

HOUSE FINANCE COMMITTEE  
June 11, 2019  
10:06 a.m.

10:06:18 AM

CALL TO ORDER

Co-Chair Wilson called the House Finance Committee meeting to order at 10:06 a.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

Remond Henderson, Staff, Representative Tammie Wilson;  
Representative Chris Tuck; Representative Louise Stutes;  
Representative Harriet Drummond; Representative Grier Hopkins.

SUMMARY

CSSSSB 19 (FIN)

APPROP: CAPITAL BUDGET; SUPPLEMENTAL

HCS CSSSSB 19 (FIN) was REPORTED out of committee with a "do pass" recommendation.

Co-Chair Wilson review the agenda for the day. She indicated the committee would be taking up the capital budget.

#sb19

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 19(FIN)

"An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

10:06:39 AM

Vice-Chair Johnston MOVED to ADOPT proposed committee substitute for CSSSSB 19(FIN), Work Draft 31-GS1904/N (Caouette 6/10/19) (copy on file).

Co-Chair Foster OBJECTED for discussion.

Co-Chair Wilson asked her staff to review the changes in the bill and acknowledged Representative Chris Tuck in the audience.

10:07:17 AM

REMOND HENDERSON, STAFF, REPRESENTATIVE TAMMIE WILSON, reviewed the major changes that were made since the bill was presented and public testimony was heard. He pointed to page 2, line 19. There was a \$4 million appropriation for the Interior Gas Project to help the Fairbanks area come into air quality compliance with the Environmental Protection Agency. The appropriation was conditional upon the commercialization of the gas utility after January 2020 but before January 2021 and was funded through Alaska Industrial Development and Export Authority receipts.

Mr. Henderson moved to page 2, line 27 where \$10 million was added to statewide addiction treatment for facility capital matching grants. It was the intention of the legislature that the Department of Commerce, Community and Economic Development (DCCED) administered capital matching grants to Alaska organizations committed to building new addiction treatment facilities throughout the state. The grants would match dollar-for-dollar local and private contributions to increase the number of available addiction

treatment slots in the 9 regions identified by the Department of Health and Social Services' 1115 waiver application.

Mr. Henderson continued to page 4, line 30 which specified funding to the Department of Corrections (DOC) for laundry services. The fund was contingent upon contracts with DOC and individual and private organizations for laundry services. He pointed to page 6, line 30 reflecting a reduction of \$16 million to statewide deferred maintenance and renovation repair. The legislature was requiring the Office of Management and Budget (OMB) to submit a statewide prioritized list of deferred maintenance projects no later than December 31, 2019.

Mr. Henderson reported that the funding of \$2.5 million for the South Denali Visitor's Center was removed from the budget. He highlighted page 11, line 28 which showed a reduction in funding for the University of Alaska deferred maintenance in the amount of \$2.5 million. Instead, the money was appropriated to the USArray Earthquake Monitoring Network for sensor devices. Co-Chair Wilson interjected that \$7.5 million was left in the budget for the University of Alaska Deferred Maintenance Program.

Mr. Henderson continued to page 17, line 18 added intent language to better analyze the dangers of polyfluoroalkyl substances (PFAS) and to develop a plan. Co-Chair Wilson clarified that PFAS was the foam used in firefighting throughout the state. There had been an uproar regarding the change in the threshold considered to be dangerous. The legislature was asking the Department of Environmental Conservation (DEC) to conduct more analysis on the potential harm of PFAS to Alaska's drinking water. She confirmed with DEC that the department could fulfill the intent language.

Mr. Henderson moved to the changes on page 28, line 1 which contained funding for the reopening of the Palmer Correctional Center and housing prisoners in or out of state. It also added specific reporting requirements.

[10:12:12 AM](#)

AT EASE

[10:12:58 AM](#)

RECONVENED

Co-Chair Wilson indicated that on page 31, line 8 vaccine receipts collected, under AS 18.09.220, were estimated to be \$25.5 million and were appropriated to the vaccine assessment fund. The appropriation was a result of legislation passed earlier in the current year.

Mr. Henderson continued with page 38, line 21 encompassing reverse sweep language pertaining to the Constitutional Budget Reserve (CBR). Section 26(b) appropriated interest earned on general fund investments to go to the CBR. He continued that Section 26(c) on page 39 clarified that the reverse sweep was subject to a three-quarter vote.

Co-Chair Wilson noted there were close to 200 savings accounts for different purposes. The funds in the accounts were not dedicated but designated funds. She noted the Power Cost Equalization fund which helped residents in high-energy cost places. She also mentioned the Community Revenue Sharing Fund and the Higher Education Fund that helped students to acquire scholarships. She explained that without including the language the monies would go into the CBR. She reiterated that any money coming out of the CBR required a three-quarter vote of the legislature.

Mr. Henderson continued to page 39, Section 29 which contained contingency language. Section 29(a) outlined the three-quarter vote requirement by the legislature for the appropriations made through Sections 1-6 of the act. He relayed that Section 26(b) contained contingency language for DOC on the reopening of Palmer or out-of-state contracts. It provided funding of \$6 million when the inmate population exceeded 5,130 on or before December 31, 2019. The following section [Section 26(c)] added additional funding of \$10.7 million when the inmate population exceeded 5,500 or more before March 31, 2020. He clarified that he was discussing contingency language rather than a supplemental appropriation. The funds would be available immediately upon reaching the target levels.

Mr. Henderson summarized that the bill required approximately \$1.4 billion in funding, \$1.26 billion in federal receipts, \$162.5 million in CBR funding, \$51.7 million in DGF, and \$93.2 million in other state funds. He was available to entertain questions.

Co-Chair Foster WITHDREW his OBJECTION to the adoption of the work draft.

There being NO OBJECTION, it was so ordered.

10:16:38 AM

Representative Josephson referred to page 4, lines 24-31. He thought the monies in the section were supposed to be for the benefit of the Alaska Marine Highway System. He asked if AMHS could still apply for the monies slated to meet its laundry needs.

Co-Chair Wilson explained that the contingencies were placed into the bill because the fate of AMHS was unknown. The legislature did not want to invest an additional \$420,000 unless a contract with a vendor was in place moving forward.

Representative Tilton asked Mr. Henderson to review the funding sources.

Mr. Henderson responded that there was \$1.26 billion in federal receipts, \$162.5 million in CBR funding, \$51.7 million in DGF, and \$93.2 million in other state funds.

Representative Tilton referred to page 2, line 27 regarding intent language with the statewide addiction treatment. It appeared the money would go out as a grant through DCCED that complied with the 1115 waiver. She had received feedback thanking her for putting things in the budget she was not aware of. In the community she was from there were questions about how people could apply for funding statewide. There were some specific projects the Mat-Su Health Foundation brought forward that equaled a smaller amount of funds. She wanted to make sure the funds would be available on a statewide basis.

Co-Chair Wilson intended for the funding to be accessible statewide. The funding would pay for additional treatment beds but did not cover operating costs. The appropriation was not contingent on the 1115 waiver. However, there were 9 regions identified by the waiver which helped with dispersing the funds. She noted that treatment beds were lacking throughout the state. She recalled during public testimony that receiving dollar-for-dollar federal funds would help to keep the program going.

Representative Knopp referred to page 4, line 24. He wondered if the legislature had reached out to DOC to discuss the laundry contracts. It was his understanding that DOC already had contracts with the cruise industry for laundry services.

10:20:46 AM

Co-Chair Wilson indicated she had reached out to DOC but did not receive a response. She suggested that if contracts were in place, the intent language would be satisfied and \$420,000 would be available to upgrade the facility.

Representative Knopp surmised that if DOC was already into the contracts, it should have receipt authority without UGF.

Co-Chair Wilson understood that they had receipt authority and a contract with AMHS. However, she thought an upgrade was needed.

Representative Knopp stated, "But we never got an answer from DOC is what you're telling me." Co-Chair Wilson responded that he was correct.

Representative Sullivan-Leonard queried the grants that might come through DCCED. She asked if a provision would be included for projects under consideration requiring them to be shovel-ready or far enough along that the state could simply finish the project. She was looking for shovel-ready projects.

Co-Chair Wilson preferred shovel-ready projects as well. Beds were needed immediately rather than 4 years in the future. She agreed with the idea of funding projects that were nearly ready. She relayed that the funds had to go to the capital portion of a project.

Representative Josephson referred to page 6. He asked about the \$16 million reduction. In the other body there was a recommended change where the Department of Transportation and Public Facilities would coordinate with the Office of the Governor and deferred maintenance. He asked the co-chair to remind members of what the committee substitute did and the change.

Co-Chair Wilson responded that it reduced the amount the legislature would be giving to the administration. The committee had the administration before the committee to discuss deferred maintenance. The presenters did not know who owned the Capitol Building which raised concern. The legislature had been asking for a priority list for a significant period. Meanwhile, the legislature had been appropriating a significant amount of money. She thought that in lean times, the legislature needed to fund items that rose to the top of the priority list. She thought additional accountability was necessary.

Representative Josephson asked if the appropriation was a separate appropriation for which the Office of the Governor could not use except for deferred maintenance. He asked if he was correct. Co-Chair Wilson clarified that it was her intention for the funds to be used for deferred maintenance rather than operating costs.

[10:24:10 AM](#)

Vice-Chair Johnston MOVED to report HCS CSSSSB 19(FIN) out of Committee with individual recommendations.

Representative Josephson OBJECTED. He was pleased with the committee substitute. He was concerned about the PFAS appropriation. He explored Title 46 and Title 29 relative to the response fund. The Prince William Sound Regional Citizens Advisory Council, created through the Oil Spill Prevention Act of 1990, had an appreciation and a concern for PFAS. However, the council did not like the fact that the legislature was draining response funds for things other than sudden releases. In looking at Title 29, DCCED's code, there was a section that specified incidences where there were sudden releases. Other sections clarified the use of the funds for sudden releases. There was concern in the prior year about how the remediation of the Wrangell junk yard dump was being funded. He reiterated his concern about the account and thought the issue should be examined further in 2020. Co-Chair Wilson agreed that the issue should be on the following year's agenda.

Representative Sullivan-Leonard asked if amendments would be allowed.

Co-Chair Wilson asked if the representative currently had any amendments to offer.

Representative Sullivan-Leonard did not have one presently but had one coming.

Co-Chair Wilson suggested that it would have to be in time to move it.

10:26:50 AM  
AT EASE

10:29:07 AM  
RECONVENED

Representative Josephson WITHDREW his OBJECTION.

Representative Carpenter OBJECTED.

Representative Carpenter spoke to his objection. He indicated he was given a period of 10 minutes to review the committee substitute. He objected to several items in the legislation. He did not like the idea of taking a significant amount of money out of the CBR or writing blank checks for addiction treatment without a plan. He wanted more information to make a good decision. He thought he would want to offer some amendments. He could not presently support the bill.

Representative Carpenter MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Josephson, Johnston, Knopp, LeBon,  
Merrick, Foster, Wilson  
OPPOSED: Sullivan-Leonard, Tilton, Carpenter

The MOTION PASSED (8/3).

HCSSSB 19(FIN) was REPORTED out of committee with a "do pass" recommendation.

#  
ADJOURNMENT

10:31:22 AM

The meeting was adjourned at 10:31 a.m.