

SENATE FINANCE COMMITTEE  
February 9, 2018  
9:04 a.m.

[9:04:41 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:04 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; Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Neil Steininger, Chief Budget Analyst, Office of Management and Budget.

SUMMARY

SB 143      APPROP: MENTAL HEALTH BUDGET

SB 143 was HEARD and HELD in committee for further consideration.

SB 144      APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 144 was HEARD and HELD in committee for further consideration.

SB 168      APPROP: SUPPLEMENTAL OP.; FUND; AMENDING

SB 168 was HEARD and HELD in committee for further consideration.

#sb144

SENATE BILL NO. 144

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

9:05:40 AM

Co-Chair Hoffman related that the Operating and Mental Health budgets were before the committee. He said that the administration would offer an additional presentation on the Governor's Supplemental requests. He relayed that the committee substitutes for the Operating and Mental Health budgets before the committee were a rearrangement of the Governor's budget requests, in a form that both the Division of Legislative Legal and the Division of Legislative Finance (LFD) believed were appropriate.

9:05:52 AM

Co-Chair MacKinnon MOVED to ADOPT the committee substitute for SB 144, Work Draft 30-GS2564\D (Wallace, 1/29/18).

Co-Chair Hoffman OBJECTED for discussion.

9:06:32 AM

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained the committee substitute. He stated that version D, with a few exceptions, used the same fund sources, same amounts, located in the same areas of the budget, as the Governor's proposed bill. He noted that the exceptions were several contingent appropriations; The Constitutional Budget Reserve (CBR) language pertaining to \$425 million and the \$1.1 million appropriation for "hot shot" crews in the Department of Natural Resources. He stated that the division treated contingencies as the maximum value, while the Governor's budget treated them as a minimum. He related

that with those two differences, the transactions were the same. He offered that the point in creating the current version, rather than using the Governor's budget, was to make the conforming technical changes to make the bill readily amendable. He said that format changes would not be an issue for future iterations of the legislation but for all practical purposes the bill mirrored the Governor's proposal.

[9:08:27 AM](#)

Senator Micciche spoke to the maximum and minimum value difference related to the contingency language. He wondered whether the bottom line changed because of the differing viewpoints.

Mr. Teal replied in the affirmative. He stated that the number in the current version was higher, because the administration counted General Fund spending as zero (in anticipation of federal dollars for the "hot shot" program), while the LFD counted it as \$1.1 million - the total that could be spent.

[9:09:19 AM](#)

Mr. Teal said that there was a two-page document that explained some of the larger changes, "Summary of Changes from the Governor's Operating Bill and CSSB 144(FIN) Work Draft 30-GS2564\Wallace, 1/29/18"(copy on file) and a Word document that tracked changes, "SB 144 ver A to D from Leg Legal 1/30/18 CS Zero".

[9:09:54 AM](#)

Co-Chair Hoffman explained that any substantive amendments would be addressed by each budget subcommittee and brought before the committee after the public process. He noted that the committee was awaiting the draft sent by the other body, as well.

[9:10:20 AM](#)

Co-Chair MacKinnon surmised that the budget as proposed by the Governor did not include community assistance.

Mr. Teal replied that community assistance was in the budget in the sense that a supplemental appropriation has

been included, bringing the year-end FY 18 balance up to \$90 million, which allowed for a \$30 million appropriation for distribution to communities in FY 19. He pointed out to the committee that there was no FY 19 funding for community assistance, which LFD believed should exist by law. He explained that FY 17 excess earnings should have been deposited for FY 19, this had not been done; currently, communities would receive \$30 million in FY 19, which will drop to \$20 million in FY 20.

[9:11:49 AM](#)

Co-Chair Hoffman argued that the Governor was short funding the future and was not following the intent of the previous legislation pertaining to community revenue sharing, which was that communities should be able to depend on the fund source for planning purposes.

[9:12:49 AM](#)

Co-Chair MacKinnon noted the second item, pensions, had not been funded to the requested amount determined by the previous actuarial numbers.

Mr. Teal replied that the June 2016 valuation, which had determined the FY 19 rates, reflected that the state assistance contributions to retirement programs, should have been approximately \$299 million. He said that in 2015 there had been a large deposit made to the retirement systems, with the intent that the 3-year rate setting lag should be truncated to 2 years. He said that in an effort to shorten the lag, the June 2016 valuation had been updated with new assumptions, which had resulted in an impact to state assistance by \$35 million - mostly due to exceptional returns experienced in FY 17. He relayed that the Governor's bill had built in retirement savings under a group waiver for retirees that would reduce drug costs and could result in an additional savings. He stated that the Governor's budget had those savings built in immediately, even though they were not yet achieved. He suggested considering whether the committee wanted to build in potential savings before they had materialized, or whether traditional actuarial methods should be used. He worried about taking advantage of savings that had not yet materialized.

[9:16:25 AM](#)

Co-Chair MacKinnon expressed some trepidation about the administration taking the \$3 billion cash infusion in an attempt to increase the funding ratio for retiree healthcare. She said that the projected unfunded pension obligation was growing. She spoke to the tax credits for industry and when those credits should be paid. She asked for details, based on current statute, concerning short funded tax credits in the Governor's budget.

Mr. Teal suggested that in future talks concerning retirement benefits that the committee should note the actuarial projections over the next 20 years. He said that the funding ration had fallen over the last few years, and would continue to fall, and that future contributions were expected to increase. He questioned decreasing contributions now, in the face of falling funding ratios, and increasing contributions in the future.

Mr. Teal spoke to the tax credits. He explained that the statutory minimum would be \$206 million, and alternative interpretation was as low as \$49 million. He said that the administration supported the \$206 million level of funding. He stated that the Governor's budget contained \$27 million for oil and gas tax credits, which was what the cost of debt service would be for issuing bonds to fully buy the outstanding tax credits and then make the debt service payments. He reiterated that there was no money deposited into the oil and gas tax credit purchase fund in the budget but was instead a \$27 million appropriation to pay debt service on bonds that would be used to buy credits.

[9:21:08 AM](#)

Co-Chair Hoffman clarified that the cs did not address any of the issues under conversation but would be discussed by the committee during the process of amending the legislation.

[9:22:00 AM](#)

Co-Chair MacKinnon believed that the budget was lower than it should be to meet the state's responsibility to industry.

[9:22:58 AM](#)

Senator Micciche asked how legislation, and the consideration of the passage of certain bills, would be included in the budget.

[9:23:34 AM](#)

Co-Chair Hoffman replied that the statutorily required items under discussion would be the base of the budget.

[9:24:23 AM](#)

Senator Micciche understood that if legislation passed during the budgetary process, it would be reflected in a final budget document.

[9:24:42 AM](#)

Mr. Teal stressed that LFD would have the three fiscal notes that were built into the budget: oil and gas tax credits, senior benefits, and school trust fund - preferably as fiscal notes. He said that, for example, the division would have preferred a \$206 million appropriation in the bill for tax credits, with a fiscal note that reduced the amount and changing it to debt service. He relayed that there were supplemental appropriations in the Operating Budget, he emphasized that the bill version before the committee was not an LFD recommendation, but a rewrite of the Governor's proposal that contained the fiscal notes and the supplemental appropriations included by the administration. He said that it would be up to the amendment process to change the bill.

[9:26:26 AM](#)

Co-Chair Hoffman stated that the practice for 20 years had been to not include supplemental requests in the Operating Budget.

[9:27:04 AM](#)

Senator Micciche wondered whether the supplemental items included in the bill could be highlighted.

[9:27:21 AM](#)

Co-Chair Hoffman hoped to address the supplemental items at a later date.

[9:27:43 AM](#)

Senator Olson remarked that there was a difference between the philosophical and political implications related to the budget. He asked whether there was an actual financial difference between using fiscal notes in the budget and the way the administration had presented the budget proposal.

Mr. Teal replied that there was no difference as long as the legislation passed; if money was going to be put in the budget that was contingent on the passage of a bill, if the fiscal note matched the amount of money that was currently in the budget - there was no real difference.

[9:28:46 AM](#)

Senator Olson spoke of the dwindling constitutional budget reserve (CBR), and the possible use of the earnings reserve. He wondered whether the Governor's approach was faulty.

Mr. Teal thought that transparency was in the eye of the beholder. He believed that the administration was trying to present a budget that they thought was transparent.

[9:29:44 AM](#)

Co-Chair Hoffman WITHDREW the OBJECTION. There being NO OBJECTION, the proposed committee substitute was adopted.

SB 144 was HEARD and HELD in committee for further consideration.

#sb143

SENATE BILL NO. 143

"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."

[9:30:22 AM](#)

Co-Chair MacKinnon MOVED to ADOPT the committee substitute for SB 143, Work Draft 30-GS2566\D (Wallace, 1/29/18).

Co-Chair Hoffman OBJECTED for discussion.

[9:30:42 AM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION explained the committee substitute. He relayed that the bill had been drafted with the same considerations as the Governor's bill.

[9:31:22 AM](#)

Co-Chair Hoffman WITHDREW the OBJECTION. There being NO OBJECTION, the proposed committee substitute was adopted.

SB 143 was HEARD and HELD in committee for further consideration.

[9:31:58 AM](#)

AT EASE

[9:33:31 AM](#)

RECONVENED

#sb168

SENATE BILL NO. 168

"An Act making supplemental appropriations and other appropriations; making an appropriation to capitalize a fund; amending appropriations; and providing for an effective date."

[9:34:12 AM](#)

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the FY 2018 Supplemental Summary (copy on file). She announced that she would be discussing the supplemental requests included in the December 15, 2018 budget, at which time \$170 million in unrestricted general funds (UGF) for supplementals had been requested. She recalled that the CBR threshold was \$200 million additional funds to accommodate supplementals. She furthered that the January 29, 2018 supplementals requested \$7.9 million in UGF, the supplemental bill before the committee \$5 million below the January 29, 2018 supplemental total.

[9:35:43 AM](#)

Co-Chair MacKinnon agreed that the spreadsheet reflected the \$5 million drop in the total, but that the UGF spend had increased by \$8 million.

Ms. Pitney responded that the UGF was \$170 million, plus the \$7.9 million, she said the administration would address each request line by line for clarity.

[9:36:38 AM](#)

Co-Chair MacKinnon queried the largest driver of the \$7.9 million UGF request.

Ms. Pitney asked whether the committee wished to begin with the December 15, 2018 supplementals or the January 29, 2018 supplemental requests.

[9:37:06 AM](#)

Co-Chair Hoffman directed Ms. Pitney to proceed with her initial presentation but noted that the additional capital supplemental, totaling \$6 million in UGF, that had not been mentioned.

[9:37:20 AM](#)

NEIL STEININGER, CHIEF BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, discussed the FY 2018 Supplemental Items (copy on file).

Mr. Steininger looked at Lines 2 through 4:

**Line 2**

UGF: \$453.5

Total: \$453.5

Administration

Public Defender Agency

**Public Defense Support**

The Agency experienced a reduction in Criminal Rule 39 fee revenue in FY2017, and this is projected to continue into FY2018 and FY2019. An increase of \$453.5 general funds is necessary to replace the reduced program receipt revenue and to maintain staffing levels

**Line 3**

UGF: \$10,447.6

Total: \$10,477.6

Corrections

Institution Director's Office

**Add Authority to Meet Operational Needs Within**

**Institutions** Based on current projections and the offender population trend, it is anticipated that DOC will need a supplemental for FY2018 of \$10,447.6 to meet institutional shortfalls.

**Line 4**

UGF: \$10,341.5

Total: \$10,341.5

Corrections

Physical Health Care

**Increased Costs for Nursing Shortages, Medical Fees, Chronic Disease, and Pharmaceuticals**

The Department of Corrections (DOC) is obligated to deliver essential medical care to incarcerated offenders under AS 33.30.011(4). This supplemental is needed to meet the increased inmate health care costs that include fees-for-service, increased pharmaceutical costs, increased contractual obligations and physical health care staff cost overages due to overtime for medical coverage

Mr. Steininger highlighted Lines 5 through 7:

**Line 5**

DGF: \$400.0

Total: \$400.0

Education and Early Development

Mt. Edgecumbe Boarding School

**Operating and Maintenance of the Mt. Edgecumbe High School Aquatic Center (FY18- FY19)**

An appropriation to support the operations and maintenance costs of the Mt. Edgecumbe High School Aquatic Center from its opening in FY2018 through FY2019.

**Line 6**

Total: 0

Education and Early Development

Executive Administration

**Extend Every Student Succeeds Act Support Funding Sec20 Ch2 4SSLA2016 P36 L21 (SB138) (FY17- FY19)**

Extend Every Student Succeeds Act Support Funding (ESSA) Sec20 Ch2 4SSLA2016 P36 L21 (SB138) (FY17-FY18)

into FY19. The Department of Education and Early Development is still awaiting ESSA revisions from the Federal government and is still in the implementation phase. This extension will allow the department to complete the implementation of ESSA.

**Line 7**

UGF: \$92,986.0

Total: \$92,986.0

Health and Social Services

Health Care Medical Services

**Medicaid FY18 Projections**

While a continued decrease in the percentage of state general fund spending for the average medical assistance recipient is reported between FY2016 and FY2017, the enrollment for non-Medicaid expansion continues to increase into FY2018. The projected general fund expenditures for FY2018 is \$664,233.9 and after excluding the request for CHIP, a state general fund shortfall of \$92,986.0 is expected.

[9:39:28 AM](#)

Mr. Steininger looked at Line 8. He stated that when the budget was crafted the Children's Health Insurance Program (CHIP) had not yet been reauthorized by the federal government, the item had been included to endure adequate funding for the program. He revealed that the program had been reauthorized by the federal government.

[9:39:56 AM](#)

Mr. Steininger highlighted Line 9:

**Line 9**

Total: 0

Health and Social Services

Healthcare Medical Services

**Medicaid Federal Receipt Collections**

Though the department is confident that the amount of federal authority in FY2017 adequately reflects federal revenues, unanticipated changes may provide for opportunities to leverage additional federal receipt authority.

[9:40:10 AM](#)

Mr. Steininger discussed Line 10:

**Line 10**

UGF: \$18,000.0

Total: \$18,000.0

Health and Social Services

HB Treatment and Recovery Grants

**Substance Use Disorder Grants (FY18-21)**

This four-year grant program is a response to a clear and urgent need to expand substance use disorder (SUD) services by addressing gaps in the continuum of care identified by local communities. Access to treatment will improve public safety as well as help parents to unify with their children more effectively.

[9:40:33 AM](#)

Co-Chair Hoffman asked Mr. Steininger to speak to the need for the multi-year appropriation.

Mr. Steininger responded that the multi-year appropriation ran from FY 18 to FY 21 and would allow for time for the actual providers to build capacity for services. He stated that the build up for capacity would take more than one fiscal year.

[9:41:11 AM](#)

Senator von Imhof wondered whether the line item was related to new regulations pertaining to autism.

Mr. Steininger replied that the funding would not be associated with autism but would be targeted toward substance use disorders. He added that the funds would help to address the opioid epidemic.

[9:41:39 AM](#)

Senator von Imhof understood that the \$18 million would be distributed over the course of 4 years.

Mr. Steininger replied in the affirmative.

[9:42:03 AM](#)

Senator von Imhof wondered why the funds needed to be funded up front, rather than requesting \$4.5 million each year, over the next 4 years.

Mr. Steininger responded that having the \$18 million up front, and guaranteeing the funding over 4 years, provided certainty to providers who would be building up the capacity for services.

[9:42:24 AM](#)

Senator von Imhof surmised that there was flexibility in the number. She stated that she understood the need for providers to have assurances of funding.

[9:42:51 AM](#)

Senator Micciche felt that the request was unusual because supplemental requests had typically covered past spending. He noted that the line item bridged the past, four years into the future.

Ms. Pitney replied that the choice to add the line item had been a conscious one, the item had added in an effort to expedite the grant process. She stressed that the item was linked to public safety and was meant to help address the state's lack of substance abuse treatment programs.

[9:44:29 AM](#)

Co-Chair Hoffman asked whether the distribution amount per community had been identified.

Ms. Pitney agreed to provide that information from Department of Health and Social Services (DHSS).

[9:45:16 AM](#)

Mr. Steininger highlighted Lines 11 and 12:

**Line 11**  
UGF: \$322.0  
Total: \$322.0  
Special Appropriations  
Judgements, Claims & Settlements  
**DEC Wage and Hour Settlement**

Wage and hour settlement as a result of a June 2017 arbitration

**Line 12**

Total: 0

Special Appropriations

Judgements, Claims & Settlements

**Judgements and Settlements**

Judgements and settlements against the state for the fiscal year ending June 30, 2018, but not included in sec 16(a).

[9:45:33 AM](#)

Mr. Steininger addressed Line 13:

**Line 13**

UGF: \$94.1

Total: \$94.1

Military and Veterans Affairs

Office of the Commissioner

**Add Special Assistant (09-#011) to Preserve and Protect Department of Defense Investment in Alaska**

Add one full-time Special Assistant to the Commissioner (PCN: 09-#011) in the Office of the Commissioner. This position is part of a coherent engagement strategy with Department of Defense (DOD) and other key stakeholders (federal military senior officials, Congressional Delegation, local base retention groups, and members of the public) to preserve, protect, and potentially grow DOD investment in the State of Alaska.

[9:45:51 AM](#)

Senator von Imhof asked whether this position should have existed all along to advocate for military investment in Alaska.

Ms. Pitney replied that the because of budget reductions the position had been eliminated. She said that the administration believed that the position was critical and needed to be reinstated.

[9:47:13 AM](#)

Senator von Imhof commented that current employees should already be working on the issue.

[9:47:55 AM](#)

Vice-Chair Bishop requested more detail on the Line 11 item.

[9:48:04 AM](#)

Co-Chair MacKinnon addressed Line 11 and noted that Alaska had suffered from not having arbitration guidelines. She wondered whether the administration would be introducing legislation that provided guidelines for arbitration.

Ms. Pitney agreed to provide that information.

[9:48:32 AM](#)

Co-Chair MacKinnon felt that the Department of Administration would need to advance an arbitration policy. She noted that state finances scrutinized by arbitrators included the permanent fund earnings reserve account, which had not been used for funding before, but was continually used in arbitration against the state. She felt guidelines that precluded the earnings reserve would result in the state winning more arbitration cases.

Co-Chair MacKinnon pointed to Line 13, she asked why the item was supplemental, rather than in the Operating Budget.

Ms. Pitney replied that the administration felt that the position was important enough to request as a supplemental item.

[9:50:00 AM](#)

Co-Chair MacKinnon questioned the level of risk of lack military investment during a time when the federal government was increasing military presence in the state. She wondered whether the request was necessary now, given the economic crisis facing the state.

[9:50:51 AM](#)

Senator Micciche spoke of the process and his role as chair of the budget subcommittee for the Department of Military

and Veteran's Affairs. He was disappointed with the addition of the position in the supplemental budget.

Co-Chair Hoffman wondered whether the position was currently filled.

Ms. Pitney believed that it was but wanted to double check.

[9:52:17 AM](#)

Co-Chair Hoffman strongly suggested that the administration should not fill positions that were requested in as supplemental until the supplemental was approved. He felt that filling the positions ahead of procuring funding usurped the voice of the legislature in the matter.

[9:53:03 AM](#)

Vice-Chair Bishop commented that military spending on the federal level had been increased by approximately \$500 million very recently.

[9:53:41 AM](#)

Co-Chair MacKinnon expressed frustration that supplemental requests from the administration were "out of control" and that the desires of the legislature were being ignored.

[9:55:03 AM](#)

Mr. Steininger addressed Line 14:

**Line 14**

UGF: \$221.0

Federal Receipts: \$663.0

Total: \$884.0

Military and Veteran's Affairs

Air Guard Facilities Maintenance

**Increase Federal Authority and GF Match Associated with C-17 Acquisition**

Increased federal receipt authority and General Fund matching funds for facilities operations/maintenance for three buildings supporting C-17 operations. Five full-time positions were created in Air Guard Facilities Maintenance to operate and maintain facilities gained to support the C-17 aircraft.

[9:55:34 AM](#)

Mr. Steininger highlighted Line 15:

**Line 15**

UGF: \$350.0

Total: \$350.0

Special Appropriations

Klutina Lake Road Survey

**Klutina Lake Road Survey (FY18-FY20)**

In an effort to ensure that the State is able to provide for the public's ability to continue using the road to access outdoor activities while respecting Ahtna's concerns surrounding potential impacts to private property rights, and land and resource management, survey activities will be performed by the Department.

[9:55:50 AM](#)

Co-Chair MacKinnon recalled that the state attorney general had negotiated a settlement surrounding the road access that had been rejected by the corporation. She wondered if the funds were related to the settlement.

Ms. Pitney responded that the funds were related to the overall area, and were not directly related to the settlement, but would be helpful for eventual resolution of the settlement.

[9:56:52 AM](#)

Co-Chair MacKinnon asked whether the survey benefitted the state or the corporation.

Ms. Pitney replied that the survey would clarify the legal descriptions surrounding land use in the area.

[9:57:42 AM](#)

Co-Chair Hoffman wondered whether there was an existing dispute between the corporation and the state about the width of the right-of-way on the property. He believed that the dispute was not about access - but the size of the access.

Ms. Pitney answered that she would need to get specifics from the Department of Law.

[9:58:35 AM](#)

Mr. Steininger looked at Line 16:

**Line 16**

DGF: \$30,000.0

Total: \$30,000.0

Fund Capitalization

Community Assistance Fund

**FY2018 Deposit from the Power Cost Equalization Fund**

In FY2017, the Power Cost Equalization Fund earned \$112,330,514. After following the formula in AS 42.45.085(d), \$55,464,300 is available for appropriation to the Community Assistance Fund and rural energy programs. \$30,000,000 will be deposited in the community assistance fund per AS 42.45.085(d) (2) (A).

[9:58:50 AM](#)

Mr. Steininger addressed Line 17:

**Line 17**

Total: 0

Fund Capitalization

AK LNG Fund

**Deposit Investments into Alaska Liquefied Natural Gas**

**Fund** AGDC expects to receive investments from outside parties as it continues to develop the Alaska LNG project. Investment funding will support the project as it contracts with engineering, procurement, and construction (EPC) firms to conduct frontend engineering and design and lump-sum turn-key estimates prior to a final investment decision in calendar year 2019.

[9:59:06 AM](#)

Senator von Imhof looked at Line 17 and noted that there was not a current fiscal note associated with the request. She wondered whether granting the request was "blanket permission" to allow Alaska Gasline Development Corporation (AGDC) to accept any investment money that arrived during the next fiscal year. She asked whether the legislature

would be able to review the money coming in and probed the need for the particular line item.

Ms. Pitney responded that SB 138, which established AGDC's rules of operation and corporate status, established a board to oversee corporation, and established the powers of both. She shared that the budget authority would allow AGDC to accept investments from third parties for the development of the gasline. She reiterated that the boundaries of the corporation's powers were written in statute and that approval of investment was through the AGDC board. She said that if every third party who invested in the gasline had to be vetted through the legislative process it would be difficult for investors to feel secure about moving a project forward.

[10:01:54 AM](#)

Senator von Imhof worried that passage of the line item would remove a layer of legislative oversight.

[10:02:53 AM](#)

Mr. Steininger highlighted Lines 18 and 19:

**Line 18**

Other Amount: \$12,000.0

Total: \$12,000.0

Fund Capitalization

AK LNG Fund

**Transfer from In-State Natural Gas Pipeline Fund**

At the conclusion of FY2018 it will no longer be necessary to have two separate funds: 1229 Alaska Gasline Development Corporation - Instate Pipeline (AGDC-ISP) and 1235 Alaska Gasline Development Corporation - Liquefied Natural Gas (AGDC-LNG). Moving the balance of fund 1229 AGDC-ISP into fund 1235 AGDC-LNG will streamline AGDC's administrative and budget processes and match the Governor's direction.

**Line 19**

Other Funds: (\$12,000.0)

Total: (\$12,000.0)

Fund Capitalization

In-State Pipeline Fund

**Transfer to Liquefied Natural Gas Project Fund**

At the conclusion of FY2018 it will no longer be necessary to have two separate funds: 1229 Alaska Gasline Development Corporation - Instate Pipeline (AGDC-ISP) and 1235 Alaska Gasline Development Corporation - Liquefied Natural Gas (AGDC-LNG). Moving the balance of fund 1229 AGDC-ISP into fund 1235 AGDC-LNG will streamline AGDC's administrative and budget processes and match the Governor's direction.

[10:03:15 AM](#)

Mr. Steininger discussed Line 20:

**Line 20**

DGF: \$14,000.0

Total: \$14,000.0

Fund Transfers

Renewable Energy Grant Fund

**FY2018 Deposit from the Power Cost Equalization Fund**

In FY2017, the Power Cost Equalization Fund earned \$112,330,514. After following the formula in AS 42.45.085(d), \$55,464,300 is available for appropriation to the Community Assistance Fund and rural energy programs. \$14,000,000 will be deposited in the Renewable energy Grant Fund per AS 42.45.085(d)(2)(B). Additional funding will be allocated to projects in the Capital Budget.

[10:03:26 AM](#)

Mr. Steininger addressed Line 21:

**Line 21**

UGF: \$23,918.2

Total: \$23,918.2

Fund Transfers

Marine Highway System Fund

**FY2018 Deposit from the General Fund**

Of the \$30 million appropriated from the general fund to the Alaska Marine Highway System fund for FY2018, only \$6,081,800 was available to transfer due to the associated contingent language. This appropriation back-fills the short fall.

[10:03:38 AM](#)

Co-Chair MacKinnon remarked that she had worked on Alaska's Renewable Energy Advisory Team. She looked to the relationship between Line 16 and Line 20. She noted that the administration was spending \$44 million of the \$55 million available, she wondered whether the addition \$11 million had been used elsewhere in the budget.

Mr. Steininger replied in the affirmative. He relayed that the funds had been used in the Capital Budget.

[10:04:50 AM](#)

Mr. Steininger readdressed Line 21.

[10:04:58 AM](#)

Mr. Steininger highlighted Line 24:

**Line 24**

Other Amount: \$8,125.0

Total: \$8,125.0

Commerce

Capital

**Alaska Energy Authority - Volkswagen Settlement**

The Environmental Mitigation Trust established as part of the Volkswagen (VW) Settlement is explicitly intended for funding Eligible Mitigation Actions (Appendix D-2 of Environmental Mitigation Trust Agreement) to fully mitigate the total, lifetime excess NOx emissions from the 2.0L and 3.0L subject vehicles. Alaska has been allocated \$8.125 million to fund eligible actions over the next ten years. The consent decree requires the development of a Beneficiary Mitigation Plan (Plan) that summarizes how the funds will be used to provide the public with insight into the State's high-level vision for use of the mitigation funds and information about the specific uses for funding.

[10:05:17 AM](#)

Mr. Steininger discussed Line 25:

**Line 25**

UGF: \$6,000.0

Total: \$6,000.0

Transportation

Capital

**Alaska Marine Highway System Vessel Overhaul, Annual Certification and Shoreside Facilities Rehabilitation**

The Alaska Marine Highway System (AMHS) requires annual maintenance and overhaul on vessels and at terminals, particularly components or systems whose failures impact service in the short term. Annual overhaul of vessels is necessary to pass United States Coast Guard (USCG) inspections and obtain a Certificate of Inspection (COI) necessary to operate in revenue service. Expenses for annual maintenance exceeded annual budgeted amounts in FY2017 and projected for FY2018. This supplemental allows the AMHS to accomplish required maintenance without impacting route service.

[10:05:35 AM](#)

Co-Chair Hoffman understood that Line 25 contained the only Capital Budget appropriation request.

Ms. Pitney clarified that it was the UGF Capital Budget request.

[10:05:54 AM](#)

Mr. Steininger discussed Line 28:

**Line 28**

Total: 0

Environmental Conservation

Capital

**Reapprop for Municipal Matching Grants Project Administration - NTE \$200,000**

The Department of Environmental Conservation anticipates completed Municipal Matching Grants projects to lapse roughly \$440,000 at the end of FY2018. Department costs to administer these projects is unpredictable and can exceed the amount available in the appropriations for administrative costs. When that happens, these costs must shift to the operating budget which has been significantly reduced in recent years. This reappropriation ensures sufficient funds are available to administer the remaining Municipal Matching Grant appropriations.

[10:06:20 AM](#)

Mr. Steininger highlighted Line 29:

**Line 29**

Total: 0

Transportation

Capital

**Reapprop for Adak Airport Maintenance and Operations -  
Est \$742,604**

In 2003, the Department of the Navy transferred ownership of the Adak airport to the State. The state was given a \$10.0 million for operating the airport with the understanding that no additional funds would be provided. The original \$10.0 million is now exhausted and must be replaced by another funding source. This project, along with a corresponding FY2019 capital appropriation, will provide gap funding while the department engages with stakeholders to develop a strategic action plan for funding the airport in the future.

[10:06:49 AM](#)

Mr. Steininger addressed Line 30:

**Line 30**

Total: 0

Transportation

Capital

**Reapprop for the Commuter Rail Concept - Est  
\$4,541,537**

The unexpended and unobligated balances of the appropriations made in sec. 10, ch. 29, SLA 2008, page 76, lines 25 - 26, as amended by sec. 16(b), ch. 38, SLA 2015 (Department of Transportation and Public Facilities, Glenn Highway rut repairs - \$11,500,000) and sec. 1, ch. 18, SLA 2014, page 63, line 4, and allocated on page 63, lines 12 - 13, as amended by secs. 14(d) and 27(g) and (h), ch. 1, TSSLA 2017 (Department of Transportation and Public Facilities, economic development, Knik Arm Bridge project development), estimated to be a total of \$4,541,537, are reappropriated to the Department of Transportation and Public Facilities for the commuter rail concept.

[10:07:04 AM](#)

Senator von Imhof asked whether there had been previous studies on the commuter rail concept.

Ms. Pitney responded that there were multiple studies, and the governor had established a task force to review the reports.

[10:08:04 AM](#)

Senator von Imhof surmised that much of the engineering groundwork had been completed if previous studies had been done. She wondered what the funds would be spent on.

Ms. Pitney replied that the plan was to have the funds support the rail extension and operations.

[10:08:55 AM](#)

Senator von Imhof understood that the item could potentially be in the Capital Budget to support the building of rails and spurs and train operation.

Ms. Pitney replied in the affirmative.

[10:09:25 AM](#)

Co-Chair MacKinnon looked at Line 30, she asked how many at grade crossings needed to be changed.

Ms. Pitney responded that the intent was to use the primary existing rail between Anchorage and Wasilla. She reiterated that the project was a Capital Budget project.

[10:10:16 AM](#)

Co-Chair MacKinnon asked whether the administration had reviewed the past studies on the rail link.

Ms. Pitney said that she had not. She clarified that employees of the Department of Transportation and Public Works had reviewed the studies and would be working with the task force

[10:10:39 AM](#)

Co-Chair MacKinnon knew that the idea was popular. She revealed that the rider fee of \$10 each direction had not

been favored by the public. She opined that the proposal would put a commuter rail on a track that carried gravel. She wondered whether an analysis had been done on the displacement of payloads with passengers. She recognized that the idea was popular but worried that the cost to the commuter would be high, while other freight that would be more beneficial to the railroad be profitable would be displaced.

[10:13:03 AM](#)

Senator von Imhof wondered whether it would make sense to present the committee with the project after the feasibility was updated to address Co-Chair MacKinnon's concerns.

Ms. Pitney stated that the task force and the DOT staff would be happy to have the discussion with the legislature soon.

[10:14:38 AM](#)

Mr. Steininger highlighted Line 34:

**Line 34**

DGF: \$103.4

Total: \$103.4

Commerce, Community, and Economic Development

Banking Securities

**Financial Examiner I/II for Alaska Native Claims Settlement Act Filings and Support**

The division must timely process ANCSA corporate filings and respond to complaints within 10 business days. Without this position, the division would be forced to reduce resources tasked with examinations and enforcement activities for other programs.

[10:15:12 AM](#)

Co-Chair Hoffman asked whether the programs and the program receipts had been vetted by the ANCSA corporations.

Mr. Steininger responded that the corporations had seen an increase in collections because of an increase in filings and in complaints.

Co-Chair Hoffman thought that the issue warranted further discussion off of the record.

10:16:00 AM

Co-Chair MacKinnon asked whether it was typical to see so many positions being added in a supplemental budget.

Co-Chair Hoffman replied that, to his knowledge, no.

10:16:15 AM

Mr. Steininger discussed Lines 35 through 37:

**Line 35**

DGF: \$35.0

Total: \$35.0

Environmental Conservation

Solid Waste Management

**Increase Program Receipt Authority**

The Solid Waste Management program conducted a fee study in FY2017. Revised fee regulations have gone through public notice, review, and comment, and were enacted effective October 27, 2017. The Department anticipates revenue from the new fees will exceed general fund program receipt authority in FY2018.

**Line 36**

DGF: (\$35.0)

Total: (\$35.0)

Environmental Conservation

Air Quality

**Decrease Program Receipt Authority**

The Division of Air Quality expects to under collect general fund program receipt authority in FY2018 due to fluctuations in the amount of Title I permit work from year to year.

**Line 37**

Federal Amount: \$6,500.0

Total: \$6,500.0

Health and Social Services

Front Line Social Workers

**Public Assistance Cost Allocation Plan Amendment**

A recent amendment to the section of the Public Assistance Cost Allocation Plan (PACAP) covering the Office of Children's Services changes the allocation

methodology for the Front Line Social Workers component, the largest personal services component within the Office of Children's Services budget. The estimated increase is associated primarily with the claiming for the Title IV-E foster care, adoption, and guardianship programs.

[10:17:14 AM](#)

Co-Chair Hoffman noted that time was running short and requested that members submit further questions to the administration in writing.

[10:17:37 AM](#)

Mr. Steininger highlighted Line 38:

**Line 38**

UGF: \$1,000.0

Total: \$1,000.0

Health and Social Services

Foster Care Base Rate

**Decline in Child Support Payment Collections**

The Office of Children's Services expects significant reductions in collections of child support and social security payments.

[10:18:05 AM](#)

Mr. Steininger addressed Line 39:

**Line 39**

UGF: \$2,895.7

Total: \$2,895.7

Health and Social Services

Foster Care Special Need

**FY2017 Special Need Payments Made in FY2018**

At the close of FY2017 the Office of Children's Services pushed payments for FY2017 obligations into FY2018 in the amount of \$2,895.7.

Mr. Steininger looked at Line 40:

**Line 40**

UGF: \$2,000.0

Total: \$2,000.0

Health and Social Services

Alaska Temporary Assistance Program

**Temporary Assistance for Needy Families Maintenance of Effort**

The maintenance of effort (MOE) for the Temporary Assistance for Needy Families (TANF) program, mandated by the Federal Government, is primarily met by the expenditures within ATAP. The state received notification of penalty for failure to meet the MOE obligation for federal fiscal year 2017.

[10:19:13 AM](#)

Mr. Steininger highlighted Line 41:

**Line 41**

Other Amount: \$5,000.0

Total: \$5,000.0

Revenue

APFC Investment Management Fees

**Investment and Custody Fees**

Unanticipated market performance or manager changes could cause the actual amount of fees paid to exceed projections. As a prudent course of action, \$5,000.0 supplemental authority for the Investment Management Fee allocation will ensure that APFC has sufficient funds to meet our contractual obligations.

[10:19:32 AM](#)

Mr. Steininger discussed Line 44:

**Line 44**

DGF: (\$25,000.0)

Total: (\$25,000.0)

Special Appropriation

Comprehensive Insurance Program

**Payment from Premera to the Reinsurance Program**

Adjustment to the state contribution to the calendar year 2017 reinsurance program to reflect reimbursement from Premera Blue Cross Blue Shield.

[10:19:53 AM](#)

Mr. Steininger looked at Line 45:

**Line 45**

UGF: \$2,000.0

Total: \$2,000.0

Fund Capitalization  
Disaster Relief Fund  
**Disaster Relief Funding**

This increase is needed due to the low balance of the disaster relief fund and the estimated amount needed for spring 2018 disasters. Sufficient general fund authority of \$2,000,000 currently exists in the FY2019 budget.

[10:20:13 AM](#)

Mr. Steininger addressed Line 46:

**Line 46**

Total: 0

Salary and Benefit Adjustments

**University of Alaska Bargaining Unit Agreements**

The Fairbanks Firefighters Union, IAFF Local 1324 and the United Academics - American Association of University Professors, American Federation of Teachers both negotiated contracts effective in FY2018. These contracts did not have monetary terms requiring supplemental appropriation.

Lines 47 through 49 listed the Funding Summary Jan 29 Operating Language Section, Total of Jan 29 Supplemental requests, and Grand Total of Supplemental Requests (\$217,835.0).

[10:21:17 AM](#)

Mr. Steininger addressed Line 51 through 57, which listed January 29, 2018 ratifications in whole dollars:

**Line 51**

UGF: \$467,693.27

Total: \$467,693.27

Health and Social Services

Pioneer Homes

**FY2016, AR H001 Alaska Pioneer Homes**

Line 52

UGF: \$1,350,310.26

Total: \$1,350,310.26

Health and Social Services

Public Health

**FY2016, AR H007 Public Health**

**Line 53**

UGF: \$8,715,670.72

Total: \$8,715,670.72

Health and Social Services

Medicaid Services

**FY2016, AR H012 Medicaid Services**

**Line 54**

UGF: \$8,824.49

Total: \$8,824.49

Health and Social Services

Capital

**FY2010, AR H264 Mental Health Housing**

Line 55

UGF: \$7,355.06

Total: \$7,355.06

Health and Social Services

Capital

**FY2011, AR H260 Mental Health Home Modification and  
Upgrades to Retain Housing**

[10:22:02 AM](#)

Mr. Steininger discussed Line 56:

**Line 56**

UGF: \$300,310.83

Total: \$300,310.83

Health and Social Services

Capital

**FY2016, AR HUBC Unbudgeted Capital RSA's**

[10:22:14 AM](#)

Mr. Steininger looked at Line 57:

**Line 57**

UGF: \$4,304,930.00

Total: \$4,304,930.00

Public Safety

Bureau of Highway Patrol

**AR 47863-13 Bureau of Highway Patrol - Special Project**

[10:22:37 AM](#)

Co-Chair Hoffman queried the meaning of the ratifications, and the legislative process for approving the ratifications.

Mr. Steininger replied that ratifications were shortfalls in the restrictions of the budget. The figures reflected reimbursements that departments had expected from the federal government in FY 16, which were either disallowed or reimbursed at a lower rate than expected.

[10:24:24 AM](#)

Ms. Pitney furthered that, from an audit perspective, the ratification was the process used to clean up audit findings. She noted that the Bureau of Highway Patrol ratification was an issue that stemmed from 2011. She said that there had been attempts by the legislature to address the issue in 2013, but it remained an audit finding and now required the ratification.

[10:25:22 AM](#)

Co-Chair Hoffman queried additional detail to Line 44.

Mr. Steininger replied that at the end of calendar year 2017, Premera Blue Cross Blue Shield had provided \$25 million to the Alaska Comprehensive Health Insurance Association for paying claims on the reinsurance program. He said that the \$25 million reduced the obligation of state funds needed to cover the program for calendar year 2017, which resulted in the \$25 million reduction reflected on Line 44.

[10:26:39 AM](#)

Co-Chair Hoffman discussed housekeeping.

SB 168 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:27:12 AM](#)

The meeting was adjourned at 10:27 a.m.