

HOUSE FINANCE COMMITTEE
March 25, 2019
1:35 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:35 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

Paul Labolle, Staff, Representative Neal Foster; Rob Carpenter, Analyst, Legislative Finance Division; Ryan Johnson, Staff, Representative Neal Foster; David Teal, Director, Legislative Finance Division; Caroline Hamp, Staff, Representative Dan Ortiz; Liz Harpold, Staff, Representative Dan Ortiz; Morgan Foss, Analyst, Legislative Finance Division; Shay Siegert, Staff, Representative Gary Knopp; Alexei Painter, Analyst, Legislative Finance Division.

SUMMARY

HB 39 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 39 was HEARD and HELD in committee for further consideration.

HB 40 APPROP: MENTAL HEALTH BUDGET

HB 40 was HEARD and HELD in committee for further consideration.

FY 20 BUDGET SUBCOMMITTEE REPORTS:

GOVERNOR
LEGISLATURE
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC
DEVELOPMENT
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DEPARTMENT OF FISH AND GAME
DEPARTMENT OF NATURAL RESOURCES
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Co-Chair Foster reviewed the meeting agenda.

#hb39

#hb40

HOUSE BILL NO. 39

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

HOUSE BILL NO. 40

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

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^FY 20 BUDGET SUBCOMMITTEE REPORTS

[1:37:18 PM](#)

Co-Chair Foster provided information about the meeting process. He intended to spend approximately 10 minutes on each department.

^DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[1:37:18 PM](#)

PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, provided a subcommittee report for the Department of Transportation and Public Facilities (DOT) FY 20 budget with a prepared narrative (copy on file). He shared his intent to omit any non-undesignated general fund (UGF) items, but he was prepared to speak to the items at the will of the committee. The subcommittee recommended deleting the UGF portion of the reduced executive branch travel by 50 percent or -\$596,900 UGF; deleting 50 percent cost of rural airport maintenance by -\$22,600; approving the Airport Contracts and Maintenance of \$422,000 UGF; implementing a fund source change for capital improvement project (CIP) receipts for general funds for the Adak airport at an increase of \$146,000 UGF; and adding office technology salary adjustments billed to agencies for \$43,800.

Mr. Labolle reviewed recommendations made by members of the subcommittee including a reduction in Marine Highway Funds personal service line from Marine Shore Operations and to transfer those funds to replace UGF funds in Marine Vessel Operations at a reduction of \$1.2 million UGF; and intent language for the department to examine adding a third weekly sailing from the Port of Bellingham. The actions resulted in a UGF spend of \$178.8 million (a reduction of approximately \$1.2 million compared to the FY 20 adjusted base) and a \$630.9 million total spend including all funds. He highlighted an addition of \$42 million in receipt authority to allow collection of revenue for facilities, maintenance, and operations. The change did not impact DOT's UGF fund, but it may affect UGF spend in other agencies where the funds would be collected.

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Co-Chair Foster added that overall the budget was down by about \$1.2 million year-over-year in state funds. He mentioned he had introduced another amendment that would

have reduced the budget by another \$8.4 million and would have spread out the cost of \$4.2 million to state highways and aviation and another \$4.2 million to the Alaska Marine Highway System (AMHS). He reported that the amendment had failed in subcommittee.

Representative Sullivan-Leonard highlighted that the committee's budget showed an overall increase of \$55,976,000 or 45.6 percent over the governor's amended FY 20 budget.

Co-Chair Wilson referenced the reduction by \$1.2 million UGF to designated general funds (DGF). She asked where the DGF were coming from.

Mr. Labolle replied that the DGF were moved from shoreside operations to vessel operations and UGF of the same amount were reduced from vessel operations.

Co-Chair Wilson asked for the balance in the vessel fund aside from the \$1.2 million.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, clarified that the vessel fund had not been amended. The shoreside operations budget had been reduced by \$1.2 million of marine highway funding. The funding had been utilized in vessel operations to replace UGF. He summarized that there had been a decrement of \$1.2 million in shoreside operations and the money had been moved to vessel operations.

Co-Chair Wilson was trying to figure out where the DGF had come from.

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Mr. Carpenter answered that the funding source was the AMHS fund, which housed all of the revenue collected by AMHS.

Co-Chair Wilson asked for the balance of the fund.

Mr. Carpenter replied that at the beginning of session there had been a projected surplus of approximately \$27 million at the end of FY 19.

Co-Chair Wilson asked for verification there was a balance of \$27 million although there was \$20 million of the amount

included in the supplemental budget. She surmised that since the supplemental had not yet passed, there was \$27 million in the fund.

Mr. Carpenter replied in the affirmative.

Vice-Chair Johnston referenced the \$42 million in receipt authority. She asked if the subcommittee had included any intent language to track measurable outcomes and efficiencies from the \$42 million.

Mr. Labolle replied in the negative.

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Co-Chair Foster asked if Representative Sullivan-Leonard had been referencing the comparison to the governor's budget or all funds.

Representative Sullivan-Leonard replied UGF.

Co-Chair Foster asked if it was UGF compared to the FY 20 budget or the governor's budget.

Representative Sullivan-Leonard replied that it was the governor's budget compared to the subcommittee budget.

Co-Chair Foster relayed that the governor had proposed a cut of \$65 million to AMHS, which the subcommittee had not approved. However, the subcommittee had cut \$1.2 million from the prior year's adjusted base budget.

Representative Josephson asked for detail on the receipt authority of \$42 million.

Mr. Labolle answered that the \$42 million was part of a restructuring of maintenance across departments. The administration believed efficiencies could be achieved if DOT ran facilities maintenance for all agencies. Departments other than DOT would funnel funds they had used for maintenance through DOT. He elaborated that DOT would use the interagency receipts to take over the responsibility of the work.

Representative Josephson asked if it meant other agencies would not receive the funds.

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Mr. Labolle replied that the change would most likely affect other budgets [outside of DOT] because the funds would need to be forwarded to DOT; it would be up to each department appropriation to obtain funds to forward to DOT. He added the funds should already be in the departments' base because they had been historically operating the function.

^OFFICE of GOVERNOR

[1:47:31 PM](#)

RYAN JOHNSON, STAFF, REPRESENTATIVE NEAL FOSTER, addressed the budget for the Office of the Governor with a prepared narrative (copy on file):

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$22,094.3
Designated General Funds (DGF)	\$0.0
Other Funds	\$4,171.8
Federal Funds	\$229.0
Total	\$26,494.9

The Unrestricted General Fund difference from FY20 Adjusted Base to the House Subcommittee budget recommendation is a reduction of \$906.2 thousand of Unrestricted General Funds, which is 3.9% below FY20 Adjusted Base.

Mr. Johnson continued to address the budget for the Office of the Governor. Positions in the governor's office had increased from 159 to 175 due to the transfer of administrative services directors (ASD) from each department into the Office of Management and Budget (OMB). Additionally, the governor's budget included two new positions for a deputy director and a budget director.

Mr. Johnson reviewed other governor's budget items approved by the subcommittee including the reduction to executive branch travel by 50 percent or \$618,400 UGF; a \$300,000 UGF decrease to the governor's contingency fund; the alignment of receipt authority of \$2,893,400 to pay for the transfer of the ASD positions to OMB. The subcommittee also moved the appropriation of \$1 million UGF for the 2020 census based redistricting process from the capital budget to the

operating budget based on a recommendation by the Legislative Finance Division. The division believed the item belonged in the language section of the operating budget and not as a capital appropriation in the capital budget.

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Representative Josephson asked about an item related to Department of Commerce, Community and Economic Development (DCCED) staff.

Mr. Johnson responded that the subcommittee had rejected one of the governor's budget items, which would have added three positions with a focus on economic development.

Vice-Chair Ortiz asked if the increased number of positions due to moving ASD positions from departments to the governor's office reflected the actions of the subcommittee. He explained that the Department of Fish and Game (DFG) the subcommittee had not accepted the governor's proposal to move positions. He asked if the information reflected the governor's plan or subcommittee actions.

Mr. Johnson answered that the number in the subcommittee report was accurate. He explained there were two brand new positions in the governor's budget. He stated that a [position] transfer may not have gone through from DFG; therefore, the increment had created the two new positions.

^LEGISLATURE

[1:51:44 PM](#)

Mr. Johnson reviewed the budget for the Legislature with a prepared narrative (copy on file):

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$64,129.2
Designated General Funds (DGF)	\$327.7
Other Funds	\$1,883.8
Federal Funds	\$00.0
Total	\$66,340.7

The Unrestricted General Fund difference from FY20 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$3.2 thousand of

Unrestricted General Funds, which is 0.005% below FY20 Adjusted Base.

Mr. Johnson elaborated that the subcommittee had accepted the following governor's requests: the approval of two PCNs [position control number] for the expansion of the Senate Finance Committee for \$390,000 UGF; \$210,000 UGF for federal compliance audits for Legislative Budget and Audit (LB&A); \$85,900 to reduced vacancy factor for the Legislative Finance Division; and various fund source swaps to reduce the General Fund obligations by \$640,200 UGF (including Wells Fargo rent receipts in Anchorage and teleconference revenue to offset costs). He elaborated that because of the passage of HB 216 in 2018, the Office of Victims' Rights (OVR) had restorative justice funds to offset their General Fund costs. He explained that fewer UGF was spent in OVR and more restorative justice funds were used.

Mr. Johnson reported that the subcommittee had denied \$1.1 million UGF for performance audits that had been placed on hold. He relayed LB&A had not requested the funds. Additionally, the legislature had reduced the state facilities rent by \$50,000 UGF to match anticipated expenditures.

[1:54:10 PM](#)

Representative Sullivan-Leonard saw that other departments had reduced their travel. She asked if there had been a discussion about reducing travel for the legislature.

Mr. Johnson answered that the governor's request had not included a travel reduction for the legislature; the issue had not been discussed by the subcommittee.

Representative Josephson referenced the LB&A request that had been approved by the subcommittee. He asked for verification that LB&A had control over its budget and could, by committee action, spend resources as needed. He asked if the increment was a housekeeping issue or an update of the budget status.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, asked for clarification on the question. He asked Representative Josephson to provide the dollar amount he was referring to.

Representative Josephson stated there had been some funds denied for performance audits. He asked if the legislature had directed LB&A that it could not entertain performance audits in the coming fiscal year. Alternatively, he wondered if LB&A could act on its own to authorize the audits.

Mr. Teal replied that the law remained on the books relating to the responsibility or duty to complete the performance audits, which were on a five or seven-year schedule. For the past three years, the performance audits had not been funded. He reported that the legislative auditor [Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit] believed that because the responsibility remained on the books, she was required to ask for the money and have the request denied in order to feel comfortable with not performing those duties. He elaborated that the auditor had put the issue before the committee and the committee had failed to appropriate the money to the Division of Legislative Audit; therefore, the division did not have the funds to perform the audits. He expected it would take direction from the legislature to the division to communicate that the audits were not being funded; therefore, the division did not need to do the work.

Representative Josephson would like to hear more about the issue. He thought it sounded that the legislature was not compliant. He thought the legislature should comply with the law. He wanted to delve into the issue further at the appropriate time.

Co-Chair Wilson referenced discussion about the governor's 50 percent travel reductions. She believed the 50 percent reduction was not across the board, but the governor had decided where the reduction would be made in each department. She asked for the accuracy of her understanding.

Mr. Teal replied in the affirmative. He detailed that not every agency or allocation in the agencies received reductions and the reductions were not always 50 percent or every fund code. He stated that it was a mix.

[1:58:03 PM](#)

Co-Chair Wilson surmised the governor could have proposed the travel reduction to the legislature if he chose.

Mr. Teal agreed it was possible; however, he noted that the governor's budget had initially included a statement that the governor had forwarded the legislature's request as he had received it (the committee had removed the statement because it was no longer necessary). The governor did not examine the budgets of the legislature or the Court System but was required to submit a budget reflecting all state expenditures. The governor did not review or reduce the other branches of government budgets.

Co-Chair Wilson emphasized that the governor could have made the reduction to the legislature's travel if he had chosen to do so. She asked for verification there was nothing preventing the governor from making the reduction to the legislature as he had done with other agencies.

Mr. Teal agreed.

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[1:59:36 PM](#)

Co-Chair Wilson reviewed the Department of Commerce, Community and Economic Development (DCCED) budget with a prepared narrative (copy on file):

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$7,357.1
Designated General Funds (DGF)	\$46,935.9
Other Funds	\$56,541.3
Federal Funds	\$21,438.3
Total	\$132,272.6

Co-Chair Wilson reported the subcommittee recommendations represented a decrease of \$1,505,900 UGF or 17 percent from the FY 20 adjusted base. The subcommittee accepted the governor's department-wide travel reductions of \$807,100. She noted the reduction was not necessarily 50 percent of the particular agency.

Co-Chair Wilson highlighted that the subcommittee had denied the travel reduction of \$209,000 to the Alaska Seafood Marketing Institute (ASMI). She explained that the

ASMI travel funds were statutory designated receipts. The administration had told the subcommittee that the funds would be left in a savings account for ASMI. She explained that the companies taxed themselves and there was no state funding going in. The funds were to develop the marketplace and the subcommittee saw no reason to restrict ASMI's travel.

Co-Chair Wilson reported that the subcommittee had accepted the governor's \$1 million reduction in local government assistance, returning to the actuals of FY 18. The subcommittee had accepted the governor's increase of \$1,574,400 to restore marijuana regulation funding; the fund source was from business license receipts and not UGF. The subcommittee accepted the governor's deletion of funding of two development specialists in economic development. The subcommittee denied the governor's transfer of economic function from DCCED to the governor's office and had deleted the three positions and funding from the economic development of \$713,200 UGF and \$106,000 from vehicle rental tax. The economic development process would go to the governor; the subcommittee had determined the governor could had a large staff and plenty of existing money for the functions.

Co-Chair Wilson continued to review subcommittee recommendations for DCCED. The subcommittee had denied the governor's request to replace \$381,800 of Power Cost Equalization (PCE) endowment funds with UGF. Although, PCE was included in the language section of the budget and not under DCCED, the subcommittee hoped the co-chair [Co-Chair Foster] would choose to keep PCE funds as endowment funds and not UGF. She reported the state was receiving over 6 percent interest in the PCE fund versus approximately 1.5 percent if it went to the General Fund. The subcommittee had accepted the governor's request to delete \$450,000 UGF for the Alaska Legal Services grant; however, it had funded the grant of \$450,000 with Alaska Gasline Development Corporation (AGDC) LNG funds by reducing personal services in AGDC by \$450,000. She reported that the current executive director was earning \$350,000, not \$800,000, which had freed up \$450,000.

Co-Chair Wilson detailed that the subcommittee had deleted language allowing funding to be transferred between all appropriations; the responsibility was under the legislature's purview, not the governor's.

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Vice-Chair Ortiz asked how the total DCCED budget recommended by the subcommittee compared to the FY 15 level.

Co-Chair Wilson replied that the subcommittee recommendations reflected a 27.2 percent decrease from the FY 19 management plan and 17 percent from the FY 20 budget.

Mr. Carpenter pointed to page 2, column 6 of the "Multi-Year Agency Totals - Operating Budget - FY 2020 House Structure," provided by the Legislative Finance Division. He reported that there was a \$23.5 million reduction from the FY 15 management plan to the House subcommittee budget.

Vice-Chair Ortiz asked for the percentage reduction.

Mr. Carpenter replied that the reduction was approximately 76 percent from the FY 15 management plan.

^DEPARTMENT OF CORRECTIONS

[2:05:12 PM](#)

Co-Chair Wilson reviewed the Department of Corrections (DOC) budget with a prepared narrative (copy on file):

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$255,378.5
Designated General Funds (DGF)	\$9,542.0
Other Funds	\$32,044.7
Federal Funds	\$1,587.0
Total	\$308,552.2

Co-Chair Wilson reported the subcommittee budget represented a decrease of \$35,729,500 UGF or 12.3 percent from the FY 20 adjusted base. One of the biggest debates the subcommittee had undergone was on whether to send inmates out of state and whether it would be more affordable than keeping them in-state. The subcommittee had identified there would be more savings keeping inmates in-state and doing a program that started in an institution, moved to a community residential center (CRC), and

electronic monitoring (if mandated by the courts) on probation and parole.

Co-Chair Wilson explained that the governor's amended budget requested a \$6 million UGF reduction for the closure of the sentence portion of the Wildwood facility, which had a maximum of 326 inmates. Additionally, the governor's budget included \$30,600,000 UGF reduction associated with cost savings for sending 500 inmates out of state. The total reduction of \$36,600,000 was offset by a \$17,800,000 increase for out of state contract beds, which resulted in a net savings of \$18,800,000. She underscored that the subcommittee had never been shown where the inmates may go and had not seen a request for information. She was uncertain where the numbers had come from. She found the proposal to shut down a successful prison concerning.

Co-Chair Wilson highlighted that the subcommittee discussion had addressed benefits of keeping inmates in-state, close to their families and treatment. The subcommittee had also considered ways to potentially increase treatment availability outside of prisons. The subcommittee recommended a reduction of \$36,900,000 associated with moving inmates out of prisons, but keeping them in-state and placing 400 qualified inmates in CRCs and 200 inmates on electronic monitoring. She reported an additional \$10.5 million had been added to the budget for CRCs and \$2.4 million was added for electronic monitoring. The actions resulted in a net savings of \$24 million - \$5.2 million UGF more than the governor's proposed budget.

Co-Chair Wilson relayed the subcommittee had denied videoconferencing of \$969,000, which would have added 10 additional individuals. She reported the subcommittee had not received an explanation for the proposal.

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Co-Chair Wilson underscored the state had a process in place that was not being utilized. She elaborated that the subcommittee was not asking DOC to allow any individual to go into a CRC without going through the current process. She explained that CRCs were not currently utilized to help individuals get jobs or treatment. The subcommittee was asking the commissioner not to merely send inmates to halfway houses [also called CRCs], but to consider whether some of the halfway houses could be turned into treatment

centers. She highlighted the myriad behavioral health and substance abuse issues existing in Alaska. The CRCs could act as a step-down process. For example, for individuals who had been in jail for many years. She discussed that when individuals were released from prison, they were unable to access treatment or other resources they needed and within three years, two out of three individuals ended up back in prison. The step-down approach would enable individuals to get necessary services.

Co-Chair Wilson discussed that electronic monitoring was currently used for probation and parole. She explained that some individuals going to a halfway house may need to be monitored longer. She noted that at one time 400 individuals had been on electronic monitoring; the number was currently around 100. She emphasized the items were in place. She explained the proposal was a way to conduct business differently. She stressed that every time someone reoffended there was a new victim. She underscored the importance of slowing the recidivism rate down, while following the existing rules.

Vice-Chair Johnston asked if DOC had done a request for proposal for the out of state [prison] facilities.

Co-Chair Wilson replied in the negative. The department was still working on it. She shared the subcommittee's frustration that DOC could have done a request for information to give the subcommittee a range of the possibilities and services. The subcommittee had heard rumor that because of things taking place in the Lower 48, there were no prison beds available.

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Representative Josephson referenced the subcommittee's proposed reduction to videoconferencing. He asked if the subcommittee had discussed whether the reduction would meet due process. He assumed it meant that defendants in some circumstances need not appear as part of the videoconferencing hearing.

Co-Chair Wilson replied that the subcommittee meetings had been very frustrating because of a lack of information [from the department]. The specific request had asked for 10 more individuals to do videoconferencing. The department had been unable to tell the subcommittee where the

individuals would be. Additionally, DOC had reported it could not make inmates participate. She noted that DOC already had videoconferencing in Fairbanks and Anchorage. She discussed that DOC could not make inmates participate by videoconference; individuals had a right to appear in person if they chose. The subcommittee did not believe adding ten positions was justified without truly understanding what the positions would be for and how they would fill the positions. She reported there were currently 75 unfilled correctional officer positions that resulted in the state paying over \$10 million in overtime to existing officers. Ultimately, the subcommittee had denied the request because of a lack of knowledge about where the individuals would go and who would utilize it.

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Co-Chair Wilson thanked Representative Josephson for bringing up electronic monitoring. She noted there had been significant talk about a specific case involving pretrial, which the committee would not get into during the current meeting. She clarified the electronic monitoring she had discussed was not related to pretrial. She added that the subcommittee had put pretrial, electronic monitoring, and halfway houses into their own entities in order to know where the money was being spent. She detailed that most individuals did not serve their entire sentence (conditions were placed on a sentence).

Co-Chair Wilson explained that once a person had been convicted, served their jail sentence, and proved themselves (there was already regulation specifying who qualified for halfway houses), they would have the opportunity to go into a halfway house (likely in their last two or three years) to get assistance with substance abuse, mental health treatment, jobs, or other items required by the department. The electronic monitoring would be for individuals on parole or probation by a court order. The issue was not related to a person's time served; it was specifically to ensure a person would abide by set conditions. She explained that if a person did not abide by the terms of their probation and parole they would be put back into prison. She reiterated the item did not relate to

pretrial, but those how had already been sentenced. The option would offer a stepdown for individuals to reenter society productively.

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Co-Chair Foster shared that the current meeting was to hear subcommittee closeouts and the committee would hold policy debates the following week in greater detail.

Representative Carpenter reported that the discussion in subcommittee had revolved around the concept that videoconferencing was not functioning on all cylinders at present. He noted that DOC was not solely to blame for that issue. He explained that the two departments needed to get together to figure out their different issues to make videoconferencing work better. He reported that DOC needed new personnel, but it currently had 70 unfilled vacancies. Therefore, the subcommittee had determined it made no sense to add an additional 10 positions if the 70 could not be filled. He stated that if the 70 positions were filled, perhaps there could be a conversation the following year about increasing the number of positions if necessary.

Representative Knopp referenced a wordage report document "2019 Legislature - Operating Budget Wordage Report - House Structure," generated by the Legislative Finance Division (copy on file). He asked for verification that the subcommittee did not adopt conditional language regarding appropriations [Conditional language: at the discretion of the Office of Management and Budget, funding may be transferred between all appropriations in the Department.].

Co-Chair Wilson replied that the subcommittee had removed the language allowing the governor to transfer from one area to another in DCCED and DOC.

^DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

[2:19:25 PM](#)

CAROLINE HAMP, STAFF, REPRESENTATIVE DAN ORTIZ, provided highlights of the action taken on the Department of Education and Early Development (DEED) budget with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Education and Early Development recommends that the House Finance Committee accepts the FY2020 Amended Base budget with the included subcommittee amendments.

The numbers-only budget with amendment recommendations totals:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$45,699.9
Designated General Funds (DGF)	\$25,058.9
Other Funds	\$63,772.4
Federal Funds	\$256,133.1
Total	\$390,664.3

Ms. Hamp elaborated that the subcommittee's recommended UGF budget was 19.9 percent less than the governor's amended budget where UGF had equaled \$57,880,000. She detailed the difference was due to the subcommittee's decision to fund programs using the same fund sources as previous years, whereas, the governor's amended budget switched multiple programs to UGF that had previously been funded through the Public School Trust Fund and the Higher Education Investment Fund with the intent to sweep the latter of the two; the subcommittee did not agree to the fund source changes.

Ms. Hamp addressed action items in the governor's budget. She reported the subcommittee had voted in favor of multiple technical changes (her review would only include UGF changes). The budget included a salary adjustment increment of \$24,000 for the Office of Information Technology; a decrement of \$17,300 to the Special Education Service Agency to account for fewer students than in FY 19; an increment of \$50,000 to reinstate lapsed funds from the previous year to complete Regional Educational Attendance Area (REAA) and small municipal school construction standards; an increment of \$320,000 for a Kindergarten through third grade literacy project; and an increment of \$215,100 for the APK museum facilities maintenance. The subcommittee did not approve the governor's proposal to completely cut Pre-K funding, the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program, the State Council on the Arts, live homework help, or the Online With Libraries program.

Ms. Hamp detailed that subcommittee member amendments included an increment of \$237,000 to Parents As Teachers (an early learning program); an \$400,000 increment for the Dyslexia Taskforce; a reduction of \$47,400 to travel; and a decrement of \$1,093,900 to the Higher Education Investment Fund for broadband access grants (the figure matched the number of grant applicants). The subcommittee's UGF total was 1.6 percent or \$723,800 higher than the FY 20 adjusted base. To help offset the increase the subcommittee had included a decrement of \$457,600 for the three positions for the education curriculum requirement program. She detailed that the decrement went hand-in-hand with the subcommittee's language recommendation to eliminate \$19.5 million for the education curriculum requirement program.

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Representative Carpenter remarked that the subcommittee's budget for DEED was a 3.9 percent or \$14.6 million increase over the governor's proposed balanced budget.

Representative Josephson addressed language items related to curriculum development grants. He asked if the items had been funded through DEED. Alternatively, he wondered if Ms. Hamp had merely highlighted the grants because of their link to the three staff.

Ms. Hamp replied that she had highlighted the grants because they were linked to the three staff.

^DEPARTMENT OF ENVIRONMENTAL CONSERVATION

[2:24:35 PM](#)

LIZ HARPOLD, STAFF, REPRESENTATIVE DAN ORTIZ, reviewed the subcommittee's proposed budget for the Department of Environmental Conservation (DEC) with a prepared narrative (copy on file).

The House Finance Budget Subcommittee for the Department of Environmental Conservation recommends that the House Finance Committee accepts the FY2020 Amended Base budget with the included subcommittee amendments.

The numbers-only budget with amendment recommendations totals:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$15,359.9
Designated General Funds (DGF)	\$24,719.9
Other Funds	\$17,083.9
Federal Funds	\$23,506.3
Total	\$80,670.0

Ms. Harpold reported that the UGF difference from the FY 20 adjusted base to the FY 20 House subcommittee recommended budget was \$31,900 or 0.2 percent. The subcommittee accepted 6 of the 17 budget action items. Five pertained to fund source changes. The sixth related to an increase in the Office of Information Technology for salary increases that was billed to the department. The subcommittee chose not to eliminate the Ocean Ranger Program, Dairy Program, and an economist III position as proposed by the governor. The subcommittee had rejected across the board 50 percent travel reductions but later an amendment passed to reduce UGF by 50 percent in the travel allocations.

^DEPARTMENT OF FISH AND GAME

[2:26:40 PM](#)

Ms. Harpold reviewed the subcommittee's proposed budget for the Department of Fish and Game (DFG) with a prepared narrative (copy on file).

The House Finance Budget Subcommittee for the Department of Fish and Game recommends that the House Finance Committee accepts the FY2020 Amended Base budget with the included subcommittee amendments.

The numbers-only budget with amendment recommendations totals:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$52,603.4
Designated General Funds (DGF)	\$14,186.2
Other Funds	\$66,892.5
Federal Funds	\$67,780.7
Total	\$201,462.8

Ms. Harpold reported that the UGF difference from the FY 20 adjusted base to the FY 20 House subcommittee recommended budget was an increase of \$1,026,200 or 2 percent. The subcommittee accepted 10 of the governor's 29 action items. Four items were related to removing the now depleted

Charter Fishing Revolving Loan Fund as a fund source from the Division of Commercial Fisheries. She noted that the previous year, the DFG subcommittee had added \$997,000 UGF to the budget to be built into the base for different management projects around the state. She explained that the Senate had switched the UGF to a one-time fund source, which had now been depleted; therefore, the subcommittee had voted to remove the item. The subcommittee had later passed an amendment to restore the \$997,000 UGF.

Ms. Harpold detailed that the subcommittee accepted the removal of the Charter Fishing Revolving Loan Fund from the Saltwater Logbook Program and had later passed an amendment to add \$350,000 of fish and game funding to continue funding the program. The subcommittee had rejected budget action items related to the elimination of special areas management; travel reductions across the board (though the subcommittee had passed an amendment to reduce funding in some statewide service areas); and the transfer of two director-level PCNs and associated funding from the Division of Habitat and the Division of Subsistence Research. The subcommittee had adopted intent language directing the department that the PCNs and associated funding were not to be used outside their respective allocations. Additional amendments included adding \$800,000 of fish and game funds to match Pittman-Robertson funds.

[2:29:03 PM](#)

Co-Chair Wilson queried the amount of Pittman-Robertson funds that had not been used the previous year and had been returned to the federal government.

MORGAN FOSS, ANALYST, LEGISLATIVE FINANCE DIVISION, believed \$1.9 million in Pittman-Robertson funds had been reverted back to the federal government. She would check the number and follow up.

Co-Chair Wilson asked how much Pittman-Robertson funding the state had to utilize in the current year and how much the state was intending to use before the end of the fiscal year.

Ms. Foss answered that in FY 20 the state would be in the second year of needing to obligate funds from FY 19. There were roughly \$33.2 million that needed to be obligated in order to not revert funds. Another \$27 million or so had

been appropriated to the state for FY 20, which the state had 2 years to obligate.

Co-Chair Wilson stated that the legislature had increased the cost of fishing and hunting licenses in order to be able to utilize the Pittman-Robertson funds. She found it disturbing to hear that funds would be given back to the federal government. She requested a report showing the current status and what projects DFG may be able to complete before the funds expired. Additionally, she asked how much the state was receiving from license fees compared to previous years. She thought the legislature had made a promise to Alaskans when it had asked for more money from them in order to utilize the federal funds, yet the state was returning federal funds.

[2:30:59 PM](#)

Representative Josephson believed the administration wanted to put critical habitat areas under passive management. He asked for verification that the subcommittee had fully restored the funds.

Ms. Harpold replied in the affirmative.

Co-Chair Foster highlighted an increase of just under \$1 million to recapitalize the Charter Fishing Revolving Loan Fund. He asked for verification that the money had been added because it had been removed the previous year in conference committee.

Vice-Chair Ortiz answered that the House had passed an increment totaling \$997,000 UGF to fund projects to increase opportunity for fisherman. The Senate had subsequently switched the fund source to the Charter Fishing Revolving Loan Fund that was a one-time source that was now depleted. The subcommittee recommended keeping the projects and funding them with UGF for FY 20.

^DEPARTMENT OF NATURAL RESOURCES

[2:32:49 PM](#)

SHAY SIEGERT, STAFF, REPRESENTATIVE GARY KNOPP, reported on the Department of Natural Resources (DNR) budget with a prepared narrative (copy on file).

The House Finance Budget Subcommittee for the Department of Natural Resources submits recommended operating budgets for FY 20 to the House Finance Committee:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$66,953.5
Designated General Funds (DGF)	\$31,949.3
Other Funds	\$35,944.6
Federal Funds	\$15,670.7
Total	\$150,518.1

Mr. Siegert reported there was a decrease in the number of permanent full-time positions from 622 to 615 (a total of 7 positions) between the FY 20 adjusted base and the FY 20 subcommittee budget. There was a decrease in permanent part-time positions from 216 to 215 (a total of 1 position) between the FY 20 adjusted base and the FY 20 subcommittee budget. Temporary positions had been reduced from 63 to 60 (a total of 3 positions) between the FY 20 adjusted base and the FY 20 subcommittee budget.

Mr. Siegert relayed that the DNR subcommittee had held five meetings with the department analyzing the governor's budget and accepted 32 out of 37 proposed action items. The following items were not accepted: recorder's office consolidation and efficiencies; agriculture development, reducing lower priority programs; North Latitude Plant Material Center, reducing lower priority programs; deleting the Agriculture Revolving Loan Fund; and Parks and Management reorganization of the Recreational Trails Program. He detailed that the conversation in subcommittee had revolved around the impact the proposals would have on communities and the agricultural industry, which ultimately resulted in the subcommittee's decision to reject the items.

Mr. Siegert highlighted the subcommittee amendment submitted to the House Finance Committee for consideration that would remove \$210,800 UGF and delete two permanent full-time positions including a divisions specialist option B (vacant since 2017) and the state veterinarian (the position was never filled).

[2:36:09 PM](#)

Representative Josephson asked about the Agriculture Division. He recalled that the administration's proposal

was to delete 18 positions. He thought it came close to decimating the division. He asked if the positions had all been restored in the subcommittee budget.

Mr. Siegert answered that the 19 positions had been restored.

ALEXEI PAINTER, ANALYST, LEGISLATIVE FINANCE DIVISION, noted the exception was the removal of the two agricultural veterinarian positions by a subcommittee amendment. He noted the reductions had been included in the governor's reduction, but it had been taken as a separate subcommittee action.

Co-Chair Wilson asked if there was still a state veterinarian.

Mr. Painter replied in the affirmative. He elaborated that the regulatory functions of the state veterinarian were in DEC. He explained that veterinarian position under DNR had been added the previous year with the goal of helping to expand the livestock industry in Alaska; the DNR position did not have regulatory functions.

[2:37:33 PM](#)

Co-Chair Wilson asked why the veterinarian was under DEC and not DNR.

Mr. Painter replied that the Office of the State Veterinarian in DEC worked for the Environmental Health Lab and performed regulatory functions that were similar to other parts of environmental health. The position under DNR had been focused on promoting the agricultural industry, which was closer to the mission of the Division of Agriculture; however, the program had never been implemented by DNR and the department was seeking to remove it in the current year.

^DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

[2:38:24 PM](#)

Mr. Siegert reviewed the proposed budget for the Department of Labor and Workforce Development (DLWD) with a prepared narrative (copy on file).

The House Finance Budget Subcommittee for the Department of Labor and Workforce Development submits recommended operating budgets for FY 20 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$20,413.0
Designated General Funds (DGF)	\$36,110.1
Other Funds	\$16,961.4
Federal Funds	\$74,971.1
Total	\$148,401.6

Mr. Siegert reported there was no proposed change to PCN numbers between FY 19 and FY 20. The subcommittee accepted 25 of the 28 items proposed by the governor. The following three items were not accepted by the subcommittee:

1. Labor Standards and Safety - Wage and Hour Administration Executive Branch 50 percent Travel Reduction of \$3,500.00 UGF.
2. Labor Standards and Safety - Mechanical Inspection Executive Branch 50 percent Travel Reduction of \$52,800.00 from the Building Safe Fund, and \$3,800.00 from Interagency Receipts.
3. Labor Standards and Safety - Occupational Safety and Health Executive Branch 50 percent Travel Reduction of \$26,500.00 in Federal Receipts, \$6,800.00 from a General Fund Match, and \$21,100.00 from the Workers Safe Fund.

[2:41:32 PM](#)

Co-Chair Wilson clarified her earlier answer to Vice-Chair Ortiz related to DCCED. She had looked into Vice-Chair Ortiz's question about whether DCCED had been reduced by 76.1 percent [from the FY 15 management plan]. She stated that the department's UGF budget had been reduced by 76.1 percent, but DGF had increased by 9.1 percent, other funds had increased by 14.4 percent, and federal funds had increased 27.1 percent (a total of 50.6 percent). There had been a 26 percent decrease in all funds. She elaborated that most of the grants to communities provided when the state had money had a five-year span and had been reutilized for other projects. She reasoned that the department would not need as many personnel because it had fewer grants. She clarified that accounting for all funds there had been a 26 percent reduction, not a 76.1 percent

reduction. She noted that economic development was included and had moved to the governor's office.

Co-Chair Foster relayed that the committee would hear public testimony later in the day. He reviewed the schedule for the following meeting. He provided information about the public testimony process.

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[2:46:40 PM](#)

RECONVENED

Representative Sullivan-Leonard requested to receive the remaining subcommittee reports (via email) that would be heard the following day.

Co-Chair Wilson replied that the subcommittee reports were all on the Legislative Finance Division website.

Vice-Chair Ortiz made an inaudible remark.

Co-Chair Foster agreed to provide the information for the committee.

Co-Chair Foster provided additional specifics on the public testimony times. He reminded committee members the committee would hold a meeting the following morning at 9:00 a.m.

HB 39 was HEARD and HELD in committee for further consideration.

HB 40 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[2:50:34 PM](#)

The meeting was adjourned at 2:50 p.m.