

HOUSE FINANCE COMMITTEE  
March 28, 2019  
1:33 p.m.

[1:33:59 PM](#)

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 Cathy Tilton

MEMBERS ABSENT

Representative Colleen Sullivan-Leonard

ALSO PRESENT

Brodie Anderson, Staff, Representative Neal Foster; Amanda Ryder, Analyst, Legislative Finance Division; David Teal, Director, 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.

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."

[1:34:39 PM](#)

Co-Chair Foster relayed the committee substitute (CS) included subcommittee changes. He reported his intent to adopt the CS during the current meeting. He noted that amendments would be considered the following week.

Co-Chair Wilson MOVED to ADOPT the proposed committee substitute for HB 39, Work Draft 31-GH1905\R (Caouette/Bruce, 3/28/19) (copy on file).

Representative Tilton OBJECTED for discussion.

Co-Chair Wilson clarified that the adoption of the CS would give the committee a document to write amendments to.

Representative Tilton WITHDREW her OBJECTION.

Representative Josephson asked if the amendment deadline was the following Monday at 3:00 p.m.

Co-Chair Wilson confirmed the amendment deadline was the following Monday at 3:00 p.m. to Co-Chair Foster's office.

Vice-Chair Ortiz asked for verification the CS did not reflect the recommendation language portion of subcommittee reports. For example, he could think of one significant recommendation that would amount to a cost reduction that he had put forward. He asked for verification that the recommendation was not a part of the CS.

[1:37:42 PM](#)

AT EASE

[1:37:57 PM](#)

RECONVENED

Co-Chair Foster clarified that the current motion was to adopt the CS. He would invite staff to the table to review what was included in the bill. He believed Vice-Chair Ortiz's question had been answered.

There being NO further OBJECTION, Work Draft 31-GH1905\R was ADOPTED.

[1:39:04 PM](#)

AT EASE

[1:39:23 PM](#)

RECONVENED

Co-Chair Wilson MOVED to ADOPT the proposed committee substitute for HB 40, Work Draft 31-GH1901\S (Bruce, 3/28/19). There being NO OBJECTION, it was so ordered.

Co-Chair Foster asked his staff and the Legislative Finance Division (LFD) to explain the two work drafts.

Representative Knopp asked for the work draft version for HB 40.

[1:40:43 PM](#)

AT EASE

[1:41:36 PM](#)

RECONVENED

Co-Chair Foster clarified the work draft numbers were as follows: Work Draft 31-GH1905\R for HB 39 and Work Draft 31-GH1901\S for HB 40.

Co-Chair Wilson restated her motion to adopt the CS for HB 40. There being NO OBJECTION, it was so ordered.

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BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, addressed the changes in the bills that reflected all of the subcommittee actions and changes made to the language section compared to the governor's proposed budget introduced on February 13. The House Finance Committee CS reflected an agency operations budget of \$7,581,400,400 as shown in the Legislative Finance Division Agency Summary labeled "N1" and dated March 28, 2019 (copy on file). The budget included \$2,671,870,800 in federal funds, \$1,508,227,800 in other funds, \$758,683,600 in designated general funds (DGF), and \$2,642,618,200 in unrestricted general funds (UGF).

Mr. Anderson reported that the UGF spend reflected a reduction of \$28,761,500 from the FY 20 adjusted base. The only difference between the House subcommittee reports and the CS were in the salary adjustments added to each agency, which included the February 13th governor's request of \$45.1 million; the March 14th governor's amendments, which included \$11.2 million; and the Judiciary salary adjustments to match cost of living adjustment (COLA) increases received to match the General Government Unit (GGU) of \$1.7 million. The total difference was \$12.9 million as shown in the Legislative Finance Division Agency Summary labeled "SA1" and dated March 28, 2019 (copy on file).

Mr. Anderson directed attention to the Legislative Finance Division Agency Summary labeled "NL1" and dated March 28, 2019 (copy on file). He reported \$10.45 billion in total funds, which included \$4.5 billion UGF. He turned to as shown in the Legislative Finance Division Agency Summary labeled "NL2" and dated March 28, 2019 (copy on file) and detailed that general funds (both numbers and language) totaled \$5.4 billion.

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Mr. Anderson addressed a redlined comparison document for HB 39 (copy on file). He reviewed the language section of the bill beginning on page 2.

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AT EASE

[1:47:12 PM](#)

RECONVENED

Mr. Anderson addressed item 1 on page 2, Section 4 that added intent to clarify the amounts appropriated were for the full amounts that would be appropriated in FY 20.

Co-Chair Wilson asked to hear about the change on page 1 of HB 39.

AMANDA RYDER, ANALYST, LEGISLATIVE FINANCE DIVISION, answered that the change on the first page added the Constitutional Budget Reserve (CBR) language to the bill title; it was not included in the previous version of the CS. She explained that the occurrence of CBR language later in the bill required it to be added to the title.

Co-Chair Wilson asked if the language section of the bill would take funding from the CBR.

Ms. Ryder replied there was a reverse sweep later in the bill, which was standard language even if the legislature did not draw any money from the CBR.

Co-Chair Wilson clarified she had been trying to determine whether the bill took funds from the CBR. She thanked Ms. Ryder for her explanation.

Co-Chair Foster explained the reverse sweep process for the committee. He detailed there were myriad accounts that were typically populated with funds. At the end of the year the money needed to go back into the CBR, but then it was necessary to repopulate the accounts. He elaborated that the situation turned into an accounting nightmare if the reverse sweep was not done. He expounded that at the end of the fiscal year (midnight on June 30th) all of the money went back into the CBR per statutory requirement. The funds were then repopulated back into the other accounts just after midnight on July 1.

[1:49:52 PM](#)

Ms. Ryder agreed with the explanation.

Co-Chair Foster remarked that the subject was confusing every year.

Mr. Anderson continued with changes in the bill beginning on page 3, item 2, Section 8 that deposited the constitutionally required 25 percent of royalties to the Permanent Fund. He explained that the governor's language had appropriated an additional \$71.3 million; the CS would deposit the non-constitutionally required portion into the General Fund. He moved to page 3, item 3a, Section 8(c) that appropriated the percent of market value (POMV) payout to the General Fund. The Permanent Fund Dividend (PFD) would be appropriated from the General Fund in the same manner as the preceding year. He explained that in item 3b represented a deletion of the governor's language that had appropriated the non-PFD amount of the POMV payout to the General Fund.

Mr. Anderson moved to page 6, line 27, item 4, Section 10(f) that used Power Cost Equalization (PCE) endowment funding for the PCE program. He explained that the governor's request had funded the program with UGF.

[1:51:48 PM](#)

Co-Chair Wilson clarified that PCE stood for Power Cost Equalization.

Mr. Anderson agreed.

Co-Chair Foster asked Mr. Anderson to describe the governor's proposal for PCE compared to what the governor had proposed to do with PCE versus the bill.

Mr. Anderson answered that the governor's proposal would sweep the PCE endowment fund and would replace the use of the funds with general funds. The change would allow the funds to go elsewhere, essentially making them general funds.

Co-Chair Foster agreed. He explained that the governor's proposal would have transferred the \$1 billion balance from the PCE fund to the General Fund. The change would mean the funds could be used for everything (e.g. education and public safety); however, the payments for the PCE program would still be made and would be funded with general funds.

Representative Josephson returned to page 3 of the CS. He stated that the governor's February 13th version of the bill had established a split to comply with the formula of the PFD. He asked for verification that the CS would delete that action pending some later disposition.

Ms. Ryder answered in the affirmative. The governor's request included the entire POMV amount but directed almost \$2 billion to the PFD fund with the remainder going to the General Fund. Whereas, the CS would deposit the entire POMV payout to the General Fund, which would later be deposited into the PFD fund.

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Mr. Anderson advanced to page 7, line 6, Section 10(h), item 5 that would appropriate \$309,090 from the Alaska Legal Services Fund to the Department of Commerce, Community and Economic Development for a grant to the Alaska Legal Services Corporation. He noted the action was consistent with statute.

Co-Chair Wilson thought the fund balance had been \$10,000 a couple of weeks earlier. She wondered where the additional money had come from.

Ms. Ryder answered that the FY 20 appropriation would occur on July 1. She detailed that regardless of the current fund balance, there would be another \$309,090 deposited into the fund on July 1, 2019 to pay the grant in FY 20. She explained the \$309,090 was the total filing fees received by the court system in FY 18.

Co-Chair Wilson surmised that the paid fees had gone into the General Fund and based on statute the \$309,090 went "over here" [to the Alaska Legal Services fund]. She asked if it shortchanged the court system in any way.

Ms. Ryder answered that the action would not shortchange the court system. She explained that 10 percent of the filing fees that went into the General Fund would be used for the identified purpose. She stated that the court system was funded through a different mechanism.

Co-Chair Wilson asked for verification that because the fund currently held \$10,000, the balance would be \$319,090 [once the \$309,090 was deposited on July 1].

Ms. Ryder replied that she did not know the current balance. She explained that by June 30 the \$10,000 may be fully expended. She elaborated that even if the funding was spent, \$309,090 would be deposited into the fund at the beginning of the new fiscal year.

Co-Chair Wilson asked how that \$10,000 would be spent. She reasoned that the grant had already been paid from the fund to Alaska Legal Services [for the current fiscal year]. She asked who else could use the fund.

Ms. Ryder answered that the funding could not be used unless appropriated. She explained that the legislature could increase the appropriation to \$319,090 to fully expend the fund balance.

Co-Chair Foster asked for verification that 10 percent of the filing fees went towards Alaska Legal Services.

Ms. Ryder agreed.

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Representative Josephson recalled that Representative Matt Claman had carried a standalone bill that would have put the issue in statute; however, he did not believe the bill had passed. He asked for verification that because the item was not in statute it was funded annually through the budget process.

Mr. Anderson was uncertain about previous legislation that may not have passed. He reported that item 21 on page 21, line 15 authorized the funding with 10 percent of filing fees in accordance with AS 37.05.590.

Ms. Ryder added that a bill had passed the previous year and the appropriation related to that bill.

Mr. Anderson moved to the next three changes shown on page 8 (shown in the right margin). Item 6 removed the governor's request for a lapse extension for the Alaska Psychiatric Institute appropriation that was approved in FY 18. Item 7 removed the governor's request for an open-ended appropriation of federal receipts to the Medicaid program. Item 8 removed the governor's FY 19 supplemental request for \$172.4 million from the Statutory Budget Reserve (SBR)

to pay for any shortfalls in Medicaid for FY 19, FY 20, and FY 21.

Vice-Chair Ortiz referenced item 6 on page 8 and asked about the impact of the deletion.

Ms. Ryder answered that LFD deemed the item to be more appropriate in the supplemental budget as opposed to the operating budget.

Representative Josephson asked for an explanation of items 7 and 8.

Ms. Ryder replied that item 7 provided open-ended federal receipt authorization to the department for Medicaid services. The decision had been made to remove the item so the legislature had authority to approve additional federal receipts that the department may need. She explained that the legislature had the ability to approve additional federal receipts through the Legislative Budget and Audit (LB&A) Committee if needed. The legislature could also request additional federal authority in the following session. The removal of the language allowed the legislature to see more clearly what was happening in the Department of Health and Social Services (DHSS) budget. She explained that if the department needed more federal receipts, the legislature would understand why.

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Mr. Anderson responded to Representative Josephson's question about item 8. He explained that the governor had requested a multiyear appropriation from the SBR in the FY 19 supplemental. The CS removed the language and denied the request to use the SBR.

Representative Josephson asked why the administration would need a multiyear appropriation. It was his understanding that if the waiver did not happen for phase II, the entirety of the SBR would be needed.

Mr. Anderson declined to speak on behalf of the administration.

Ms. Ryder replied that LFD believed there were more transparent ways to fund Medicaid in FY 20. Based on testimony from DHSS, the department had sufficient funding

for FY 19; the \$15 million supplemental should be sufficient for FY 19. She explained that under the governor's proposal, \$172 million appropriated in FY 19 would also be available in FY 20 and FY 21. She questioned which year the funding would be spent in. She stated that the method made it very difficult to see what was appropriated and spent in a particular year. She reported that LFD believed there were more transparent ways of appropriating money to DHSS for Medicaid; money should be appropriated in the year it was needed. The removal of the governor's proposed language should not have an impact on DHSS or Medicaid; it simply removed the funding. The idea was to appropriate the amount needed for FY 20 in FY 20.

[2:04:24 PM](#)

Mr. Anderson turned to page 9, item 9 (shown in the right margin). The CS removed the governor's request for up to \$100,000 of statutory designated program receipts in case the Department of Military and Veterans Affairs (DMVA) was short. He explained that Section 1 (the numbers section) allowed DMVA to request additional authorization from LB&A if it was short.

Mr. Anderson moved to item 10 on page 10, line 11, Section 18 that added \$700 million from the bond proceeds to purchase oil and gas tax credit certifications.

Co-Chair Wilson asked if the item assumed the court case would be successful and asked if it was the new amount the state would bond for.

Mr. Anderson replied in the affirmative. He elaborated that the court case could be settled as early as October, which would still give the department time to sell bonds.

Co-Chair Wilson observed that the increment seemed to be about \$300 million less than it had been when the bill passed the previous year.

Mr. Anderson replied that he did not have the answer on hand.

Co-Chair Foster believed the number reflected the balance of the outstanding amount.

Ms. Ryder replied that she did not have the number. She deferred to LFD Director David Teal.

Co-Chair Wilson explained she was pointing out that they were in better shape than when the original legislation had passed. She knew the amount had been much higher.

Mr. Anderson answered that the legislature had authorized \$797 million the preceding year in a similar section. The legislature had authorized \$100 million to be paid in credits. He explained that the actions from the preceding year factored into the decision on the \$700 million.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, believed the question had been answered; however, he recalled the number was \$737 million the previous year. He explained that the amount was appropriated and never used because the state did not issue bonds. The state had purchased \$100 million in credit certificates, which would lower the outstanding amount to approximately \$640 million. He pointed out that more credits were earned as well. The number in the bill was an approximation, but it should be sufficient. He noted there was an additional \$100 million that Mr. Anderson would cover later in the bill.

Representative Josephson discussed that there had been some dispute about a formula resulting in a smaller amount based on actual production tax received versus the prior formula. He stated that the new administration wanted to return to the prior formula. He recalled that the governor's proposed budget had included a separate line item of around \$180 million. He wondered where the CS stood on the issue.

Mr. Anderson answered there would be an item under Section 23(h) that appropriated general funds for the purchase of credits. The item would appropriate \$70 million in general funds to the oil and gas tax credit fund for individuals who would not participate in the budget program. The CS removed the governor's \$170 million request for FY 20 and \$84 million for FY 19 from Alaska Industrial Development and Export Authority (AIDEA) receipts. The CS would appropriate \$70 million in general funds to purchase credits.

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Representative Josephson asked if the CS rejected the concept of taking AIDEA receipts.

Mr. Anderson confirmed that the CS did not utilize any of the governor's recommendations for AIDEA receipts.

Vice-Chair Ortiz addressed the bonds for taxpayer credit concept. He stated that a positive decision was anticipated perhaps by October. He asked if the benefits to the state started declining as the issue was pushed farther down the road.

Mr. Teal answered that the benefits to the state was a difficult question. The state could pay and purchase the credits anytime it wanted. There were different two different views of the formula, which would determine how fast the state purchased credits. The CS did not use the maximum \$181 million in the original interpretation or the minimum of approximately \$50 million; it used a number in between the two amounts that would be used to purchase the credits.

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Vice-Chair Ortiz stated his question pertained to the original idea of advancing the Alaska tax credit certificate bonds. He recalled the discussion the previous year and why it seemed reasonable - companies would be paid off earlier, they had access to money, and took a 10 percent cut for financing costs. He observed there had been benefits for companies and the state. He asked if the benefits [to the state] diminished as time went on.

Mr. Teal answered that the certificate holders would get a discounted rate; it was less advantageous to companies at present (compared to the previous year) because interest rates had increased. He explained that if the certificates were purchased by the state according to the statutory formula, they were purchased at an undiscounted, full face value. Under the bond program, whatever interest rate the state paid on the bonds, theoretically the state would discount the face value of the certificates in order to be neutral. It was a choice for certificate holders to participate in the program and get their cash immediately at a discounted rate or to get full face value by waiting two to four years. Theoretically all parties would be neutral, except the state paid interest to bondholders,

which was offset by the lower face value of the certificates. He stated that if it worked out right, all parties should be neutral if the discount matched the interest rate. The only real advantage to the state was not having to address the issue on an annual basis.

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Representative Knopp assumed the \$700 million bond appropriation was the balance of what the state owed in tax credits. He asked if the additional \$70 million appropriation that occurred later in the bill would go to pay the statutory minimum requirement if the bond was not sold.

Mr. Anderson replied that when the bond package had been authorized via legislation the previous year, there had been an ongoing conversation that a company may not want to use a bond. He explained there had always been UGF designated for nonparticipants - the \$70 million was roughly 10 percent of the outstanding bonds estimated to be \$700 million. He clarified that an estimated 10 percent of participants may not participate in a bond; therefore, money had been set aside.

Representative Knopp asked if the CS included sufficient funds to pay the minimum statutory retirement if the lawsuit was not settled and the bonds were not sold.

Mr. Anderson replied that another committee member had highlighted that the net calculation was less than the governor's statutory calculation of \$181 million in the current year. He stated it would be a discussion for the committee to determine whether the \$70 million was sufficient.

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Mr. Anderson moved to item 11, Section 19(b) on page 10, which added \$1 million of UGF to the Office of the Governor for redistricting costs for FY 20 through FY 23. He moved to page 11, line 25, Section 21(e), item 12, which added \$4,517,365 UGF for debt service payments for University of Alaska port and harbor and electrical association projects. He noted the projects were often referred to as 528 projects. He turned to page 15, line 24, Section 21(j)(1)

and (3), item 13, which incorporated the governor's revised estimates for the international airport bonds.

Co-Chair Foster asked for the page number Mr. Anderson was addressing.

Mr. Anderson replied that he was referencing page 15, lines 21 through 23 and lines 29 through 31.

Co-Chair Wilson asked for verification the bonds were paid through revenue generated by the international airports.

Ms. Ryder replied affirmatively.

Mr. Anderson moved to page 16, line 24, Section 21(n), item 14 that would appropriate \$99,820,500 for school debt reimbursement. Item 15 began on line 30 under Section 21(o) and incorporated a governor's amendment adding an estimated \$750,000 of general obligation bond funding for expenses for the sale and issuance of 2012 transportation bonds. He moved to page 18, line 21, Section 23(h), item 16 that would appropriate up to \$70 million in general funds to the Oil and Gas Tax Credit Fund for individuals who did not participate in bond purchase program. The CS removed the governor's requested \$170 million in FY 20 and an additional \$84 million in FY 19 from AIDEA receipts.

Representative Josephson asked for verification that the CS used general funds instead of AIDEA receipts [for individuals who did not participate in the bond purchase program].

Mr. Anderson agreed. He moved to page 18, line 28, Section 23(i), item 17 that replaced the governor's requested \$30 million in general funds to the Community Assistance Fund with PCE endowment funding to the Community Assistance Fund. He reported that use of the funding source was traditional and consistent with statute. Item 18, line 30, Section 23(j) and (k) included funds for FY 21 for K-12 and pupil transportation with a delayed effective date of July 1 FY 21. The change removed the governor's section on prorated FY 20 K-12 formula funding.

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Representative Josephson referenced past committee discussion about the amounts (in HB 287) of the Base

Student Allocation (BSA) and the \$30 million in one-time funds were not vetoable. He detailed that the request had been for repeal of the forward funded amounts. He asked for verification that the amounts in item 18 were not forward funded.

Mr. Anderson replied that the current language in the CS would carry forward the idea presented the past year with forward funding the FY 21 education budget.

Representative Josephson remarked that pupil transportation had also been part of the legislative effort to forward fund education.

Mr. Anderson answered that FY 19 and FY 20 were approved for funding under HB 287. The CS removed the portion of the governor's bill that prorated the FY 20 K-12 funding formula. The CS reflected the forward funding of the FY 20 education formula.

Co-Chair Foster explained that the previous year the legislature had forward funded education. He detailed that if the legislature did not insert the education language into the into the current budget it would not be subject to a veto. He elucidated that funding for the current year should be protected and the idea was to do the same thing for the following year (forward fund the following year's education budget).

Vice-Chair Ortiz asked if forward funding for FY 20 included the \$30 million from the previous year.

Co-Chair Foster answered that the \$30 million had been an extra appropriation. He deferred to staff or LFD for further detail.

Ms. Ryder answered that several things impacting FY 20 had occurred the preceding year, which the governor had attempted to address in his proposed budget. The items included the forward funding of the K-12 formula, a one-time \$30 million appropriation for FY 20, and a \$19.5 million capitalization for curriculum improvement and best practices. The governor's proposed budget would repeal all three items and replaced the K-12 funding with a prorated funding of about 23 percent less. The governor's budget would repeal the \$30 million and the \$19.5 million. She explained that the CS did not impact FY 20 funding other

than a section that repealed the curriculum funding, which had been accepted by the governor; all other FY 20 education funding was held harmless and was not addressed in the CS. She clarified that item 18 would forward fund K-12 education and pupil transportation formula for FY 21.

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Mr. Anderson moved to page 19, line 5, Section 23(1), item 19 that appropriated \$39,389,000 UGF to the Regional Educational Attendance Area (REAA) School Fund. He relayed that with the addition of the school debt reimbursement in Section 21(n), the REAA funding was needed to ensure equity.

Co-Chair Wilson asked if the school construction increment of \$99,820,500 on page 16, item 14 was primarily for maintenance; whereas, item 19 related to construction.

Ms. Ryder answered that item 14 paid the statutory amount of the school debt reimbursement that communities bond for. She clarified that item 19 was the amount that statutorily went to REAAs. There was a statutory formula specifying that if a given amount was paid for school debt reimbursement for municipalities, the state was required to pay another percentage for the REAAs. She explained that because the CS included school debt reimbursement, the REAA needed to be included in order to be consistent with statute.

Mr. Anderson moved to page 21, item 20 (shown in the right margin). He detailed that the governor's proposal would transfer \$60 million from the Community Assistance Fund to the General Fund. The CS removed the language and specified that community assistance would be funded via PCE endowment funds (referenced earlier in the bill).

Co-Chair Foster noted it was part of the PCE program that had been written in by statute several years earlier. He observed that the funding method was not new.

Mr. Anderson agreed. He moved to item 21 (shown on page 21 in the right margin). He detailed that per statute Section 24(c) appropriated the amount equal to 10 percent of the filing fee received by the Alaska Court System, estimated to be \$309,090 to the Civil Legal Services Fund to be used for grants to organizations that provide civil legal

services to low income individuals. He noted the increment was the appropriation component that had been discussed earlier.

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Mr. Anderson turned to page 22, line 7, Section 24(f), item 22. He detailed that consistent with statute the item would appropriate any remaining PCE endowment funding (after appropriations were made to the PCE program and the Community Assistance Fund) to the Renewable Energy Grant Fund. He noted there was not expected to be much or anything remaining after the payouts. He moved to item 23, page 23 (shown in the right margin) that removed the governor's requested \$10.8 million from the Passenger Vessel Gaming and Gambling Tax Account to the Alaska Capital Income Fund.

Co-Chair Wilson asked for a description of the purpose of the Alaska Capital Income Fund.

Mr. Anderson answered that the fund primarily funded deferred maintenance projects throughout the state.

Mr. Anderson advanced to page 24, line 20, item 24 (shown in the right margin). He explained that Section 26 was updated to reflect the approval of the Alaska Correctional Officers Association collective bargaining agreement.

Co-Chair Wilson asked for detail on what the agreement.

Mr. Anderson responded that he would follow up.

Co-Chair Wilson stated that the contract negotiation had been in mediation the last she had heard. She wanted to know what the state was agreeing to.

Ms. Ryder did not know the answer and would follow up.

Co-Chair Wilson wanted to put the information on the record in order for the public to know how the contracts were being negotiated.

Representative Josephson asked if the item reflected that since February 13th the contract for the correctional officers had been finalized.

Mr. Anderson replied in the affirmative. He explained that the Alaska Correctional Officers Association contract negotiation had been agreed upon and settled after the March 14th amendments from the governor.

Co-Chair Wilson requested detail for all seven new bargaining agreements (page 24). She clarified she was not picking on anyone; she was merely interested in knowing the details of the agreements.

Representative Josephson believed that as long as a contract had been entered into, regardless of the administration, it had to be included in the budget.

Ms. Ryder agreed. She detailed that Section 1 included the appropriations for the bargaining unit contracts. Those appropriations were valid unless the bargaining unit members did not ratify the contracts. In the past there had been some bargaining units that had not ratified the contracts and the appropriations had been removed from Section 1. Item 24 specified the appropriations were made in Section 1 and if the agreements were not ratified by the collective bargaining unit, the money would be removed.

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Mr. Anderson moved to page 25, Section 27(a), item 25 (shown in the right margin), that added payments of \$21.7 million to communities for fisheries business tax and \$6.7 million for fisheries resource landing tax.

Vice-Chair Ortiz asked for verification the increments indicated that the tax payments made to communities would continue as they had in the past.

Mr. Anderson responded affirmatively.

Co-Chair Foster clarified that currently 50 percent of the taxes went to the state and 50 percent went to municipalities where the tax was applied. He explained that the governor's proposal would shift the money from municipalities to the state treasury. He asked for verification that the CS would keep the funds with local municipalities.

Mr. Anderson agreed. He moved to page 25, line 26, Section 27(b), item 26 (shown in the right margin) that reverted to

traditional language for refunding aviation fuel tax or surcharges to local governments. He advanced to page 26, line 13, Section 29, item 27 that added reverse sweep language for FY 20 and FY 21. Items 28(a) and (b) (shown in the right margin) removed the governor's repeal of FY 20 K-12 appropriations, which would have repealed the \$30 million of outside the formula funding (the entire K-12 foundation formula funding for FY 20); however, the CS did accept the repeal of the governor's FY 19 \$19.5 million to the curriculum improvement and best practices fund.

Mr. Anderson moved to page 26, Section 30, item 29 that extended the lapse date for the FY 19 \$27 million appropriation to pay for oil and gas tax credit bonds for debt service. He shared that the information concluded the major changes throughout the language section (excluding retroactivity clauses and effective dates).

[2:38:12 PM](#)

Ms. Ryder clarified that HB 40 (the mental health bill) was part of the reports, despite the two bills. She explained that all amendments would go to HB 39. It was not necessary to amend HB 40 unless a committee member wanted to add a capital mental health project. She reported that LFD would have all of the bill information on its website. She cautioned not to be alarmed if the governor's numbers changed because as the governor submitted amendments, LFD added them to the "20GovAmd+" column in its agency summary sheets. She detailed that the governor had submitted new amendments the previous evening, which had yet to be incorporated in the LFD summary sheets.

Co-Chair Wilson asked why they would not wait to see if the amendments were passed by the committee before adding them to the budget. She wanted to know why they would be added before being vetted.

Ms. Ryder clarified that LFD added all governor's requested items to his request, which were reflected in the "20GovAmd+" column in order to keep track of all of the governor's amendments. The method enabled LFD and others to make accurate comparisons between the governor's request and what the legislature decided to approve.

Co-Chair Wilson stated that although the CS was currently \$914,057,300 above the governor's proposal, the number could go up or down depending on the amendments.

Ms. Ryder agreed.

Vice-Chair Ortiz asked if LFD would provide the committee with the governor's amendments.

Ms. Ryder replied that the amendments would be on the LFD website. Additionally, the amendments had been provided by the governor's office to the committee co-chairs.

[2:41:20 PM](#)

Co-Chair Foster clarified that the numbers section had not been provided during the current meeting because they had been reviewed during the Monday and Tuesday meetings earlier in the week during subcommittee reports. He reported that amendments to the bills would be due the following Monday by 3:00 p.m. He explained the budget amendment process.

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

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

Co-Chair Foster provided the schedule for the following day.

#  
ADJOURNMENT

[2:43:11 PM](#)

The meeting was adjourned at 2:43 p.m.