co-Chair MacKinnon added that the committee hoped the items were one-time items.

Ms. Cramer continued discussing the Summary of Changes:

Sec. 8 page 38-43: Funding by agency for the appropriations made in Sec. 7

Sec. 9 page 44-46: Statewide funding for the appropriations made in Sec. 7

UGF:	\$47,660,200
DGF:	\$11,680,900
Other:	\$270,100
Fed Rcpts:	\$42,030,700
TOTAL:	\$101,641,900

Sections 10-19 are primarily Governor's request supplemental language sections as follows:

Sec. 10 (a) page 47, line 1: Department of Administration - labor contract negotiations and arbitration support \$792,000 -extends lapse date through FY18

Sec. 10 (b) Line 7: Reappropriation of \$3 million from the Department of Public Safety for the Alaska Land Mobile Radio System

Sec. 11 page 47, line 12: Department of Commerce, Community, And Economic Development - Appropriation of \$630,000 of Federal Receipts to the Division of Insurance for the health insurance enforcement and consumer protection grant for Fiscal years 17, 18, and 19

Sec. 12 page 47, line 17: Department of Environmental Conservation - Appropriation from the general fund for \$5,740,000 to fulfill the terms of the Settlement in State v. Williams Alaska Petroleum, Inc. - also referred to as the Flint Hills refinery settlement

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Ms. Cramer continued to address the changes in the CS:

Sec. 13 (a) page 47, line 22: Department of Health and Social Services - (a) Medicaid language necessary to cover potential program shortfall for FY17

Sec. 13 (b) Line 28: (b) Federal Receipt authority for the Medicaid program of \$238,500,000

Sec. 14 page 47, line 31 - page 48, line 5: Department of Labor and Workforce Development - Reappropriation to the Department in the amount of \$213,155 for deferred maintenance, renewal, repair, and equipment

Sec. 15 page 48, line 6: Department of Law - (a) Judgements and settlements broken out - total: \$228,671 - not included is the judgment for Planned Parenthood of the Great Northwest v. State of Alaska for \$1,022,805

Sec. 15 (b) Line 19: (b) provides additional general funds necessary to pay judgments against the state for FY17 beyond that provided in Sec 15(a)

Ms. Cramer highlighted that there would an adjustment to Section 15 in a subsequent CS. She continued addressing the Summary of Changes:

Sec 15 (c) Line 26: (c) extends lapse provision to include FY18 and FY19 for the reappropriation of \$2,000,000 to the Department for outside counsel and experts and for the state's share of interim remedial actions to protect the health, safety, and welfare of the people in the North Pole area for FY14-19 (simply added fiscal year 19 to this language)

Sec. 16 page 49, line 4: Department of Transportation and Public Facilities - \$5,500,000 appropriation from the General Fund for fulfilling the terms of the signed consent agreement and final order with the United States Environmental Protection Agency regarding the decommissioning and remediation of Class V injection wells (this is reduced from \$8 million at \$5.5 million is the amount needed for FY17 and FY18)

Sec. 17 page 49, line 9: Debt and Other Obligations - subsections (a) reduces the amount for early redemption on debt related to international airport revenue bonds

Sec 17 (b) Page 50, line 1: reduces the amount for debt service on (b)(j) Goose Creek Correctional Center by \$655,500 due to savings associated with refinancing

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Ms. Cramer continued to list changes to the CS:

Sec. 17 (c) Line 8: appropriates \$745,000 for the costs associated with issuing previously authorized GO Bonds. \$3 million for this purpose lapsed at the end of FY16

Line 12: (d) If federal receipts are not sufficient to cover international airports, the deficient amount would be borrowed from the General Fund

Line 18: (e) Allows for the repayment in (d) if necessary (d) and € are necessary as a result of IRIS functionality

Sec. 18 page 50, line 23: Fund Capitalization - (a) \$3,000,000 is appropriated from the General Fund to the Disaster Relief Fund

Sec 18 (b) Line 25: \$288,000,000 is appropriated from the Statutory Reserve Fund to the oil and gas tax credit fund to pay outstanding tax credit liabilities

Sec. 19 page 50, line 28: Fund Transfer - Revises the date and amount to be transferred to the oil and hazardous substance prevention account in the oil and hazardous substance prevention and response fund - Change is on page 51 lines 6 and 7 (3)

Sec. 20 page 51, line 9: Federal and Other Program Receipts - Standard Federal receipt authority language for agency's to receive Federal and other receipt authority from Legislative Budget and Audit

Sec. 21 page 51, line 18: Insurance Claims - amounts to be received in settlement of insurance claims are appropriated to the general fund from the (1) State insurance catastrophe reserve account or (2) appropriate state agency to mitigate the loss

Sec. 22 page 51, line 23: National Petroleum Reserve - Alaska Impact Grant appropriated to the Department of Commerce, Community, and Economic development for capital project grants under the NPR-A impact grant program. This year's grants total \$1,378,346 and will be distributed to the City of Barrow, City of Wainwright, and the City of Anaktuvuk Pass

Sec. 23 Page 52, line 3: Alaska Housing Finance Corporation - Amends the FY18 Operating Budget reducing the AHFC dividend that is deposited into the General Fund by the capital and operating operations that are made in FY18 using a portion of the AHFC dividend

Sec. 24 page 52, line 9: Department of Commerce, Community, and Economic Development - Reappropriations for: (a) Alaska Energy Authority Electrical Emergencies- not to exceed \$330,000
Page 52, line 15: (b) unexpended and unobligated balance of the renewable energy grant fund estimated to be \$3,200,000 is reappropriated to Alaska Energy Authority for Rural Power Systems Upgrades

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Ms. Cramer continued to address changes to the bill:

Sec. 25 page 52, line 18: Department of Corrections - Reappropriations for: (a) Underground storage tank upgrades - not exceed \$1,850,000

Line 24: (b) Deferred maintenance, renovation, repair, and equipment - not to exceed \$740,000

Sec. 26 page 52, line 30 - page 55, line 2: Department of Education and Early Development - Reappropriation of past major maintenance projects to the Major Maintenance grant fund - estimated to be \$3,503,492

Sec. 27 page 55, line 3: Department of Fish and Game - Reappropriation for vessels and aircraft maintenance, repair, and upgrades - not to exceed \$500,000

Sec. 28 page 55, line 12: Department of Health and Social Services - Reappropriations for (a) Deferred maintenance, renovation, repair, and equipment for Alaska Pioneers' Homes - not to exceed \$773,432

Line 22: (b) Deferred maintenance, renovation, repair, and equipment for facilities of the department other than Alaska Pioneers' Homes - not to exceed \$382,143

Sec. 29 page 56, line 1: Department of Labor and Workforce Development - Reappropriation for deferred maintenance, renewal, repair, and equipment - not to exceed \$550,000

Sec. 30 page 56, line 11: Department of Natural Resources - Reappropriation for the national recreation trails federal grant program - not to exceed \$150,000

Sec. 31 page 56, line 17: Department of Revenue - (a) appropriation from the General fund to the Tax Division for reprogramming the tax revenue management system and revenue online tax portal - HB 111 oil and gas tax credit bill implementation \$1,200,000 - this is contingent on passage of HB 111 (Contingency language found in Sec. 38)

Line 20: (b) appropriation from the General fund to the Tax division for Tax Division for reprogramming the tax revenue management system and revenue online tax portal - SB 25/HB 60 Motor Fuel Tax bill implementation \$50,000- this is contingent on passage of SB 25/HB 60 (Contingency language found in Sec. 38)

Sec. 32 page 56, line 23: Department of Transportation and Public Facilities - Reappropriations (a) for the Izembek Road project - not to exceed \$10,000,000

Line 29: (b) Federal-aid Highway match - not to exceed \$7,798,000

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AT EASE

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RECONVENED

Ms. Cramer continued discussing the bill changes:

Page 57, line 4: (c) Federal-aid Highway match - unexpended balance estimated to be \$2,179,929

Line 13: (d) Federal-aid highway match - unexpended balance estimated to be \$481,530

Line 18: (e) Harbor facility grant fund - unexpended balance estimated to be \$281,393

Line 23: (f) Federal-aid Highway match - estimated balance total: \$32,741,646 - reappropriations start on page 57, line 26 - page 69 line 8 (118 reapprops)

Ms. Cramer explained that following the subsection was all the reappropriations that rolled up to the federal aid match program, and the material went through page 69, line 6. She continued to address the Summary of Changes:

Page 69, line 9 - page 71, line 5: (g) Cleaning up Federal Authorization - Consolidates previously authorized federal-aid highway appropriations into one new appropriation for efficiencies in the management of the appropriations in IRIS - estimated to be a total of \$675,600,000, reappropriated to the Department of Transportation and Public Facilities for previously authorized federal-aid highway surface transportation program projects

Page 71, line 6 - page 72, line 25: (h) Cleaning up Federal Authorization - Consolidates previously authorized federal-aid aviation rural airport improvement into one new appropriation for efficiencies in the management of the appropriations in IRIS - estimated to be a total of \$247,600,000, reappropriated to the Department of Transportation and Public Facilities for previously authorized federal-aid aviation rural airport improvement program projects

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Ms. Cramer continued to specify changes contained in the CS:

Page 72, line 26 - page 74, line 22: (i) Cleaning up General Fund Authorization - Consolidates previously authorized state match on previously authorized federal-aid highway program projects into one new appropriation for efficiencies in the management of the appropriations in IRIS - estimated to be a total of \$3,332,000, and is reappropriated to the Department of Transportation and Public Facilities for previously authorized federal-aid highway state match

Page 74, line 23: (j) Cleaning up General Fund Authorizations - Consolidates previously authorized state match on federal-aid aviation rural airport improvement into one new appropriation for efficiencies in the management of the appropriations in IRIS - estimated to be a total of \$1,199,000, reappropriated to the Department of Transportation and Public Facilities for previously authorized federal-aid highway state match

Page 75, line 30: (k) Intent language for the cleanup of past appropriations in the previous subsections

Sec. 33 page 76, line 3: Fund Transfer - Transfer of the large passenger vessel gaming and gambling tax account balance to the Alaska Capital Income Fund estimated to be \$8,100,000

Sec. 34 page 76, line 6: House Districts 33 -36 - Reappropriation to the Inter-Island Ferry Authority as identified in Section 1 to provide them \$250,000 in total for service between Ketchikan and Prince of Whales Island

Sec. 35 page 76, line 12: Office of the Governor - Reappropriations to the Office of the Governor (a) and (b) for facilities, and state government efficiency efforts, and to pursue economic development opportunities for consideration at the state and federal levels - estimated to be a combined total of \$2,738,000

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Ms. Cramer continued with discussing changes to the bill:

Page 77, line 12: (c) to advance state government efficiency efforts and to evaluate the current structure and focus of AHFC, AEA, and AIDEA - updating date to include FY19 - estimated to be \$850,000

Page 78, line 9: (d) for costs associated with state government efficiency and to pursue economic development opportunities for consideration at the state and federal levels - estimated to be \$950,000

Sec. 36 page 78, line 19: Reappropriation of Legislative Appropriations - Legislative renovations, projects, and technology improvements - estimated to be \$6,465,000

Sec. 37, page 79, line 3: Lapse - (a) capital projects, Insurance claims to state agencies to mitigate loss, and NPR-A grants lapse (b) capitalization of funds do not lapse (c) capital projects lapse unless a fiscal year is specified

Sec. 38, page 79, line 10: Contingency - (a) Rural power system upgrades state funding is contingent on federal matching funds

Line 13: (b) Appropriation of \$1.2 million to the Tax division for reprogramming the tax revenue management system is contingent on the passage of HB 111 - oil and gas tax credits

Line 16: (c) Appropriation of \$50,000 to the Tax division for reprogramming the tax revenue management system is contingent on the passage SB 25/HB 60 - motor fuel tax

Sec. 39 page 79, line 19: Effective Dates for Agency appropriations, debt and other obligations, fund capitalization, fund transfer, and the motor fuel tax passage implementation

Sec. 40 page 79, line 21: Effective Dates for Agency reappropriations, other reappropriations, contingency language for rural power system upgrades

Sec. 41 page 79, line 22: Effective Date except sections 39 and 40 take effect July 1, 2017

SCS 18 Capital:	SCS Total Op, Cap, & Sup:
TOTAL: \$1,387,983,600	\$2,032,766,000
UGF: \$84,714,700	\$434,263,100
DGF: \$37,650,000	\$54,010,900
Other: \$77,247,600	\$65,960,000
FED: \$1,188,371,300	\$1,478,532,000

Total FY18 UGF capital reduction from Governor to Senate CS: \$35.7 million

Co-Chair MacKinnon stated that she would like amendments to the bill to be submitted to her office by noon the following day.

SB 23 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

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The meeting was adjourned at 2:09 p.m.