

HOUSE FINANCE COMMITTEE
February 14, 2020
1:33 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-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

Representative Adam Wool

ALSO PRESENT

Nils Andreassen, Alaska Municipal League, Juneau

PRESENT VIA TELECONFERENCE

Jim Williams, Fairbanks North Star Borough, Fairbanks;
Charles McKee, Self, Anchorage; Cris Eichenlaub, Self,
Eagle River; Valerie Therrien, Fairbanks City Council,
Fairbanks; Walt Weller, Mayor, Pelican, Pelican; Norm
Carson, President, Chamber of Commerce, City of Pelican,
Pelican; Herman Morgan, Self, Aniak; Tom Brawnd, Self,
Sutton.

SUMMARY

HB 234 APPROP:SUPP; REAPPROP; CAP; AMEND; CBR

HB 234 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb234

HOUSE BILL NO. 234

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; 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."

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^PUBLIC TESTIMONY

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NILS ANDREASSEN, ALASKA MUNICIPAL LEAGUE, JUNEAU, appreciated the content of the supplemental budget. He reported that Alaska Municipal League (AML) members had identified three priorities that were not included in the bill: school bond debt reimbursement, the Alaska Marine Highway System (AMHS), and community assistance. He discussed that funding for community assistance had been vetoed from the FY 20 budget, which meant the FY 21 payment would be reduced by \$10 million on July 1. He shared that the cut would have an impact on every community throughout the state. The cut meant \$1.6 million less for local governments in the Interior, \$4.1 million less for Anchorage, \$1.7 million less for Mat-Su, and \$600,000 less for western and northwest regions. The cuts directly impacted the ability for local governments to meet the needs of residents and to provide services the state did not provide.

Mr. Andreassen addressed the reduction to school bond debt reimbursement, which meant local governments were challenged to figure out how to repay the money that they thought the state was going to cover. Districts were responding to the cut differently and some were paying from maintenance funds, which meant schools were not being maintained. He reported there was less funding available for school major maintenance, which had no funding in the

FY 21 budget. There was an erosion of ability for local governments to respond to school bond debt reimbursement. Some districts had shifted funding from other pots of money where they could, and others had increased property taxes. For example, the Municipality of Anchorage had discussed potential property tax increases to help cover the cost. He encouraged the legislature to include full funding for school bond debt reimbursement in the supplemental budget.

Mr. Andreassen stated that AMHS had been the topic of conversation since the beginning of session. He shared that AML was committed to long-term sustainability and changes within the system, but it also needed to respond to its members' sense of urgency and the need they were currently feeling. Residents were without groceries and fuel, freight was not going in or out, economies were being stifled, livelihoods were being ruined (were professional teachers had discussed leaving communities due to lack of access and opportunity to move around). He understood the department was looking at short-term solutions while the entire AMHS fleet was out of order, but communities were trying to fill the gaps in the meantime.

Mr. Andreassen reported that municipalities had chartered boats they had not budgeted for and many more were considering the option in the absence of service for the coming months. He highlighted that tourism and fisheries were just around the corner; therefore, municipalities were looking at new options. He pointed out that it was not out of order to request an appropriation of something like \$1 million to fill the gap and reimburse municipalities for workarounds they were carrying out. He understood the budget remained tight. He emphasized the needs were real.

Representative LeBon asked if AML had taken a position regarding the PFD program or a broad-based tax of any kind.

Mr. Andreassen replied that AML had not taken a position on the PFD program apart from requesting the legislature to address the issue in some fashion. He relayed that AML had passed a resolution in support of a broad-based tax with a preference for an income tax. He noted AML was open to discussing a sales tax with the legislature.

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JIM WILLIAMS, FAIRBANKS NORTH STAR BOROUGH, FAIRBANKS (via teleconference), spoke to some impacts of the budget. He testified in support of funding for community assistance. He reported that the loss in funds was having an impact across the state and in Fairbanks every little bit helped. He shared that Fairbanks had a good economic development year where property values and commercial construction had increased. However, state required property tax exemptions had eroded almost every nickel out of the borough's tax base. The community had outstanding debt on a school construction loan, which would not go away.

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CHARLES MCKEE, SELF, ANCHORAGE (via teleconference), shared that he had submitted a UCC filing showing he was a secured party beneficiary to a trust the legislature served as trustee. He shared that he had sent in a business license. He stated the appropriations contained a lack of accountability to the trust-credit-trust transfer.

Co-Chair Foster stated that the committee was considering the supplemental budget.

Mr. McKee stated that the supplemental budget did not reflect the transfer of credits from trust accounts of individuals into the court system. There was money not being accounted for that did not go into the General Fund. He thought it was larceny. He shared personal items related to a charge related to whistleblowing against the current administration.

Co-Chair Foster asked if Mr. McKee had submitted his information in writing.

Mr. McKee confirmed that the information had been submitted.

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CRIS EICHENLAUB, SELF, EAGLE RIVER (via teleconference), was concerned about the widening of the spending gap. He asked why the state's resources were being mismanaged. He wondered why the Constitutional Budget Reserve had been depleted. He thought the people were not being listened to. He believed former Governor Walker had expanded Medicaid without the consent of the public. He emphasized his belief

that the voices of the public had been stifled by special interests. He stressed that the spending addiction needed to be curbed. He thought the binding caucus - through coercion and bribery - seemed to be running the government. He emphasized the need for solutions. He stated that not paying the PFD was not a budget solution. He supported the repeal of SB 26. He stated the problem had been created by bills passed by the legislature.

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VALERIE THERRIEN, FAIRBANKS CITY COUNCIL, FAIRBANKS (via teleconference), spoke on behalf of the Fairbanks City Council. The council was requesting the recapitalization of the community assistance program. She shared that the City of Fairbanks would see a reduction from \$688,000 to \$79,000, which could not be absorbed by the city. She shared that she had sponsored Resolution 4902, which had been sent to the Interior delegation. She offered to send the resolution to the committee.

Co-Chair Foster asked Ms. Therrien to submit her resolution.

Ms. Therrien shared that the City of Fairbanks was on a very tight budget and had been counting on the funding to make ends meet.

Co-Chair Foster asked Ms. Therrien to repeat how much the city had been expecting.

Ms. Therrien replied that the city had been anticipating \$688,552 [from the community assistance program], which was the amount the city had received in FY 20. Currently, the FY 21 budget included \$79,684.

Co-Chair Foster relayed that he would have someone from the Legislative Finance Division follow up with Ms. Therrien to verify the decrease she had provided.

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WALT WELLER, MAYOR, PELICAN, PELICAN (via teleconference), testified that the residents of Pelican were waiting to hear about some realistic short-term services solution from the state while AMHS service. He stressed that the loss of the ferry had adversely impacted every industry and

household that had been denied service. He needed to know whether Pelican would be included in any of the temporary contracted services. He stressed that the state needed to make short-term contract decisions immediately or there would be long-term damage to all of the areas previously served by AMHS if there was no transportation available for the fishing, construction, and tourism season. He hoped the supplemental bill would address the issue. He thanked the committee for its time and efforts.

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NORM CARSON, PRESIDENT, CHAMBER OF COMMERCE, CITY OF PELICAN, PELICAN (via teleconference), fully supported Mayor Weller's testimony. He shared that he and his wife had submitted a letter to the Senate Finance Committee requesting a PFD cap of approximately \$1,000. He thought a \$3,000 PFD would put the state further in debt.

Vice-Chair Ortiz asked how much ferry service had been reduced in Pelican after the budget reduction had been made to the AMHS in FY 20. He recognized there had been no service to Pelican since ferries had broken down.

Mr. Carson replied that the community had not seen a ferry since October.

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HERMAN MORGAN, SELF, ANIAK (via teleconference), stated there had never been ferry service in Aniak, which was off the road system and got along fine. He suggested perhaps there was a way the state could reduce the cost. He asked why community revenue sharing had been reduced. He shared that taking away the Permanent Fund hit rural Alaska the hardest. He elaborated that residents used the money for heating fuel and college savings. He stated that Medicaid expansion had cost \$2.4 billion to start up. He wondered how the state would afford increased costs. He thought the legislature needed to work with the governor to figure out how to lower the cost of healthcare. He thought the cost would bankrupt the state. He believed most of the money was going to superintendents and others making a large amount of money. He thought UAA teachers were overpaid. He thought the state could afford to pay residents a full PFD. He stated there was excessive spending and no budget cuts, which was unfair to Alaskans. He asked the legislature to

think about rural Alaskans in his region. He reiterated that the legislature would bankrupt Alaska. He asked the legislature to start working together with the governor.

Co-Chair Foster provided the email address for the committee.

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TOM BRAWND, SELF, SUTTON (via teleconference), stated that a lot of fair play had failed in Alaska due to special interests and filling the legislature with some unscrupulous opportunists. He believed the binding caucus was extortion. He believed the system that allowed the Senate president to decide how other legislators voted was unconstitutional. He stated that special interests were not public, and they should testify separately. He stressed that taking the PFD was a violation of existing law. He believed state income taxes were illegal. He asked what was done before there was a ferry.

Co-Chair Foster noted that it was an opportunity for public testimony. He reminded individuals they could submit public testimony to the House Finance Committee email address.

Co-Chair Foster CLOSED public testimony.

HB 234 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following Monday.

ADJOURNMENT

[2:06:41 PM](#)

The meeting was adjourned at 2:06 p.m.