

SENATE FINANCE COMMITTEE  
January 29, 2019  
9:02 a.m.

9:02:07 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Lyman Hoffman  
Senator Peter Micciche  
Senator Donny Olson  
Senator Mike Shower  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Donna Arduin, Director, Office of Management and Budget;  
Lacey Sanders, Budget Director, Office of Management and Budget; Senator Cathy Giessel.

SUMMARY

SB 38        APPROP: SUPP; CAP; DISASTER RELIEF

SB 38 was HEARD and HELD in committee for further consideration.

SB 39        APPROP: SUPP; REAPPROP; CAP; AMEND; REPEAL

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

#sb38  
#sb39

SENATE BILL NO. 38

"An Act making supplemental appropriations for fire suppression activities and restoration projects relating to earthquake disaster relief; capitalizing funds; and providing for an effective date."

SENATE BILL NO. 39

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; and providing for an effective date."

[9:05:35 AM](#)

DONNA ARDUIN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, (OMB) introduced herself. She stated that that it was important that, outside of the disaster response and recovery, that there be a supplemental that did not spend additional general fund dollars.

Co-Chair Stedman requested a brief work history.

[9:06:44 AM](#)

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussed her work background.

Ms. Sanders discussed the presentation, "State of Alaska: Office of Management and Budget; Supplemental Overview; Presentation to the Senate Finance Committee" (copy on file). She looked at slide 2, "FY 2019 Supplemental Summary":

FY2019 Supplemental Bill

- Reductions in Spending
- Formula Program Adjustments
- Salary Adjustments Related to Classification of Trooper Positions
- Operating Adjustments
- Capital Projects
- Transfers Back to the General Fund

FY2019 Disaster Supplemental Bill

- 2018 Cook Inlet Earthquake
- Disaster Relief Fund Capitalization
- Federal Highway Administration Funding
- State Facilities Costs Not Covered by Insurance
- FY2019 Fire Suppression Activity

Ms. Sanders highlighted slide 3, "FY 2019 Supplemental Requests Totals." She stated that the slide was a summary of the requests, split between the two bills. She noted that the presentation identified the amount necessary to fund the two bills.

Ms. Sanders addressed slide 4, "FY 2019 Supplemental Requests Totals."

Ms. Sanders looked at slide 5, "FY 2019 Supplemental Requests Totals."

Ms. Sanders discussed slide 6, "Historical Comparison."

Ms. Sanders looked at slide 7, "Historical Comparison."

[9:10:55 AM](#)

Ms. Sanders pointed to the document, "FY 2019 Supplemental Requests; Released January 28, 2019" (copy on file).

Ms. Sanders looked at item 1:

DCCED  
National Petroleum Reserve - Alaska Impact Grant Program Additional Distribution (Language)

Ms. Sanders highlighted item 2:

DOC  
MH: Renovation and Relocation of the Women's Integrated Mental Health Unit at Hiland Mountain Correctional Facility

Ms. Sanders looked at item 3:

DEC  
Statewide Per- and Polyfluoroalkyl Substances (PFAS) Identification of Sites and Related Costs

Senator Hoffman queried the past work for PFAS, and wondered why it was important to include in the request.

Ms. Sanders replied that it was identified as an increased health risk. The department was beginning to identify spots that needed addressing.

Co-Chair Stedman wondered about the timing sequence, and the need for the project in the supplemental budget.

Ms. Arduin replied that the request was for fire suppression activity at numerous airports. She stated that the department was identifying the necessary cleanup locations, and would like that activity to begin as soon as possible.

Senator Hoffman queried the locales of where the activity would occur.

Ms. Sanders agreed to provide that information.

[9:15:06 AM](#)

Senator Olson remarked that his district had hundreds of airports, but fire suppression was not an important factor to those airports. He assumed that the fire suppression activity was location-specific. He queried the list of those areas.

Ms. Sanders replied that she did not currently have a list, and furthered that that she believed that the fund was previously used for test practice with the foam to ensure preparedness in the event of a need for the fire-suppression.

Senator Olson wondered why the funding was currently necessary, because it was the middle of the winter.

Ms. Arduin agreed to provide that information.

Senator Bishop noted that there were numerous states that were looking into entering a class-action lawsuit, and wondered whether Alaska was looking into that lawsuit to help recoup some of the money.

Ms. Sanders was not aware of that information.

Co-Chair Stedman remarked that the inquiry could be given to the Department of Law (LAW).

Senator Wilson wondered whether the money would be for only state airports, or would there be an inclusion of the municipal airports.

Ms. Sanders agreed to provide that information.

Co-Chair Stedman felt that there may be a future presentation on the specific issue.

Ms. Sanders discussed item 4:

DMVA

Transfer Termed Projects Unobligated Balances back to the General Fund Estimated to be \$817.2 (Language)

Ms. Sanders highlighted item 5:

DNR

Upgrade and Repair of Critical Volcano Monitoring Instruments

Ms. Sanders looked at item 6:

DPS

Reappropriation of Capital Projects to Maintenance/Renovation of Rural Trooper Housing - Estimated to be \$1,059.0 (Language)

Co-Chair Stedman queried the time sensitivity of the issue.

Ms. Sanders replied that the department identified items such as mold and broken flooring in the housing that must be quickly addressed to meet the needs.

Senator Olson remarked that much of the housing was on contract and rented by the state. He wondered whether it was the state's responsibility to maintain those facilities.

Ms. Sanders agreed to provide that information.

Ms. Sanders discussed item 7:

DPS

Consolidate Multiple Capital Appropriations for Public  
Safety Equipment Replacement - Net Zero (Language)

Senator Micciche noted that item 7 was a zero.

Ms. Sanders agreed that both items 6 and 7 were net zero.

[9:20:11 AM](#)

Ms. Sanders looked at item 8:

DOT/PF  
Alaska Marine Highway System Vessel Overhaul, Annual  
Certification and Shoreside Facilities Rehabilitation

Co-Chair Stedman requested the time sensitivity of the  
appropriation.

Ms. Sanders discussed item 9:

DOT/PF  
Klondike - Industrial Use Highway Funding

Senator Shower looked at item 2. He wondered why the item  
was in the Supplemental Budget.

Co-Chair Stedman stated that the request would be included  
in the information provided at a later date.

Senator Hoffman looked at item 3, and noted the request for  
\$7.645 million for phase 1. He queried the number of  
phases, the timeframe, and the amounts of the remaining  
phases in the program.

Ms. Sanders agreed to provide that information.

Ms. Sanders highlighted item 10:

DOA  
Extension of a Lapse Date: Labor Contract Negotiations  
and Arbitration Support from FY2019 to FY2022  
(Language)

Ms. Sanders discussed item 11:

DOA

Centralized Office of Information Technology -  
Information Services Fund Alignment with Anticipate  
Expenditures

Co-Chair von Imhof assumed that the "other" was a transfer from all the other agencies that formerly had their own individual IT employees, and was a transfer of money between accounts.

Ms. Sanders agreed.

Co-Chair von Imhof wondered how much of the request was new money. She asked whether it was completely a transfer of funds.

Ms. Sanders replied that it was not new money, rather it was bringing their budget in line with their needs.

Ms. Sanders addressed item 12:

DEED  
Repeal FY2019 State Aid to School Districts - One-Time  
Funding Appropriated Outside the Formula (Language)

[9:25:00 AM](#)

Senator Olson felt that the item had caused the most concern. He recalled one-time funding to help the school districts. He stated that OMB had announced that they would work collaboratively with the school district, and queried the status of that activity.

Ms. Arduin replied that there was work with the agencies to identify areas where there was cash available, because the prioritization of the fiscal situation was important along side the need for disaster response and recovery.

Senator Olson surmised that the school districts had not been contacted by OMB as related to the specific \$20 million.

Ms. Arduin replied that her office had not contacted the school districts.

Co-Chair Stedman requested history on the timeline. He remarked that the money was appropriated the year prior.

Ms. Arduin replied in the affirmative.

Ms. Sanders furthered that it was standard practice that the funds were distributed.

Senator Olson surmised that, before the funds were dispersed, the department offered the \$20 million.

Ms. Arduin replied that there was work with the agencies to identify areas where money had not been dispersed, and the money was in that area of non-dispersal.

Senator Hoffman remarked that there was an additional \$30 million for FY 20 in HB 287. He wondered whether it was the administration's position that the \$30 million one-time appropriation would be left alone.

Ms. Arduin replied that it would be addressed on February 13 with the remaining FY 20 recommendations.

Senator Bishop felt that the school districts needed to be contacted about the need for the money, and then talk to the agencies.

[9:30:23 AM](#)

Senator Micciche wondered whether the districts had planned to the dollars, and whether the districts were caught by surprise.

Ms. Arduin replied that it was her contention that school districts and other entities that expected money from the state should not be anticipating spending money that had not been allocated to them.

Co-Chair Stedman queried an explanation of the difference between appropriation and allocation.

Ms. Arduin replied that money was appropriated to school districts through the funding formula for FY 19, and that money would be distributed. The proposal was money that was appropriated outside of the formula, and had not been distributed to districts, so it had not been allocated to them.

Co-Chair von Imhof stressed that there were 17 agencies that had planned their budget accordingly whatever the timing was allocated for the cash for the full twelve months. She noted that the budget was set in the summer, and there was already program planning. She asked what made education different from other agencies, and whether or not that should be done to any agency. She understood that there was a need to save money for the 2019 year, and noted that education had been examined. She stressed that there were other agencies that could be examined in the same way as education.

Senator Hoffman recalled two bills that were passed in the previous session, that were made into law. He felt that the administration's position was that the law would be followed. He recalled that the governor had specifically focused on the law when it came to the Permanent Fund Dividends (PFDs). He queried the difference between the requirement of the law on dividends and the law on SB 142 and HB 287 from the previous session.

Ms. Arduin replied that appropriations were the law, until there was a request to change them. She stated that the administration was requesting a change in the appropriation to the department.

Senator Hoffman wondered whether the request would be implemented by the administration, if the legislature did not change the law.

Ms. Arduin replied in the affirmative.

Co-Chair Stedman queried the timeframe of the execution of the appropriation.

Ms. Arduin replied that OMB would wait for feedback through the legislature's actions on the proposal.

[9:35:07 AM](#)

Senator Wielechowski noted that in the year prior, the legislature had appropriated tens of millions of dollars more for refundable oil tax credits than was owed under the statute. He wondered whether there was an examination of cutting those extra funds that were appropriated for oil tax credits instead of education.

Ms. Arduin replied that the statutory required tax credits were not met in the FY 19 budget, and only \$100 million of those were in the appropriation.

Senator Wielechowski disagreed with that interpretation.

Senator Wilson wondered whether the Department of Education and Early Development (DEED) was expecting the school districts to use their savings budget of a collective \$130 million to help pay for some of the shortfalls.

Ms. Arduin replied that the money was appropriated outside of the formula. The formula was fully funded for the school year.

Ms. Sanders looked at item 13:

DEED

School Broadband Access Grant Reduction

Senator Olson stressed that broadband was extremely important for students in the outlying areas. He noted the low graduation rate. He wondered whether there were not enough applications for the allocated money, and queried the reason for the low application rate.

Ms. Sanders replied that based on the applications, it was in excess of that. The applications received the eligible amount.

Senator Olson requested the reason that more applications were not received.

Ms. Sanders agreed to provide that information.

Co-Chair von Imhof wondered whether the removal of the money would be forfeiting some federal match dollars.

Ms. Sanders agreed to provide that information.

Senator Wielechowski requested any impacts to federal funding on the requests.

Co-Chair Stedman surmised that the request was for OMB to provide the committee with a list of potential loss of federal funds, because of lack of a match.

Senator Wielechowski replied in the affirmative.

Ms. Sanders highlighted item 14:

DFG

Information Technology Systems Upgrade and Maintenance

Senator Wilson looked at item 11, and wondered whether there were other departments that had lower initial rates that would be seen in the upcoming budget. He also asked whether there would be additional requests from those agencies.

Ms. Sanders replied that as there was a transition of the Centralized Office of Information Technology, there was work with departments to identify needs, and would return to the committee on February 13.

[9:40:49 AM](#)

Ms. Sanders discussed item 15:

DHSS

Medicaid Federal Funding - Implementation of Tribal Health Community Aid/Behavioral Health Aid Program (Language)

Ms. Sanders looked at item 16:

DHSS

Medicaid Funding - FY2018 Medicaid Claims Paid in FY2019

Co-Chair von Imhof wondered whether the supplemental of \$15 million would fully fund FY 19, so the payments were not intended to push forward to FY 20.

Ms. Sanders replied in the affirmative.

Co-Chair von Imhof looked at the \$31 million of anticipated FY 19 costs available due to the delayed implementation of Medicaid managed care. She felt that sometimes not funding programs caused spending money in order to save money. She wondered whether the delay would result in the department examining the item, and would learn more about the item in 2020.

Ms. Sanders replied in the affirmative.

Ms. Sanders highlighted item 17:

DPS  
Funding for Salary Adjustments due to Classification  
Action for State Troopers to Retain and Recruit

Senator Micciche assumed the second step might be seen on February 13.

Co-Chair Stedman requested further history on the issue, and the upcoming FY 20 budget.

Ms. Sanders stated that there had been conversations in the previous session about the ability of the state to fill and recruit the trooper positions. She noted that the contract for those positions was closed, so the prior administration worked with the union to complete a classification study outside of the normal process. The classification study resulted in a one-range increase for those positions, and would have additional salary increases in FY 20 under the agreement.

Ms. Sanders looked at item 18:

DPS  
Align Village Public Safety Officer (VPSO) Program  
Funding (Based on Anticipated Lapse)

[9:44:59 AM](#)

Senator Hoffman stated that item 17 and 18 were directly related. He recalled that when the unfilled trooper positions were addressed, the department stated that they were unable to fill those positions because of the pay scale. He shared that the salary structure for the VPSOs needed to also be readdressed. He stressed that the recruitment of the positions needed to be upscaled.

Co-Chair Stedman requested more detail about the concern.

Ms. Arduin replied that the administration was working on recruitment and retention for troopers and VPSOs.

[9:50:06 AM](#)

Senator Bishop agreed with Senator Hoffman. He offered help with those concerns.

Senator Shower recalled that in the previous five years, the VPSO program had not spent more than \$10.5 million, but was funded at close to \$13 million. There was an amendment to cut the \$1 million. He queried the process in examining the history of the use of the funds within the programs.

Co-Chair Stedman further wondered why the specific number was chosen.

Ms. Arduin replied that the current year had an examination of what money would not be spent, despite the agency's best efforts. She also stated that there was a lookback to examine the areas that were consistently underutilizing the appropriations.

Senator Shower requested data that showed that the troopers were leaving due to the pay.

Co-Chair Stedman asked for more background for the appropriation request.

Co-Chair von Imhof noted the "use it or lose it" potential behavior. She pointed out that if money was not being used was pulled from different agencies, there could be potential ramifications of behavior by particular agencies to spend the money to the allowable degree.

Ms. Arduin shared that the agencies had been working to identify money that they would not be using, and to offer the money to support the disaster response and recovery in the supplemental budget.

Senator Olson felt it was troubling that the governor had stated that his number one priority was public safety, but there were budget reductions. He recalled a tragedy in his district with the death of Ashley Barr Johnson. He remarked that VPSO also had trouble with recruitment and retention. He recalled that the nonprofits' hands were tied by the state in order to use their funds. He queried the reason for the lack of coordination for those nonprofits to use the extra money.

[9:56:23 AM](#)

Ms. Arduin deferred to the agency, and stated that her office did not communicate directly with those grantees. She stated that her office had been told that the money would not be spent in the agency.

Senator Olson wanted to know why the nonprofits could not use the money, even with legislative intent for that issue.

Ms. Arduin replied that the agency would provide that information.

Senator Wielechowski queried the analysis regarding other funds that were expected to lapse.

Ms. Arduin replied that the analysis was to ask the agencies which monies were not being used and/or would lapse.

Senator Wielechowski surmised that this was the only item in the entire budget that would lapse.

Ms. Arduin responded in the negative. She stated that it was the best information provided by the agency to OMB.

Senator Shower queried the operational model within the Department of Public Safety (DPS) to determine the split with the VPSO.

Ms. Arduin replied that the department would follow up with the information.

Ms. Sanders discussed item 19:

DPS  
Training Academy Receipt Authority to Fully Collect  
Revenue from Municipalities  
DGF: \$150,000  
Total: \$150,000

Senator Micciche recalled that the state was paying for the academy training for the municipalities, and then the municipalities would hire the state troopers. He noted some cost shift as part of the effort. He wondered whether there was an expectation of a higher number, and whether the \$150,000 was simply a difference of the 16 hours of increased sexual assault training.

10:00:00 AM

Ms. Sanders highlighted item 20:

DPS  
Align Fund Sources for the Management of Funds to  
Reflect Allocation Plans  
UGF: (\$148,200)  
Other: \$148,200

Ms. Sanders discussed item 21:

DOT/PF  
Projected Motor Fuel Tax Revenue Shortfall - Estimated  
to be \$884.9 (Language)  
UGF: \$884,900  
DGF: (\$884,900)

Co-Chair Stedman wondered whether the reason was due to an overestimate of the amount of burnt fuel, or an exuberance of the number used in the budget.

Ms. Arduin replied that it was an overestimate of the amount spent, including depending upon the price of fuel.

Senator Micciche noted that the price was 8.95 cents per gallon, so he wondered whether it was the actual amount purchased.

Ms. Arduin replied in the affirmative, and remarked that it was difficult to determine the exact amount of collected fuel tax.

Co-Chair Stedman wondered whether there were any budgetary issues between the DGF and UGF categories.

Ms. Sanders replied in the affirmative, and furthered that it was difficult to budget when there were one-year projected receipts.

Co-Chair Stedman queried the use of the money.

Ms. Sanders responded that the funds were for the highways in the state.

Co-Chair Stedman wondered whether the money was for general repair, such as pothole repair.

Ms. Sanders agreed.

Ms. Sanders looked at item 22:

DOT/PF  
Whittier Tunnel Project Loan Payoff

Ms. Sanders highlighted item 23:

Debt  
Updated Estimate for School Debt Reimbursement  
(Language)

Senator Olson wondered how the communities were chosen for the line item.

Ms. Sanders recalled that anticipated debt sales came in below target, and there were larger federal subsidy amounts available.

Co-Chair Stedman requested further information about the specific communities.

Senator Wielechowski noted that there was a request for departments to provide a list of funds that would not be expended. He requested a list of the responses from the departments about the funds that were expected to lapse in the budget.

Ms. Arduin replied that the budget represented the list that was received from the departments.

[10:04:12 AM](#)

Ms. Sanders addressed item 24:

Retirement  
Updated Amount for the Elected Public Officers  
Retirement System Benefits (Language)

Ms. Sanders looked at item 25:

Fund Transfer

Transfer Balance Large Passenger Vessel Gaming and Gambling Tax Account to AK Capital Income Fund (Previously transferred to the AMHS Fund) - Estimated to be \$10.1 million (Language)-

Ms. Sanders highlighted item 26:

Fund Transfer  
Transfer \$3 million from AMHS Fund to Information Services Fund (Language)

Co-Chair Stedman queried the definition of the Capital Income Fund.

Ms. Sanders replied that it was a fund set up and designated for deferred maintenance needs.

Senator Bishop stressed that there would be another supplemental request to repair the other vessels.

Senator Micciche wondered why \$3 million was chosen out of the \$13 million total.

Ms. Sanders stated that item 25 was a \$10.1 million appropriation.

Senator Micciche looked at the component totals of \$13.1 million.

Ms. Sanders stated that Senator Micciche was combining the two items. She explained the transfer. She stated that all the agencies provided funding available to meet the state's needs, and there was \$13.1 million available to address deferred maintenance and the Office of Information Technology.

Senator Micciche wondered whether there was an evaluation on the split.

Ms. Sanders replied that it was the amount necessary for the Information Services Fund to allow for the stair stepping.

[10:10:21 AM](#)

Co-Chair von Imhof wondered whether the accounts were strict on how the money could be utilized.

Ms. Sanders remarked that there was work with the agencies to determine their individual needs.

Ms. Sanders looked at item 27:

Fund Cap  
Alaska Gasline Development Corporation - Transfer \$5 million back to the General Fund (Language

Senator Hoffman wondered what would occur at the end of the fiscal year, if the \$5 million was not spent.

Ms. Sanders replied that the funds would remain in the fund.

Co-Chair von Imhof noted that there was approximately \$25 million in reductions, but noted that it had not yet addressed the full shortfall of over a billion dollars.

Co-Chair Stedman remarked that the items would be readdressed in later meetings.

Ms. Sanders discussed item 28:

DNR  
Fire Suppression Activity (Language

Ms. Sanders addressed item 29:

DOT/PF  
Earthquake Response, Repair and Rebuild for State Facilities (Language

Ms. Sanders pointed to item 30:

DOT/PF  
Earthquake Response, Repair and Rebuild Multi-Year FY19-FY20 - \$65 million estimate with \$6.5 million match requirement - FHWA (Language)

Ms. Sanders addressed item 31:

Fund Cap  
Capitalization of the Disaster Relief Fund (Language)

[10:15:16 AM](#)

Senator Wilson requested a list from the administration on the use of the funds.

Co-Chair Stedman asked that the request be submitted to the Department of Transportation and Public Facilities (DOT/PF).

Ms. Arduin agreed to provide that information. She stated that the information would be updated throughout the year.

Senator Micciche looked at the wildland firefighting appropriation. He wondered whether the request would provide money without an emergency declaration.

Ms. Sanders shared that there was work to identify the average low for the fire suppression. The amount in the operating budget had historically been underfunded. The intent was to move forward with the amount necessary.

Co-Chair Stedman requested a layout of the budgetary request in FY 19 to address oil tax credits, and what had been and would be appropriated in FY 19.

Ms. Arduin replied that the statutory minimum requirement for FY 19 was approximately \$184 million, of which only \$100 million was appropriated.

Co-Chair Stedman requested a written response.

SB 38 was HEARD and HELD in committee for further consideration.

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

#

ADJOURNMENT

10:20:46 AM

The meeting was adjourned at 10:20 a.m.