

SENATE FINANCE COMMITTEE

April 26, 2019

9:42 a.m.

9:42:37 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:42 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

Senator Cathy Giessel; Senator Gary Stevens; Senator Mia Costello; Senator Chris Birch; Representative George Rauscher; Pete Ecklund, Staff, Senator Bert Stedman.

SUMMARY

CSSSHB 39(FIN) am(brf sup maj fld)  
APPROP: OPERATING BUDGET/LOANS/FUNDS

SCS CSSSHB 39(FIN) was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations, and two "amend" recommendations.

CSSSHB 40(FIN)  
APPROP: MENTAL HEALTH BUDGET

SCS CSSH 40(FIN) was REPORTED out of committee with four "do pass" recommendations, two "no recommendation" recommendations, and two "amend" recommendations.

#hb39

#hb40

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 39(FIN) 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; amending appropriations; making supplemental appropriations; and providing for an effective date."

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 40(FIN)

"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."

[9:43:12 AM](#)

Co-Chair Stedman relayed that the committee would consider amendments to the operating budget. He noted that many of the amendments were to clean up the new draft of the bill.

Co-Chair Stedman introduced his staff, Pete Ecklund.

[9:44:55 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 1(copy on file).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund explained that the amendment was at the request of the governor and was in three parts:

Part 1

Department: Military and Veterans' Affairs  
Appropriation: Military and Veterans' Affairs  
Allocation: Alaska Military Youth Academy

Add: \$18.8 Fed Rcpts

\$1.2 GF/Match  
\$6.5 Gen Funds

Explanation: This 4/19 Governor's Amendment reverses this allocation's portion of the Executive Branch 50 percent travel reduction.

Part 2

Department: Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division

Transfer In: \$1,153.6 UGF, 8 PFT positions and 1 Temp PCN

Appropriation: Administration and Support  
Allocation: Commissioner's Office

Transfer Out: \$1,153.6 UGF, 8 PFT positions and 1 Temp PCN

Explanation: The Governor's 2/13 budget transferred the Economic Research Group from the Tax Division to the Commissioner's Office. This amendment returns the Economic Research (and associated positions) to the Tax Division.

Part 3

Department: Commerce, Community and Economic Development  
Appropriation: Alaska Seafood Marketing Institute  
Allocation: Alaska Seafood Marketing Institute

Add a new FY20 Language Subsection as follows:

Sec 10. Department of Commerce, Community, and Economic Development.

(xx)Federal receipts received for the United States Department of Agriculture, Agricultural Trade Promotion program, estimated to be \$5,497,900, are appropriated to the Department of Commerce, Community, and Economic Development, Alaska Seafood Marketing Institute, for the fiscal years ending June 30, 2020, June 30, 2021, and June 30, 2022.

Explanation: This 3/27 Governor's Amendment adds \$4,497.9 federal receipt authority to reflect

available funding from the USDA Agricultural Trade Promotion Program to Counter Retaliatory Tariffs. This is a multi-year appropriation for FY20-FY22.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:46:18 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 2 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund said that the amendment would replace crime victims' compensations funds with restorative justice funds within the Department of Law:

Part 1

Department: Law

Appropriation: Criminal Division

Replace: \$953.3 Crime VCF with Restorative Justice Funding in the following allocations

Allocations:

First Judicial District \$74.2

Second Judicial District \$132.2

Third Judicial District: Anchorage \$249.1

Third Judicial District: Outside Anchorage \$264.9

Fourth Judicial District: \$200.3

Criminal Appeals/Special Litigation: \$32.6

Part 2

Department: Law

Appropriation: Criminal Division

Allocation: Second Judicial District

Delete: \$46.7 UGF

Add: \$46.7 Restorative Justice

Part 3

Department: Law

Appropriation: Violent Crime Compensation Board

Allocation: Violent Crime Compensation Board

Delete: \$1,000.0 Crime VCF, Grants and Benefits line

Explanation:

The Senate CS reduced the capitalization of the Crime Victim Compensation Fund by \$1 million in order to fund existing Department of Law positions that provide services to crime victims and witnesses. Two issues occurred in the Senate CS that need to be addressed.

1. The subcommittee used the Crime Victim Compensation Fund rather than accessing the Restorative Justice Fund directly for these positions.
2. The appropriation from the Violent Crime Compensation fund was not reduced in the Violent Crimes Compensation Board to reflect the \$1 million reduction in available funding.

PARTS 1 AND 2 adjust the Department of Law's funding to reflect the replacement of \$1 million Crime Victim Compensation funding with Restorative Justice Funding (formerly known as PFD Felon funds).

PART 3 reduces the appropriation to the Violent Crimes Compensation Board by \$1 million (from \$2,178.2 to \$1,178.2) to reflect the amount of available funding.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:46:59 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 3 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund said that the amendment fixed a technical error in the mental health bill:

Department: Executive Branch-wide Appropriations  
Appropriation: Salary and Benefits Adjustments  
Allocations: Alaska State Employees Association  
Public Employees Local 71  
Alaska Public Employee Association

Delete: All \$553.1 of funding included on page 6 lines 26-33 and page 7, lines 3-4.

Explanation: Funding for the Executive branch salary and benefit adjustments was inadvertently left in HB40 (the Mental Health bill). This amendment removes the funding from this portion of the bill.

Co-Chair Stedman WITHDREW his objection. There being NO further OBJECTION, it was so ordered.

[9:47:41 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 4 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund explained that the amendment dealt with supplemental items in the operating budget. Parts A, B, and C addressed issues from the Governor's office; the Senior Benefits intent language had been added by Co-Chair von Imhof.

Part A

Department: Public Safety

Appropriation: Alaska State Troopers

Allocation: Alaska State Trooper Detachments

Add: \$1.5 million UGF to Section 4

Explanation: The Senate CS removed \$1.5 million of UGF from AST Detachments to account for vacant positions. However, DPS has indicated that "AST has historically relied on excess personal services funding to cover non-personal services costs. If personal services funding is fully spent, then other lines will run red."

This amendment restores the funding and aligns the funding level with the Governor's supplemental request for this allocation.

Part B

Department: Public Safety

Delete Language: Section 15. Supplemental Salary and Benefit Adjustments.

Explanation: The FY2019 supplemental for the Department of Public Safety positions includes funding needed for the classification change effective in FY2019. Since the supplemental funding addresses only the classification increase, the language is not necessary and section 15 should be removed from the bill.

Part C

Department: Administration  
Appropriation: Legal and Advocacy Services  
Allocation: Office of Public Advocacy

Add: \$900.0 UGF to Section 4

Explanation: Fund Projections for criminal case support

Department: Corrections  
Appropriation: Population Management  
Allocation: Institution Director's Office

Add: \$150.0 Fed Rcpts to Section 4

Explanation: Increased authorization for the equitable sharing program. This federal program allows the proceeds of liquidated seized assets from asset forfeiture to be shared between the state and federal law enforcement authorities.

Department: Corrections  
Appropriation: Recidivism Reduction Grants  
Allocation: Recidivism Reduction Grants

Add Language: \$1,000.0 Fed Rcpts

Explanation: Increased federal authorization is requested to accept and expend funding from a Bureau of Justice Assistance (BJA) FY2018 Second Chance Act Statewide Adult Recidivism Reduction Strategic Plan Implementation Program grant.

Add new section as follows:

\* Sec. x."'. DEPARTMENT OF CORRECTIONS. Federal receipts received for the Second Chance Act Statewide Adult Recidivism Reduction Strategic Plan

Implementation Program grant, estimated to be \$ 1,000,000, are appropriated to the Department of Corrections, Recidivism reduction grants, for the fiscal years ending June 30, 2019 and June 30, 2020.

Part D

Department: Health and Social Services

Appropriation: Senior Benefits Payment Program

Page 53, following line 4 (supplemental section):

Add Intent (Appropriation Level):

It is the intent of the legislature that this appropriation be used for Senior Benefit payments suspended at the end of FY 19 due to insufficient funding. It is further the intention of the legislature that funding in this appropriation may not be used for any purpose other than payment of benefits for the Senior Benefit Payment Program.

Explanation: This intent language ensures that FY19 supplemental funding be used for Senior Benefit payments suspended at the end of FY19 and that funding may NOT be used for any purpose other than to fund Senior Benefit payments.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:49:54 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 5, 31-GH1905\I.7 (Bruce, 4/24/19) (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair Stedman addressed the amendment:

Page 61, following line 30:

Insert a new subsection to read:

(g) The amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation on June 30, 2019, estimated to be \$1,944,000,000, is appropriated from the general fund to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and for

administrative and associated costs for the fiscal year ending June 20, 2020."

Reletter the following subsection accordingly.

Page 61, line 31:

Delete "appropriation made in (f)"

Insert "appropriations made in (f) and (g)"

Page 83, lines 19-20

Delete "19(a) - (e) and (g)"

Insert "19(a) - (e), (g), and (h)"

Co-Chair von Imhof commented that paying out a \$3,000 dividend would put financial pressure on the state and would require another \$1.2 billion draw from unknown reserves. She asserted that that state should live within its means and pay a dividend it could afford, while providing a reasonable level of state services. She supported the amendment only under the premise that it would be further discussed in conference committee on the operating budget.

Senator Hoffman requested to be added as a co-sponsor.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

Senator Hoffman, Senator Wilson, Senator Olson, Senator Wielechowski, and Senator Micciche asked to be shown as co-sponsors of Amendment 5.

[9:52:52 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 6, 31-GH1905\I.8, (Bruce, 4/25/19) (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair Stedman spoke to the amendment:

Page 62, following line 4

Insert a new subsection to read:

"(h) After the appropriations made in (a) -(g) of this section. the remaining balance of the earnings reserve account (AS 37.13.145), not to exceed \$14,000,000,000, is appropriated from the earnings reserve account (AS

37.13.145) to the principal of the Alaska permanent fund."

Page 83, lines 19-20:

Delete "19(a) - (e) and (g)

Insert "19(a) - (e), (g), and (h)

Senator Micciche expressed concern with the amendment. He worried that a future downturn of oil could put the state in the position where it could not provide for critical constitutionally required services or pay out a dividend. He thought that \$14 billion was too high a number.

Co-Chair von Imhof supported the amendment. She relayed that there was \$18 billion currently in the earnings reserve account (ERA), the \$14 billion would go into the corpus and protect it for future generations while allowing for a POMV draw in 2020. She felt that the amendment could protect against ad hoc draws on the ERA.

[9:56:21 AM](#)

Senator Olson was concerned that the amendment would put such a large amount of money out of reach for spending on day-to-day budgetary needs for state services.

[9:56:54 AM](#)

Senator Wielechowski wondered how much would be left in the ERA after the POMV draw.

[9:57:08 AM](#)

AT EASE

[9:58:16 AM](#)

RECONVENED

Co-Chair Stedman explained that the ERA would still contain approximately \$1 billion after the \$14 billion sweep and the dividend payout and several other small clean-up transactions. He noted that the permanent fund portfolio was over \$60 billion, with a targeted return of approximately 6 percent per year. He felt that the resources would be ample to cover state spending. He relayed that further discussion would happen during the conference committee on the operating budget.

[9:59:32 AM](#)

Senator Wielechowski thought that the amendment posed a great risk. He noted that the \$1 billion left in the ERA would not be enough to pay a dividend in 2020 and that there would be no money left to fund government. He supported rolling the ERA into the corpus and adopting a constitutional framework.

[10:00:24 AM](#)

Co-Chair Stedman asserted that the ERA had been near zero before and dividends had been paid. He reiterated that the portfolio was "colossal" and would not take long to accumulate enough funds to fund government spending.

[10:01:00 AM](#)

Co-Chair von Imhof was pleased that Senator Wielechowski was willing to roll the ERA into the corpus and putting it in the constitution. She stressed that even with the move of \$14 billion from the ERA into the corpus, the state would have money to pay out a 2020 dividend, and fund the state budget, through the POMV draw. She stated that a 25/75 split would result in a \$1,200 dividend, which was more than the average amount paid out over the past 35 years.

[10:02:03 AM](#)

Senator Wielechowski had sponsored permanent fund legislation in 2010. He recalled that the Alaska Permanent Fund Corporation (APFC) had sold assets, at a reduced rate, in order to pay out a dividend for 2011. He thought that this action could force the corporation to sell assets at a loss in order to pay a dividend, which did not benefit the long-term health of the fund. He disagreed that money could be taken from the corpus, money could only be taken out of the ERA; taking money from the corpus required a change to the constitution.

Co-Chair Stedman was concerned that the state had expended billions from the constitutional budget reserve (CBR) in the preceding years. He thought the amendment was a balance between meeting obligations and protecting the permanent fund.

[10:04:08 AM](#)

Senator Olson thought Co-Chair Stedman brought up a good point in that in 2008 through 2010 there was a difficult financial situation in the world and in the state. He recalled the work that had been done then to assure that residents received dividends. He expressed hesitation at the idea of a constitutional amendment.

[10:05:12 AM](#)

Senator Micciche thought the reality was that the state was dependent upon a single commodity. He remarked that if the value of that commodity dropped substantially and there was no revenue other than the POMV, and everything other than \$ billion collapsed, the legislature would not have the ability to draw from the corpus. He wondered whether further analysis could be provided on the amendment.

Co-Chair Stedman reassured Senator Micciche that there was enough financial room to deal with state obligations after the transfer that was proposed in the amendment. He reminded that the action of the committee was not the final action on the bill. He asserted that the legislature needed to take effective action to protect the fund. He emphasized that the permanent fund was not for the current generation to squander. He expressed full confidence in his conversations with Co-Chair von Imhof concerning the possible exposure the state could face. He did not believe that the fund would be adversely affected.

[10:08:30 AM](#)

AT EASE

[10:12:46 AM](#)

RECONVENED

Senator Wilson expressed support for the amendment.

[10:13:39 AM](#)

Senator Micciche MOVED to AMEND Amendment 6 with a conceptual amendment that would replace the number "\$14,000,000,000" with the number "\$12,000,000,000" on line 4.

Co-Chair Stedman OBJECTED for discussion.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, the conceptual amendment to Amendment 6 was adopted.

[10:14:53 AM](#)

Senator Wielechowski supported the change in Amendment 6.

Senator Bishop thought the amendment addressed the topic of solidifying and maintaining the operating budget as well as a dividend.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 6 was ADOPTED as AMENDED.

[10:15:59 AM](#)

Senator Micciche MOVED to ADOPT Amendment 7 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche spoke to the amendment:

Department: Health and Social Services  
Appropriation: Senior Disabilities Svcs  
Allocation: Governor's Cncl/Disabilities

Transaction Details  
Title: Restore 50 percent Travel Reduction  
Section: Section 1  
Type: Inc

Explanation: The Governor's Council on Disabilities and Special Education holds three full council meetings each year. Council members come from across the state and include Alaskans with varying levels of developmental and intellectual disabilities. The Council's travel is not paid for with unrestricted general funds.

Senator Micciche stated that the amendment would add \$49 thousand for the Council to do business with a slight restriction.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:16:50 AM](#)

Senator Wilson MOVED to ADOPT Amendment 8 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Wilson spoke to the amendment:

Department: Corrections  
Appropriation: Health and Rehab Services  
Allocation: Physical Health Care

Transaction Details

Title: Fully Fund Governor's Request for Increased  
Medical Costs

Section: Section 1

Type: Inc

Explanation: Fully Fund Governor's Amendment  
Requesting Funding for Increased Costs for Medical  
Fees, Chronic Disease, Nursing Shortages, and  
Pharmaceuticals. The department estimates that 80% of  
this cost is related to a new national standard of  
care for inmates who are Hepatitis C positive.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO  
further OBJECTION, it was so ordered.

[10:17:39 AM](#)

Senator Micciche MOVED to ADOPT Amendment 9 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche spoke to the amendment:

Part 1

Department: Corrections  
Appropriation: Population Management  
Allocation: Institution Director's Office  
Add: \$18,017.2 UGF Services

Explanation: This action reduces the unallocated  
reduction to a level that reflects the actual savings  
achieved by moving inmates out of institutions and  
into Community Residential Centers or onto Electronic

Monitoring is calculated using the marginal rate. With the restoration of this unallocated reduction, the department will not close any correctional institutions.

Part 2

Department: Corrections  
Appropriation: Population Management  
Allocation: Out of State Contractual

Delete: \$3557.5 UGF Services

Add Conditioning: Add the following conditional wordage at the Population Management appropriation level: "The amount appropriated by this appropriation may not be used to send inmates to out-of-state facilities unless medically necessary."

Explanation: Funding for Out-of-State Contractual services is reduced to the FY19 level of \$300.0 CCGF, and conditional language is added to preclude prisoners from being sent to out-of-state facilities unless medically necessary.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

Senator Micciche asked to be shown as a co-sponsor of the amendment.

[10:18:43 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 10, 31-GH1905\I.5, (Bruce, 4/24/19).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair von Imhof spoke to the amendment:

Part 1

Department: Governor  
Appropriation: Commissions/Special Offices  
Allocation: Redistricting Board

Transaction Details  
Title: Remove Multi-Year Redistricting Funding  
Section: Language

Type: Lang

Explanation: Remove the multi-year appropriation for redistricting costs associated with the 2020 Census.

Part 2

Page 67, line 18:

Delete "(a)"

Page 67, lines 22-25:

Delete all material.

Co-Chair von Imhof explained that the two-part amendment would remove a language section appropriation in the bill for 2020 census redistricting. She shared that the work would begin in FY2021, after the first batch of census data was released in October 2020. She believed that it was prudent to wait to make the large, multi-year appropriation for an issue that was not a pressing need.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:19:45 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 11(copy on file).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair von Imhof spoke to the amendment:

Department: Labor and Workforce Dev  
Appropriation: Commissioner and Admin Svcs  
Allocation: Labor Market Information

Transaction Details

Title: 2020 Census Complete Count Promotion

Section: Section 1

Type: IncOTI

Explanation: This one-time funding is for multi-agency 2020 Census promotion, outreach, and other efforts to ensure a complete and accurate count for Alaska. This funding may be used for address and response verification, response promotion and outreach for hard-to-count Alaska populations.

Co-Chair von Imhof explained that a complete and accurate census count was critical to the state and Alaska received \$3.2 billion in census based federal funding each year. She added that representative democracy required an accurate census to assure that Alaskans were equally represented. She said that the funding would support multi-agency efforts for an accurate census count.

Co-Chair Stedman WITHDREW his OBJECTION.

Senator Bishop asked to be listed as a co-sponsor of the amendment.

[10:21:21 AM](#)

Senator Wilson OBJECTED to the amendment.

Senator Wilson wanted to clarify which agency would receive the funding.

Co-Chair von Imhof understood that the funding would go to the Department of Labor and Workforce Development to coordinate with other agencies as needed.

Senator Bishop thought that the funds would go to the division of research analysis.

Senator Wilson WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:22:19 AM](#)

AT EASE

[10:22:51 AM](#)

RECONVENED

Co-Chair Stedman OBJECTED to Amendment 11 for purposes of discussion. He noted that Senator Shower was on the line and was having sound difficulties.

Senator Shower asked for time to address the sound issue.

[10:23:46 AM](#)

AT EASE

[10:24:20 AM](#)

RECONVENED

Senator Shower did not have comments or concerns on Amendment 11.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:24:45 AM](#)

Senator Micciche MOVED to ADOPT Amendment 12 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche explained the amendment:

Department: Environmental Conservation  
Appropriation: Environmental Health  
Allocation: Environmental Health

Transaction Details  
Title: Dairy Inspection  
Section: Section 1  
Type: FndCng

Explanation: The currently operating dairy in Alaska has expressed a willingness to pay to support continuing the regulatory dairy program for FY2020. This amendment would provide for a one-time appropriation of statutory designated program receipt authority in the Division of Environmental Health to accept that payment to replace \$15.0 of the \$180.0 UGF subsidy required to maintain the program. The Department will be expected to put in place fees related to the regulation of Grade A milk and milk products by FY2021 to reduce the UGF subsidy of the dairy program. The Alaska dairy industry is not responsible for the non-dairy functions of the inspector.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:26:56 AM](#)

Co-Chair von Imhof MOVED to ADOPT Amendment 13 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair von Imhof spoke to the amendment:

Department: Education and Early Dev  
Appropriation: Alaska Postsecondary Education  
Allocation: WWAMI Medical Education

Transaction Details

Title: Increase to Support WWAMI Contractual  
Obligation  
Section: Section 1  
Type: Inc

Explanation: A \$77.3 increment to WWAMI funding is necessary to support the FY2020 increased WWAMI contractual obligation amount with the University of Washington to reserve seats for Alaskan students.

Co-Chair von Imhof explained that the committee had conducted a hearing on the program in March 2019. She relayed that it had been found that the program bolstered homegrown Alaska primary care doctors, many of which served in rural Alaska. She stated that the investment in the program was more effective than building an in-state medical school. She proposed fully funding the program and related that she was working with the university and other stakeholders to establish non-state financial support for the program, and increased payback provisions from graduates, to maintain the program and establish financial independence from the state.

Co-Chair Stedman WITHDREW his OBJECTION.

Senator Wilson OBJECTED to the amendment. He spoke to his objection. He thought that more pressure should be put on the university and the program to offset costs.

[10:29:38 AM](#)

AT EASE

[10:29:49 AM](#)

RECONVENED

Senator Olson questioned whether the amendment would adversely affect the ability of the higher education fund to fund other programs.

Co-Chair von Imhof responded that the fund currently totaled \$340 million.

10:30:53 AM

AT EASE

10:31:40 AM

RECONVENED

Co-Chair von Imhof addressed Senator Olson's question, and noted that analysis showed that the fund would be able to cover its current obligations, in addition to providing funds for WWAMI.

Senator Wilson MAINTAINED his OBJECTION.

A roll call vote was taken on the motion to adopt Amendment 13.

IN FAVOR: Olson, Wielechowski, Bishop, Hoffman, Micciche, von Imhof, Stedman

OPPOSED: Shower, Wilson, Olson

The MOTION PASSED (7/2). There being NO further OBJECTION, Amendment 13 was ADOPTED.

[NOTE: With the permission of the committee, Senator Olson changed his vote from nay to yea.]

10:33:23 AM

Senator Wilson MOVED to ADOPT Amendment 14 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Shower spoke to the amendment:

Department: Natural Resources  
Appropriation: Administration and Support  
Allocation: Commissioner's Office

Transaction Details  
Title: Reconstitute the CACFA Executive Director  
Section: Section 1  
Type: Inc

Explanation: Reconstitute the Citizens' Advisory Commission on Federal Areas (CACFA) Executive Director position and fund CACFA to cover travel for Commission meetings, ensure the Department of Interior properly implements the SCOTUS Sturgeon ruling and applies Sturgeon caselaw to navigable rivers statewide. SLM and other federal land management plans continue to systematically erode Alaskan's traditional access and use rights on federal lands as promised under ANILCA. The increment is required for an executive director to monitor federal actions, coordinate CACFA meetings, write a newsletter, and commission travel for at least twice a year face to face public meetings. These meetings regularly invite federal land managers to the table for discussions as well as take testimony from affected Alaskans.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:34:44 AM](#)

Senator Bishop MOVED to ADOPT Amendment 15(copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Bishop spoke to the amendment:

Department: Natural Resources  
Appropriation: Agriculture  
Allocation: N. Latitude Plant Material Ctr

Transaction Details  
Title: Implementation of the Industrial Hemp Program  
Section: Section 1  
Type: Inc

Explanation: This will pay for a program authorized last year by the legislature with the passage of Senate Bill 6 to require the Department of Natural Resources to regulate the production of industrial hemp. The agency expects draft regulations to be ready for public notice by May 15, 2019, and final regulations to be in place by October 2019.

The \$375,000 in General Fund/Program Receipts (DGF) will come from fees to recoup costs associated with

the program such as handling applications, product registrations, and laboratory tests.

The original budget request was for \$500,000. Because final regulations will not be in place until September or October, the \$375,000 in this amendment represents a pro rata funding level for nine months of Fiscal Year 2020.

Senator Bishop noted that the division had received more public interest on the subject than any other in recent history.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:35:48 AM](#)

Co-Chair Bishop MOVED to ADOPT Amendment 16 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Bishop explained the amendment:

Department: Health and Social Services  
Appropriation: Medicaid Services  
Allocation: Medicaid Services

Transaction Details

Title: Exempt dual federal designation hospitals from 5 percent Medicaid rate reduction  
Wordage Type: Intent  
Linkage: Appropriation - Medicaid Services

Wordage: It is the intent of the legislature to exempt hospitals with the dual federal designation of Sole Community Hospital and Rural Referral Center in addition to Critical Access Hospitals from the 5% Medicaid rate reduction.

Explanation: The Critical Access Hospital designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. Similarly, the Sole Community Hospital and Rural Referral Center federal designations play vital roles in ensuring isolated communities have access to hospital care.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:36:38 AM](#)

Senator Olson MOVED to ADOPT Amendment 17(copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Olson explained the amendment:

Department: Public Safety  
Appropriation: Village Public Safety Officers  
Allocation: Village Public Safety Officer Commissioner Galvin

Transaction Detail  
Title: VPSO intent  
Wordage Type: Intent  
Linkage: Appropriation - Village Public Safety Officers

Wordage: It is the intent of the legislature that the Department of Public Safety collaborate with the Village Public Safety Officer (VPSO) grantees to develop a recruitment and retention plan to reverse the trend of high turnover and recruitment challenges; and report to the Finance Committee Co-Chairs on January 31, 2020 as to the status of the development of this plan and any steps taken to address this issue.

Explanation: For several years there have been problems with recruiting and retaining VPSOs, yet we have heard nothing of actions proposed to reverse that trend. We want the VPSO grantees to work with the Department to develop a plan to turn that around.

Co-Chair Stedman WITHDREW his OBJECTION.

Senator Micciche OBJECTED for discussion. He asked to be listed as a co-sponsor of the amendment.

Senator Micciche, Senator Bishop, and Senator Wielechowski asked to be listed as co-sponsors of the amendment.

Senator Micciche WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:37:52 AM](#)

Senator Micciche MOVED to ADOPT Amendment 18.

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche spoke to the amendment:

Department: Public Safety  
Appropriation: Statewide Support  
Allocation: Civil Air Patrol

Transaction Details

Title: Partial Restoration of Funding for the Civil Air Patrol

Section: Section 1

Type: IncM

Explanation: Partial restoration of funding for the Civil Air Patrol. The FY19 funding level was \$350.0 UGF. This increment provides a total of \$250.0 UGF for FY20.

Co-Chair Stedman WITHDREW his OBJECTION.

Senator Bishop OBJECTED for discussion.

Senator Bishop, Co-Chair von Imhof, Senator Wilson, Senator Olson, Senator Micciche, Co-Chair Stedman, and Senator Hoffman asked to be listed as co-sponsors on the amendment.

Senator Bishop WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[10:39:37 AM](#)

Senator Hoffman MOVED to ADOPT Amendment 19(copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Hoffman noted that the amendment was revenue neutral. He spoke to the amendment:

Department: University

Appropriation: University of Alaska  
Allocation: Fairbanks Campus

Add: \$825,000 UGF

Positions:  
Add: 1 PFT position

Department: University  
Appropriation: University of Alaska  
Allocation: Statewide Campus Additions and Reductions

Delete: \$825,000 UGF

Explanation: Educators Rising, is a national organization that helps steer high school students to the teaching profession. Educators Rising Alaska, managed at the University of Alaska, encourages Alaskan high school students to consider and begin preparation early for careers as educators in Alaska's schools. Students participate in an education career pathway that consists of four courses taken as electives while in high school. Participating schools schedule the courses and also offer activity opportunities each for March. the students to compete in the Career Technical Skills Organization (CTSO)

This amendment would broaden the existing program with the goal of increasing the number of and support; home-grown training; updated student Alaskan online educators. Funds would be allocated towards: teacher leader recruitment and training, student recruitment, leadership training and student travel; school coordinator support; updated online resources and program data tracking; regional and community efforts to increase program visibility, capacity, and sustainability; administrative support for increased program activities around the state; middle-school curriculum development to complement the existing high school career pathway.

Senator Hoffman asked for the support of the committee.

Co-Chair Stedman WITHDREW his OBJECTION.

Senator Micciche OBJECTED for the purpose of discussion.

Senator Micciche clarified that the amendment was not an additional cost, but rather a shift of funds.

Senator Micciche WITHDREW his OBJECTION.

Co-Chair von Imhof OBJECTED for discussion. She reiterated that these would not be additional funds but moving money from one campus to another. She understood that the amendment was at the request of the university president.

Senator Hoffman clarified that he had requested information on how the teacher shortage could be addressed and the president had communicated that the program could be funded through this mechanism.

Co-Chair von Imhof restated that the funds were not new, but receipt authority moving from one campus to another.

Co-Chair von Imhof WITHDREW her OBJECTION.

[10:44:13 AM](#)

Senator Bishop OBJECTED for discussion.

Senator Bishop and Senator Shower asked to be shown as co-sponsors of the amendment.

Senator Bishop WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. Amendment 19 was adopted.

[10:44:44 AM](#)

Senator Wilson MOVED to WITHDRAW Amendment 20. There being NO OBJECTION, it was so ordered.

[10:45:04 AM](#)

Senator Wielechowski MOVED to ADOPT Amendment 21.

Co-Chair Stedman OBJECTED for discussion.

Senator Wielechowski explained that the current budget included a significant reduction to the Alaska Marine Highway System (AMHS), and the amendment would add back \$19.528 million from the general fund and would include an additional \$5.6 million from AMHS receipts. He felt that

the cuts to the system had gone too far. He said under the proposal there would be 4 runs to Dutch Harbor, 2 at the beginning of the summer and 2 at the end of the summer. Additionally, Prince William Sound would receive consistent, but limited, services during the winter; and a limited baseline of service would be restored to Southeast, December through April, to move freight, passengers, and commerce. He said that the investment would generate \$5.7 million in AMHS revenue. He noted that the cut to the system would still be 28 percent. He said that he would withdraw the amendment with the hope that there would be continued discussion on the matter.

Senator Wielechowski MOVED to WITHDRAW Amendment 21. There being NO OBJECTION, it was so ordered.

[10:47:10 AM](#)

Senator Micciche MOVED to ADOPT Amendment 22.

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche spoke to the amendment. He noted that the house had added back in funding cut by the governor in his budget proposal. The amendment would reduce the house number by university by \$5 million. He thought there was room for the University to tighten up and prioritize spending.

[10:47:51 AM](#)

Senator Hoffman requested an at ease.

[10:47:53 AM](#)

AT EASE

[10:51:02 AM](#)

RECONVENED

Co-Chair Stedman reminded that there was an objection to Amendment 22.

Senator Micciche explained that the number considered in the amendment meant the item would not be conferenceable. He thought it was possible that the reduction could be reduced further if the house number were maintained, and

the item was discussed during the conference committee on the operating budget.

Senator Micciche MOVED to WITHDRAW Amendment 22. There being NO OBJECTION, it was so ordered.

[10:51:59 AM](#)

Senator Micciche MOVED to ADOPT Amendment 23 (copy on file).

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche spoke to the amendment:

Page 20, following line 12:

Insert new material to read:

"It is the intent of the legislature to exempt from the five percent Medicaid rate reduction proposed by the Department of Health and Social Services skilled nursing facilities and senior and disabilities services providers (nursing homes, section 191 S{c) of the Social Security Act and other waiver service providers, and personal care attendant services) who serve vulnerable Alaskans."

Co-Chair von Imhof OBJECTED for discussion.

Co-Chair von Imhof said that the amendment would cost \$8 million in UGF for Medicaid. She said that the governor's proposed reduction in Medicaid Phase 1 Cost Containment had been accepted when issue had been discussed in subcommittee.

Senator Olson voiced his support for the amendment.

Co-Chair Stedman MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Olson, Wielechowski, Hoffman, Micciche, Shower, Bishop

OPPOSED: Stedman, von Imhof

The MOTION PASSED (7/2). There being NO OBJECTION, Amendment 23 was ADOPTED.

[10:54:41 AM](#)

Senator Micciche MOVED to ADOPT Amendment 24.

Co-Chair Stedman OBJECTED for discussion.

Senator Micciche spoke to the amendment:

Department: Health and Social Services

Structural Change

New Structure Appropriation: Senior and Disabilities  
Medicaid Services

Allocation: Senior Disabilities Medicaid Services

TRANSFER the following amounts:

\$219,161.4 GF/Match

\$292,961.3 Federal

\$11,915.5 UGF

\$473.3 Inter-agency receipts

\$502.2 Statutory Designated Program Receipts

Total Funds \$524,968.7

FROM the current Medicaid Service  
appropriation/Medicaid Services allocation

TO the proposed new appropriation/allocation for  
Senior Disabilities Medicaid Services.

Explanation: This amendment establishes Senior and Disabilities Medicaid Services in a single appropriation/allocation and reduces the amount by \$50 million From the amount budgeted in the FY 19 Management Plan. The \$50 million consists of \$20.9 UGF Match, \$27.9 Fed, \$1.1 UGF, \$0.05 I/A and \$0.05 SDPR reductions.

Co-Chair von Imhof OBJECTED to the amendment. She asserted that the Health and Social Services subcommittee had combine three Medicaid allocations into a single allocation in order to break down silos and streamline processes to promote efficiencies and cost savings. She contended that the administration estimated that the amendment would increase administrative costs by adding 2000 hours of additional processing time. She was concerned that money could be added to the budget when there had been so much discussion about trying to reduce spending. She argued that

the amendment would create more bureaucratic red tape and would make no difference in the day-to-day operations of health care providers or Medicaid beneficiaries.

Senator Wilson understood the difficulty of ensuring that providers were paid. He thought there was an issue with funds being swept into other areas to cover shortfalls.

Co-Chair Stedman MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Olson, Wielechowski, Micciche

OPPOSED: Bishop, Hoffman, Shower, Wilson, von Imhof, Stedman

The MOTION to adopt Amendment 24 FAILED (3/6).

[10:58:20 AM](#)

Senator Micciche MOVED to ADOPT Amendment 25.

Co-Chair Stedman OBJECTED for discussion.

[10:59:29 AM](#)

Senator Micciche spoke to the amendment:

Page 74, lines 6 - 7:

Delete "amount necessary for state aid for costs of school construction under AS 14.11.100, estimated to be \$99,820,500,"  
Insert "sum of \$74,865,375"

Page 74, line 8, following "Development"

Insert "for state aid for costs of school construction under AS 14.11.100"

Page 74, lines 10-11:

Delete "the amount necessary, after the appropriation made in (1) of this subsection, estimated to be \$83,320,500,"  
Insert "\$58,365,375"

Page 76, line 5:

Delete "\$39,389,000"

Insert "\$29,541,750"

Senator Micciche said that the amendment was meant to highlight the fact that there are impacts to "everybody wanting everything." He thought that it was important for the public to engage on what they want because nothing was "scott free."

Senator Micciche MOVED to WITHDRAW Amendment 25. There being NO OBJECTION, it was so ordered.

11:00:03 AM

Senator Wilson MOVED to WITHDRAW Amendment 26. There being NO OBJECTION, it was so ordered.

Co-Chair von Imhof MOVED that the committee direct the Division of Legislative Finance and Legislative Legal to make technical and conforming changes to the bill, as necessary.

Co-Chair Stedman explained that the bill would be drafted, as amended, and would be moved from committee later in the day. The bill would then be released to the public and would be before the committee on Monday, April 29, 2019.

11:01:46 AM

RECESSED

4:10:26 PM

RECONVENED

Co-Chair Stedman called the committee back to order. He noted that a committee substitute had been written for the two bills on agenda. //

Co-Chair von Imhof MOVED to ADOPT proposed committee substitute for CSSSHB 40(FIN), Work Draft 31-GH1901\G (Bruce, 4/26/19).

Co-Chair Stedman OBJECTED for discussion.

4:11:37 PM

Mr. Ecklund discussed the CS. He relayed that one change had been made to correct an oversight in the previous version. There was a section of the bill that had salary

adjustments confined to one portion of the bill, which were intended to be spread throughout the agencies.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

Co-Chair von Imhof MOVED to report SCS CSSSHB 40(FIN) out of Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

SCS CSSSHB 40(FIN) was REPORTED out of committee with four "do pass" recommendations, two "no recommendation" recommendations, and with two "amend" recommendations.

[4:13:01 PM](#)

Co-Chair von Imhof MOVED to ADOPT proposed committee substitute for CSSSHB 39(FIN), Work Draft 31-GH1905\D (Bruce, 4/26/19).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair Stedman noted that there had been a series of amendments adopted in the morning meeting.

Mr. Ecklund discussed the CS. He referenced a report from the Legislative Finance Division (LFD) entitled "Unrestricted General Funds," (copy on file). He summarized that there was \$3.8 billion in agency operations and \$526 million in statewide operations, for a total of \$4.3 billion, \$1.700 less than the house in UGF for agency operations. He said that when dividend spending was added in the total UGF spend in the budget was \$6.3 billion.

[4:14:42 PM](#)

Mr. Ecklund remarked that the cs reflected \$11.5 billion in all funds and stated that there would be reports on the LFD website for the public to consider.

[4:15:23 PM](#)

Senator Wielechowski asked for an explanation of the PFD payment. He asked whether the 5.35 percent had been taken out to pay for the dividend and state operations or was an additional amount taken out to pay for the deficit.

Mr. Ecklund explained that the way the appropriation was structured, a 5.25 percent POMV payout went first to the general fund, then whatever amount the legislature decided upon was paid from the general fund to the dividend fund. The conference committee on the operating budget would need to decide, if there was going to be a deficit, how the budget would be balanced.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. The SCS for CSSSHB 39(FIN) was ADOPTED.

Co-Chair von Imhof MOVED to report SCS CSSSHB 39(FIN) out of Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

SCS CSSSHB 39(FIN) was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations, and with two "amend" recommendations.

Co-Chair Stedman thanked the committee for their work and discussed housekeeping.

#

ADJOURNMENT

4:17:49 PM

The meeting was adjourned at 4:17 p.m.