

SENATE FINANCE COMMITTEE
February 27, 2020
9:01 a.m.

9:01:27 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 Donny Olson
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget,
Office of the Governor.

SUMMARY

SB 152	APPROP: OPERATING BUDGET/LOANS/FUNDS
	SB 152 was HEARD and HELD in committee for further consideration.
SB 153	APPROP: MENTAL HEALTH BUDGET
	SB 153 was HEARD and HELD in committee for further consideration.
SB 154	APPROP: CAPITAL; SUPP; OTHER APPROP.
	SB 154 was HEARD and HELD in committee for further consideration.

SB 174

APPROP: SUPP; REAPPROP; CAP; AMEND; CBR

SB 174 was HEARD and HELD in committee for further consideration.

#sb152

#sb153

#sb154

#sb174

SENATE BILL NO. 152

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

SENATE BILL NO. 153

"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."

SENATE BILL NO. 154

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

SENATE BILL NO. 174

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; 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."

[9:01:53 AM](#)

Co-Chair Stedman relayed that the committee would consider a presentation from the administration regarding proposed budget amendments.

[9:02:51 AM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the presentation "Governor's Amended" (copy on file). He explained that he would be reviewing the governor's amended budget as well as amendments to the supplemental budget.

Mr. Steininger presented slide 2, "Governor's Amended":

Governor's Amended
HB205/SB152 & HB206/SB153

Operating

- \$45,350.4 UGF
- \$2,318.6 DGF
- \$493.1 Other
- -\$5,715.2 Fed
- \$42,446.9 TOTAL

Operating FY2020 Effective Date

- \$815,933.0 UGF

FY2020 Supplemental Amendments

HB234/SB174

Operating and Capital

- \$30,539.2 UGF

Co-Chair Stedman asked Mr. Steininger refrain from using acronyms so that the public could follow the conversation.

[9:04:04 AM](#)

Mr. Steininger spoke to slide 3, "Governor's Amended," which showed a data table comparing the impact of the amendments on total overall state spending for FY 20 and FY 21. He drew attention to the bottom line that showed the updated surplus/deficit. In FY 20, the deficit was \$510 million; and in FY 21, the deficit was about \$1.6 billion. The funds would come out of the Constitutional Budget Reserve (CBR).

Co-Chair Stedman asked for clarity on why there was a \$1 billion difference. He asked what the driving factor was.

Mr. Steininger stated that there was a reduction of \$1 billion that was related to the amount of draws that were available for government from savings after adjustment for the Permanent Fund Dividend (PFD) payment. For FY 21, spending was down by about \$50 million in total appropriations between the operating and capital budgets.

Co-Chair Stedman asked if there was a different PFD amount between the two fiscal years.

Mr. Steininger affirmed that with the proposed supplemental amendment to the governor's operating budget there was a difference in the PFD between FY 20 and FY 21. The FY 21 deposit into the dividend fund would be \$120 million greater than the amount in FY 20. He noted that the amount reflected the statutory calculation for the PFD payment.

Co-Chair Stedman clarified that the previous year's dividend was \$1600, and the FY 21 proposed PFD was approximately \$3000.

Mr. Steininger agreed.

Co-Chair Stedman thought the PFD amount had a significant effect on the bottom line.

Mr. Steininger agreed that the proposed PFD amount would affect the bottom-line deficit.

Co-Chair Stedman asked how much the increase would affect the bottom line.

Mr. Steininger informed that the increase in the deficit between FY 20 and FY 21 was about \$1.1 billion.

Co-Chair Stedman thought it was important to remember that the committee was trying to communicate the state's fiscal position to the people of Alaska. He reminded that committee meetings were important for people at home to better understand what the legislature was dealing with and why it was problematic to balance the budget. He thought a simple way of looking at the topic was to observe that there was about a \$1 billion spread between the previous year's \$1,600 PFD and the current year's proposed \$3,000 PFD.

Co-Chair von Imhof thought it was important to identify the fund source and discuss the short term and long term impacts on the fund source moving forward. She pondered the meaning of taking funds from the Earnings Reserve Account (ERA). She noted that the market had a 2,000-point drop in the past couple of days and that the price of oil was down to \$50/bbl. She emphasized that the decisions being made would have consequences.

Co-Chair Stedman stated that the committee would consider the governor's proposed amendments and would look at comparisons with the Legislative Finance Division (LFD) at a later time. The following week the committee would take a deeper look and consider why the numbers were different between the two fiscal years being discussed.

[9:08:37 AM](#)

Senator Hoffman noted that the legislature had passed legislation a few years previously to institute a percent of market value (POMV) draw from the ERA in the amount of 5.25 percent, with a 5 percent limit in the out years. He asked if the administration would follow the law limiting the draw that was signed by the previous governor and not put the fund in jeopardy.

Mr. Steininger stated that the FY 21 budget had adhered to both of the statutes, which were conflicting. The amendment for FY 20 drew an additional amount from the ERA in order to comply with the statutory PFD formula.

Senator Hoffman explained that when the legislature passed the legislation to limit the draw, it had been concerned about the future of the fund. Mr. Steininger's comments gave him the assumption that the future of the fund was less important than a \$3,000 PFD in the view of the administration.

Mr. Steininger stated that the position of the administration was to follow the statutory formula for calculating the PFD and also work to make changes to ensure the state did not have to continue to draw from the ERA in the future.

Co-Chair Stedman asked to move on. He thought there was an amendment on the topic that would be considered later in the day.

[9:11:17 AM](#)

Mr. Steininger referenced slide 4, "Governor's Amended: Statewide":

- FY2021 Salary Adjustment Correction:
-\$302.9 UGF, -\$306.4 DGF, -\$1,544.3 Other, -\$151.2 Fed
- Fund Transfers; Fish and Game Fund - Sport Fish Enterprise Account
Deposit remaining balance of the Alaska Fish and Game Revenue Bond Redemption Fund into the Fish and Game fund.
- Debt Service; Oil and Gas Tax Credits Financing:
\$55,000.0 UGF
- Permanent Fund; Permanent Fund Dividend Fund
Payment of Permanent Fund Dividends Owed to Alaskans:
\$815,933.0 transfer from ERA to Dividend Fund

Mr. Steininger noted that there had been an error in the calculation made during the development of the FY 21 budget that overstated the effects of some bargaining agreements and there were amendments throughout that reflected a more accurate calculation. He detailed that if litigation came out in the state's favor, the \$55 million for oil and gas tax credits would be the amount of debt service required. He noted that the amount for the PFD Fund was for the amount of shortfall for the PFD paid in calendar year 2019.

[9:13:18 AM](#)

Senator Wielechowski recalled that two years previously when HB 331 was presented to the legislature [legislation enacted in 2018 that authorized the issuance of "subject-to-appropriation" bonds to pay outstanding cashable oil and gas tax credits], it had shown that the first aggregate payment for the first year would be \$26.98 million. He asked why there was a difference in the amount that was shown on the slide.

Mr. Steininger thought Senator Wielechowski was referencing information that tapered in the debt service payments, while the \$55 million represented a full year of debt service payments.

Co-Chair Stedman stated that the amendments being considered were suggestions from the administration, and the legislature would decide if there would be modifications to the budget.

Mr. Steininger turned to slide 5, "Governor's Amended: Department of Administration,":

Operating Total: \$169.0 UGF, \$500.0 DGF, \$1,091.5 Other

- Centralized Administrative Services; Health Plans Administration AlaskaCare Third-Party Claims Administrator Contract: \$1,000.0 Other

- Centralized Administrative Services; Retirement and Benefits Fee for Mandatory Patient-centered Outcomes Research Institute Due to Affordable Care Act (FY2014-FY2031): \$169.0 UGF

- Legal and Advocacy Services; Office of Public Advocacy MH Trust: Disability Justice, Public Guardian Position: \$91.5 Other

- Shared Services of Alaska; Accounting Program Receipt Authority for Increased Collection Activity and Vendor Fee Revenue: \$500.0 DGF

- Office of Information Technology; Alaska Division of Information Technology Transfer Administrative Assistant II (02-6512) from Alaska Division of IT to State of Alaska Telecommunication System

[9:16:16 AM](#)

Mr. Steininger considered slide 6, "Governor's Amended: Dept. of Commerce, Community, and Economic Development":

Operating Total: \$224.8 DGF

- Alaska Oil and Gas Conservation Commission Transfer from the Department of Law for Technical Adjustment: \$224.8 DGF

Add Carryforward Language in Number Section

Mr. Steininger noted that there were two technical adjustments to make regarding the Alaska Oil and Gas Conservation Commission. One related to receipts collected

by the agency. There was a transfer from the Department of Law that had to do with the way legal services were paid for on behalf of the commission. There was a corresponding adjustment within the Department of Law.

Mr. Steininger displayed slide 7, "Governor's Amended: Department of Corrections":

Operating Total: -\$13,445.7 UGF

- Administration and Support; Administrative Services
Department Fixed Cost Increases: \$317.3 UGF
- Administration and Support; Information Technology
MIS
Department Fixed Cost Increases: \$837.0 UGF
- Health and Rehabilitation Services; Health and
Rehabilitation Director's Office
Department Fixed Cost Increases: \$3,200.0 UGF
- Population Management; Out-of-State Contractual
Remove Out-of-State Contract Housing: -\$17,800.0
UGF

Mr. Steininger explained that there were three items in the Department of Corrections (DOC) that were related to increases in fixed costs. He explained that DOC required additional support to ensure that the cost increases did not affect costs within the prison system.

Co-Chair von Imhof stated that Senate Finance Subcommittee on the Department of Corrections was interested in the out of state contract. She asked if the \$17.8 million listed on the slide was actually paid to a vendor. She asked about the flow of funds.

Mr. Steininger stated that the \$17.8 million was for the FY 21 budget so had not yet been appropriated or spent. The amendment removed funding that was in the governor's FY 21 budget in reflection of not needing the funds for the current prison operations plan for 2021.

Co-Chair von Imhof asked if there was any severance owed to the prison such as a contract that was cancelled with penalties.

Mr. Steininger understood that the RFP was cancelled, and that no contract had been awarded. He was not aware of any protest.

Co-Chair Stedman asked Mr. Steininger to get back to the committee on the matter.

[9:19:58 AM](#)

Senator Hoffman thought the \$17.8 million looked as if it was a savings. He asked how many inmates had been planned to send out of state at a lower cost. He assumed the plan would have saved the state funds. He asked where the inmates would be staying in-state, and why the funds were shown as a savings when additional funds would be needed to keep the inmates in-state.

Mr. Steininger detailed that also included in the supplemental budget was a lapse extension for an appropriation to reopen the Palmer Correctional Center. The facility would accommodate the increased prison population. There was other money elsewhere in the budget to ensure the department was able to accommodate the increased prison population.

Senator Hoffman asked where the funds would show up in the budget.

Mr. Steininger detailed that the lapse extension for the Palmer facility would show up in the supplemental budget that was proposed by the administration. There was other authority within the governor's operating budget that also addressed inmate costs.

Senator Hoffman asked how much there was in other authority.

Mr. Steininger did not know the total amount but estimated that the amount for the Palmer facility was about \$16.7 million.

Co-Chair Stedman thought the subcommittee could address the matter in greater detail.

Senator Hoffman was trying to point out that the \$17.8 million was not a savings to the state; in fact, by keeping the inmates in state it would cost more.

[9:23:00 AM](#)

Mr. Steininger highlighted slide 8, "Governor's Amended: Dept. of Education and Early Development":

- Operating Total: \$53.9 DGF, \$211.0 Fed
- Education Support and Administrative Services; Student and School Achievement
Alaska Technical and Vocational Education
Funding: \$53.9 DGF
 - Alaska State Libraries, Archives, and Museums; Museum Operations
Preparing Alaska's Cultural Organizations for
Emergencies Federal Grant (FY2021-FY2023): \$211.0
Fed

Mr. Steininger detailed that the new museum grant listed on the slide was to ensure that historical artifacts were cared for in times of emergency.

Senator Hoffman relayed that the committee members had been discussing the need for treating all people in the state fairly. He referenced Co-Chair Stedman's comment regarding adequate funding for a swimming pool at Mt. Edgecumbe High School. He mentioned the sense that there were inequities in the treatment of the people at Mt. Edgecumbe. It was suggested by the committee that the administration review the expense, and then bring forward an amendment in committee to address adequate funding for the swimming pool at Mt. Edgecumbe. He asked if the matter had been considered and if there been a decision not to request operational funds for the swimming pool.

Mr. Steininger stated that the governor's FY 21 budget included \$650,000 of receipt authority to operate the pool facility at Mt. Edgecumbe. He noted that at the current time, no change was being proposed to the funding.

Senator Hoffman did not believe that receipt authority was the proper mechanism. He noted that none of seven projects previously discussed with the pool were funded with receipt authority. He thought the individuals in Mt. Edgecumbe should receive the same treatment as others. He found Mr. Steininger's response inappropriate. He thought rural Alaska should not be singled out for receipt authority and should be funded by General Funds.

Co-Chair Stedman stated that he was in conversation with the administration regarding a multitude of land transfers

being requested for land development in and around Mt. Edgecumbe. The land was owned by the state, and he and the administration were trying to come up with a way of moving the project forward. There was no agreement thus far, although there was a direction being pursued. The committee would consider modifications to the FY 21 budget. He thought receipt authority did not give the opportunity to operate the facility. He informed that there would be an agreed-upon solution with the administration, or he would be looking to the committee for recommendations as to how to rectify the situation. He thought there would forthcoming amendment addressing pool funding.

[9:28:14 AM](#)

Mr. Steininger believed the funding for the pool was included in the supplemental budget, and not the amendment package.

Co-Chair Stedman thought the funding Mr. Steininger mentioned would get the pool through the fiscal year only.

Senator Olson wanted to voice the same concern as Senator Hoffman regarding his constituents that were attending Mount Edgecumbe High School. He cited that his district had an inordinate number of drownings compared to other parts of the state. He had been following the ongoing matter of funding for the Mt. Edgecumbe pool, and thought it had always been treated as a "stepchild". He was concerned that there would not be sufficient funding to maintain the pool, even with the land transfers mentioned by Co-Chair Stedman. He thought there was a lack of focus on the part of the administration in trying to prevent drownings. He stated that there was only a small percentage of people in his district that knew how to swim. He affirmed that he would be watching the matter very closely.

Co-Chair Stedman would keep the committee posted on the matter. He thought there was a high likelihood that the issue would be concluded without the committee taking defensive measures to protect the institution.

[9:30:09 AM](#)

Mr. Steininger looked at slide 9, "Governor's Amended: Department of Environmental Conservation":

Operating Total: \$164.6 UGF, \$15.0 Other

- Environmental Health

Restore Dairy Program: \$164.6 UGF, \$15.0 Other

Co-Chair Stedman asked for Mr. Steininger to repeat the information on the slide.

Mr. Steininger restated that there was \$164.6 thousand in funding and \$15 million in receipt authority to restore the dairy program.

Co-Chair von Imhof referenced conversations the previous year that had suggested the program was not needed and would be phased out. She asked what happened.

Mr. Steininger stated that the department and the administration had worked with the industry to find a balance in which the industry partners would provide some necessary funds to continue operation of the regulatory program that allowed the industry to continue.

Co-Chair von Imhof asked if the industry was putting in funds. She recalled that the previous year there had been mention of stakeholders would fund the program.

Mr. Steininger detailed that the industry would be funding the \$15,000 portion of the program.

Senator Wilson noted that he was chair of the subcommittee for the Department of Environmental Conservation and had understood that the \$15,000 would not come from industry. He asked what the department was going to do to find a sustainable path going forward with three entities funding together. He referenced a goat farm in Kodiak, a cow dairy in Palmer/Wasilla, and a bottling plant. He understood that there was potential for federal subsidies to help offset costs.

Mr. Steininger agreed to provide more information at a later time.

Co-Chair Stedman asked Senator Wilson and the subcommittee to use the information from Mr. Steininger to go into the issue in greater detail and bring the information back to the full committee.

[9:33:40 AM](#)

Senator Olson was concerned that the administration had communicated a theme that businesses would pay their own way. He thought the dairy program was an example of businesses not paying their own way and questioned the shift in mentality from the previous year.

Mr. Steininger acknowledged that there were incremental steps for the industry to assist and thought that although \$15,000 did not cover the full cost of the program, it did show some buy-in from the industry.

Senator Olson thought incremental changes were not significant in the face of the state's fiscal crisis. He was concerned about the change of message from the administration. He mentioned the issue of the Mt. Edgecumbe pool.

Mr. Steininger addressed slide 10, "Governor's Amended: Dept. of Health and Social Services (1 of 2)

Operating Total: \$1,700.0 UGF, \$760.3 Other, -\$5,975.0 Fed

- Senior and Disability Services; Early Intervention Learning Program

Delete Authority for Children and Families Preschool Development Grant: -\$7,000.0 Fed

- Children's Services; Foster Care Special Need Family First Prevention Services Act Implementation: \$700.0 UGF, \$700.0 Fed

- Children's Services; Subsidized Adoptions and Guardianship

Growing Number of Children in Subsidized Adoptions and Guardianships: \$1,000.0 UGF, \$200.0 Fed

- Senior and Disability Services; Senior and Disability Services Administration

MH Trust: Adult Protective Services III Position: \$75.0 Other, \$75.0 Fed

- Behavioral Health; Alaska MH Board and Advisory Board on Alcohol and Drug Abuse

MH Trust: AMHB/ABADA Research Analyst III: \$96.3 Other

Mr. Steininger detailed that the addition of \$200,000 in federal receipt authority for subsidized adoptions and guardianships did not reflect all the federal receipts

leveraged by the additional \$1 million. He explained that there was enough excess federal receipt authority within the budget to leverage as much federal funding as possible with the additional \$1 million.

[9:37:50 AM](#)

Senator Wielechowski asked why the state did not receive the \$7 million pre-school development grant that was anticipated.

Mr. Steininger did not know the specific reason why the grant was not awarded to the state.

Co-Chair Stedman asked Mr. Steininger to get back to the committee regarding why the grant was not received.

Mr. Steininger advanced to slide 11, "Governor's Amended: Dept. of Health and Social Services (2 of 2)":

- Departmental Support Services; Commissioner's Office
MH Trust: Mental Health Professionals Off Site
Evaluations: \$300.0 Other
- Behavioral Health; Behavioral Health Administration
MH Trust: Partner Access Line-Pediatric Alaska
(PAL-PAK): \$89.0 Other
MH Trust: Peer Support Certification: \$125.0
Other
- Departmental Support Services; Commissioner's Office
MH Trust: Statewide Designation Evaluation and
Stabilization/Designation Evaluation and
Treatment Coordinator: \$75.0 Other, \$50.0 Fed
- Behavioral Health; Suicide Prevention Council
Transfer from BH Admin. to Extend Suicide Prevent
Council Grant Funding: \$400.0 UGF
- Behavioral Health; Behavioral Health Administration
Transfer to Suicide Prevent Council (SPC) to
Extend SPC Grant Funding: -\$400.0 UGF

Mr. Steininger discussed the proposal of redirecting excess receipt authority to much-needed grants within the Suicide Prevention Council.

Senator Wielechowski asked about the Mental Health Trust Authority Authorized Receipts (MHTAAR) funds for contractual services for \$300,000. He asked if any of the funding would go to the Alaska Psychiatric Institute (API).

Mr. Steininger stated that he would get back to the committee with the information.

Co-Chair Stedman asked Mr. Steininger to get back to the committee with a funding breakdown.

Mr. Steininger looked at slide 12, "Governor's Amended: Dept. of Labor and Workforce Development":

- Operating Total: \$48.2 UGF, \$685.4 DGF, \$10.6 Other
- Commissioner and Administrative Services; Workforce Investment Board
 - Alaska Technical and Vocational Education Funding: \$457.9 DGF
 - Alaska Vocational Technical Center
 - Alaska Technical and Vocational Education Funding: \$227.5 DGF
 - Salary and Benefit Adjustment: \$48.2 UGF, \$10.6 Other

Mr. Steininger added that there was an additional \$227.5 thousand in Alaska Technical and Vocational Education funding adjustments that was not shown on the slide.

[9:41:03 AM](#)

Mr. Steininger spoke to slide 13, "Governor's Amended: Department of Law

- Operating Total: \$0.0 DGF
- Civil Division; Natural Resources
 - Reverse Deleted Alaska Oil and Gas Conservation Commission Receipts for Technical Correction: \$224.8 DGF
 - Transfer to Department of Commerce, Community, and Economic Development for Technical Adjustment: -\$224.8 DGF

Mr. Steininger referenced slide 14, "Governor's Amended: Department of Military and Veterans Affairs ":

- Operating Total: \$245.0 UGF
- Military and Veterans' Affairs; State of Alaska Telecommunications System (SATS)
 - Add Support for management of SATS: \$280.5 UGF
 - FY2021 Technical Correction: -\$35.5 UGF

Transfer Administrative Assistant II (02-6512)
from Alaska Division of IT to State of Alaska
Telecommunications System

Mr. Steininger explained that the position that was being transferred had previously been funded by receipts by the Office of Information Technology. The funds could not be spent within the Department of Military and Veterans Affairs, which was the reason for the \$280.5 thousand change in UGF.

Mr. Steininger turned to slide 15, "Governor's Amended: Department of Natural Resources (1 of 2)":

- Operating Total: \$313.0 UGF, \$278.1 DGF, \$200.0 Fed
- Agriculture; Agricultural Development
 - Agriculture Revolving Loan Program Support:
\$204.3 DGF
 - Parks and Outdoor Recreation; Parks Management and Access
 - Boating Safety Program: \$200.0 Fed
 - Administration and Support Services; Office of Project Management and Permitting
 - Transfer Citizens' Advisory Commission on Federal Areas: \$178.1 UGF
 - Administration and Support Services; Commissioner's Office Support Commissioner's Office Execution of the Governor's Policy: \$17.8 UGF
 - Parks and Outdoor Recreation; Parks Management and Access Support for Field Training and Inspections: \$19.8 UGF

Mr. Steininger detailed that the last two items on the slide as well as some items on the following page were related to travel in the Department of Natural Resources for inspection work, policing work in parks, and various other critical travel needs that had not been properly accounted for in the travel reductions made the previous year.

Senator Wielechowski asked Mr. Steininger to discuss the \$178,100 for the Citizen's Advisory Commission on Federal Areas.

Mr. Steininger detailed that the \$178,100 would fund a position to oversee the commission as well as a small

amount of money for travel and some other related commodities necessary to support the position.

[9:44:16 AM](#)

Mr. Steininger considered slide 16, "Governor's Amended: Department of Natural Resources (2 of 2)":

- Fire Suppression, Land and Water Resources; Forest Management and Development
Support for Increased Timber Sales: \$27.9 UGF
- Fire Suppression, Land and Water Resources; Mining, Land and Water
Support for Mine Inspections and Fieldwork: \$44.4 UGF, \$65.8 DGF
- Fire Suppression, Land and Water Resources; Geological and Geophysical Surveys
Support for Response to Geologic Hazards and Coordination of Development of Alaska's Resources: \$25.0 UGF, \$8.0 DGF

Mr. Steininger explained that most of the items on the slide were related to the travel costs he had previously mentioned.

Senator Wielechowski asked about the second bullet point on slide 16 and asked if any of the funds for mine inspection and field work would be used for the Pebble Mine.

Mr. Steininger did not know the specific mines that the funding would be related to, but he would get back to the committee with further information.

Senator Wielechowski asked out the \$17,800 on the previous slide for "execution of the governor's policy." He asked which specific policies were being referenced.

Mr. Steininger stated that the slide did not reference specific policies, but rather all the policies supported by the commissioner's office of the Department of Natural Resources.

Senator Wielechowski asked if the funds would be used for travel or discussion of the oil tax initiative.

Mr. Steininger stated that the \$17,800 would be used for general travel within the commissioner's office.

Senator Bishop thought there was a theme present that indicated that travel funds were being added that had been removed the year before. He would opine more on the matter at a later time.

[9:47:11 AM](#)

Senator Hoffman referenced Senator Wielechowski's concern about the Pebble Mine. He thought most of Mr. Steininger's answers were to get back to the committee at a later time. He was interested if any of the supplemental funds requested be used for the Pebble Mine. He wondered what funds in the operating budget were for the Pebble Mine, which he acknowledged was beyond the scope of the presentation. He asked for Mr. Steininger to provide the additional information.

Co-Chair Stedman asked Mr. Steininger to provide the additional information.

Mr. Steininger displayed slide 17, "Governor's Amended: Department of Public Safety":

Operating Total: \$160.0 Other

- Statewide Support; Training Academy MH Trust: Crisis Intervention Team Training Course: \$80.0 Other
- Alaska Police Standards Council MH Trust: Crisis Intervention Team Training Course: \$80.0 Other

Senator Olson asked how much of the funds would be used for recruitment and retention of Village Public Safety Officers (VPSOs).

Mr. Steininger understood that the Crisis Intervention Team Training Course was targeted to the training academy and the Alaska State Troopers.

Senator Olson asked if VPSOs were being put on the back burner.

Mr. Steininger stated that the recommendation was being made by Alaska Mental Health Trust Authority (AMHTA).

Mr. Steininger highlighted slide 18, "Governor's Amended: Department of Revenue":

Operating Total: \$346.6 UGF, \$150.0 DGF

- Taxation and Treasury; Tax Division Restore efficiency savings, long term support for Tax Revenue Management System: \$346.6 UGF
- Taxation and Treasury; Unclaimed Property Unclaimed Property Inventory and Claims Backlog: \$150.0 DGF

Mr. Steininger explained that the Department of Revenue believed it would continue to need the authority related to position reductions. The \$150,000 was related to a backlog of property inventory and claims.

Co-Chair Stedman asked about the restoration of efficiency savings; and wondered if it pertained to budget reductions that could not be met and were being added back.

Mr. Steininger stated that the reductions that were proposed to generate efficiencies could be met, but as the department looked at the cost of bringing in the tax revenue management system and transitioning the system from the capital budget to the operating budget, the cost had ended up being higher than anticipated. The department was requesting that the savings through the reduction of positions be reallocated to the management of the tax revenue management system.

[9:51:03 AM](#)

Mr. Steininger looked at slide 19, "Governor's Amended: Dept. of Transportation and Public Facilities

Operating Total: \$55.0 UGF, \$126.9 DGF

- Administration and Support; Measurement Standards and Commercial Vehicle Compliance
Measurement Standards' Equipment Calibration and Certification: \$55.0 UGF
- Marine Highway System; Marine Engineering
Vessel Construction Manager I/II for IFA Annual Overhaul and Construction Projects: \$126.9 DGF

Co-Chair Stedman asked for further explanation of the Inter-Island Ferry Authority position.

Mr. Steininger stated that the Inter-Island Ferry Authority (IFA) operated some smaller ferry runs in the state and had received federal monies in order to do some annual overhaul and construction projects. The removal of a previous

position at the Alaska Marine Highway System (AMHS) that had helped to manage projects and manage collecting federal revenues had resulted in a larger burden. The position had been added back at a cost of \$127,000.

Co-Chair Stedman thought the position had not only helped with IFA but also with the AMHS and its federal issues. He reminded that if IFA collapsed, the responsibility would shift back to AMHS, which would cost the state significantly more. He thought the state subsidized IFA for about \$250,000 per year. He was pleased that IFA was operating.

Mr. Steininger addressed slide 20, "Governor's Amended: Judiciary (1 of 2)":

Operating Total: \$761.1 UGF

- Alaska Court System; Administration and Support
FY2021 Budget Amendment-Additional Costs for the Conversion to Bi-weekly Payroll: \$34.0 UGF
- Alaska Court System; Trial Courts
FY2021 Budget Amendment-Additional Costs for the Conversion to Bi-weekly Payroll: \$251.2 UGF
- Therapeutic Courts
FY2021 Budget Amendment-Additional Costs for the Conversion to Bi-weekly Payroll: \$11.7 UGF
- Alaska Court System; Appellate Courts
FY2021 Budget Amendment-Additional Costs for the Conversion to Bi-weekly Payroll: \$24.8 UGF
- Commission on Judicial Conduct
FY2021 Budget Amendment-Additional Costs for the Conversion to Bi-weekly Payroll: \$1.2 UGF
- Judicial Council
FY2021 Budget Amendment-Additional Costs for the Conversion to Bi-weekly Payroll: \$3.6 UGF

Mr. Steininger explained that many of the amendments on the slide related to the conversion to bi-weekly payroll. There had been additional costs relating to the way the paychecks interfaced with the accounting system.

Senator Wilson asked if the costs were one-time costs.

Mr. Steininger stated that there was related supplemental costs for FY 20. The amount on the slide would be added to the base and should not need to be adjusted in the future.

Senator Wilson asked why the state did not go back to the original system if the change would cost roughly \$400,000 more per year.

Mr. Steininger informed that payroll was paid out in two different ways (bi-weekly and semi-monthly) and managing both methods created additional work and effort within the Department of Administration (DOA). Transitioning to one system of bi-weekly payroll would make the system operate more efficiently.

Senator Wilson questioned if the efficiency was costing the state more money than managing the two systems.

Mr. Steininger informed that the Alaska Court System had requested the additional authority. Other areas that moved over to bi-weekly payroll had flexibility to accommodate slight changes in the payroll cost. He thought the net effect of moving to bi-weekly payroll was of benefit to the state.

[9:55:47 AM](#)

Co-Chair von Imhof built upon Senator Wilson's question. She thought it appeared from the slide that it was about \$200 thousand or \$300 thousand more to convert to bi-weekly payroll. She thought it made sense to have one payroll system, but it appeared that the change would cost the state more. She thought a follow-up with the Department of Administration to consider whether the cost of the change would be a net gain or loss.

Senator Wielechowski stated that the Senate Finance Subcommittee on the Judiciary had discussed the matter. He did not think there was clarity on the subject. He was concerned that there were similar costs in other agencies and would cost the state millions of dollars over years. He understood that based upon the way things were calculated, there would be additional costs in five out of every seven years.

Mr. Steininger stated that some years had 260 workdays, some had 261, and some had 262. The amendment on the slide reflected the cost to the court system in a year that had 261 workdays. Subsequent years would not require an amendment. He relayed that generally speaking, Senator Wielechowski's statement was correct.

Co-Chair Stedman suggested that the subcommittee do more work on the matter and bring the information to the committee. He thought it was interesting to consider the state trying to save money with an increase in cost.

Senator Wielechowski thought the change was built into the base cost, which would increase by a few hundred thousand dollars. He asked if the same increase would be seen in every other department in the state.

Mr. Steininger stated that not all the bargaining units had moved to a bi-weekly payroll system. The other departments that had employees that moved to the bi-weekly payroll system were absorbing the costs through management of existing budgets. The Alaska Court System put forward a request related to adjusting its budget for biweekly payroll.

[9:59:34 AM](#)

Senator Hoffman asked about information that would be submitted to the committee regarding payroll. He asked how the committee would decipher the information that would be presented because the 26-week pay period provided full information on the cost to the state, but there would not be a complete picture of the bi-weekly system. He was concerned about the ability to see the true cost of the payroll change. He could envision the committee reviewing information that did not truly reflect the total cost to the state.

Co-Chair Stedman asked Mr. Steininger to elaborate on how the committee could have budget clarity and transparency on the matter.

Mr. Steininger affirmed that the Office of Management and budget (OMB) would continue to provide reports that showed the cost of each individual position, and the total annual cost of to the state budget as various bargaining units moved to bi-weekly payroll. The information would include all different terms of bargaining units, inclusive of salary and benefits.

[10:02:31 AM](#)

Senator Hoffman assumed the committee would get information on the total cost to the state for individual employees as well as budget information. He thought the two figures would not match over the years. He thought the proposed conversion to bi-weekly payroll would cost more money in the long run and generate disinformation. He thought it would cause a lot of work for the committee to be able to see the issue clearly.

Co-Chair Stedman hoped to have discussions on the matter to provide clarity on the issue and ensure a good understanding.

Senator Wielechowski understood that all departments were moving to the bi-weekly payroll system in the next year. He anticipated a supplemental budget the following year for millions of dollars as a result of the conversion. He wanted OMB to provide projections for the next seven years, indicating how much the payroll conversion would cost the state.

Co-Chair Stedman asked for Mr. Steininger to provide the information.

[10:05:04 AM](#)

Mr. Steininger advanced to slide 21, "Governor's Amended: Judiciary (2 of 2)":

- Alaska Court System; Trial Courts
FY2021 Budget Amendment-Funding for Additional IRIS Costs: \$30.7 UGF
FY2021 Budget Amendment--Funding for Sitka Courthouse Expenses: \$78.3 UGF
- Alaska Court System; Appellate Courts Restoration of Full Funding for the Appellate Court Budget: \$334.7 UGF
- Alaska Court System; Trial Courts Reverse a Portion of Additional Costs for Executive Branch Services: - \$9.1 UGF

Co-Chair Stedman stated that historically the three branches of government had stayed out of the other branches' budgetary issues. There had been changes made in the legislative branch and the court system. He saw there was an adjustment to the courts. He asked why there was not an amendment to add back to the legislative budget and to

continue to abide by the unwritten rule of not going in to another branch's budget.

Mr. Steininger stated that OMB had received a request from the Judiciary for the amendments and there had been an agreement between the administration and the Judicial branch to restore the changes made to its budget in the administration's budget submission in December. He could not speak to lack of changes in the legislative budget.

Co-Chair Stedman stated that the situation did not go unnoticed. He referenced the governor's ability to veto and pointed out that the governor would not be able to veto items that were not in the budget. He emphasized that the legislature was an equal branch of government and he recommended that the executive branch respect the legislative branch, or there would be a bigger budget mess. He hoped the matter would not be a recurring issue.

Mr. Steininger looked at slide 22, "Governor's Amended: Office of the Governor":

- Operating Total: \$296.5 UGF
- Executive Operations; Lieutenant Governor Provide the Alaska Administrative Code to Local Governments: \$60.0 UGF
- Elections Election Worker Pay Increase: \$236.5 UGF

Mr. Steininger spoke to slide 23, "Governor's Amended: University of Alaska":

- Operating Total: \$605.9 DGF
- Systemwide Reduction/Additions Alaska Technical and Vocational Education Funding: \$605.9 DGF

Mr. Steininger showed slide 24, "FY2020 Supplemental Amendments

Co-Chair von Imhof asked to go back to slide 22. She asked if the election worker pay increase would be an annual increase or if the increase was for a specific reason.

Mr. Steininger explained that the increase was for workers tasked with running the statewide general election and other elections, whose pay had not been adjusted in some time. Additionally, adjustments had been paid to comply with changes to the state minimum wage.

Senator Olson understood that there was a step program for classified employees and wondered how there had not been increases in the past.

Mr. Steininger informed that the election workers were not classified employees and were not subject the same salary schedules.

Senator Olson asked if the election workers were independent contractors.

Mr. Steininger did not know the election workers' exact employment designation.

[10:10:42 AM](#)

Co-Chair Stedman informed that the forthcoming slides would be addressing budget adjustments for the current year through June.

Mr. Steininger turned to slide 25, "FY2020 Supplemental Amendments: Judiciary (1 of 2)":

Operating Total: \$489.9 UGF

- Alaska Court System; Trial Courts FY2020 Supplemental Budget Requests—Funding for Additional IRIS Costs: \$30.7 UGF
- Commission on Judicial Conduct Additional Costs for the Conversion to Bi-weekly Payroll: \$1.3 UGF
- Alaska Court System; Appellate Courts Additional Costs for the Conversion to Bi-weekly Payroll: \$29.6 UGF
- Alaska Court System; Trial Courts Additional Costs for the Conversion to Bi-weekly Payroll: \$300.8 UGF • Judicial Council Additional Costs for the Conversion to Bi-weekly Payroll: \$4.2 UGF
- Alaska Court System; Administration and Support Additional Costs for the Conversion to Bi-weekly Payroll \$42.2 UGF

Mr. Steininger considered slide 26, "FY2020 Supplemental Amendments: Judiciary (2 of 2)":

- Therapeutic Courts
Additional Costs for the Conversion to Bi-weekly Payroll: \$5.3 UGF

- Alaska Court System; Trial Courts Additional Costs for Executive Branch Services: \$75.8 UGF

Mr. Steininger detailed that the additional costs for executive branch services were primarily related to cost increases in risk management rates that the judicial branch had to pay for insurance of assets and individuals.

Co-Chair von Imhof asked about Mr. Steininger's mention of risk management rates and if it pertained to insurance of individuals.

Mr. Steininger stated that a portion of the risk management rates was applied based upon the number of employees within each department. Some of the \$75,800 UGF listed on the slide was related to the risk management rates that applied to employees.

Co-Chair von Imhof asked what insurance was being referenced.

Mr. Steininger stated that the insurance was worker's compensation.

Mr. Steininger displayed slide 27, "FY2020 Supplemental Amendments: Operating Language Section":

Operating Total: \$5,755.9 UGF

- Special Appropriations; Judgments, Claims, and Settlements

FY2020 Judgments, Settlements, and Claims:
\$5,755.9 UGF increase New total is \$5,887.6 UGF

- Special Appropriations; Bonds for Tax Credit Purchases

Lapse Extension: Alaska Tax Credit Certificate Bond Proceeds Capital Total: \$24,293.4 UGF

- Department of Military and Veterans Affairs; Capital Alaska Land Mobile Radio (ALMR) Site Refresh: \$24,000.0 UGF

- Department of Public Safety; Capital Automatic Dependent Surveillance Broadcast System for DPS Aircraft: \$293.4 UGF increase New total is \$398.4 UGF

Mr. Steininger informed that the funds for the ALMR system was to replace equipment on towers that were required to make the system run. He added that the funds for the Department of Public Safety aircraft were requested after a

realization that more aircraft needed the equipment than was considered in the original request.

10:14:27 AM

Co-Chair von Imhof asked if the \$24 million for ALMR was in addition to the \$7.6 million in the proposed capital budget put out by the governor in December.

Mr. Steininger noted that there was an amendment to reduce the \$7.6 million to \$5 million. He informed that the \$24 million was in addition to the \$5 million, which was related to maintenance of the system. The proposed funding on the slide related to legacy equipment that needed to be replaced.

Co-Chair von Imhof asked for a brief summary of what ALMR was and why it was needed.

Mr. Steininger stated that ALMR system was used for communications by the Alaska State Troopers as well as other law enforcement and first responders throughout the state. The system was also used by the United States Department of Defense. He noted that the reason for the equipment update was that some other non-state partners could pull out of the system if the state did not update its portion.

Co-Chair Stedman reminded that Co-Chair von Imhof was in charge of the capital budget and would be working on some of the items being discussed.

Senator Olson asked about the Automatic Dependent Surveillance Broadcast System and Federal Aviation Association (FAA) requirements.

Mr. Steininger understood that there had been a change in FAA requirements and that the aircraft covered under the roughly \$400,000 appropriation did not have the equipment required by the FAA to fly in the airspace that the department intended.

Senator Hoffman referenced the \$24 million for ALMR and asked if the total would be spent or encumbered in the remaining four months of the fiscal year.

Mr. Steininger stated that the funds would not all be spent in the current fiscal year, however the project had to start within the current fiscal year to ensure that the other users of the system did not pull out.

Senator Hoffman asked how much would be encumbered in the next four months.

Mr. Steininger did not know how much would be expended in the next four months. He knew the department would begin work on the project as soon as the money was available.

Co-Chair Stedman asked Mr. Steininger to get back to the committee with the details on the ALMR funding so that Co-Chair von Imhof could have the information when contemplating the capital budget.

[10:18:21 AM](#)

Senator Wilson understood that ALMR was used for public safety communications. He inquired about a project for a consolidated Anchorage command center being considered by DPS.

Mr. Steininger was not familiar with the project that Senator Wilson was referencing.

Senator Olson thought that the command center project had to do with an enhanced 911 system.

Co-Chair Stedman stated that the command center was a budgetary item that had caught the attention of some members of the committee. He asked Mr. Steininger to investigate the issue and provide more information to the committee. He stated the committee would be working on the issue through the operating budget process as well.

Senator Wielechowski asked for an explanation of the lapse extension as listed on slide 27.

Mr. Steininger stated that there was authority in the prior budget to expend the proceeds of a bond sale for the purchase of tax credits. The amount was approximately \$800 million. The lapse extension would allow the state to utilize the authority in future years once the outcome of the associated litigation was decided, and if it was decided in the state's favor. With the authority, the state

could sell bonds and use the proceeds of the bonds to purchase the tax credits. The authority was considered duplicated authority in the state budget, but it was necessary to in order to utilize proceeds of bond sales for the actual purchase of tax credits.

Co-Chair Stedman stated that when LFD came before the committee, there were some areas that were reduced (such as the AMHS and the University of Alaska). The bigger areas would be itemized. When dealing with statewide items such as the Community Assistance Program and dealing with the tax credit payment issue, he had asked LFD to line item things for clarity as the committee considered year-to-year changes. He thought that the public should take note that although there were reductions made, overall spending was up. He would be asking staff to line item major items to see more detail of bigger reductions. He thought the clearer the view of the budget, the higher probability a solution would be found.

[10:22:31 AM](#)

Senator Hoffman stated that in reviewing the supplemental request in the presentation, he thought it was clear there was no change or request in funds for the implementation of the Real I.D. He recalled that Senator Olson had asked United States Senator Lisa Murkowski if she saw a need for the implementation of the Real I.D. and about its public safety implications for Alaskans. Her response had been that the State of Alaska needed to present the resources to get the Real I.D. implemented. He found it alarming that neither funds for FY 20 nor FY 21 had been requested, since it was a health/life/safety issue. He thought it was of particular importance to ensure the needs of the rural elderly were met. He asked if Mr. Steininger believed Senator Murkowski's statement to be true.

Mr. Steininger was not familiar with the comments made by Senator Murkowski. He continued that the Department of Administration had not requested any additional funding related to implementation of the Real I.D. Act.

Senator Hoffman was not concerned with what was requested by DOA. He emphasized that his question regarded the governor's budget request and the health/life/safety of Alaskans regarding the Real I.D. and the comments by Senator Murkowski. He assumed that the administration

agreed with the position of the commissioner, because there were no funds requested.

Senator Hoffman emphasized that it was critical to ask the question of the administration. He asked for a response to be given by the administration on the issue, which was critical to the health/life/safety of Alaskan citizens.

Mr. Steininger deferred the question to the DOA and the governor's office.

[10:26:51 AM](#)

Senator Olson thought Mr. Steininger was in a difficult position, but more so were the people that would not have a Real I.D. after October 1st. He did not see anything in the operating budget or capital budget to ensure that the people in rural areas would have the opportunity to buy the equipment necessary to furnish Real I.D.s. He thought there seemed to be complacency on the part of the commissioner. He thought the effort on the part of DOA was lacking and referenced department asking the public for funds, which he found offensive. He was very concerned about the situation.

Co-Chair Stedman thought the concern of members had been made clear. He hoped to have dialog with the administration regarding the matter over the following two months to rectify the issue.

Co-Chair Stedman praised Mr. Steininger on his ability to answer questions without lifelines and commented on the number of items on which further information had been requested.

Mr. Steininger showed slide 28, "Questions." He noted that he would respond back to the committee with written answers to the member's questions. He commented on the size of the state's deficit.

Co-Chair Stedman thought Mr. Steininger had done well in presenting a difficult topic. He expressed his appreciation. He discussed the agenda for the following day.

#

ADJOURNMENT

[10:30:33 AM](#)

The meeting was adjourned at 10:30 a.m.