

HOUSE FINANCE COMMITTEE
March 14, 2019
1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Tammie Wilson, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

April Wilkerson, Administrative Services Director, Department of Commerce Community and Economic Development, Office of Management and Budget; Lacey Sanders, Budget Director, Office of Management and Budget; Fabienne Peter-Contesse, Administrative Services Director, Department of Natural Resources, Office of Management and Budget; Jeff Rogers, Administrative Services Director, Department of Environmental Conservation, Office of Management and Budget; Samantha Gatton, Acting Administrative Services Director, Department of Fish and Game, Office of Management and Budget.

SUMMARY

FY 20 BUDGET OVERVIEWS:

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC
DEVELOPMENT
DEPARTMENT OF NATURAL RESOURCES
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DEPARTMENT OF FISH AND GAME

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

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APRIL WILKERSON, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE COMMUNITY AND ECONOMIC DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, provided a PowerPoint presentation titled "FY2020 Governor's Amended Budget" dated March 14, 2019 (copy on file).

Ms. Wilkerson began on slide 3. She noted that, on the left hand side, there was a comparison of the funding makeup of Department of Commerce, Community and Economic Development (DCCED). It compared the FY 19 management plan budget, which was \$168.643 million; as compared to the FY 20 budget proposal, which was \$164.118 million. She remarked that it was made up of several different funding groups. The combined general fund made up 52.8 percent of the overall budget. The other fund group made up 34.3 percent of the overall budget. Federal funds made up 12.9 percent of the budget. She remarked that it was an overall decrease from FY 19 of \$4.525 million, or a 2.7 percent decrease. She remarked that of that decrease, \$3.266 million was overall general funds of that reduction. She pointed to the right hand side, which showed the budgeted positions in the same comparison timeframe. She noted the overall reduction of 6 permanent full-time positions, two of which were actual deleted positions within the budget and four proposed transfers to the Governor's Office. She moved to slide 4, "FY2020 Budget: Department of Commerce, Community and Economic Development Snapshot (\$ Thousands)" which showed the high priority items that were reflected in the changes in the budget:

- Reorganize and Consolidate the Division of Economic Development (-\$243.4 GF and -2 PFT)
- Realign Local Government Support and Services (-\$1,000.0 GF)
- Withdraw Subsidy to Alaska Legal Services Corporation (-\$450.0 GF)

- Power Cost Equalization (PCE) Program Fund Source Change (+/- \$32,355 Net Zero Change)
- Statewide Support - Executive Branch 50 percent Travel Reduction (-\$354.2 GF)

Representative Merrick asked for verification that two PCNs had been deleted and four had been transferred to the Office of the Governor.

Ms. Wilkerson replied in the affirmative.

Representative Merrick asked for more detail on why the positions were being moved.

Ms. Wilkerson replied that she would address the question on a following slide. She continued to address the budget items on slide 4. She remarked that there was a statewide 50 percent travel reduction of \$354,200 in GF.

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Vice-Chair Ortiz asked if there would be further detail on the travel reduction and the department's ability to address its mission.

Ms. Wilkerson replied that each division directors and corporations were asked to reevaluate all of their operations to identify areas where there could be travel function reductions. She stressed that there were some areas that could not be reduced, and the authority would be realigned through the next budget process management plan to put a more appropriate and accurate level of travel funding within their budget.

Vice-Chair Ortiz asked if Ms. Wilkerson meant the FY 21 budget cycle.

Ms. Wilkerson clarified she was speaking about the management plan process. She stated that once the budget was complete, the directors would realign based on where they felt they could support their priority travel.

Vice-Chair Ortiz asked about the kinds of things the department utilized its travel money on.

Ms. Wilkerson answered there was a lot of travel in the Community and Regional Affairs and Alaska Seafood Marketing

Institute (ASMI) to promote Alaska seafood products. Additionally, there was board travel in Division of Corporations, Business and Professional Licensing (CBPL) where they were traveling to Washington D.C. The commissioner's intent was to evaluate travel to be more efficient. They were considering whether a board really needed to travel four times per year

Representative LeBon discussed that when he had worked as a banker the DCCED had a participation loan program that would make loans in rural Alaska with participation from banks. He wondered if that program was still active.

Ms. Wilkerson believed he was speaking about Alaska Industrial Development and Export Authority (AIDEA).

Representative LeBon replied in the negative and determined the program was long gone.

Ms. Wilkerson moved to slide 5, "FY2020 Budget: Department of Commerce, Community and Economic Development Snapshot (\$ Thousands)":

Reorganize and Consolidate the Economic Development component (-\$243.4 GF and -2 PFT)

- Transfer the economic development activities from the Department of Commerce, Community, and Economic Development to the Office of the Governor
- This realignment will allow an elevated cabinet-level focus on the Alaska economy and continue to engage the business community, provide and oversee outreach efforts, as well as coordinate and advise the Governor on the economic impact of policies across all departments
- This change will realign business processes, provide more efficiencies through higher level coordination and reduce State costs due to the deletion of two positions with funding

Vice-Chair Johnston asked if the commissioner was on the cabinet.

Ms. Wilkerson replied in the affirmative.

Vice-Chair Johnston asked if the governor was increasing the cabinet by two positions.

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LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, answered that the positions were being transferred to the Office of the Governor but it was not increasing the cabinet. The cabinet consisted of commissioner level positions.

Vice-Chair Johnston was trying to understand whether the Governor was given a broader focus with his policy team to promote the department.

Ms. Sanders answered the proposal brought the positions into the Office of the Governor to allow direct coordination with those positions on economic development.

Representative Knopp surmised that four positions would be moved to the Governor's Office. He also noted the funding transfer. He understood that in some departments with the administrative services directors being moved, the funding was not transferred. He wondered why there was not continuity with all departments.

Ms. Wilkerson responded that the funding being transferred was solely the funding remaining for economic development positions and operating costs. Her position had been transferred without funding and would be charged back through an established reimbursable service agreement.

Representative Josephson asked if they would be the same individuals and same level of pay.

Ms. Wilkerson stated that the Governor's Office could answer that question.

Ms. Sanders furthered that the funding associated with the positions was the funding that was transferred for those positions. She shared that, if those positions were vacant, she could not answer to what they would be filled.

Co-Chair Wilson remarked that the subcommittee had been addressing whether the governor needed more people or more funds. The subcommittee was not thrilled about switching the money over.

Ms. Wilkerson turned to slide 6:

- Realign Local Government Support and Services (-\$1,000.0 GF)
 - Funds the Division of Community and Regional Affairs budget at approximately FY2018 actual expenditure levels
 - Division leadership is currently identifying areas for efficiencies, including alternate methods of service delivery, increased collaboration with local community organizations, and options to collaborate with other divisions and departments for shared rural travel and outreach to reduce expenditures and dependence on government

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Representative Josephson had received reports the office represented 319 domestic violence victims annually. He wondered whether the funds could be raised elsewhere.

Ms. Sanders answered that the Alaska Legal Services (ALS) corporation was currently raising funds, but she could not speak to the agency's ability to finance, but noted that it could possibly expand available funds.

Representative Josephson stated that there had been a comment that the component was a bit of an outlier.

Ms. Sanders replied that the department had gone through essential air services, which could not be provided by other means, but it had been proposed for elimination.

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Ms. Wilkerson moved to slide 8 and addressed a proposed fund source change for the Power Cost Equalization (PCE) Program. There was no planned change to PCE:

- Power Cost Equalization (PCE) Program Fund Source Change (+/- \$32,355 Net Zero Change)
 - This funding change returns the Rural Energy Assistance Program to a general funded program and will require annual general fund

appropriations in the same fashion as other state funded programs through the legislative process

- In FY2020, Power Cost Equalization payments and associated program management will be funded by general fund

Co-Chair Foster stated they had talked about PCE being eliminated. He thought Co-Chair Wilson brought up a good point about taking money out of PCE. He remarked that took the money and put it in the Constitutional Budget Reserve (CBR). There was concern about the low interest earnings, and once the money was put in the GF it competed with other programs. Many individuals saw the move as the first step towards dismantling the fund.

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Ms. Sanders replied that the PCE Fund was an example of a quasi-dedicated fund. The administration agreed it was an important program and should be a GF program. She shared that it would compete equally on an annual basis for available funding.

Co-Chair Foster stated it was a policy viewpoint differences. He provided examples of funds over the years the four dam pool. Cook Inlet Gas, royalty payments for natural gas coming out of Cook Inlet. He the PCE program was all of those things for rural Alaska. It created energy equity throughout the state.

Vice-Chair Ortiz asked if there was a licensing component to the department at present.

Ms. Sanders replied in the affirmative.

Vice-Chair Ortiz asked if the proposed budget impact the licensing component.

Ms. Sanders responded that the only impact she could recall was related to travel, which should not impact licensing.

Vice-Chair Ortiz asked if there was currently a backlog in the licensing.

Ms. Wilkerson answered there had been some delays in some of the licensing. The department had addressed some of the issues. The department felt the backlog had been addressed.

Co-Chair Wilson referenced a meeting the previous week where the department had presented well and had provided access to all of the staff to answer questions.

^DEPARTMENT OF NATURAL RESOURCES

2:00:13 PM

FABIENNE PETER-CONTESSÉ, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, OFFICE OF MANAGEMENT AND BUDGET, continued a PowerPoint presentation titled "FY2020 Governor's Amended Budget" dated March 14, 2019 (copy on file). She began on slide 10 and addressed two bar charts showing a funding comparison and a budgeted position comparison. The other funding category included statutory designated program receipts at about \$182,000 less. The blue section was UGF and DGF (\$66.7 million UGF and DGF). The chart on the right showed positions declining to 865 (a reduction of 36 positions, 25 of which were currently filled).

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Representative Josephson thought that the guide concession program was a long-sought after fund that was designed to structure and organize hunting on state lands. He wondered whether there was a "backing away" from that strategy.

Ms. Peter-Contesse answered that the \$1 million reduction was a technical adjustment. There was \$1 million put in by the legislature in FY 18 and FY 19, and the current proposal backed out the \$1 million of federal authority only. She stressed that there was no federal money coming in for that program, yet. The state was not backing away from the program.

Ms. Peter-Contesse addressed slide 11:

Recorder's Office Consolidation and Efficiencies (-\$408.0 GF and -3 PFT, -2 PPT)

- Close Fairbanks, Kenai, Juneau, and Palmer Recorder's Offices.
- Delete five positions (4 filled), transfer seven positions to Anchorage (6 filled).
- Revenue averages \$5.1M/year, expenditures average \$3.8M/year. As long as recording activity

remains stable there will be a positive impact on the general fund.

- Electronic and mail-in recording available statewide, walk-in for Anchorage.
- Evaluating solutions to address seasonal influx of mining documents. Fully Integrate Pipeline Section into Division of Oil and Gas (-\$300.0 GF and -3 PFT)
- Fully integrate the section and build synergies with related tasks such as leasing, permitting, and compliance.
- Reduce administrative positions, reduce confusion for applicants, and increase both efficiency and oversight of common-carrier pipeline Right-of-Way.

Representative Sullivan-Leonard was concerned about closing the Palmer recording office. She wondered whether the availability of electronic recording included notarizing any type of document that may be needed for legal purposes, or witnessing of signatures.

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Ms. Peter-Contesse replied that the recorder's office did not provide notarization. She remarked that, if someone did not want to mail in their documents, there had been communications with title companies and attorneys to e-record for the public.

Representative LeBon asked about title companies and banks. He remarked that the recording would occur the day after the loan closing. The title company would confirm that the title had not changed, and gave a "green light" for the bank to disperse money. He surmised that, under the new proposed change, the electronic recording still accomplished a final recorded document and clearance the next day. He wondered whether that protocol and timeline would remain in effect.

Ms. Peter-Contesse replied in the affirmative. Most title companies did not come into the recorder's office anymore, and all recording was done electronically.

Representative Carpenter spoke about mail-in versus electronic documents. He asked about the percentage of each. He specifically queried the impact on the rural communities.

Ms. Peter-Contesse replied that the current percentage of electronic recording was 48 percent of all of the documents. The remaining documents were either mailed in or over the counter. There was not tracking of the difference of whether the documents were mailed or over the counter.

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Co-Chair Wilson stated there was a DNR office in Fairbanks She asked if the department had thought about using the building for multipurpose.

Ms. Peter-Contesse responded that there was currently a recorder's office in the state owned building in Fairbanks. She asked for clarification.

Co-Chair Wilson clarified her question. She asked if it could be a one-stop shop for convenience.

Ms. Peter-Contesse answered that Fairbanks was one of the areas of concern related to the ability to service seasonal high-volume clientele and it could bridge the gap of service.

Co-Chair Wilson remarked that she was only thinking outside of the box.

Representative Carpenter appreciated the 48 percent figure, but noted that it was less than half of the document. He was comfortable with electronics. He would be hesitant to put legal documents in the mail. He asked if the 48 percent was a user choice or did some documents have to be presented in person or electronically.

Ms. Peter-Contesse answered that it was user choice. She referenced changes to plat files that had to be a physical document.

Representative Carpenter had a list of deeds, reconveyances, liens, other.

Ms. Peter-Contesse answered that it was possible to record anything as long as they met certain criteria.

Representative Carpenter asked for verification.

Ms. Peter-Contesse agreed. She detailed that a person could not submit a digital document for recording themselves. They would have to mail in or walk into an office.

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Representative Tilton asked if there was process by which a person with a business outside the banking system could become someone who did their own digitized recording.

Ms. Peter-Contesse answered in the affirmative. She explained that it was a simple process to become a submitter with the contracted company, Simple File.

Representative Merrick asked about the process for approval if a person filed something electronically. She asked if the labor in the department was different between in person versus mailing.

Ms. Peter-Contesse replied that she believed that the recorders looked for very specific items in the documents. She stated that there was a minimum acceptance criteria. She remarked that there were certain margins, a place for the label, a grantor, a grantee, etc. She stated that the recorders reviewed electronic and paper documents to ensure that they met the minimum acceptance criteria. She stated that the workload was less with electronic documents, because there was no handling of mail. She stated that the footprint and budget had been reduced since implementing electronic recording.

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Representative Merrick asked if 50 percent of the work was done electronically why there were so many people needed in the office. She wondered whether the people in Southeast could review the digital documents and the people in Anchorage could review the paper documents.

Ms. Peter-Contesse replied in the affirmative and stated that the department did that. She detailed circumstances

wherever there was overflow in the state. The issue was about the cost of keeping the offices open.

Representative Merrick asked if it was work an employee could do at home on a computer.

Ms. Peter-Contesse agreed to provide that information.

Representative Carpenter wondered whether some businesses had authorization to submit documents to the state, and whether there would be new locations.

Ms. Peter-Contesse replied in the affirmative.

Ms. Peter-Contesse continued with slide 11 and spoke about fully integrating the Pipeline Section into the Division of Oil and Gas:

Reduce Lower Priority Programs in Division of Agriculture (-\$1,796.0 GF and -15 PFT, -4 PPT)

- Marketing - The state has fostered the expansion of the "Alaska Grown" brand program to the point that private industry could further advance the program without state assistance.
- Agricultural Veterinarian - Program not yet implemented; Department of Environmental Conservation has a State Vet.
- Farm to Institution - Promotes Alaska Grown in schools, correctional institutions and hospitals; more appropriately accomplished by industry.

Delete Agriculture Revolving Loan (-\$421.7 GF and -2 PFT)

- Promotes the development of agriculture via moderate interest rate loans but competes with private lenders.
- Currently 57 loans, \$7.3M owed, \$12.6M cash on hand. Loans will be transferred to Department of Revenue who will sell them; proceeds will go to the general fund.

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Ms. Peter-Contesse moved to slide 12:

Maintain Higher Priority Programs in Division of Agriculture

- Phytosanitary Inspections - For timber, wood products, peony, and mushroom exports.
- Invasive Species Program - Identifies and treats plant and freshwater invasives.
- Seed Production, Cleaning, and Testing.
 - Grass seed used for reclamation and revegetation projects
 - Seed potatoes to produce virus and disease-free stock that are the foundation of Alaska's potato industry.
- Agricultural Land Sales - Fosters economic development by selling state land to individuals and businesses engaged in agriculture. Combining with Division of Mining, Land and Water's more robust land sales program to increase effectiveness and reduce costs.

Co-Chair Wilson turned the gavel to Vice-Chair Johnston

Representative Josephson remarked that he did not know how to budget for something without statutory change. He remarked that he had a conversation with a peony grower who felt that the changes would have a negative affect on his business.

Vice-Chair Johnston returned the gavel to Co-Chair Wilson.

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Ms. Peter-Contesse addressed the inspection question by turning to slide 13:

Consolidate Parks Administrative Staff (-\$150.0 GF and -1 PFT, -2 PPT)

- Three filled positions eliminated in Palmer, Soldotna, and Anchorage.
- These administrative staff are the front line staff answering questions from the public, processing funds collected in Iron Rangers, and issuing permits.
- The division will maintain services by continuing to modernize the fee collection

system, going cashless, and transferring some duties to Anchorage.

Statewide Support - Executive Branch 50 percent Travel Reduction (-\$354.7 GF)

- Excludes fire, federal funding for the Tongass Roadless Rule, and the coal inspection program

Representative Josephson noted that the peony farmer believed that there would be great stress.

Ms. Peter-Contesse replied that the department was maintaining the phytosanitary program and it was a priority.

Representative LeBon stated there was a reference made to the revolving loans.

Ms. Peter-Contesse replied there had been discussion between OMB and at least one private lender who had expressed concern about competition. There was competition between the state and the private sector.

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Representative LeBon guessed that the majority of the loans were operating lines for crops or livestock, and were paid back seasonally when crops were sold. He wondered whether that was a fair assessment. He also asked whether they were real estate secured loans.

Ms. Peter-Contesse replied that she did not know.

Representative LeBon remarked that the real estate secured loans were on state-patented land for farming. He noted that the commercial banking industry did not venture into that type of lending, because of the restriction on the deed. He remarked that, if the loan defaulted, the bank would be prohibited from foreclosing on the property for any other purpose than a farming purpose. He stressed that the state revolving loan program could absorb that risk, knowing that it could remain as agricultural land.

Representative Carpenter noted a conflict of interest between the banks and the state farm loans. He noted that the elimination of the ability for low interest farm loans was indicative of a state that did not value agriculture. He supported the governor's intentions to reduce the budget

but he wondered if there was another area in the state that could handle farm loans. He thought it appeared to be a short-sighted decision. He appreciated that the phytosanitary inspections would be maintained.

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Vice-Chair Ortiz was familiar with the revolving loan fund process, because of the Fisherman's Revolving Loan Fund. He noted that there were currently 57 loans, and of those loans a total \$7.3 million was owed to the state with \$12.6 million cash on hand. He remarked that in the Fisherman's Revolving Loan Fund there was some original seed money put into that program, but the fund continued to grow based on the fishermen's ability to pay back their loans and interest. He wondered whether that was the same case with the proposed program. He asked whether the program was started with some seed money, and did it fund itself.

Ms. Peter-Contesse replied in the affirmative. She shared that she had a chart that showed when the money was put in. She stressed that the fund was revolving and very healthy.

Ms. Peter-Contesse moved to slide 13:

Maintain Higher Priority Programs in Division of Agriculture

- Phytosanitary Inspections - For timber, wood products, peony, and mushroom exports.
- Invasive Species Program - Identifies and treats plant and freshwater invasives.
- Seed Production, Cleaning, and Testing
 - Grass seed used for reclamation and revegetation projects
 - Seed potatoes to produce virus and disease-free stock that are the foundation of Alaska's potato industry.
- Agricultural Land Sales - Fosters economic development by selling state land to individuals and businesses engaged in agriculture. Combining with Division of Mining, Land and Water's more robust land sales program to increase effectiveness and reduce costs.

Vice-Chair Johnston asked about the seed plant in Palmer.

Ms. Peter-Contesse replied it would not be able to do all the trials it was currently doing, but would focus on seed cleaning for revegetation.

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Representative LeBon remarked that he agreed with moving state land into private ownership for development. He wondered whether there was an awareness of whether or not the deed that would follow the transaction would be restricted to only farming purposes.

Ms. Peter-Contesse answered that she did not know, but she believed that it would be an agricultural covenant.

Representative LeBon remarked that transferring ownership of state land into the agricultural industry with a restrictive deed language in the transfer, then there must be an examination of the revolving loan fund program for those farmers.

Representative Knopp wondered whether there would be an examination of the program after the merge. He stressed that the programs came with restrictions. He stated that the Division of Agriculture had no mandates for farming. He encouraged a reexamination of the program.

Ms. Peter-Contesse did not know the nuances of the program, but she would communicate the question and follow up.

Representative Knopp reiterated that there was no agricultural mandate on the properties, and asked that there be agricultural mandates on the properties.

Ms. Peter-Contesse looked at slide 14:

Consolidate Parks Administrative Staff (-\$150.0 GF and -1 PFT, -2 PPT)

- Three filled positions eliminated in Palmer, Soldotna, and Anchorage.
- These administrative staff are the front line staff answering questions from the public,

processing funds collected in Iron Rangers, and issuing permits.

- The division will maintain services by continuing to modernize the fee collection system, going cashless, and transferring some duties to Anchorage.

Statewide Support - Executive Branch 50 percent Travel Reduction (-\$354.7 GF)

- Excludes fire, federal funding for the Tongass Roadless Rule, and the coal inspection program.

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Vice-Chair Johnston remarked that sometimes the person was the only person in the building in some of the communities. She hoped that there could be a solution about whether there would be an opportunity for visitors. She remarked that rangers were in the field.

Ms. Peter-Contesse highlighted slide 15:

Increase Wildland Fire Suppression Activity Base Budget (+\$8,400.0 GF)

- Wildland fires are a fact of life in Alaska and the budget should reflect that reality.
- Increases base budget from \$5.2M to \$13.6M, the lowest spent in the last 10 years.
- In low fire years this will eliminate the need for emergency declarations.
- On average over the last ten years \$35.7M UGF is spent annually. Add Reservoir Modeling Contractual Services to Base Budget (+250.0 GF)
- Funding previously in the capital budget, and one time item of \$250.0 GF in FY2019.
 - Cost effective to hire consultants to analyze reservoirs on the North Slope and Cook Inlet.
 - Models are used to calculate where production originates in the reservoir and under which leases to ensure the State is getting the correct royalty share.
 - A recent study resulted in an additional \$100 million in state revenue

Representative Josephson asked how the department absorbed the difference in a higher fire season.

Ms. Peter-Contesse answered there were two methods. She remarked that there could be a fire declaration, which allowed the department to spend what it needed to fight fires. She remarked that there was also language in the budget that allowed for collection of additional federal authority. She stated that there could also be a supplemental request. She shared that there was currently a supplemental request of \$7.9 million in the FY 19 budget, which would cover the spring fire season. She noted that the money was expected to be spent in the spring.

Vice-Chair Ortiz noted that if the average for the last ten years had been \$35.7 million, and wondered why they did not bump the amount up to the average of \$35.7 million.

Ms. Peter-Contesse answered that it was an option, but it was not known whether the full amount would be needed.

Vice-Chair Ortiz appreciated that, but climate change was making his region dryer. He did not anticipate a decrease.

Co-Chair Wilson clarified it was \$13.6 million.

Ms. Peter-Contesse agreed.

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Representative Carpenter asked if the state's ability to fight fires would be degraded if there was no budget of \$35 million.

Ms. Peter-Contesse replied in the negative. She continued to address slide 15:

Alaska Geospatial Council (+\$260.0 GF and transfer 1 PFT)

- The Alaska Geospatial Council (AGC) was funded by a capital project which runs out this fiscal year, and a one-time \$100.0 increment for FY2019. The AGC improves geospatial coordination in Alaska, and fosters data sharing. Mapping is necessary to conduct business and manage resources, and rather than having multiple agencies spending money on data collection this model collects data once, and uses it many times.
- Funded from the sales of seismic tax credit data. Seismic Data Distribution and Public Release (+\$300.0 GF and +1 PPT) Division of Oil and Gas (DOG) receives

and prepares seismic data for release ten years after collection per AS 43.55.025. This includes large, complex datasets (25-250 terabytes) which can take upwards of one year to prepare for release and sale.

In mid-FY2017 Division of Geological and Geophysical Surveys began selling seismic data to the public. The price of seismic data is well below market rate and can be increased up to 50 percent by a Director's Order; it will still be below market rates and will not discourage future sales.

- \$50.0 to fund 1 PPT at the Geologic Materials Center to distribute seismic data.
- \$250.0 to fund the preparation of seismic data for release in DOG

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Ms. Peter-Contesse stated that the next two items in the presentation were funded by the sale of seismic data. She shared that the Alaska Geospatial Council was also funded by a capital project, but the funds would run out in the current fiscal year. She noted that there was a \$100,000 increment for FY 19, which was a one-time item. She remarked that the Geospatial Council coordinated all the data-sharing for mapping in the state. She stressed that mapping was needed across almost every agency in the state. She remarked that it was a coordinated group. She remarked that there was work on a geoportal that allowed for access to multiple data sets across the state. She shared that the Geospatial Council cost approximately \$260,000 a year. A position would be moved from the Office of Project Management and Permitting into the Division of Geological and Geophysical Surveys. There was expertise that could be combined with the position to manage the program.

Representative Josephson stated that the previous administration had been alarmed about the undervaluing of the data and the expense associated with preparing it for public release. He wondered whether he should be looking for DGF funds. He assumed that there was an increase in the price.

Ms. Peter-Contesse replied in the affirmative. She stated that the director of the Division of Geological and Geophysical Surveys had the ability to increase the price of the seismic data. She stated that the increase in price

included DGF increments that would be funded by that increase. She stressed that there was a belief that it was well below market value.

Ms. Peter-Contesse referenced graphs from the Legislative Finance Division, which showed that the GF budget equated to \$304 per resident worker. She pointed out that for FY 18, if the firefighting costs were removed, the activities in DNR generated and returned to the state \$21 for every dollar. This money included royalties, minerals, leases, timber sales, land sales, etc.

^DEPARTMENT OF ENVIRONMENTAL CONSERVATION

2:58:59 PM

JEFF ROGERS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, OFFICE OF MANAGEMENT AND BUDGET, continued a PowerPoint presentation titled "FY2020 Governor's Amended Budget" dated March 14, 2019 (copy on file). He reported that the next day was his last day with the state. He shared a about his work with the legislature and the state. He began on slide 18 with two bar charts showing a funding comparison and budgeted position comparison between FY 19 and FY 20.

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Mr. Rogers addressed slide 19:

- Repeal Ocean Ranger Program (-\$3,846.8 Other)
 - Created by ballot initiative in 2006
 - Funded by \$4/berth fee (paid "below the line" directly by the passenger, not the cruise agency)
 - Program not required by state constitution or federal law
 - Program duplicates water and air discharge and other compliance activities
 - No other permitted industry is subject to "24/7 onsite observers"
 - Program conducted primarily by out-of-state contractor with non-Alaskan employees
 - Department retains environmental compliance authority over cruise ships under AS 46.03.710 Pollution Prohibited and AS 46.03.020 Powers of the Department
 - Partially offset by \$420.8 fund source change from Ocean Ranger receipts to Commercial

Passenger Vessel Environmental Compliance (CPVEC)
Funds for fish tissue monitoring and indirect
costs

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Vice-Chair Johnston asked for the difference between ocean ranger reporting and industry self-reporting.

Mr. Rogers answered that industry was required to do all types of self-reporting. He remarked that DEC had issued 240 violations, but only 6 had come from ocean rangers.

Vice-Chair Ortiz referenced Mr. Roger's mention there had only been 6 cases where ocean rangers had documented emissions from cruise ships that were out of compliance. He noted that in the budget subcommittee meeting Mr. Rogers had likened the ocean rangers to a state trooper. He thought that it made sense there were only 6 counts of cruise ships dumping illegally, and he thought it meant cruise ships were not dumping because of the presence of an ocean ranger.

Mr. Rogers answered that there were incidences of noncompliance. He agreed there was some deterrent effect of having a ranger ride on the vessel. He remarked that if the state had been spending GF the program would have ended much earlier.

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Vice-Chair Ortiz appreciated the perspective and agreed they should be looking for ways they may not be efficiently using money. He asked about the statement that the land-based program had documented violations.

Mr. Rogers answered that the violation reporting came through both avenues.

Vice-Chair Ortiz stated there were situations where people came onboard from port.

Mr. Rogers agreed. He did not know the frequency. He could follow up.

[3:11:34 PM](#)

Representative Knopp referenced the bullet point on slide 19 related to out of state contractors. He asked about the prerequisite requirement for an ocean ranger.

Mr. Rogers replied that the ocean ranger contract was competed for annually - it was not inexpensive. He addressed the costs.

Representative Josephson referenced the statement that the department had booked a lot of berths. He asked for verification that there was one berth per ship.

Mr. Rogers affirmed.

Representative Josephson queried the qualifications for an ocean ranger.

Mr. Rogers answered that the qualification for an ocean ranger was to be a marine engineer.

[3:16:09 PM](#)

Representative Josephson stated on the one hand it sounded like ocean rangers were highly skilled engineers.

Mr. Rogers answered that they were marine engineers, but they were not environmental scientists.

Representative Josephson referenced Mr. Rogers' statement about the tongs in the salad bar. He recalled a story about a cruise ship in Southeast Alaska that had dumped photographic chemicals into the water. He wondered how a land-based regulator would know about that violation, without self-reporting.

Mr. Rogers replied that the land-based regulator would not know about that incident.

Representative Josephson stated the cruise ship industry was a sophisticated industry that had sued the City of Juneau and had been aggressive about protecting their interests. He felt that the state needed its own "eyes and ears" on the industry.

Vice-Chair Ortiz referenced higher than acceptable fecal coliform in the ocean water in his region. He was not

claiming the cruise ship industry had anything to do with it, but he asked for verification it was a DEC issue.

Mr. Rogers agreed.

Vice-Chair Ortiz asked how the state could be proponents for removing the program when it did not cost the state any money and cost the average passenger \$4. He asked about the reasoning for eliminating the program based on his thoughts.

Mr. Rogers asked for the question to be clarified.

Vice-Chair Ortiz clarified his question.

[3:21:21 PM](#)

Mr. Rogers replied that the replacement was the Clean Air Act and the Clean Water Act, but the question was about the methods used. He remarked that DEC had statutory authority under state and federal law to extract, if necessary, compliance out of every industrial permittee in the state.

Co-Chair Wilson felt it was a subcommittee issue.

Representative Josephson stated that the Prince William Sound required a tug a long distance. He remarked that the full-time lack of comparability, but noted that there was sight and sound monitoring of every tanker from Valdez port all the way to the sea.

Mr. Rogers agreed, but the discharge was unknown. He stressed that there was a large amount of ballast water that may or may not be contaminated.

Mr. Rogers addressed slide 20:

- Withdraw Funding for Dairy Regulation (-\$179.6 GF and -1 PFT)
 - Alaska's dairy industry has declined from 65 dairies to one operating bovine dairy today
 - Federally required program requires significant state subsidization
 - Small-scale industry could not likely bear full-cost of required regulatory program

- Eliminating program will not increase risk to public health, as dairies would not be able to sell milk or milk products commercially
 - Outsourcing regulatory program to another state is not likely feasible
 - Deletes one Environmental Program Specialist position (Dairy Sanitarian)
- Remove Economist Position (-\$124.3 GF and -1 PFT)
 - Statewide Support - Executive Branch 50 percent Travel Reduction (-\$167.5 GF)

Representative Tilton thanked Mr. Rogers for his service to the state and wished him good luck.

^DEPARTMENT OF FISH AND GAME

[3:26:08 PM](#)

SAMANTHA GATTON, ACTING ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF FISH AND GAME, OFFICE OF MANAGEMENT AND BUDGET continued a PowerPoint presentation titled "FY2020 Governor's Amended Budget" dated March 14, 2019 (copy on file). She began on slide 22 and highlighted two bar graphs showing a funding comparison and budgeted position comparison.

Ms. Gatton turned to slide 23:

Commercial Fisheries:

- Remove projects funding with Charter Revolving Loan funds (-997.0)
 - Southeast Region Fisheries Management (-131.0)
 - Central Region Fisheries Management (-161.0)
 - AYK Region Fisheries Management (-465.0)
 - Westward Region Fisheries Management (-240.0)

Wildlife Conservation:

- Adjust the Scope of Management of Special Areas Wildlife Viewing (-\$280.0 GF) -- This program is being reduced not eliminated

Statewide Support Services:

- Statewide Support - Executive Branch 50 percent Travel Reduction (-\$565.4 GF)

[3:30:21 PM](#)

Vice-Chair Ortiz asked about the statewide travel reduction. He asked what types of things would not occur if the travel reduction went through.

Ms. Gatton answered that the department was taking a hard look at how it used travel and it believed there was room to reduce the department's footprint.

Vice-Chair Ortiz asked how the money was currently spent in the travel area.

Ms. Gatton replied that the department did a large number of surveys, and also traveled to Board of Fish and Board of Game meetings. The department was looking to determine whether more could be done telephonically.

Co-Chair Wilson canceled the 9:00 a.m. meeting the following day. She reviewed the schedule for the following afternoon.

#

ADJOURNMENT

3:33:28 PM

The meeting was adjourned at 3:33 p.m.