

SENATE FINANCE COMMITTEE
February 21, 2019
9:01 a.m.

9:01:51 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 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;
Samantha Gatton, Administrative Services Director,
Department of Fish and Game, Office of Management and
Budget; Fabienne Peter-Contesse, Administrative Services
Director, Department of Natural Resources, Office of
Management and Budget; Jeff Rogers, Administrative Services
Director, Department of Environmental Conservation, Office
of Management and Budget; Senator Cathy Giessel.

SUMMARY

SB 20 APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 20 was HEARD and HELD in committee for further
consideration.

DEPARTMENTAL REVIEW

#sb20

SENATE BILL NO. 20

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

[9:07:21 AM](#)

DONNA ARDUIN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussed the presentation, "State of Alaska; Office of Management and Budget; FY 2020 Governor's Amended Budget; Presentation to the Senate Finance Committee; February 21, 2019; Director Donna Arduin" (copy on file).

SAMANTHA GATTON, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF FISH AND GAME (DFG), OFFICE OF MANAGEMENT and BUDGET, looked at slide 3, "FY 2020 Budget: Department of Fish and Game."

Co-Chair Stedman asked for definitions about the budget definitions.

Ms. Gatton replied with those definitions. She continued to discuss slide 3.

[9:10:43 AM](#)

Ms. Gatton addressed slide 4, "FY 2020 Budget: Department of Fish and Game":

Remove projects funding with Charter Revolving Loan funds (-\$997.0 GF)

Adjust the Scope of Management of Special Areas Wildlife Viewing (-280.0 GF)

Statewide Support - Executive Branch 20 percent Travel Reduction

Co-Chair Stedman queried a definition of a special program area, and its impact.

Ms. Gatton replied that it was roughly 3000 acres in the state. She used the example of the Mendenhall Refuge or the Palmer Hay Flats. She noted that there were also sanctuaries and critical habitat areas.

Co-Chair Stedman queried the expected impact in the special areas.

Ms. Gatton replied that the fees collected for the special areas were deposited into the Fish and Game funds. She stated that the fees were used to leverage Pittman Robertson and other federal funding.

Senator Bishop wondered whether any Pittman Robertson funding would be returned to the federal government.

Co-Chair Stedman asked for a definition of Pittman Robertson fund, and any current information on the current budgets.

Ms. Gatton replied that Pittman Robertson funding was the excise tax on firearms and ammunitions. The federal Pittman Robertson Act was created to provide funds to each state to manage animals in their habitats. The funds could not be diverted to other uses.

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Co-Chair Stedman remarked that the issue would be addressed in subcommittee.

Co-Chair von Imhof noted that the 50 percent travel reduction was in every department. She wondered how the travel reduction would decrease the ability to travel to check licenses.

Ms. Gatton replied that the Department of Fish and Game (DFG) did significant traveling. She explained that there was an examination of how the department organized and or developed its travel budget. The department believed that it could reduce travel budget.

Senator Hoffman queried the structural changes were proposed by the administration in the areas of habitat and subsistence.

Ms. Gatton replied that there were three full-time positions reduced in the budget. She explained that two of the positions were the Subsistence Director and the Habitat Director. She explained that there was an examination of how to support those sections and identify how those would be reported to the commissioner's office.

Senator Hoffman felt that those questions needed to be answered before the budget request.

Senator Shower stressed that there was a constitutional mandate for subsistence. He understood that there were positions that could be eliminated, but felt that the subsistence position was critical to many Alaskans.

[9:20:30 AM](#)

Senator Olson remarked that there were many phone calls about subsistence and remarked that losing two directors were being put into personnel who already had other duties.

Ms. Gatton replied that those positions were transferred out the budget, but there were no duties associated with those divisions that would go to OMB.

Senator Olson wondered who those programs would report to.

Co-Chair Stedman stated that if she did not know the answer she could report back to the committee.

Senator Wielechowski asked whether there were any new positions in the department.

Ms. Gatton replied in the negative.

Co-Chair Stedman noted that there were hatcheries that received funding from the state, and wondered whether there were any changes in the budget.

Ms. Gatton replied in the affirmative, and there were projects for the hatcheries in the Capital Budget.

Co-Chair Stedman remarked that the \$3.4 million and \$1.8 million in the budget were considered capital funds.

Ms. Gatton responded that there was still operating budget, but she stated that there would be additional money associated with those hatcheries.

Co-Chair Stedman wondered whether the shooting ranges would be in the budget.

Ms. Gatton replied in the affirmative.

Senator Wielechowski recalled that there was legislation that raised the fishing license fees to pay for the hatcheries, and wondered when that was set to expire.

[9:25:01 AM](#)

Co-Chair Stedman put historic context around the hatcheries.

Ms. Gatton agreed to provide that information.

Senator Bishop asked that the department examining making sport fish sale from the hatcheries.

Co-Chair Stedman asked for a definition.

Senator Bishop did not want to pontificate.

Co-Chair Stedman wanted to understand.

Senator Bishop shared that there were individuals who had applied to the hatcheries to purchase fish, and have been denied. The department must approve the sale. He asked that the department examine that new revenue.

Senator Wilson queried a quantification of how much of the Dingell Johnson funds were lost due to the lack of state matching funds in the year prior.

Co-Chair Stedman felt that the question had already been addressed.

Senator Wilson explained that it was different for fund source.

Ms. Gatton agreed to provide that information.

Senator Wielechowski noted the transfer of a division director to the Governor's Office. He requested a list of all the positions that were to be transferred out of Juneau to other parts of the state.

Co-Chair Stedman stated that the request could be for the OMB director. He also requested a total employee count reduction.

Senator Hoffman remarked that the budget probably had more economic impact to the state than most of the other departments. He queried the impact of the proposal if implemented on the commercial fishing industry, and whether the economic engine would be maintained throughout the state.

[9:30:59 AM](#)

Ms. Gatton replied that the \$997,000 of removing projects funding was specifically for commercial fisheries. She noted that some of the projects would not occur, and other projects would be swapped. There was an examination of partnerships with other entities.

Senator Hoffman asked what entities that were looked at for cooperation.

Ms. Gatton agreed to provide that information.

Senator Hoffman stated that the receipts were given voluntarily. He noted that his region had serious concerns that the budget would not provide the financial means because of the profits from their resource may have a reduction.

Senator Micciche felt that the impact of sport and commercial fishing and hunting and he would examine that interplay.

Senator Shower wondered whether the Alaska National Interest Lands Conservation Act (ANILCA) coordinator was eliminated in the budget.

Ms. Gatton replied that she did not believe that was in the DFG budget.

[9:36:58 AM](#)

AT EASE

[9:37:06 AM](#)

RECONVENED

[9:37:16 AM](#)

FABIENNE PETER-CONTESSA, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, OFFICE OF MANAGEMENT and BUDGET, highlighted slide 6, "FY 2020: Department of Natural Resources."

Co-Chair Stedman wondered whether there were 25 terminations in the future.

Ms. Peter-Contesse replied that there were 25 people in the 36 positions. She furthered that, in addition to those, there were seven positions that would be transferred, but five of those were filled positions. She explained that there was an additional five people that would be affected by the 2020 budget. She stated that there was a total of 30 people that would be either transferred to a different location or laid off.

Co-Chair von Imhof felt that it was the clearest and most comprehensive presentation. She remarked that the graph showed a pattern, and there were varying degrees of explanation. She asked that the graph include totals and changes.

Ms. Peter-Contesse explained that there was more granularity in the subcommittees. She felt that presenting at a high level was a better use of time.

Co-Chair von Imhof felt that she did not want to use a calculator.

Co-Chair Stedman shared that he had been through many years of financial presentations.

Ms. Peter-Contesse continued with her presentation.

[9:47:57 AM](#)

AT EASE

[9:48:18 AM](#)

RECONVENED

Ms. Peter-Contesse addressed slide 7, "FY 2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)":

Recorder's Office Consolidation and Efficiencies (-408.0 GF and -3 PFT, -2 PPT)

Increase Wildland Fire Suppression Activity Base Budget (+\$8,00.0 GF)

Reduce Lower Priority Programs in the Division of Agriculture (-\$1796.0 GF and -15 PFT, -4PPT0)

Delete Agriculture Revolving Loan (-\$421.7 GF and -2 PFT)

[9:54:53 AM](#)

Ms. Peter-Contesse continued to discuss slide 7:

Consolidate Parks Administrative Staff (-\$150.0 GF and -1 PFT, -2 PPT0)

Statewide Support - Executive Branch 50 percent Travel Reduction (-\$354.7 GF)

[9:55:27 AM](#)

Co-Chair Stedman wondered why Anchorage was chosen rather than Juneau for storing the historical documents of the state.

Ms. Peter-Contesse replied that Anchorage had the majority of the Recorder's Office footprint and the physical documents.

Co-Chair von Imhof noted that there were many more modern electronic documents. She felt that the documents could be stored at any location, and commended the efforts. She wondered whether there was significant data storage. She wondered whether there were conversations about the future of storage.

Ms. Peter-Contesse responded that they were required to keep the original files, which were the large maps for municipalities. She remarked that there were many files that did not have physical files. She shared that they kept

microfiche as a backup, which is the national standard for backing up recorded data. She remarked that there was a full floor of staff and files, which was a major footprint of the first floor of the Atwood Building in Anchorage.

Senator Micciche wondered whether there was an evaluation of the cause and effect. He wanted to focus on the agricultural priorities. He felt that it was a tough time to remove \$3.2 million in the state agricultural sector. He queried the evaluation of that effect.

Ms. Peter-Contesse replied that it was being considered. She stressed that it was important to look at the core mission of the Department of Natural Resources (DNR). She felt that many of the cuts were to good programs, but it was important to consider the state's fiscal situation, and whether it was the state's job to support the programs.

[10:00:20 AM](#)

Senator Olson felt that the private industry would not take up the slack unless there was a profit motive. He asked whether there were private companies to pick up the slack.

Ms. Peter-Contesse was not aware of specific business other than conversations in the peony industry.

Senator Wilson wondered whether the state's lease agreements in the buildings would be utilized for other departments.

Ms. Peter-Contesse replied that the savings relied with the \$408,000 reduction did not include future lease cost savings. She explained that there were situations where the leases were up before the beginning of FY 20, and there may be a need to either buyout or negotiate the leases. She anticipated additional reductions in lease savings.

Senator Wilson looked at the State Agricultural Veterinarian Program, and wondered whether the cut risked any life or safety issues.

Ms. Peter-Contesse replied in the negative. She explained that the regulatory requirements of having a state veterinarian resided in the Department of Environmental Conservation (DEC), and they were continuing the program.

Senator Bishop felt that there would be a spirited conversation about the Recorder's Office, but remarked that the small miners Fairbanks interior would not be happy about the move. He stressed that not all small miners had the ability to access a computer.

Co-Chair von Imhof remarked on the broadband capability, and wondered whether there were conversations with title companies for the impacts. She wondered whether DNR could do a courtesy scan for those miners. She noted that there may be unintended consequences that with additional investment in smaller areas might provide the services.

Ms. Peter-Contesse replied that there were conversations and work with title companies. She stated that almost all title companies were e-recording. She noted that DNR had continued outreach to the Alaska Miner's Association to attempt to reduce the impact for those people who did not have computer access.

Senator Shower echoed Co-Chair von Imhof's comments and thanked the presenter for their format. He wondered whether the important positions had been eliminated.

Ms. Peter-Contesse replied that there was a position that would not be eliminated.

[10:07:55 AM](#)

JEFF ROGERS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, OFFICE OF MANAGEMENT and BUDGET, looked at slide 9, "FY 2020 Budget: Department of Environmental Conservation."

[10:11:15 AM](#)

Mr. Rogers discussed slide 10, "FY 2020 Budget: Department of Environmental Conservation Snapshot (\$ Thousands)":

Repeal Ocean Ranger Program (-\$3,426.0 Other)

Withdraw Funding for Dairy Regulation (-\$179.6 GF and -1 PFT)

Remove Economist Position (-\$124.3 GF and -1 PFT)

Statewide Support - Executive Branch 50 percent Travel Reduction (-\$167.5 GF)

[10:16:20 AM](#)

Senator Bishop asked how many gallons of milk the dairy produced in a year.

Mr. Rogers agreed to provide that information.

Senator Olson wondered whether there was protection against antimicrobial diseases.

Mr. Rogers replied that the dairy would not be able to continue operating a system of commercial sales without the state operating a dairy program under the Pasteurized Milk Ordinance. He stated that DEC had regulations that permit the distribution through cow share programs.

Senator Wielechowski requested a list of the areas that the state had been given primacy.

Mr. Rogers replied that he did not have a list of the costs of primacy permits. He agreed to provide further information.

Co-Chair Stedman stressed that he would like the list of primacy permits. He recalled the Potential For Shellfish testing, and requested a status report on that issue.

Mr. Rogers replied that there was no proposed action on shellfish testing in the FY 20 budget, and the program would continue.

Senator Micciche requested details and plans for the Spill Prevention and Response (SPAR) fund, because less than a penny was funded through Alaska's fuel sales.

Mr. Rogers responded that DEC had worked with Senator Micciche to engineer a refined fuel surcharge that would fund SPAR. The Department of Revenue made a number of oversights in the fiscal note, which included exemptions that require assessment.

[10:21:36 AM](#)

Senator Wielechowski looked at the Ocean Ranger Program. He understood that the cruise ship paid a four dollar per berth fee. He wondered whether the fees that were paid matched the expenses of the program, or other expended general funds.

Co-Chair Stedman further wondered whether that program was part of the deficit issue.

Mr. Rogers replied that DEC received four dollars per berth for ever cruise ship in Southeast Alaska. He stated that DEC received an excess of \$4 million in Ocean Ranger receipts. He stated that DEC only had legislative authority to spend approximately \$3.8 million of those receipts. He stated that of the \$3.8 million, \$3.4 million funds the Ocean Ranger Program. He remarked that previous actions by the legislature had also diverted a certain portion of receipts to other marine adjacent activities.

Co-Chair Stedman asked whether the revenue received was DGF for the program.

Mr. Rogers replied in the negative. He stated that the revenue was considered "other."

Co-Chair Stedman asked whether the elimination of the program helped with the deficit.

Mr. Rogers replied that it did not.

Co-Chair Stedman felt that the legislature needed to prioritize the efforts, and felt that there should not be a focus on the items that would not fix the problem.

SB 20 was HEARD and HELD in committee for further consideration.

ADJOURNMENT
10:25:32 AM

The meeting was adjourned at 10:25 a.m.