

31ST ALASKA STATE LEGISLATURE
SECOND SESSION
CONFERENCE COMMITTEE ON HB 205
March 28, 2020
1:40 p.m.

1:40:30 PM

CALL TO ORDER

Chair Stedman called the Conference Committee meeting on HB 205 to order at 1:40 p.m.

MEMBERS PRESENT:

House:

Representative Neal Foster, Vice-Chair
Representative Jennifer Johnston
Representative Cathy Tilton

Senate:

Senator Bert Stedman, Chair
Senator Natasha Von Imhof
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT:

Pat Pitney, Director, Legislative Finance Division; Pete Ecklund, Staff, Senator Bert Stedman; Caroline Schultz, Staff, Senator Natasha von Imhof.

SUMMARY

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

CCS HB 205 was REPORTED out of committee with a "do pass" recommendation.

#hb205

CS FOR HOUSE BILL NO. 205(FIN)(Corrected) am(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; making supplemental appropriations; and providing for an effective date."

SENATE CS FOR CS FOR HOUSE BILL NO. 205(FIN) am S

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; making capital appropriations, supplemental appropriations, and reappropriations; making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; 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."

[1:41:11 PM](#)

Chair Stedman stated that the committee would be addressing open items in HB 205 based on the motion sheets distributed to members and dated March 28th on the following:

- Department of Corrections
- Department of Education and Early Development
- Department of Health and Social Services
- Department of Law
- Department of Public Safety
- University of Alaska
- Permanent Fund
- Supplemental Items
- Language Items
- Capital Items
- Fiscal Notes
- Amendments and Other Items

Chair Stedman invited Pat Pitney, Director of the Legislative Finance Division to join the committee at the table.

[1:41:57 PM](#)

^DEPARTMENT OF CORRECTIONS:

Vice-Chair Foster MOVED to ADOPT the following in the Department of Corrections' budget:

Item 1	Senate
Item 2	Senate
Item 3	Senate
Item 4	Senate
Item 5	House
Item 6	House
Item 7	Senate
Item 8	Senate
Item 9	Senate
Item 10	Senate
Item 11	House, modified, add two positions
Item 12	House
Item 13	Senate
Item 14	Senate
Item 15	Senate
Item 16	House
Item 17	House
Item 18	House
Item 19	House
Item 20	Senate

There being NO OBJECTION, it was so ordered. This action CLOSED the conferenceable items in the Department of Corrections' budget.

[1:43:22 PM](#)

^DEPARTMENT OF EDUCATION and EARLY DEVELOPMENT:

Vice-Chair Foster MOVED to ADOPT the following item in the Department of Education:

Item 1	Senate
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There being NO OBJECTION, it was so ordered. This action CLOSED all conferenceable items in the Department of Education and Early Development's budget.

[1:43:56 PM](#)

^DEPARTMENT OF HEALTH AND SOCIAL SERVICES:

Vice-Chair Foster MOVED to ADOPT the following item in the Department of Health and Social Services budget:

Items 16 and 18 Senate

Vice-Chair Foster OBJECTED. He had no comment on his objection.

Vice-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Johnston, Tilton, Stedman, von Imhof, Olson
OPPOSED: Foster

The MOTION PASSED (5/1). This action CLOSED the conferenceable items in the Department of Health and Social Services' budget.

^DEPARTMENT OF LAW:

Vice-Chair Foster MOVED to ADOPT the following in the Department of Law's budget:

Item 1 Senate
Item 2 House
Item 3 Senate
Item 4 Senate, modified, replace existing language with "It is the intent of the legislature that when managing caseload while making budget reductions, the department use staff instead of outside contracts whenever possible; and that the department should not make reductions to contracts if the contract is a possible revenue generator."
Item 5 Senate
Item 6 House
Item 7 Senate
Item 8 Senate
Item 9 House
Item 10 House

There being NO OBJECTION, it was so ordered. This action CLOSED all conferenceable items in the Department of Law's budget.

[1:46:19 PM](#)

^DEPARTMENT OF PUBLIC SAFETY:

Vice-Chair Foster MOVED to ADOPT the item in the Department of Public Safety's budget:

Item 1 House, modified, delete existing language, replace with "It is the intent of the legislature that the Department of Public Safety prioritize the deployment of law enforcement resources to non-urbanized areas that lack organized governments, and when placing additional trooper positions, prioritize adding a second trooper to existing one-trooper posts."

There being NO OBJECTION, it was so ordered. This action CLOSED all conferenceable items in the Department of Public Safety's budget.

[1:47:11 PM](#)

^UNIVERSITY OF ALASKA:

Vice-Chair Foster MOVED to ADOPT the following in the University of Alaska's budget:

Item 1	Senate
Item 2	Senate
Item 3	Senate
Item 4	Senate
Item 5	Senate
Item 6	Senate

Representative Johnston OBJECTED to Item 4.

Representative Johnston spoke to her objection. In light of the unusual times and the legislature not passing a capital budget, she wanted to make clear that the funds above the amount included in the compact were to be used for debt service or deferred maintenance. She asserted that the additional funds should not be used to fund operating costs above the agreement in the compact.

Representative Johnston WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered. This action CLOSED all conferenceable items in the University of Alaska's budget.

[1:48:39 PM](#)

^PERMANENT FUND:

Vice-Chair Foster MOVED to ADOPT the following item in the Permanent Fund:

Item 1 Senate

Representative Tilton OBJECTED to adoption of Item 1. She spoke to her objection. She believed that the state should follow the statutory dividend formula and believed that the proposed \$1,000 dividend to the people was not following the law.

Senator Olson thought there was unprecedented financial strain and health issues to consider and people from his district had expressed that the largest possible dividend would aid in filling income shortfalls.

Chair Stedman stated that the comments were related to a proposed roughly \$1,000 dividend to be paid in the fall. He commented that there was a statute that was laid out to pay a PFD on the books. He asserted that when the legislature did an operating budget, the legislation overrode the existing statute for the period of one year. He emphasized that in doing so, the legislature was not breaking the law, but was modifying it for a one-year period.

Representative Tilton WITHDREW her OBJECTION.

Representative Tilton could see that she would be outvoted and wanted to get as much to the people as possible for a dividend.

There being NO further OBJECTION, it was so ordered. This action CLOSED all conferenceable items in the Permanent Fund.

[1:52:12 PM](#)

^FISCAL YEAR 20 SUPPLEMENTAL ITEMS:

Vice-Chair Foster MOVED to ADOPT the following supplemental item:

Item 7 House

Representative Tilton OBJECTED to the adoption of Item 7.

Representative Tilton spoke to her objection. She explained that Item 7 would provide a supplemental payment of \$1,000 that was voted on by the Senate body. She thought there was a need for people to get cash as many people were losing jobs. She acknowledged other stabilization items such as unemployment but thought it did not fulfill the dollar amount people needed on a weekly basis. She mentioned stimulus money coming from the federal government.

Representative Tilton continued to speak to her objection. She considered an average wage earner and thought the additional payment of \$1,000 would get people to a comparable income level. She asserted that economists had suggested that the best thing to do was to get money in the hands of the people. She referenced a bipartisan group that asserted the best thing to do was to get money into the hands of the people as soon as possible.

Senator Olson thought it was a noble effort to try and help people. He considered stimulus efforts being put forth by the federal government. He thought many people in his district were not eligible for unemployment. He thought some people that slipped through the cracks were eligible for the PFD and the extra payment would help with necessary expenses.

Representative Tilton MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Stedman, Foster, von Imhof, Johnston
OPPOSED: Olson, Tilton

The MOTION PASSED (4/2). The action CLOSED all conferencable items for the FY 20 Supplemental Items.

[1:55:55 PM](#)

^LANGUAGE ITEMS:

Vice-Chair Foster MOVED to ADOPT the following language item:

Item 1 Senate

There being NO OBJECTION, it was so ordered. This action CLOSED all conferenceable language items.

[1:56:17 PM](#)

^CAPITAL ITEMS:

Chair Stedman explained that the capital items were listed on a separate motion sheet. The committee would be making capital budget motions by page or group of items. He asked that if there were objections for any items on the page or group to set that item aside for discussion after completing the motion for rest of the page.

Vice-Chair Foster MOVED to ADOPT the following capital items:

Page one, items 1 - 8	Senate
Page two, items 9 - 15	Senate
Page three, items 16 - 22	Senate
Page three, item 23	House
Page three, item 24	Senate
Page four, items 25 - 32	Senate
Page five, items 33 - 39	Senate
Page six, items 40 - 46	Senate
Page seven, items 47 - 49	Senate

There being NO OBJECTION, it was so ordered. This action CLOSED all FY 21 capital items.

[1:59:10 PM](#)

^Supplemental Capital Items.

Vice-Chair Foster MOVED to ADOPT the following supplemental capital items:

Page eight, Item 1 Senate, modified, minus 500 thousand, change fund source from AHFC dividend (fund code 1139) to the Constitutional Budget Reserve fund (Fund code 1001), change to immediate effective date

Page eight, Items 2 - 4 Senate

Page eight, Item 5 Senate, modified, delete "and development of economic opportunities for the state at the state and federal level"

Page eight, Item 6 Senate, modified, delete "and development of economic opportunities for the state at the state and federal level"

Page nine, Items 7 - 10 Senate

Page ten, Items 11 - 14 Senate

Page ten, Item 15 Senate, modified, change to immediate effective date

Page ten, Items 16 - 17 Senate

Page ten, Item 18 Senate, modified, reduce line one by \$3.2 million Constitutional Budget Reserve fund (fund code 1001), increase line two by \$3.2 million AHFC dividend (fund code 1139)

Page 11, Items 19 - 20 Senate

There being NO OBJECTION, it was so ordered. These actions CLOSED all conferenceable supplemental capital items in House Bill 205.

[2:03:10 PM](#)

^FISCAL NOTES:

Chair Stedman stated the committee would address fiscal notes that will be added to House Bill 205.

Vice-Chair Foster MOVED to ADOPT the fiscal note appropriation packet for House Bill 205.

Chair Stedman OBJECTED for discussion.

Chair Stedman WITHDREW his OBJECTION.

Chair Stedman asked to back up and requested for Vice-Chair Foster to discuss the fiscal note appropriation packet.

Vice-Chair Foster OBJECTED for discussion.

Vice-Chair Foster listed facts about the fiscal note appropriation packet:

1. The packet makes appropriations associated with the bills listed.
2. If a bill listed fails to pass, its substance fails to be incorporated in some other measure, or is vetoed by the Governor, the appropriations associated with that bill are removed.
3. The attached reports prepared by the Legislative Finance Division list the fund sources and agencies associated with the bill.

Vice-Chair Foster WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. The fiscal note appropriation packet was ADOPTED.

[2:05:54 PM](#)

^AMENDMENTS:

Vice-Chair Foster MOVED that for all unrestricted general fund appropriations in sections 1 - 4 of this bill, excepting appropriations made to the Judiciary, 25 percent of the unrestricted general funds be replaced by the Constitutional Budget Reserve fund (fund code 1001).

Chair Stedman OBJECTED for discussion. He asked Pete Ecklund, Operating Budget Coordinator to the table to explain the motion to the committee.

[2:06:46 PM](#)

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, wanted to give a general overview of the forthcoming two amendments. He would review the motion made by Vice-Chair Foster and other staff would speak to the second amendment.

Mr. Ecklund explained that the motion had been to reduce 25 percent of UGF appropriations made in Section 1 of the bill. He referenced a report labeled "C1 and C2" (copy on file). He noted that Section 1 through Section 4 of the bill was the number section and the fiscal notes section. He drew attention to the first column of the C1 document, which showed the UGF reduction from the numbers section of the bill to be \$607,546,000. He cited a \$84.6 million reduction to state retirement payments; and noted there was an additional reduction in funding (in the second amendment) to the Public Employees' Retirement System

(PERS) and the Teachers' Retirement System for a total reduction of \$692.18 million.

Mr. Ecklund clarified that he would have to speak to multiple amendments to give context to explanation.

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Mr. Ecklund stated that the amendment moved by Vice-Chair Foster was made in part in the event that there was not a three-quarter vote obtained to fill the deficit in FY 21 for the operating and capital budgets.

Mr. Ecklund stated that if the motion passed, as well as the following amendment, the CBR vote clauses contained in the bill were there for FY 20 and FY 21. He reminded that the legislature had recently passed a supplemental budget that had a three-quarter vote provision and a reverse-sweep provision, both of which had failed. There had been \$246 million in head room of UGF spending in the bill, and the bill total of UGF was \$360 million. The total had included \$142 million of Medicaid payments to match federal funds, \$110 million for fire suppression, and funds for a COVID-19 emergency response. He furthered that the action taken by the legislature was not approved by the three-quarter vote for deficit-filling language for the full appropriation of \$360 million.

Mr. Ecklund continued to address the forthcoming amendments. The coming amendment would add the CBR deficit-filling provisions for FY 20, as well as FY 21. In the event that the votes were not obtained in either body of the legislature, the proposed 25 percent UGF reduction would switch to a fund source of the CBR. The \$692 million would be subtracted from HB 205 and there would be a budget to fund eight to nine months of functioning government. There was contingent language in the upcoming amendment that specified it was the intent of the legislature that in the case the three-quarter CBR vote fails, it was intended that the eight to nine month budget to get through March 1st; and further that the legislature intended to pass a supplemental budget by February 10, 2021 to fill in the gap created by the lack of deficit-filling language to fund the budget.

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Chair Stedman summarized that the proposed amendment in the motion was a stop-gap measure in the event that the CBR authorization (which took a three-quarter vote to access) did not take place, and there was no ability to access \$392 million of funds and the budget would be roughly reduced by 25 percent. The amount did not include education and the courts.

Mr. Ecklund affirmed that the amount was \$692 million when the numbers section and statewide item of retirement were added. He furthered that Chair Stedman was correct when he stated that the judicial branch and K-12 foundation formula funding was exempt from the proposed 25 percent reduction.

Chair Stedman WITHDREW his OBJECTION.

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AT EASE

[2:18:47 PM](#)

RECONVENED

Representative Tilton OBJECTED to the motion. She spoke to her objection. She asserted that agencies did not necessarily always bill in the same amount monthly, and thought it was not necessarily true that the amount of money discussed was enough to get the state through eight months of budget in the way that was described.

Chair Stedman stated that the reason the provision was proposed was in the event that there were not sufficient votes to allow access to CBR funds under a severe time restraint. He thought the legislature did not have the luxury to continue in session for some time, and the proposal would allow the legislature to adopt a functioning budget before returning home to deal with community health issues before reconvening sometime in the late fall to finish the budget. He hoped the CBR vote requirement was met and the proposal would be added language.

Representative Tilton MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: von Imhof, Johnston, Olson, Stedman, Foster
OPPOSED: Tilton

The MOTION PASSED (5/1).

2:21:29 PM

Vice-Chair Foster MOVED to ADOPT Amendment #1, 31-GH2197\R.A.20 (Bruce, 3/28/20).

Chair Stedman OBJECTED for discussion.

CAROLINE SCHULTZ, STAFF, SENATOR NATASHA VON IMHOF, discussed Amendment 1. She spoke to a Sectional Analysis of the amendment labelled "A" (copy on file):

P1, lines 1 - 8

Partial fund source change of Permanent Fund Dividend appropriation - UGF portion sufficient to pay a \$500 per person PFD, CBR portion pays another \$500 per person

P1, lines 10 - 12

Change fund source of \$75 million FY20 supplemental appropriation for COVID-19 response to DHSS Public Health Emergency Programs to CBR

P1, lines 14 - 16

Change fund source of \$5 million FY20 supplemental appropriation to the Disaster Relief Fund to CBR

2:24:36 PM

Mr. Ecklund wanted to point out that in an earlier amendment, the committee had adopted a language amendment that established that legislation extending the emergency must must pass for the two appropriations of \$75 million and \$5 million to be valid.

Ms. Schultz noted that both appropriations were FY 20 supplemental items with an immediate effective date.

Ms. Schultz continued to address Document A:

P1, line 18 - P2 line 10

Change fund source of 25 percent of PERS/TRS unfunded liability payment to CBR

P2, lines 13 - 18

Reverse sweep provision

Mr. Ecklund referenced a document labelled "B1 and B2" (copy on file). He explained that that if the reverse sweep was not obtained by a three-quarter vote of each body, it would impact the budget in the magnitude of approximately \$650 million at different times.

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Ms. Schultz continued to reference Document A:

P2, line 19 - P3 line 1

FY20 CBR deficit-filling language for HB 234 (supplemental budget passed by both bodies but underfunded) and supplemental appropriations in HB 205 (this bill)

P3 lines 5 - 7

FY21 CBR deficit-filling language for HB 205 (this bill)

P3 lines 9 - 11

FY21 CBR deficit-filling language for HB 206 (Mental Health budget, passed by both bodies)

Ms. Schultz noted that there was already existing deficit-filling language for FY 21 contained in HB 205, and the provision was not conferencable.

Senator Olson asked about the approximate amount of the deficit-filling language.

Mr. Ecklund affirmed that the amount would be hundreds of millions, depending on the price of oil. He noted that the spring revenue forecast had not been released yet.

Ms. Schultz detailed that lines 5 through 11 on page 3 of the amendment added a reference to HB 206 (the Mental

Health budget passed by both bodies and enacted). She explained that the mental health portion of the budget was included in the deficit-filling language. She clarified that document "A" had an error on page 3, lines 5-7, should reference HB 206 rather than HB 205.

Ms. Schultz continued to address document A:

P3 lines 13 - 17

All CBR appropriations are made under Article IX, Sec. 17(c) (the 3/4 vote requirement) - these include 25 percent of agency operations (excluding courts), fiscal notes, retirement funding, COVID-19 response items, and the PFD.

P3 lines 24-28

All CBR appropriations are contingent on enactment of the reverse sweep

P3 line 29 - P4 line 5

If the 3/4 vote fails, the remaining appropriations are made for the purposes of funding state agency operations through the first eight months of the fiscal year and this it is the intent of the legislature to appropriate the remaining amount necessary by February 10th, 2021.

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Chair Stedman WITHDREW his OBJECTION to the adoption of Amendment 1.

Representative Tilton OBJECTED to the adoption of Amendment 1. She spoke to her objection. She acknowledged the urgency to end the session with a budget so that the state government could run. She considered that the amendment tied many things to the CBR vote, including the PFD. She thought the people of Alaska were in need. She was concerned that small businesses were currently unable to operate due to the COVID-19 pandemic despite being innovative.

Representative Tilton WITHDREW her objection.

There being NO OBJECTION, it was so ordered. Amendment 1 was ADOPTED.

[2:33:22 PM](#)

Vice-Chair Foster MOVED to give Legislative Finance and Legislative Legal Services the ability to make technical and conforming changes to the Conference Committee Substitute for House Bill 205. There being NO OBJECTION, it was so ordered.

Chair Stedman relayed that the committee had taken care of all conferenceable items in House Bill 205. He stated that the committee would recess to the call of the chair to ensure it was ready to report out the Conference Committee report. He thanked the committee members for their work. He made a special thanked for the committee aides in both bodies that had put in many hours for many days to put a budget together that would allow the administration to function with funds to respond to the virus. He was impressed with the quality of the work of the committee aides. He hoped to have the bill to the governor's desk as soon as possible to allow him to respond to the virus.

[2:36:13 PM](#)

RECESSED

[7:00:19 PM](#)

RECONVENED

Chair Stedman expressed his thanks to the new Legislative Finance Director Pat Pitney; Legislative Finance Division staff Kelly Cunningham and Alexei Painter; and bill drafters Linda Bruce, Meera Couette, and Megan Wallace. He noted that the bill drafters had been working excessively long hours in the preceding weeks.

Vice-Chair Foster MOVED to report CCS HB 205 out of Committee with individual recommendations.

[7:02:38 PM](#)

AT EASE

[7:02:47 PM](#)

RECONVENED

Chair Stedman asked Vice-Chair Foster to repeat the motion.

Vice-Chair Foster MOVED to report CCS HB 205 out of Committee with individual recommendations.

Representative Tilton OBJECTED. She did not speak to her objection.

Representative Tilton MAINTAINED her objection.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Stedman, Johnston, von Imhof

OPPOSED: Tilton, Olson

The MOTION PASSED (4/2).

CCS HB 205 was REPORTED out of committee with a "do pass" recommendation.

[7:04:07 PM](#)

AT EASE

[7:05:55 PM](#)

RECONVENED

Chair Stedman thanked the members and the finance committees and staff.

Vice-Chair Foster MOVED to ADJOURN this Conference Committee. There being NO OBJECTION, it was so ordered.

#

ADJOURNMENT

[7:06:21 PM](#)

The meeting was adjourned at 7:06 p.m.