

HOUSE FINANCE COMMITTEE  
April 23, 2021  
2:32 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair (via teleconference)  
Representative Dan Ortiz, Vice-Chair  
Representative Bryce Edgmon (via teleconference)  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen (via teleconference)  
Representative Steve Thompson  
Representative Adam Wool (via teleconference)

MEMBERS ABSENT

Representative Ben Carpenter

ALSO PRESENT

Kelly Cunningham, Analyst, Legislative Finance Division;  
Brodie Anderson, Staff, Representative Neal Foster; Neil  
Steininger, Director, Office of Management and Budget,  
Office of the Governor.

PRESENT VIA TELECONFERENCE

Co-Chair Merrick; Representative Edgmon; Representative  
Rasmussen; Representative Wool.

SUMMARY

HB 69        APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 69 was HEARD and HELD in committee for further  
consideration.

HB 71            APPROP: MENTAL HEALTH BUDGET

HB 71 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb69

#hb71

HOUSE BILL NO. 69

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 71

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

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Vice-Chair Ortiz MOVED to ADOPT the proposed committee substitute for HB 69, Work Draft 32-GH1509\N (Marx, 4/22/21).

Co-Chair Foster OBJECTED for discussion. He asked his staff to review the changes in the bill. He asked which documents committee members should have on hand.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, referred to a document from the Legislative Finance Division (LFD) titled "HB 69 All Funds." He noted there would be a slight discrepancy in the undesignated general funds (UGF) because the page 2 referenced a Permanent Fund Dividend (PFD) under the total. He clarified the best place to find the UGF total was on an LFD document titled "HB 69 UGF Funds."

Co-Chair Foster noted the second document mentioned was located on the top of the LFD reports in members' packets.

Mr. Anderson explained the changes in the committee substitute (CS) beginning with the document titled "HB 69 All Funds." He detailed that the CS reflected all subcommittee actions, changes made to the language sections compared to a CS introduced on March 9th (version I), and funds made available through the American Rescue Plan Act (ARPA). The CS reflected an agency operations total FY 22 budget of \$9.3 billion and \$714 million in statewide items (including things like debt service, retirement payments, fund capitalizations, and transfers). The bill included \$3.4 billion in federal funds.

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Co-Chair Foster asked for verification that Mr. Anderson was referring to the document titled "HB 69 All Funds." He asked which column Mr. Anderson was reviewing.

Mr. Anderson directed members to the funding summary on page 2 under column 6. The bill included \$3.4 billion in federal funds; \$868.3 million in designated general funds (DGF); \$1.58 billion in other funds including corporate receipts for Alaska Industrial Development and Export Authority (AIDEA), Alaska Housing Finance Corporation (AHFC), aerospace, interagency receipts, and airport receipts; and \$4.16 billion UGF. He stated that the FY 22 budget reflected a decrease of \$291.8 million or 6.5 percent from the FY 21 management plan (in total UGF agency and statewide operations).

Co-Chair Foster asked for clarification on the location in the document.

Mr. Anderson directed attention to page 1 of the LFD document titled "HB 69 UGF Funds." He highlighted the difference between columns 6 and 1 in a column labeled "[6] - [1]" comparing the FY 21 management plan with the CS. He pointed to the \$291.7 million or 6.5 percent decrease shown under the column in the last row on the slide [labeled "Total Agency and Statewide Operations"].

Co-Chair Foster was trying to locate the data Mr. Anderson was referring to.

Mr. Anderson clarified that he was referring to the document titled "HB 69 UGF Funds."

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Mr. Anderson reviewed the difference between columns 6 and 2 under a column labeled "AdjBase+ to HCS1" comparing the adjusted base to the CS. He highlighted that according to the adjusted base for UGF funds, the budget was down \$197.6 million or 4.5 percent from the adjusted base.

Mr. Anderson relayed the operating and capital items had been incorporated from the supplemental bills into the FY 21 budget. He explained the reasoning for the method. He stated that very few capital items had been included in the FY 21 budget due to the abbreviated session; there had been further additions and changes to items relating to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other COVID-19 funding such as the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); and there were funds available from ARPA for the FY 21 and FY 22 budgets. He referenced the document titled "HB 69 Supp OP Budget UGF."

Vice-Chair Ortiz asked for the document name to be repeated.

Mr. Anderson complied. He additionally pointed to documents titled "HB 69 Supp Op All Funds," "HB 69 Supp Capital UGF," and "HB 69 Supp Capital All Funds."

Co-Chair Foster asked Mr. Anderson to let committee members know when he changed documents.

Mr. Anderson began with page 1 of the "HB 69 Supp Op All Funds" document. He pointed to column 4 and listed the agency operation spend at \$1,069,930,200 and statewide items spend at \$151 million, for a total of \$1,221.3 billion. He detailed the amounts were broken up into fund sources on page 2 of the document. He pointed to column 4 and highlighted that the FY 21 budget had been reduced by \$161.6 million UGF and \$1 million DGF. The supplemental operating budget added \$123 million in other funds and \$1.3 billion in federal funds.

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Mr. Anderson referred to the document "HB 69 Supp Capital All Funds." The total supplemental capital budget was \$315.6 million broken up into the following fund sources: \$9.4 million UGF, \$11.3 million DGF, \$13 million in other funds, and \$281.9 million in federal funds.

Mr. Anderson directed attention to page 1 of a document titled "ARP/CRRSA Comparison of HB69 Version N to HB 181." He detailed that the first page was made up of items referred to by Treasury as limited flexibility items or passthroughs. The items had to pass through the budget prior to dissemination. He explained that columns contained item numbers found in various locations in the budget. He elaborated that the first column showed a section number referring to HB 69 version N and a section number for the governor's original ARPA legislation - HB 181 - if applicable. The second column showed amounts under both bills and the third column specified the timeframe both bills authorized the appropriations.

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Mr. Anderson turned to the second page showing Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) flexible items referred to as the \$1 billion. He explained that the bill would appropriate 70 percent of the \$1 billion in FY 21 and FY 22 and the remaining 30 percent in FY 23. He listed the breakdown of the \$700 million as follows: Section 18 included a \$6 million appropriation for FY 21 to FY 24 for domestic violence and sexual assault grants known as VOCA [Victims of Crime Act]; the numbers section of the bill included FY 22 fund source changes for revenue replacement totaling \$83 million; Section 45 included \$91.95 million related to FY 22 revenue replacement in debt service (UGF was swapped with ARPA funding in FY 22); Section 4 included FY 21 fund source changes for revenue replacement in the amount of \$235 million; Section 25(c) included FY 21 revenue replacement for shared commercial vessel passenger (CVP) tax in the amount of \$21.2 million; Section 52(h) replaced \$2.1 million in shared CVP tax for FY 22 because cruise ships would likely not be traveling in the coming season; Section 52(i) replaced \$2.1 million in shared fisheries business tax for FY 22; Section 7 included \$30 million in grants to small businesses to offset revenue loss beginning in FY 21, identified as a capital project; Section 7 included \$80 million in grants to local

governments to offset revenue loss in FY 21, identified as a capital project; Section 7 included \$30 million in grants to nonprofits to offset revenue loss in FY 21, identified as a capital project; Section 7 included \$20 million in tourism promotion funding to ARDORs in FY 21, identified as a capital project; and Section 7 included \$10 million for the Alaska Travel Industry Association (ATIA) in FY 21, identified as a capital project.

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Mr. Anderson stated that the aforementioned items concluded the roll up of the ARPA and CRRSA funding. He noted there would be some additional changes related to CRRSA discussed later on in the language section. He reported that all remaining supplemental items were located a document breaking down all supplemental items. He offered to review the document.

Co-Chair Foster asked for a summary of the items. He believed the governor had proposed a supplemental package of around \$62 million. He asked Mr. Anderson to highlight items proposed by the governor that were not accepted in the CS in addition to any items added in the CS.

Mr. Anderson referenced the document "HB 69 Supp Op All Funds." He directed attention to column 1 showing the governor's supplemental request prior to the rollout of the ARPA funding bill (HB 181). The governor had requested \$304 million for agency operations and \$21.9 million in supplemental statewide items for a total request of \$326.3 million.

Mr. Anderson looked at column 1 of the document titled "HB 69 Supp Capital All Funds." He pointed out that the governor had asked for \$165.68 million for statewide capital project items. He noted that the figure reflected the governor's request prior to ARPA, CRRSA, and CSLFRF funds. He did not have a breakdown on hand but could follow up with the information.

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Mr. Anderson moved to the numbers section of HB 69. He reported that the numbers section of the CS reflected all actions by subcommittees in addition to ARPA and COVID funding. Additionally, all of the governor's procurement

consolidations under the Department of Administration had been accepted. He elaborated that the CS also restored public broadcasting (radio, television, and the commission) funding to FY 19 funding levels. The CS included the addition of an increment for library operations under the Department of Education and Early Development (DEED) to allow for the continuation of the statewide online library system including the Statewide Library Electronic Doorway (SLED).

Co-Chair Foster asked for verification that Mr. Anderson was not reading from any document in members' packets. He believed Mr. Anderson was identifying budget highlights.

Mr. Anderson agreed.

Vice-Chair Ortiz asked for verification Mr. Anderson was addressing HB 69 version N.

Mr. Anderson agreed.

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Mr. Anderson continued with the DEED SLED program and library catalogue program funded through the Higher Education Investment Fund. He relayed there had been a technical change with Mt. Edgecumbe's carryforward authority by removing the "estimated to be" figure. The revised language referenced only the statutory authority in which the calculation was made. The change was in alignment with the [disaster] declaration bill; if passed, the language would allow for the conforming of any additional funds that could be made available. He moved to the Department of Commerce, Community and Economic Development and highlighted that a grant had been added to named recipients for the maintenance of the Kuskokwim ice road. Under the Department of Law, the Janus structure was created as a second civil appropriation for legal contracts relating to the interpretation of the Janus vs. AFSCME decision. He reported that two new tax auditor positions had been added to the Department of Revenue budget. Within the Department of Transportation and Public Facilities (DOT), the CS accepted all of the governor's lease consolidations. Additionally, the CS moved all Alaska Marine Highway System (AMHS) funds including CRRSA funding from the numbers section to the language section, which he would address later.

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Mr. Anderson stated there were other fund changes within DOT as well. He explained that due to the high number of supplemental items, LFD separated the supplemental sections from non-supplemental sections; therefore, compared to previous bill versions, many items had been moved and were designated as supplemental items beginning in the language section. He referenced page 68 of HB 69 and highlighted that many items had been listed as supplemental. He pointed out that two items were not included on the document. The first was the RPL [Revised Program Legislative] language. He stated that the CS reflected the language currently used in the disaster declaration bill in the other body limiting the governor's RPL authority for all COVID-related federal authority and included the potential future infrastructure and employment legislation currently being discussed by Congress. He explained that the same language applied to the language section in Section 46 of HB 69. The second was a labor contract that had not been included in the prior year budget and was part of the governor's fast track bill.

Mr. Anderson noted that the totals versus the LFD reports on the supplemental included a \$2,300 difference because the Blood Bank was accidentally omitted from the calculations in the CS. He remarked that the error would be corrected, and the updated document would be provided to committee members.

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Mr. Anderson addressed the language section of the bill. He shared that the CS removed the open-ended receipt authority for employment training and the reappropriation for fire suppression preparedness (the item would be reflected in the capital budget). The CS changed the way the Disaster Relief Fund was capitalized. He elaborated that the governor had utilized lapsing funds directly funded by the Constitutional Budget Reserve (CBR), which would have required a three-quarter vote. Instead, the CS used \$30 million UGF in FY 21. The CS removed the portion of the language section related to funding the Base Student Allocation (BSA) formula and pupil transportation for education as it had been included in a separate piece of legislation. The CS removed the \$35 million governor's request for Medicaid reappropriation of lapsing funds.

Additionally, the CS removed the receipt and federal authority related to the Alaska Gasline Development Corporation's (AGDC) Alaska Liquefied and Natural Gas project fund.

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Mr. Anderson addressed language sections in the CS beginning with Section 30(g) on page 77 through 78, lines 31 through 5 of the legislation. He detailed that the section extended an RPL for Alaska Housing Finance Corporation (AHFC). He noted the RPL had been approved in January and the language would allow for the continuation of the program. He moved to Section 31 on page 78, line 6, which changed the amount of the \$14.4 million Alaska Industrial Development and Export Authority (AIDEA) dividend to \$14.3 million to reflect the proper amount. He turned to Section 34(h) on page 81, line 5, which extended an RPL for local communities to FY 22. He elaborated that the federal government had extended the timeframe in which the funds could be used; the amount was estimated at zero dollars.

Mr. Anderson moved to page 81, line 14 pertaining to the Department of Corrections (DOC). The CS replaced language related to the man-day billing allowing for carryforward of federal receipts. He turned to Section 36(d) on page 82, line 6, which added \$5 million for Pre-K. He advanced to page 84, line 7 through page 87 line 4 (Sections 41(b) through (k)). The segment had been moved from the numbers section that authorized all funds, including CRRSA's FTA and FHWA funds for implementing an 18 month funding plan that would allow AMHS to change its schedule release to a calendar year from a fiscal year with the certainty of funding going forward.

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Mr. Anderson turned to an increment in Section 41(m) on page 87, line 14 of \$6 million in CRRSA funds for the Interisland Ferry Authority. He detailed that the entity had experienced heavy losses due to the pandemic; if it failed, the AMHS would have to absorb the responsibilities. He highlighted Section 42(c) on page 87, line 29 that added \$950,000 to cover the cost to elections for implementation of the upcoming redistricting plan. Section 43 on page 88, line 1, added \$20 million in receipt authority to the

University of Alaska if the current amount was not sufficient. Section 45(m) on page 93, lines 13 through 23, fully funded school bond debt at \$83.5 million. He detailed that \$30.8 million would come from the school fund and \$52.7 million would come from a reappropriation of FY 21 lapsing Medicaid funds. He explained that due to the use of the reappropriation, the CS also included UGF backstop language in case funds were not available. Sections 47(g) and (h) on pages 95 line 29 through page 96, line 1, funded the Community Assistance Fund from FY 21 to FY 22, capitalized at \$90 million. He detailed that the payment distribution to communities would be fully funded.

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Mr. Anderson turned to Sections 47(i) through (j), page 96, lines 2 through 12, which fully capitalized the Regional Educational Attendance Area (REAA) fund capitalized at \$34.2 million. The increment also utilized Medicaid lapsing funds and the UGF backstop. Section 47(t) on page 97, line 20, reflected \$60 million in oil tax credit purchases using AIDEA funds in the governor's original request. He noted the CS removed the reference to the statutory formula referenced in a previous version of the bill. Section 48(l) on page 99, line 28, changed the gambling tax estimate to zero and changed the deposit of the funds (of zero) to the General Fund from the Capital Income Fund in previous versions of the bill.

Mr. Anderson moved to Section 48(m) on page 99, line 31 to page 100 line 2, which included a request from the governor for repaying the Higher Education Fund for Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) loans. Section 49 on page 100, line 3 added \$1 million and extended the appropriation for another year to FY 23 for the redistricting board. Section 52(f) on page 103, line 27 updated the CVP tax estimate to reflect the updated spring forecast.

Representative Thompson asked for the page number.

Mr. Anderson replied he was addressing Section 52(f) on page 103, line 27. The CS updated the CVP to zero as reflected in the spring forecast. He noted that the item would be addressed in the CSLFRF where funds would be included to replace the zero funding level. He concluded his presentation on the language section of the bill. He

noted the bill also included various technical and conforming changes. He stated that after reviewing the CS, some issues with the effective dates had been identified. The issues would need to be addressed at a later time, most likely via a technical amendment in the amendment process.

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Co-Chair Foster asked if there were questions. He acknowledged the extra challenge with the introduction of the ARPA funds, which had made budget comparisons more difficult. He noted that funds had been added and UGF funds had been replaced in some places. He remarked that the process had made things more complicated and harder to compare year-over-year in some cases. He encouraged committee members to reach out to his office with any questions.

Representative LeBon referenced the LFD document titled "ARP/CRRSA Comparison of HB69 Version N to HB 181." He looked at page 2 related to CSLFRF flexible items. He noted the committee had heard substantial feedback in public testimony regarding sexual assault and domestic violence funding. He asked if the \$6 million on the page was an effort to try to fill a reduction in federal funding.

Mr. Anderson replied in the affirmative. He remarked that the committee had heard a significant amount of public testimony on VOCA reductions. He noted that the governor had recognized the reduction in HB 181 as well. He explained that the \$6 million was replacement funding to try to make grantees whole.

Vice-Chair Ortiz referenced a \$6 million request for the AMHS due to an absence in fares because ships had not sailed. He asked where the funds were located.

Mr. Anderson answered that it was still a hole that would be required to be filled possibly through the amendment process.

Representative Josephson referenced the VOCA funding specifying a timeframe of FY 21 to FY 24. He asked for verification that if the state were spending within the domestic violence and sexual assault component as it had been five or six years back, the amount would be around \$6 million per fiscal year.

Mr. Anderson believed the statement was correct.

Representative Josephson surmised that committee members should not be misled that the timeframe suggested the need was met for three years.

Mr. Anderson deferred the question to LFD.

KELLY CUNNINGHAM, ANALYST, LEGISLATIVE FINANCE DIVISION answered that an annual increment would be around \$1.4 million whereas the \$6 million was a multiyear increment from FY 21 through FY 24. The increment did not bring the annual funding up to its prior level six years back, but it provided funding for three years.

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Co-Chair Foster added that during public testimony, testifiers had stated they had been unexpectedly shorted by the federal government by \$6 million. He clarified his office had later found out the lost federal funds were \$1.4 million. The remaining \$4.6 million was lost state funding that had slowly deteriorated over the past few years. The \$6 million increment included in the budget would bring the organizations up to the "high water mark" of state funding in addition to the lost federal funds.

Ms. Cunningham replied that she would have to follow up.

Representative Josephson looked at page 74 of the legislation pertaining to supplemental salary and benefit adjustments. He had been told that partially exempt salaries typically moved up alongside other salaries. He asked for verification that it was not the case in the current budget.

Mr. Anderson relayed that Section 24 on pages 74 and 75 included an SLA change in the last year's budget, which only included the Inlandboatmen's union. He was aware of a possible ongoing conversation with another labor contract, but it was located under salary and benefits adjustment authorizations later in the bill for FY 22 starting on page 100. He directed attention to item 4 on page 101, beginning on line 4 related to the Public Safety Employees' Association representing the regularly commissioned public safety officer's unit. He believed Representative

Josephson's requestion pertained to the specific contract and possible increment.

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Representative Josephson clarified that he was interested in information that the state's partially exempt workers had been left out of the increases, which they typically received along with other unions. He stated that he could ask the Office of Management and Budget about it.

Mr. Anderson agreed that OMB would be better to address the question.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, stated his understanding of the question. He shared that salary schedules were set in statute and a statutory change was required to make an adjustment. He clarified that the partially exempt salary schedule did not move with any other bargaining unit contract.

Representative Josephson stated his understanding that adjustments had been made through COLAs [cost of living adjustments]. He would follow up with OMB.

Co-Chair Foster WITHDREW his OBJECTION to the adoption of the CS.

There being NO further OBJECTION, Work Draft 32-GH1509\N was ADOPTED.

3:24:43 PM

Vice-Chair Ortiz MOVED to ADOPT the proposed committee substitute (CS) for HB 71, Work Draft 32-GH1508\G (Marx, 4/22/21).

Co-Chair Foster OBJECTED for discussion. He asked his staff to review the changes in the bill.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, relayed that the majority of the changes were reflected in the operating budget, with the exception of one document titled "HB 71 Mental Health Capital." The document showed the totals for each of the mental health capital projects. He explained that the majority of changes to the mental health

budget involved changing fund sources back to the recommended and improved budget offered by the Alaska Mental Health Trust Authority (AMHTA) trustees swapping back the mental health trust reserves for the typical General Fund mental health fund source and Alaska Housing Finance Corporation (AHFC) funds. Additionally, the CS removed one deferred maintenance capital budget project with the expectation the Senate would add the project back in. The change ensured the mental health budget would be conferenceable at the end of session.

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Co-Chair Foster asked for verification that the governor's request to use approximately \$13 million in mental health reserves had been replaced with UGF [undesigned general funds].

Mr. Anderson replied in the affirmative. There had been \$13 million in the operating and \$3 million in the capital budget for a total of \$16 million. All of the funds had been replaced with the original recommendation from the [AMHTA] board.

Co-Chair Foster WITHDREW his OBJECTION.

There being NO further OBJECTION, Work Draft 32-GH1508\G was ADOPTED.

Co-Chair Foster shared that the amendment deadline would be Monday at 5:00 p.m. He hoped to begin taking up amendments on Tuesday morning. He was available for questions.

HB 69 was HEARD and HELD in committee for further consideration.

HB 71 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

[3:28:29 PM](#)

The meeting was adjourned at 3:28 p.m.