

SENATE FINANCE COMMITTEE
March 12, 2019
9:02 a.m.

9:02:11 AM

CALL TO ORDER

Co-Chair von Imhof 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 Peter Micciche
Senator Donny Olson
Senator Mike Shower
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

Juli Lucky, Staff, Senator Natasha von Imhof; Jill Lewis, Deputy Director, Division of Public Health, Department of Health and Social Services; David Teal, Director, Legislative Finance Division; Lacey Sanders, Budget Director, Office of Management and Budget; Laura Cramer, Deputy Director, Office of Management and Budget; Shelly Wilhoite, Budget Analyst, Office of Management and Budget; Robb Arnold, Alaska Marine Highway System, Juneau; Trina Arnold, Alaska Marine Highway System, Juneau; Nils Andreassen, Executive Director, Alaska Municipal League, Juneau; Representative Louise Stutes.

PRESENT VIA TELECONFERENCE

Leslie Jackson, Ketchikan Gateway Borough Transit, Ketchikan; Bryan O'Callaghan, Executive Director, Center for Community, Sitka; Lynette Clark, Self, Fox; Glenn Miller, Transportation Director, Fairbanks North Star

Borough, Fairbanks; John Lamont, Self, Wasilla; Frank Kelty, Mayor, Unalaska; Sue Steinacher, Self, Nome; John Rozzi, Mat-Su Coalition on Housing and Homelessness, Mat-Su.

SUMMARY

SB 19 APPROP: CAPITAL BUDGET; SUPPLEMENTAL

SB 19 was HEARD and HELD in committee for further consideration.

SB 37 RENEWAL OF VACCINE ASSESSMENT PROGRAM

CSSB 37(FIN) was REPORTED out of committee with a "do pass" recommendation and with three new fiscal impact notes from the Senate Finance Committee for Department of Health and Social Services, Fund Transfer, and Fund Capitalization.

#sb37

SENATE BILL NO. 37

"An Act relating to the statewide immunization program."

[9:03:03 AM](#)

Senator Bishop MOVED to ADOPT the committee substitute for SB 37, Work Draft 31-LS0162\U (Marx, 3/9/19).

Co-Chair von Imhof OBJECTED for discussion.

[9:03:49 AM](#)

JULI LUCKY, STAFF, SENATOR NATASHA VON IMHOF, explained that the Department of Health and Social Services (DHSS) switch the account to a fund.

Ms. Lucky discussed the Sectional Analysis (copy on file):

Section 1:

Amends AS 18.09.200(b)(1) by removing the "phase in" language from statute as the Alaska Vaccine Assessment Program is now fully implemented.

Section 2:

Amends AS 18.09.220(a) by removing the "phase in" language from statute as the Alaska Vaccine Assessment Program is now fully implemented.

Section 3:

Amends 18.09.230 by creating the vaccine assessment "fund" in the general fund for the purpose of providing funds for the program that will be appropriated by the legislature, that can also include program receipts, penalties, money from other sources along with interest earned from the fund. These appropriations to the fund will not lapse.

Section 4:

Repeals and reenacts AS.18.09.230 allowing the commissioner to administer the fund in accordance to the provisions of the statewide immunization program.

Section 5:

Amends 37.05.146(c)(75) changing the word "account" to "fund"

Section 6:

Repeals AS 18.09.220(e) by removing the "opt out" option for assessees since the program is no longer in the "phase-in" stage.

Section 7:

Repeals the sunset provisions (to repeal the program in 2021) that were in section 5 of the original bill, SB 169 in 2014.

Senator Olson queried an affect on some of the rural hospitals.

Ms. Lucky deferred to Ms. Lewis. She understood that it was only a renaming of a fund, and would not affect how the fund works.

[9:06:36 AM](#)

JILL LEWIS, DEPUTY DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, agreed with Ms. Lucky.

Senator Olson wondered whether there was any opposition from the rural hospitals.

Ms. Lewis replied that the bill had no opposition from anyone.

Ms. Lucky assured the committee that Senator Giessel approved of the CS.

Co-Chair von Imhof wondered whether there were further comments.

Ms. Lewis stated that she did not have anything further to add.

Co-Chair von Imhof WITHDREW the OBJECTION.

There being NO further OBJECTION, the proposed committee substitute was ADOPTED.

[9:08:23 AM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained the fiscal notes.

Co-Chair von Imhof stated that there was an amendment.

Co-Chair von Imhof MOVED to ADOPT Conceptual Amendment 1. There being NO OBJECTION, it was so ordered.

Co-Chair von Imhof felt that it might make sense to capitalize the fund, should there be emergencies in the state.

[9:14:13 AM](#)

Senator Wielechowski wondered how it was not creating a dedicated fund.

Mr. Teal replied that a dedicated fund was something that must occur under the constitution. He stated that the bill created a fund that was designated, but not dedicated.

Senator Olson wondered whether there was concern about giving more power to the administration.

Mr. Teal replied that the bill provided the commissioner to rapidly respond.

[9:20:52 AM](#)

Senator Bishop MOVED to REPORT CSSB 37(FIN) from committee with individual recommendations and attached fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 37(FIN) was REPORTED out of committee with a "do pass" recommendation and with three new fiscal impact notes from the Senate Finance Committee for Department of Health and Social Services, Fund Transfer, and Fund Capitalization.

#sb19

SENATE BILL NO. 19

"An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[9:21:36 AM](#)

Co-Chair von Imhof declared a conflict concerning the Capital Budget. She noted that her husband had a rental car business that could benefit from Alaska Travel Industry Association (ATIA) tourism advertising dollars or a new visitor's center in Denali.

Senator Wielechowski declared a conflict, because he worked for a labor organization that could potentially benefit from a changed capital budget.

[9:22:45 AM](#)

AT EASE

[9:23:32 AM](#)

RECONVENED

[9:23:37 AM](#)

Senator Bishop declared a conflict for the same reasons as Senator Wielechowski.

[9:24:20 AM](#)

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussed the presentation, "State of Alaska, Office of Management and Budget; SB 19 - FY2020 Capital

Overview; Presentation to the Senate Finance Committee; March 12, 2019" (copy on file).

[9:24:31 AM](#)

LAURA CRAMER, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced herself.

[9:24:38 AM](#)

SHELLY WILHOITE, BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, introduced herself.

[9:24:49 AM](#)

Ms. Sanders addressed slide 3, "FY 2020 Capital Budget Requests Total (\$ Thousands).

FY 2020 Capital Project Requests

- Deferred Maintenance
- Meet Federal Matching Requirements
- Maximize Federal Funding for Project Grants

Ms. Sanders highlighted slide 4, "Historical Comparison FY 2016-FY2020 (\$ Thousands).

Ms. Sanders discussed slide 5, "FY 2020 Capital Budget Snapshot (\$ Thousands).

Ms. Sanders addressed slide 6, "FY 2020 Capital Budget Highlights (\$ Thousands)":

Department of Transportation and Public Facilities

Federal Highway Surface Transportation:

\$690,000.0 Federal, \$35,000.0 UGF State Highway Match

\$25,000.0 Reappropriation from F/V Tustumena Replacement to Federal-Aid Highway Match.

Airport Improvement Program \$198,700.0
(\$187,200.0 Fed, \$11,500.0 Other)

Statewide Federal Programs \$48,738.3 (\$8,500.0
Federal, \$10,000.0 Other, \$238.3 UGF)

Department of Commerce, Community, and Economic
Development

National Petroleum Reserve - Alaska Impact Grant
Program \$19,000.0 (Fed)

Co-Chair Stedman looked at the Tustumena replacement, and understood that there were many discussions with Department of Transportation and Public Facilities (DOT/PF). He looked at the impact grant, and asked that the grant applicants provide some recent history.

Ms. Cramer agreed to provide that information.

[9:30:06 AM](#)

Senator Olson noted the Alaska Impact Grant Program applications, and wondered where the grant applications originated.

Ms. Sanders wondered if Senator Olson was referring to the North Slope Borough.

Senator Olson wondered how many applications came from boroughs outside of the North Slope.

Ms. Sanders agreed to provide that information.

Co-Chair von Imhof wondered whether all of the federal dollars for DOT/PF were included in the budget.

Ms. Sanders stated that she was awaiting a response from DOT/PF, and agreed to provide that information.

Ms. Sanders addressed slide 7, "FY 2020 Capital Budget Highlights (\$ Thousands)":

Department of Environmental Conservation

-Village Safe Water Projects \$64,830.0 (\$52,250.0
Federal, \$12,080.0 UGF, \$500.0 Other)

Department of Natural Resources

-South Denali Visitor's Center \$25,000.0 Alaska Industrial Development and Export Authority (AIDEA)

-Possibility of Federal and private funds

Deferred Maintenance

-Administration: Public Building Fund \$4,500 Other

-Courts: Statewide \$2,783.7 UGF

-Office of the Governor: Statewide Prioritized \$26,600.0 DGF

-Education: K-12 Major Maintenance: \$7,400.0 DGF

- University: \$5,000.0 DGF

Ms. Sanders noted an error in the slide. She explained that project consisted of \$10.2 million of AIDEA receipts. In addition there was \$10.3 million of available AIDEA dividends, and \$4.5 million of Alaska Housing Finance Corporation (AHFC) dividends.

Senator Bishop wondered when there would be a deeper discussion regarding this issue.

Co-Chair von Imhof replied that she wanted to continue the slide, and felt that it was appropriate to get into further conversations.

Ms. Sanders concluded her discussion of the slide.

Senator Bishop asked for more information about the South Denali Visitor Center, and wondered whether the state was getting into the hotel business.

[9:37:06 AM](#)

Ms. Cramer stated that it was phase II of the project, and stressed that it was not a hotel. She stated that there was projected revenue of \$1 million annually after the fifth year. She noted that a small cruise line was planning to build a hotel near South Denali, so there was an expectation of increased visitor to the park.

Senator Bishop surmised that the visitor center was expected to be a revenue generator.

Ms. Cramer replied in the affirmative.

Senator Micciche wondered whether the \$26 million statewide prioritized DGF for Office of the Governor was normally in the DOT/PF budget.

Ms. Sanders replied that it had been in the Office of Governor for the previous two years with the hope to work together with DOT/PF to analyze what needs were prioritized and who was prioritizing those lists.

Senator Micciche asserted that the projects were typically managed by DOT/PF, once it was determined where the \$26 million was going.

Ms. Sanders agreed.

Senator Micciche asked whether the detail would be included through the fiscal year, or whether it would be seen sooner.

Ms. Cramer agreed to provide that information.

[9:40:10 AM](#)

Co-Chair von Imhof believed that there had been previous presentations that included that list.

Senator Wielechowski wondered whether Department of Natural Resources (DNR) would own the visitor's center. He wondered whether the 4 percent rate of return after 5 years would be considered a good return according to AIDEA.

Ms. Cramer remarked that the receipts from AIDEA were up for appropriation by the legislature, and there were current conversations about a state partnership.

Co-Chair von Imhof stated that there would be a future presentation from AIDEA.

Senator Shower wondered whether the state would be obligated to build for the new companies.

Ms. Cramer replied that there were ongoing deferred maintenance costs. The park facilities were self-sustaining

through DNR, so the revenues from the project would be reinvested in state facilities.

Senator Shower felt that there was always a sneaking suspicion that the state would be required to pay further money.

Ms. Cramer stressed that the funding was from AIDEA dividends, and it was anticipated that it was one-time project money.

Co-Chair Stedman requested more information about the visitor's center, and the source of the funds for the major maintenance.

Ms. Cramer replied that the legislature passed SB 107 in the previous session, which prioritized the capital income fund specifically for deferred maintenance.

[9:45:03 AM](#)

Co-Chair Stedman asked for more information on that subject.

Ms. Sanders stated that the AIDEA and AHFC dividends were considered UGF. There was a tracking code for those dividends to see the amount coming to the state each year.

Co-Chair Stedman remarked that he had several other questions.

[9:45:54 AM](#)

Senator Bishop wondered whether there was a consideration of having a long-term lease, and therefore takes the state of deferred maintenance.

Ms. Cramer replied in the affirmative, and agreed to follow up on more information.

Co-Chair von Imhof hoped for more of a plan about the visitor center.

Co-Chair Stedman asked for elaboration on the Prince William Sound Science Center.

Ms. Sanders noted the project within the Department of Commerce, Community and Economic Development (DCCED). The project utilized receipts.

Co-Chair Stedman asked for a definition of the receipts.

Ms. Sanders replied that the receipts were from the Exxon Valdez oil spill settlement funds. She stated that the council approved the resolution requesting \$17.5 million in coordination with DCCED to begin design and construction on that facility.

Ms. Cramer furthered that in the year prior a group had brought forward the idea of the project, and wanted to spend approximately \$250,000 to study the potential for the project. That was not included in the year prior's capital budget, and instead asked that they thoroughly vet the project. She stated that this was the vetted proposal.

[9:50:13 AM](#)

Co-Chair Stedman felt that it would be a good subject to have further hearings. He looked at the Cook Inlet Stock Assessment for \$1 million. He wanted further information on the project.

Ms. Sanders replied that it was a request from Department of Fish and Game (DGF) asking for \$1 million to increase their ability to collect information on salmon stocks that were bound for the Susitna and Kenai River drainages. She stated that the information would be used in ensure that the stocks were managed with the best interest of the economy and the well-being of the state.

Co-Chair Stedman recalled a reduction from the other submittal of \$2 million down to \$1 million. He wondered what was not being done in the proposal compared to what DFG might be interested in earlier in the fall.

Ms. Cramer explained that in reviewing the capital budget, departments were asked to determine their own priorities.

Co-Chair Stedman looked at the sport fish hatchery upgrades. He noted that there were other hatcheries across the state, so asked for information about why that hatchery was selected to be included in the budget.

Ms. Sanders echoed Ms. Cramer's comments about departments prioritizing their projects.

Co-Chair Stedman asked for an examination of the other proposals.

[9:54:39 AM](#)

Senator Bishop looked at the Census Commission funding removal, and asked why it was moved into the Department of Administration (DOA). He wanted to ensure that the state had a proper census count.

Ms. Sanders replied that there was a \$1 million request in the Office of the Governor. She stated that it was previously proposed in the Operating Budget, and was moved to the Capital Budget, because of the timeline of the project. The Office of the Governor would need to begin the census in FY 20, and the larger majority of the funding would be expended in FY 21.

Senator Bishop requested a follow up on execution of those funds.

Ms. Sanders agreed to provide that information.

Co-Chair von Imhof agreed that the census was important, and understood that there had been some changes since the previous administration.

Senator Bishop stressed that the money in the budget said that it was for redistricting.

Ms. Sanders explained that she understood that it would be for redistricting and the census, and agreed to provide clarification.

Senator Micciche asked about the Arctic Slope Transportation and Resources Project (ASTAR). He noted the \$2.5 million for the studies that would be completed in FY 20. He requested detail on a plan moving forward.

Ms. Cramer agreed to provide that information.

[9:59:36 AM](#)

Senator Wielechowski queried the number of nonprofits that were direct recipients general fund dollars under the capital budget.

Ms. Cramer agreed to provide that information.

Senator Wielechowski noted that there were significant cuts for Alaska Energy Authority (AEA), and wondered whether they were transferred or cut.

[10:00:20 AM](#)

Ms. Cramer stated that those items had been removed from the Capital Budget. She pointed to the capital appropriations status report (CASR), which had all the outstanding capital projects. She stated that there were significant outstanding funds for both of those items. She agreed to provide the information about impacted communities.

Senator Wielechowski noted that the current budget had \$22 million for divesting the Alaska Marine Highway System ferries and terminals.

Ms. Sanders noted the capital project that would utilize the balances of the Marine Highway Fund and the Marine Highway System Replacement Fund into a single project to allow for DOT/PF to work through the process of divesting, if that is the direction that the consultant would advise. The funding would be used in a manner that would allow DOT/PF to pay back money that would be owed on facilities and vessels that have been built utilizing federal funds. She stated it would also be used for maintenance to the vessels in order to sell them.

Co-Chair Stedman stated that there would be an examination of each budget and the possible fund source changes. He suggested a slower approach.

Co-Chair von Imhof noted that the two budgets worked in harmony.

Co-Chair Stedman asked for more information about the \$140 million for rural airports.

[10:05:17 AM](#)

Ms. Sanders stated that she did not have much detail on the program. She remarked that there was \$140 million of federal receipts requested to address needs at 242 rural airports in the system. She explained that DOT/PF would distribute money to enhance airports.

10:06:19 AM

Co-Chair Stedman wanted to look deeper into the rural airports.

Co-Chair von Imhof felt that there may be a meeting with transportation subjects.

Senator Micciche noted that there was only one project in Department of Public Safety (DPS). He recalled that there was a request for improving Alaska Trooper housing, which was important to retaining troopers in rural Alaska. He wondered why that proposal was removed.

Ms. Sanders felt that the item was in the supplemental budget.

Senator Micciche felt that it might be considered for the current budget.

Ms. Sanders remarked that it was a technical item.

Senator Micciche noted that the DOT/PF equipment replacement was for the same amount as the year prior. He wondered whether the \$15 million reflected the most efficient use of the equipment.

Ms. Cramer replied that DOT/PF originally requested \$25 million. She felt that there was always efficiencies that could be found in government.

Co-Chair von Imhof stated that there were many people waiting to provide public testimony.

Senator Shower queried the timeline of the ferry study.

Ms. Cramer replied that the marine consultant would provide a report in August of the current year.

^PUBLIC TESTIMONY

[10:11:40 AM](#)

Co-Chair von Imhof OPENED public testimony.

[10:12:33 AM](#)

LESLIE JACKSON, KETCHIKAN GATEWAY BOROUGH TRANSIT, KETCHIKAN (via teleconference), spoke in opposition of funding that would provide state matching funds for transportation assistance.

[10:14:16 AM](#)

BRYAN O'CALLAGHAN, EXECUTIVE DIRECTOR, CENTER FOR COMMUNITY, SITKA (via teleconference), spoke in opposition of funding that would provide state matching funds for transportation assistance.

[10:16:51 AM](#)

LYNETTE CLARK, SELF, FOX (via teleconference), stressed that the governor has veto power. She felt that the budget was past due. She encouraged to do the will of the people. She felt that Alaska was the "biggest and best" special interest group. She remarked that it was time to make tough decisions. She felt that the governor had proposed a legitimate budget. She did not want money taken from the Permanent Fund Dividends.

[10:18:42 AM](#)

GLENN MILLER, TRANSPORTATION DIRECTOR, FAIRBANKS NORTH STAR BOROUGH, FAIRBANKS (via teleconference), spoke against the removal of the matching funds for transportation assistance.

[10:21:20 AM](#)

JOHN LAMONT, SELF, WASILLA (via teleconference), spoke against the removal of the matching funds for transportation assistance.

[10:24:47 AM](#)

FRANK KELTY, MAYOR, UNALASKA (via teleconference), felt that it was too early to move the ferry fund.

[10:27:51 AM](#)

ROBB ARNOLD, ALASKA MARINE HIGHWAY SYSTEM, JUNEAU, noted that the money for the Tustumena was already approved, so did not understand why that money would be removed.

[10:30:29 AM](#)

TRINA ARNOLD, ALASKA MARINE HIGHWAY SYSTEM, JUNEAU, spoke against removal of money for the Tustumina.

[10:32:26 AM](#)

NILS ANDREASSEN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, JUNEAU, spoke in support of deferred maintenance, community development block grants, village safe water, fish and game funding, and the state match for transportation projects. He felt that the funding for the census should include funding for the Complete Count Commission.

[10:34:50 AM](#)

SUE STEINACHER, SELF, NOME (via teleconference), shared that most of rural Alaska was in crisis, because housing was disgraceful for most rural residents.

[10:38:02 AM](#)

JOHN ROZZI, MAT-SU COALITION ON HOUSING AND HOMELESSNESS, MAT-SU (via teleconference), spoke to the budget cut to the grant to find housing for the homeless people.

[10:40:57 AM](#)

Co-Chair von Imhof CLOSED public testimony.

[10:41:43 AM](#)

Co-Chair von Imhof discussed the agenda for the following day's meeting.

SB 19 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:42:06 AM](#)

The meeting was adjourned at 10:42 a.m.