

SENATE FINANCE COMMITTEE
January 18, 2018
9:02 a.m.

[9:02:25 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

David Teal, Director, Legislative Finance Division

SUMMARY

^PRESENTATION: OVERVIEW OF THE GOVERNOR'S FY19 BUDGET REQUEST and PLANS

[9:02:47 AM](#)

Co-Chair Hoffman relayed that the committee would have an overview of the governor's proposed budget by the non-partisan Legislative Finance Division (LFD).

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed the presentation "Overview of the Governor's FY19 Budget Request and Plans" (copy on file). Mr. Teal addressed Slide 2, which showed a table entitled "FY19 Revenue and Appropriations." He shared that in place of the usual fiscal summary, the presentation would provide a bare

minimum fiscal summary, which was reflected on the slide. He noted that the full summary was located on Page 8 of the Legislative Fiscal Analyst's Overview of the Governor's Request for FY18, which could be found at www.legfin.akleg.gov. He noted that the slide reflected undesignated general funds (UGF) only because this was the only fund category where there could be a deficit. He related that the slides were not the Governor's budget.

Co-Chair Hoffman interjected that the state constitution required a balance budget.

Mr. Teal agreed, adding that the state was required to have a balanced budget and the deficit could be filled from savings. He said that the state could have a cashflow deficit if it had reserves, or other sources, to draw from to fill the deficit. He thought that it was important to understand where the state stood financially before drawing from reserves, which was reflected in the slide. The revenue on the slide showed \$2,085.8 in essentially oil revenue and excluded transfers from the earning reserve account (ERA). The slide showed only current year cashflow revenue and did not include a payout from the ERA, which the Governor had proposed. He spoke to footnote 2, appropriations excluded dividends and transfers to and from reserves because the attempt was to show cashflow during the year and did not want transfers of any kind adding to revenue.

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Mr. Teal stated that the slide showed how much was appropriated, broken down into agency operations, statewide items, and capital expenditures. He directed committee attention to the approximately \$4.6 million in total appropriations. He said that this resulted in a deficit of \$2,495.0. He believed that the exercise was to determine how much corrective action would be necessary to fill the deficit to meet the constitutional mandate of balancing the budget.

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Senator von Imhof asked whether the statewide items included full payments for debt service and retirement, and whether the agency operations including the supplemental requests.

Mr. Teal answered in the negative and stated that the slide reflected the cash flow deficit with the governor's statewide items. He noted footnote 2:

Appropriations exclude dividends and transfers to/from reserves

He said that any items that required more than a simple majority vote had been excluded. He stated that the the slide reflected where would the state be financially if the legislature passed the budget with a simple majority vote. The slide did not include an appropriation to pay for oil and gas tax credits or to make supplemental appropriations. He pointed out that the Governor had moved debt service and other items to a separate section of the operating budget bill and required a supermajority vote to fund those items.

Senator von Imhof hoped to discuss the other items further into the presentation.

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Mr. Teal mentioned that he would show three versions of the fiscal summary: cash flow, a version that put in the Percent of Market Value draw, and the Governor's full plan (including the supermajority vote). He thought he would address the questions at a later part of the presentation.

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Mr. Teal reiterated that the slide did not represent the Governor's fiscal plan; this was the Governor's appropriation bill, without supermajority actions or fiscal notes. He thought the committee might know about the Governor's proposal to purchase tax credits through debt, which required legislation. He said that legislators that believed that the state much purchase the statutory minimum of \$206 million, then it could be argued that those funds should be included in the budget. He relayed that if the Governor wanted to issue a debt plan, and it required legislation, then savings of \$206 million should be reflected in a fiscal note - which was not what the Governor had done. He shared that the Governor did not have to fund the oil credit purchases, despite the statutory minimum to do so. He related that 2018 was a confusion year because the budget was usually appropriation bills, but this year had brought appropriation bills plus a several

fiscal plans that required legislation to implement. He thought that it could be difficult for the legislature and the public to separate the budget from the fiscal plan.

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Mr. Teal continued discussing Slide 2. He noted that the deficit had been worse in the past but could be filled from the CBR through a simple supermajority vote. Unfortunately, now the CBR balance was too low to fill the gap and balance the budget.

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Mr. Teal turned to Slide 3, "Budget Reserves (CBR & SBR)," which showed a bar graph from 2015 that had projected that the CBR would not carry the state through FY19. He felt that the issue was that the state was out of reserves, regardless of who was to blame, which meant that alternative strategies needed to be considered.

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Mr. Teal discussed Slide 4, "FY19 Revenue and Appropriations," which showed a data table that reflected what the budget would look like if money were transferred from the ERA, as proposed by the Governor. He reiterated that this was not the Governor's entire budget plan but was a step in the plan. He said that the POMV payout of \$2.7 billion; revenue would be twice what it would be on a cashflow basis. He relayed that of the \$2.7 billion payout, \$819 million is for dividends, meaning that the net gain to the general fund would be \$1.9 billion and not the full \$2.7 billion. He noted that the deficit would drop to \$600 million and transfers would be small. The scenario excluded items that required legislative action beyond a simple majority vote and excluded an appropriation to purchase oil and gas tax credits. He pointed out at the bottom of the table that there would be \$1,797.0 in reserves, which would last three years under the scenario.

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Mr. Teal continued discussing slide 4. He noted that under the scenario on the slide, after filling the deficit He said that some could interpret that the reserves would only last two years. He said that regardless of which

interpretation the state still had a deficit that would drain reserves to the point where they were no longer available.

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Senator Micciche wondered about the definition of "reserves" and whether the definition would change if a POMV bill were to pass.

Mr. Teal accepted Senator Micciche's idea as one way to look at it. He countered that the reserve account could still be considered revenue and not reserves. He thought it was possible not to count the ERA as a budget reserve. He stated that the CBR could be used only by spending and was not invested in a high-risk manner. He stressed that the only way to make the CBR vanish was to spend it, while the ERA was very different. He did not consider the ERA to be a budget reserve.

Mr. Teal offered a hypothetical scenario in which the ERA could vanish without spending.

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Senator Micciche thought it was a quandary that reserves be defined as only the CBR and the SBR. He said that they could be secured as a budget reserve but that could decrease adequate growth in each account.

Mr. Teal agreed that some people would say there were budget reserves in places such as the PCE and higher education funds. He thought that counting other funds as reserves was a matter of opinion.

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Senator Stevens asked for more discussion about budget reserves and the CBR. He referenced Slide 3 and recalled that the senate had worked in the past to return fund to the CBR. He asked whether the legislature had an obligation to replace money borrowed from the CBR.

Mr. Teal replied in the affirmative but noted that a surplus was necessary to replenish the CBR, if there was not surplus then the payback was not the priority. He thought that the target should not be merely filling the

deficit but should also be replenishing the CBR because of the constitutional requirement. He shared that when there was money left over in the general fund at the end of the year it should be swept over to the CBR; when there were budget surpluses, deposits should be made into the CBR so that it could be drawn from in times of deficit. He lamented that in the past several years the draw from the CBR had gone beyond using it to fill a short-term deficit, rather it was filling a structural deficit, drawing from the reserve year after year. The big question was when did the legislature plan to pay the CBR back.

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Vice-Chair Bishop argued that the deficit was greater than \$600 million. He realized that there were questions of accounting but considered that it was a matter of the people's money. He thought there needed to be a line item to pay the money back, and there should be a structured payback method. He thought a certain POMV bill had the payback built in at one point. He expressed concern about the amount of money that had been spent from the CBR.

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Co-Chair MacKinnon referenced the Senate's proposal that included a spending limit. She discussed the facet of the proposal that would divert money to replenish the CBR. She hoped the legislature would work together on the issue.

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Mr. Teal spoke to Slide 5, "FY19 Revenue, Appropriation Bills and Other Items," which included a third column with additional items, which could also be labelled "the Governor's plan." The items required more than a simple supermajority vote and added fiscal notes. There was an additional \$200 million from payroll and motor fuels taxes. The \$200 million made the deficit larger because \$309 was being spent for the fiscal notes. He noted that the Governor proposed spending \$280 million for the Economic Recovery Act, with only \$160 million in revenue in the first year, which was problematic. He noted that over expenditures could end up pulling from the general fund. He stressed that the appropriation had to be counted in full, not in the amount the administration thought might be

spent, he stressed that counting appropriations in the latter way would be crazymaking.

Mr. Teal said that if money was appropriated by the legislature, LFD counted it as spent. He wondered what happened if the Economic Recovery Act failed to pass. He said there would be several FY19 projects in that act that the legislature would move to the Capital Budget, which would increase capital spending. He relayed that the deficit under the Governor's plan was approaching \$700 million and that the Governor proposed filling the gap with a firm draw from the CBR, with the SBR as back up. He thought this was digressive because the Governor wanted to spend \$400 million from the CBR and the LFD fiscal summary showed \$425 million spent from the CBR. He said that the difference was that the Governor showed savings in the retirement system, instead of pairing the actuarial valuations recommended contributions, they would be cut by \$25.5 million. He said that LFD believed that the retirement system should be counted at \$425 million because the appropriation was contingent upon savings in Medicare. He said that until the savings were achieved the CBR draw would not be reduced by the savings amount. He shared that LFD counted contingent appropriations at their maximum value, which was \$425.5 and assumed that there were no medical cost savings in the retirement system.

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Mr. Teal said that a supermajority vote this year would limit the draw to \$425.5 million; with the CBR there were total reserves and the potential problem of an unbalanced budget. He said that the LFD analysis varied from the Governor's proposal and that the Governor had time to amend his budget. He felt there was danger in the governor's approach. He said that the reason for making certain items dependent on a supermajority vote was that those items were "less disruptive" and would not hinder an on-time budget, for core government services being passed. This would leave these "less disruptive" non-personal service items to be funded from the CBR, which he pointed out could backfire if oil revenue did not meet expectations. He thought that the approach lessened flexibility and was unsustainable. He thought that the danger could be eliminated with legislatively added language.

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Co-Chair Hoffman relayed that many members thought the budget reserve was lower than what was comfortable. He added that the administration had also stated as much. He asked whether the CBR balance should be higher in case of a potential emergency.

Mr. Teal opined that reserves were unique to every state, and if a state had a diversified revenue stream with low volatility, there was no need for a big reserve. In the case of Alaska, the revenue stream was not diversified and was extremely volatile, which meant that the state needed significant reserves. He argued that a year's worth of reserves (roughly \$5 billion) was needed as a shock absorber, if there was a POMV payout. He added that it was not enough to act as a shock absorber if there were deficits of \$2.5 billion because it would be used up, all in one year. He said that there was a provision in the budget that had never been used to issue revenue anticipation notes; short term, low interest notes specifically designed to cover cashflow shortages. He said that it depended on whether the CBR was meant to be a shock absorber or a long-term source of revenue.

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Mr. Teal reviewed slide 6, "Comparing FY19 to FY18 (UGF)," which showed a data table which was intended to provide perspective on the budget and provided a standard comparison of the current year to the previous year; UGF only. He thought the FY18 budget should be known, but it was problematic in that the governor had released a "transparent budget report" that showed a reduction from FY18 to FY19 of \$150 million. He related that the OMB fiscal summary showed a reduction from FY18 to FY19 of \$257 million. The LFD fiscal summary showed an increase of \$287 million. The spread was troubling. He said that a list of 16 points of differences had been sent to OMB but that there were two primary differences on the list. One was the Governor's plan spend the CBR and say that the CBR is not UGF.

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He thought taking \$400 million from the CBR and saying it reduced the deficit was an odd way to count because it implied that the deficit went away when filled by the CBR; pulling from reserves to fill a deficit did not eliminate

the fact that there was a deficit. Second, supplemental requests by the Governor of \$170 million were added to the FY18 base, before comparison. He thought that this approach allowed for false budget reductions reflected year after year. He believed that if the supplementals were to be counted when comparing two years of a budget, the FY18 supplementals should be added to the FY19 costs. He believed that adding the supplementals to the FY18 base distorted the numbers in the wrong direction because there was no accountability for supplementals; counting the FY18 supplementals as FY19 cost would discourage short funding but would raise the FY19 budget by \$170 million. The current problem was how supplementals were accounted for; LFD would advise to leave them out because there was no way to know what supplementals would be in FY19.

Co-Chair Hoffman whether the LFD method of leaving the supplementals out of the initial Governor's proposal was common practice.

Mr. Teal replied that the practice had been that supplementals had not been counted; the comparison had been from management plan to budget proposal. The Governor's proposal was a different way of counting.

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Senator Micciche thought that both practices should be considered. He said that in reality there was no accountability for supplementals, the legislature just paid for them, and would continue to pay for them as they increased. He wondered what recommendation could be made for holding the administration accountable for the lowest potential supplemental budget going forward.

Mr. Teal thought that the legislature played a role in supplemental budgets as well. He did not think that fault was relevant. He emphasized that the issue was one of counting, either both year's supplementals were counted, or neither. Since there was no way to know what the supplementals would be for FY19, neither should be counted. He lamented that the unknown budget was a problem. If there was a \$92 million supplemental for Medicaid, higher than anticipated, the choice was to pay or to not approve the supplemental. He stressed that the legislative philosophy was that money was appropriated and the departments were supposed to function within that appropriation. He stated

that intent language stating that legislative purpose was written into the budget every year, yet there were still supplemental requests each year.

Mr. Teal relayed that in the case of the \$92 million supplemental for Medicaid, the legislature could not approve the supplemental but then the department could come back and say that the money had already been spent. He furthered that the constitution states that money cannot leave the treasury without an appropriation; if the legislature did not approve the supplemental this became a constitutional problem because money had been spent without an appropriation. The following year the supplemental would come before the legislature as a ratification, and the legislature would be forced to ratify the expenditures.

Co-Chair Hoffman thought that the problem with including a supplemental in the FY 18 base was that it had been historically left out and meant that there would be an increase in the base of the FY19 budget. He thought that the past practice was best because it would need to be agreed upon by the legislature whether the increments would stay in the base when the FY19 management plan was adopted. He thought that the way that the Governor's budget was presented misrepresented some of the numbers.

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Co-Chair MacKinnon asked whether the legislature had encouraged larger supplementals with language that allowed for the additional \$500 million draw from the CBR as a buffer on the budget. She wondered whether the language should be removed.

Mr. Teal did not think the language should be removed. He recalled that the FY17 budget was the first time that the CBR draw had occurred. The legislature allowed a CBR draw equal to the budget that was passed and if revenue went down the CBR draw could go up. He said that the open-ended draw was then limited to \$100 million above the base. The previous year, the limit was increased to \$200 million. He reiterated that previously, the CBR draw had been unlimited. The unlimited language would have encouraged more supplemental than currently. He thought reducing the \$200 million limit would reduce the headroom for agencies, but also posed other problems. For example, if the ceiling had been \$100 million when the Medicaid supplemental was

requested there would be no room for emergency supplementals, which could force the legislature to have another supermajority vote to increase CBR headroom. He lamented that giving too much headroom to agencies could result in increased agency spending. He said that in most cases, the legislature telling departments to spend only what was appropriated worked, but there were several programs where that did not work.

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Co-Chair MacKinnon asserted that Medicaid was out of control and difficult to manage. She thought everyone in the legislature wanted to support healthcare, but the state could not afford the program.

Mr. Teal concurred that Medicaid costs were out of control, that it was a significant part of the budget and would continue to grow. He found it deeply concerning that the projects had been so poor. He had met with the department regarding projects and had witnessed the projection process. The department agreed to meet with multiple stakeholders in order to elucidate the projection process. He hoped to get better projections to better understand the matter.

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Co-Chair Hoffman asked Mr. Teal to highlight the steps that the legislature had taken to make the budget process more transparent.

Mr. Teal stated that the budget was complicated, and he did not know if it could be made less so.

Co-Chair Hoffman referred to Senator Bert Stedman and his efforts to keep revenue measures in order and the "smoke and mirrors" that had transpired.

Mr. Teal recalled that in the late 90s there had been a plan to reduce expenditures by \$250 million and increased revenue by an equal amount. He said that the "smoke and mirrors" of that time made the current legislature look clean. He said that what LFD had done over the years was to make the budget process as understandable as possible. He spoke of the "Budget Clarification Project" of 2008, where an attempt was made to straighten out the classification of

spending. He noted that UGF was not a term then, there was only general funds. He said that LFD had tried to make the process clearer by using four fund categories instead of three. He explained that there were reasons that things were classified as they currently were and that those classifications provided greater clarity about how money was being spent. He shared that there was a time when billions were repaid to the CBR, which appeared as an expenditure in the budget. Money leaving the treasury was different than money being transferred from one fund to another, the latter of which was not an expenditure. He said that the split from "agency operations" to "statewide items" had been made in order to separate out the day to day operations of government to determine whether agencies were increasing spending. He related that other things, like debt service and retirement costs, that were not associated with any agency but were important and expensive, were separated out for comparisons to be made of growth in day to day operations versus growth in overall government.

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Mr. Teal believed that the changes had been an improvement in the information presented to the legislature and the public and had facilitated a better understanding of the process. He lamented that giving people several different ways to count and compare had led to misuse of the data. He warned that comparing agency operations from one year to the total budget from the next was a false comparison. He stated that presenting better and clearer information did not always result in said information being used as it should be.

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Senator Micciche wanted to see the CBR trend in relation to UGF spend since the fund's creation. He thought supplemental budgets damaged the ability for the legislature to prioritize spending. He understood that some of the costs were unavoidable. He felt that there was no incentive for departments to spend within their means.

Senator von Imhof thought that worst case scenarios should be considered, and then political plans should be made about how money would be spent. She said that she had looked to FY 19, 20, and 21, and had added POMV while

incorporating all supplementals, oil and gas credits (without bonding), plus the full amount of retirement and debt service She had come to a total of approximately \$858 million deficit. She said that growth over the next two years in the consumer price index (CPI) would result in a \$900 million deficit over the next few years. She thought that this should be this fiscal framework in which the political discussion should reside. She elaborated that the supplemental included \$44 million for the Alaska Marine Highway and if the legislature chose not to fund that supplemental there would be \$44 million less in their budget. She thought that the true CBR draw for FY19 would be \$858 million, not including the supplementals for FY18.

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Co-Chair MacKinnon requested that the room not again refer to the Governor's bill as transparent. She described the budget as a maze of potholes that the legislature had to repair. She asserted that she did not want to be disparaging but felt that the proposal set up the legislature to increase the budget to pay for things that were critical and required in statute.

[10:19:23 AM](#)

Mr. Teal displayed Slide 7, "Looking Ahead":

- Both revenue and expenditures are projected to grow at about the same pace, so deficits are projected to continue unless action is taken.
- The size of deficit depends on:
 - Revenue (more reduces the deficit)
 - Spending (more increases the deficit)
 - POMV payout (more reduces the deficit)
 - Dividends (more increases the deficit)
 - And many other variables

Mr. Teal remarked that Senator von Imhof's numbers were close to accurate; the state's deficit was larger than the listed \$700 million. He stated that the OMB expenditure plan grew with inflation, the DOR forecast grew with inflation; when expenditures and revenue grew at the same rate, deficits would continue unless action was taken. He explained that revenue and spending both affected the deficit; the more revenue, the lower the deficit and the

more spending, the higher the deficit. He said that the POMV payout was critical; the larger the POMV payout, the lower the deficit. He added that the payout had to be sustainable or future draws could be limited.

Mr. Teal continued to discuss slide 7. He thought some might consider that dividends were not government expenditures. He shared that from the perspective of the treasury, the larger the dividends the larger the deficit. He stated that Senator von Imhof was correct that there was a deficit that could more accurately be calculated at around \$800 million to \$900 million, with no change in sight unless oil prices went up or spending went down.

[10:22:17 AM](#)

Mr. Teal showed Slide 8, "What is Missing?":

Community Assistance

- The FY19 distribution will be \$30 million if a proposed \$30 million FY18 deposit to the Community Assistance fund is approved.
- But the FY20 distribution will fall to \$20 million unless there is a \$30 million deposit in FY19.
- The Governor did not request a deposit in FY19.
- Without a deposit this session, communities won't be certain of their FY20 payments.

Mr. Teal stated that the point of Community Assistance was to give communities a known amount of money well in advance to aid in preparing a budget. He lamented that communities were preparing their budgets with no idea of how much money they would be receiving from the state. He said that the Governor's proposed supplemental deposit of \$30 million did not help in the long run because there was no FY19 deposit, which would put communities in the same position for FY 20.

Co-Chair Hoffman interjected that the instability in community assistance was the fault of the administration.

Mr. Teal continued to address Slide 8:

Retirement Contributions

- Actuarial valuations call for state retirement assistance of \$299 million for PERS and TRS.

- The Governor proposes appropriations of \$238 million, a shortage of \$61 million.
- Underfunding retirement systems has consequences—not just with rating agencies, but real-world consequences.

Mr. Teal shared that the ARM board had adopted a new model after the projections came out and had recommended some reductions on top of the \$25 million reduction attributable potential savings in retiree medical costs. He recalled an update to the valuation from two years previous when there was an evaluation that suggested retirement contributions would be falling. However, when the state tried to take advantage of the lower contribution it was state that the state had to pay what the valuation determined. Money was taken from the higher education fund and when the savings did not fully realize, money was taken from the fund for a second year. He said that the valuation was not currently being used as the basis for contributions, which he believed underfunded retirement.

Mr. Teal considered that the changes in the ARM board model and shared that there were actuarial methods to build changes in savings in, over time, and as they occur. He considered that counting the benefits before they happened was essentially underfunding. He thought there was consequences to underfunding retirement systems that went beyond rate agencies. He referenced cities that were on the brink of bankruptcy because of their underfunding of retirement systems. He warned that \$300 million per year, and growing, would significantly affect the deficit.

[10:28:10 AM](#)

Mr. Teal showed Slide 9, "What is New?"

Public Safety Action Plan

- Increase spending by \$33.5 million (DPS, DOL, DOC, HSS).
- \$18 million of the total is proposed as a supplemental appropriation, which reduces the apparent size of the FY19 budget.

Economic Recovery Plan

- A payroll tax would generate \$160 million in FY19 and \$320 million during each of the next two years.
- The plan would spend the entire \$800 million in revenue on capital projects, leaving no revenue to fill deficits.
- FY19 appropriations exceed FY19 revenue.
- Will the regular capital grow if the legislature rejects the plan?

Mr. Teal thought the Economic Recovery plan was deficit neutral but was struck by the significant change in philosophy. He recalled the Governor's previous attempt to persuade the legislature to pass a pay roll tax to close the deficit. Alternately, this tax would not address the deficit and all the money generated by the tax was spent.

[10:29:44 AM](#)

Mr. Teal turned to Slide 10, "What is New?"

- **Direct Appropriations from the Constitutional Budget Reserve Fund (CBR)**

- Conceptually interesting:
 - Speed the budget process for core services to avoid inefficiencies.
 - Only minimally disruptive items would require a supermajority vote.
- Dangers:
 - Core services are vulnerable to revenue failure.
 - May result in a special session for a second supermajority vote or a round of budget cuts.

- **Biennial Budgeting**

- Theoretical advantages include increased efficiency and reduced uncertainty.
- Advantages may be more theoretical than practical.
- Requires legislation.

Mr. Teal thought that the approach of making appropriations directly from the CBR was a conceptually sound idea; the approach was supposed to speed the budget process for core services to avoid inefficiencies. He furthered that the early funding would, theoretically, avoid pink slips across

all departments. He stressed that early funding for school districts was great but was not sufficient without early funding for community assistance programs because contributions for cities was critical to the operation of school districts. Mr. Teal thought that the advantages of biennial budgeting were more theoretical than practical.

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Mr. Teal discussed Slide 11, "What is New?":

- **Debt Financing for Purchases of Oil and Gas Tax Credits**
 - Conceptually interesting, but short on detail.
- **Supplemental Appropriations**
 - The Governor added supplemental items to both operating and capital bills. (\$170 million UGF)
 - Supplemental requests are not due for two weeks.
 - No technical or legal reasons preclude "early" supplemental requests – supplementals can go in any appropriation bill.

Mr. Teal could not speak to debt financing for purchases of oil and gas tax credits.

Vice-Chair Bishop commented that he did not like the idea of debt financing for purchases of oil and gas tax credits.

Co-Chair MacKinnon stated that Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue, would be before the committee to discuss the issue at a later date.

Mr. Teal considered that it was unusual that the governor had added \$170 million in supplemental appropriations to the operating and capital budgets. He noted that the supplemental requests from the previous year had been incorporated into the operating budget. He explained that it was unusual for budget bills to be introduced in this incorporated manner. He added that making matters more unusual was that all the supplemental requests had not been submitted. He relayed that the Governor's supplemental bill would not be in committee for several weeks; LFD did not know how much the bill would cost. He stated that it was

known that the state had \$2 million in headroom to spend, \$170 million of which was already spent. He shared Senator Micciche's concern with the growth in the supplemental. He concluded that other items in the budget plans were discussed in the LFD budget overview and encouraged members to read the narratives for each agency and the language section of the operating bill.

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Vice-Chair Bishop felt confident in the leadership of the senate.

Senator Stevens remarked on early funding of education and the benefit of early funding across all state departments. He agreed that community assistance was important for districts but wondered how much of that assistance went toward the funding of school districts.

Co-Chair Hoffman discussed the schedule for following day.

#

ADJOURNMENT

[10:38:20 AM](#)

The meeting was adjourned at 10:38 a.m.