

HOUSE FINANCE COMMITTEE
February 28, 2020
9:07 a.m.

9:07:31 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:07 a.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 Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

Representative Gary Knopp

ALSO PRESENT

Brodie Anderson, Staff, Representative Neal Foster

SUMMARY

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 205(FIN) was REPORTED out of committee with six "do pass" recommendations and four "amend" recommendations.

HB 206 APPROP: MENTAL HEALTH BUDGET

CSHB 206(FIN) was REPORTED out of committee with a "do pass" recommendation.

Co-Chair Foster reviewed the meeting agenda. He intended to move HB 205 and HB 206 out of committee.

#hb205

#hb206

HOUSE BILL NO. 205

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

HOUSE BILL NO. 206

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

[9:08:29 AM](#)

Co-Chair Johnston MOVED to report CSHB 205(FIN) out of Committee with individual recommendations.

Vice-Chair Ortiz OBJECTED for discussion.

Co-Chair Foster invited his staff to the table to review the changes in the committee substitute (CS).

[9:09:21 AM](#)

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the changes in the CS. The bill reflected all of the governor's amendments and House Finance member's amendments accepted by the committee. The House Finance CS reflected the total FY 21 budget of \$9,827,181,200 of all funds. The total for agency operations was \$9,029,586,200. Statewide items totaled \$797,595,000. The total of all spend funding equaled the following totals:

Federal Funds: \$2,872,441,600
Designated General Funds (DGF): \$899,792,900
Other Funds: \$1,603,421,600
Unrestricted General Funds (UGF): \$4,451,525,100

Mr. Anderson continued that for agency operations of statewide items the UGF spending was \$305.2 million above or a 7.4 percent increase from the FY 21 adjusted base. He reported that within statewide items, the largest increases were debt service totaling \$76.6 million, a 66 percent increase. The amount included the \$55 million requested by the governor for oil tax credit debt payments. Also, state retirement grew by 12.5 percent or a \$38.4 million increase. The unrestricted general funds after considering the governor's amendments and the House Finance members' amendments, the UGF spend reflected an overall increase of \$193.4 million in agency operations from the original FY 21 adjusted base, a 5.2 percent increase. A large portion of the increase still reflected the corrections made to Medicaid funding since the adjusted base did not factor in the supplemental additions the body approved earlier in the current week. He relayed that when compared to the FY 20 management plan plus the supplemental budget that was passed, the UGF spend for agency operations dropped to a reduction in spending of \$108 million or a 2.7 percent reduction from the previous year's spend. He concluded that the budget compared to the governor's amended budget was currently up by \$9.6 million reflecting a .2 percent increase.

[9:12:55 AM](#)

Representative Sullivan-Leonard asked for an overview of what would happen to the Permanent Fund monies in the amount of \$2.027 billion that were removed from the governor's FY 21 amended budget. Mr. Anderson thought her question should be directed to the legislature.

Co-Chair Foster responded that there were two Permanent Fund bills being debated. He noted that the Permanent Fund had not been placed into the operating budget because the legislature did not know if there would be a different split for the percent of market value (POMV).

Co-Chair Johnston noted there was only one bill with a statutory change to the dividend and the POMV. The Rules Committee bill had not been introduced.

Co-Chair Foster responded that presently the committee did not have a number to plug in, therefore it was not reflected in the operating budget.

Representative Carpenter asked if inflation proofing was included in the bill. Co-Chair Foster relayed that in the previous year the legislature included \$641 million for inflation proofing. He asked Mr. Anderson to cite the amount for the budget being discussed.

Mr. Anderson confirmed that there was inflation proofing in the budget. He reported the amount was slightly more than \$1 billion. He could be more specific but needed a moment to find the number.

Co-Chair Foster indicated the amount would be in the language section of the budget.

Mr. Anderson referred to page 53, starting in section 7, line 13 which was the section for the Alaska Permanent Fund. He started reading from line 22, subsection d:

(d) The amount calculated under AS 37.13.145(c), after the appropriation made in (b) of this section, estimated to be \$1,055,600,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund to offset the effect of inflation on the principal of the Alaska permanent fund for the fiscal year ending June 30,2021.

[9:16:31 AM](#)

Representative Carpenter asked for the inflation proofing amount that was passed in budget for the prior year. Mr. Anderson responded that it was approximately \$970 million or \$973 million.

Co-Chair Foster initially amount of \$900 million was in the budget. However, the inflation number was calculated to be was \$641 million. Mr. Anderson concurred. Co-Chair Foster offered to get clarification from LFD.

Representative Carpenter thought the legislature had put \$4 billion away in the previous year for inflation proofing for FY 21 through FY 24. Co-Chair Foster confirmed that 4 billion was transferred. Intent language was also included that indicated the money was for forward funding inflation proofing. He thought Representative Carpenter was correct. He continued that there were some folks from the Permanent

Fund that indicated they did not consider it to be the case. However, it was the amount that was in the budget.

Representative Carpenter clarified that the legislature was not including the additional 25 percent royalties that the statute required.

Co-Chair Foster offered that he was talking about the post-1979 fields. The money should be appropriated in the budget. He asked Mr. Anderson where the language was included in the bill.

Mr. Anderson clarified that the committee did not include the extra 25 percent in the current budget. It was currently out.

Vice-Chair Ortiz WITHDREW his OBJECTION.

[9:19:25 AM](#)

AT EASE

[9:25:14 AM](#)

RECONVENED

Co-Chair Foster clarified that there were changes to the CS for HB 205 which Mr. Anderson had just reviewed. The work draft was adopted, and the committee would move the CS out of House Finance.

Co-Chair Johnston MOVED to report CSHB 205(FIN) out of Committee with individual recommendations.

There being NO OBJECTION, it was so ordered.

CSHB 205(FIN) was REPORTED out of committee with six "do pass" recommendations and four "amend" recommendations.

[9:26:57 AM](#)

Co-Chair Johnston MOVED to report CSHB 206(FIN) out of Committee with individual recommendations.

There being NO OBJECTION, it was so ordered.

CSHB 206(FIN) was REPORTED out of committee with a "do pass" recommendation.

9:28:13 AM

AT EASE

9:33:36 AM

RECONVENED

Co-Chair Foster indicated that the committee had a meeting scheduled in the afternoon. He did not believe the meeting would occur, but he was leaving it open in case Legislative Legal needed to have any changes made. The committee would be addressing bills for the remainder of the session and he would be handing the gavel over to Co-Chair Johnston who would be taking up legislation. He thanked his staff and the committee staff for all of their hard work on the operating and mental health budgets.

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ADJOURNMENT

9:35:37 AM

The meeting was adjourned at 9:35 a.m.