

HOUSE FINANCE COMMITTEE
April 29, 2021
9:43 a.m.

9:43:18 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:43 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Alexei Painter, Director, Legislative Finance Division; Kelly Cunningham, Analyst, Legislative Finance Division; Remond Henderson, Staff, Representative DeLena Johnson; Megan Wallace, Director, Legislative Legal Services, Alaska State Legislature; Representative Matt Claman; Representative Sara Hannan; Representative Cathy Tilton.

PRESENT VIA TELECONFERENCE

Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities, Office of Management and Budget, Office of the Governor; Brent Goodrum, Deputy Commissioner, Department of Natural

Resources; Megan Wallace, Director, Legislative Legal Services, Alaska State Legislature; Leslie Isaacs, Administrative Service Director, Department of Administration, Office of Management and Budget, Office of the Governor; Scott Jordan, Director, Division of Risk Management, Department of Administration.

SUMMARY

HB 69 APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 69(FIN) was REPORTED out of committee with five "do pass" recommendations, five "no recommendation" recommendations, and one "amend" recommendation.

HB 71 APPROP: MENTAL HEALTH BUDGET

CSHB 71(FIN) was REPORTED out of committee with eight "do pass" recommendations, two "no recommendation" recommendations, and one "amend" recommendation.

9:44:01 AM

Co-Chair Foster reviewed the meeting agenda. The committee would hear amendments on the operating budget.

#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."

9:44:38 AM

Co-Chair Foster relayed that the committee would take up the amendment process. He expected some amendments would be bundled together. He explained that the amendment numbers may not be in order. He asked members to notify him if there was any confusion about the document that was being addressed (copy on file). He would begin with the governor's amendments. He asked the Office of Management and Budget (OMB) director to put himself on the record for any questions.

9:45:27 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, explained Amendment GA 1 related to the Department of Transportation and Public Facilities (DOT) northern region highways and aviation in the amount of \$330,000 unrestricted general funds (UGF). The supplemental amendment applied to FY 21 and was intended to pay for the cost of a winter storm event in the northern region.

Co-Chair Foster MOVED to ADOPT Amendment GA 1 (copy on file):

Department of Transportation and Public Facilities
Highways, Aviation and Facilities
Northern Region Highways and Aviation
Northern Region Winter Storm Event

A supplemental request for \$331.0 is required to fund the additional resources necessary to address an extreme unexpected weather event. On April 2, 2021, Northern Region experienced an unprecedented winter event that the National Weather Service reports set a new record for the most snow fall in a single event during the month of April and is the second-highest snow fall event on record for the area. This event resulted in 12-22 inches of snowfall within approximately 48 hours, followed by unseasonably high winds. This caused extreme drifting, avalanches, closed several roadways, and put many of DOT&PF's roadways in a very difficult or hazardous driving

condition. The temperatures at the time of the event hovered around 32 degrees, making the snow composition high in moisture content.

Following the heavy snowfall and high winds, temperatures dropped significantly within 24 hours to well below zero, freezing much of the remaining snow and ice to the roadways. This caused additional safety concerns for the traveling public and made it incredibly difficult to remove. In order to promptly respond to this event, address roadway safety, and return the infrastructure to pre-storm condition (including protecting infrastructure from damage during spring thaw), the region was required to leverage additional resources (materials, overtime, and contractor services).

Vice-Chair Ortiz OBJECTED for discussion.

Co-Chair Foster asked if the amendment pertained to the haul road.

Mr. Steininger replied that he did not have the name of the road on hand.

Representative Wool stated that he supported plowing roads in Interior Alaska. He shared that he had been in Fairbanks during the storm. He reasoned that it should not be necessary to appropriate a line item budget for every snowstorm. He noted it had been a light winter until the event had taken place. He did not want to hamstring DOT, but he thought it was unusual the department had not been financially prepared.

[9:48:19 AM](#)

Mr. Steininger replied that typical plowing and road maintenance was included in the DOT budget. He stated that budgets for road maintenance had been constrained over the past several years. Consequently, when there was a large snow event requiring overtime and additional materials, the department typically could not absorb the cost within its normal budget without curtailing other maintenance activities later in the year.

Co-Chair Foster highlighted various testifiers available online for questions.

Representative Josephson shared that he had previously lived in the Fairbanks area and was inclined to support the funding. He noted there were numerous people in the building that did not support spending beyond the SB 26 limit [Permanent Fund appropriation limit legislation passed in 2018]. He referenced conversations that had been taking place for years about concerns related to overspending. He thought the funds could conflict with the desire to pay a Permanent Fund Dividend (PFD) or fund the capital budget. He thought the funding would compete with those other items.

Mr. Steininger believed the question related to the zero sum game of allocating resources. He stated that the safety of road maintenance was a priority. He explained that the supplemental amendment would ensure other road maintenance was not curtailed to accommodate a one-time need from an emergency event.

Vice-Chair Ortiz referenced the explanation about the DOT cutbacks over recent years. He asked if the department could speak about the particular area of department spending. He asked for information on how the department's current [financial] resources compared to four years earlier. He asked how much funding had been cut in the past four years.

Mr. Steininger responded that he did not have the information on hand. He deferred the question to the department.

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), believed one of the significant budget changes for the northern region in the past several years was a shift of roughly 25 percent of maintenance and operations to federal funds, which drastically limited the amount of reactive activities DOT could perform. He explained that when the particular storm hit there had been a chance of freezing and of the impacts worsening if not addressed quickly. He detailed that state funding had been cut approximately 25 percent in the past several years as the state had migrated to using federal funds for preventative maintenance.

[9:52:42 AM](#)

Representative Wool thought plowing snow fell under a separate category from maintenance. Additionally, he believed it had been a low snow year aside from the specific storm. He believed the department had a snow removal budget. He asked if one storm had knocked the department off even in a low snow year.

Mr. Pannone replied that the snowstorm had been unexpected on the verge of springtime. The event had required contractors to truck snow out. He detailed that preventative maintenance was allowed with federal funds to preserve the life of an asset. He explained that normal maintenance was in reaction to a weather event, which was not federally eligible. He elaborated that the event had not been in the department's budget for the year; it had been an unanticipated expense DOT did not have funds for.

Representative Wool asked if the department had spent less than normal on plowing prior to the event. He thought it would allow for some surplus in the plowing budget.

Mr. Pannone responded that he did not have the information on the plowing for the year. He reported that the storm event exceeded the department's budget.

Vice-Chair Ortiz WITHDREW the OBJECTION.

Representative Carpenter OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Thompson, Wool, Edgmon, Johnson,
Josephson, Ortiz, Foster, Merrick
OPPOSED: Carpenter, Rasmussen

The MOTION PASSED (9/2). There being NO further OBJECTION, Amendment GA 1 was ADOPTED.

[9:56:36 AM](#)

Co-Chair Foster MOVED to ADOPT Amendment GA 218 (copy on file):

Department of Transportation and Public Facilities
Administration and Support

Statewide Aviation
GA 218

This Federal authority will allow the utilization of FM CARES revenue for operational updates to the Airport Security Plan (ASP), for the department's 15 Category III rural airports (Get passenger service), which is ineligible for standard AIP funding as it is operational in nature. The Transportation Security Administration requires the department to update these plans.

Tasks include:

- a standardized, statewide ASP template
- six fully rewritten ASPs (Gustavus; Petersburg; Wrangell; Yakutat; Sitka; and Dillingham)
- nine updated ASPs (Adak; Kodiak; King Salmon; Bethel; Barrow; Cordova; Nome; Kotzebue; and Deadhorse)
- the creation of two security guidebooks, one for airport tenants and one for leasing staff
- training

Co-Chair Merrick OBJECTED for discussion.

Mr. Steininger explained the amendment for DOT would direct \$181,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act receipts from the Federal Aviation Administration (FAA) for FY 22. The increment would allow for an update to the airport security plan. He explained that the cost was not typically allowable under the Airport Improvement Program (AIP) federal receipts; however, it was allowable under the incoming FAA CARES Act funds. He elaborated that the increment would enable the department to update its airport security plan for category III rural airports (airports that received jet service).

Representative Josephson asked how the legislature had appropriated the FAA CARES Act funds.

Co-Chair Foster asked to hear from the Legislative Finance Division (LFD).

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, answered that a portion of the funds had been used to offset General Fund expenditures for rural airports;

however, several million in additional funds remained that could be used in future years or for capital projects. He reported there were more than enough FAA CARES Act funds available for the increment.

9:58:58 AM

Representative Carpenter asked about a hypothetical scenario where there was no federal CARES Act funding available for the increment. Under the scenario, he wondered if the state would be required to use state funds to meet a federal requirement.

Mr. Steininger answered that the airport security plan was not eligible for the annual federal AIP receipts. He confirmed that without CARES Act funding, it would require a General Fund expenditure. He deferred to Mr. Pannone for further detail.

Mr. Pannone replied that the item would normally have been a request likely for state funds. The item was a one-time need and could not be absorbed in the budget. He elaborated that DOT had seen the opportunity to request using [CARES Act] funds for the one-time update of the security plan.

Representative Carpenter remarked it was a good thing the state had received excess federal funds for FY 22.

Co-Chair Merrick WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment GA 218 was ADOPTED.

10:00:51 AM

Co-Chair Foster MOVED to ADOPT Amendment GA 215 (copy on file):

Department of Administration
Alaska Public Offices Commission
GA 215

Statement of Costs for Alaska Public Offices
Commission (Ballot Measure 2)

The passing of this ballot measure requires additional oversight, regulation, filer education, and

enforcement activities for the Alaska Public Offices Commission requiring an additional Associate Attorney I position (17A) (-\$91,500) and associated overhead costs including computer equipment, core services, and general supplies (~\$9,000). Approximately 50 programming hours will be required to design, test, and deploy additional disclosure forms within the agency's online filing program (~\$2,850).

Background: Ballot Measure 2 passed in the 2020 general election making changes to campaign disclosure reporting requirements. The measure will go into effect during the upcoming April 2021 Anchorage municipal election cycle and requires independent expenditure groups involved in candidate election activities to report to the Alaska Public Offices Commission within 24 hours of receiving a contribution. It also requires the contributor to report within 24 hours of contributing to a group. Provisions extend these same reporting requirements to independent expenditure groups and their contributors involved in ballot measure campaign activities.

Co-Chair Merrick OBJECTED for discussion.

Mr. Steininger explained the amendment related to the Department of Administration (DOA) Alaska Public Offices Commission (APOC) in the amount of \$100,500 UGF. The amendment would accommodate cost increases as a result of Ballot Measure 2. The costs included the addition of a position and programming work needed in order to update APOC's system to accommodate new requirements under the ballot measure.

Co-Chair Merrick WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment GA 215 was ADOPTED.

[10:01:54 AM](#)

Co-Chair Foster MOVED to ADOPT Amendment GA 216 (copy on file):

Department of Administration
Alaska Public Offices Commission
GA 216

Statement of Costs for Alaska Public Offices
Commission {Ballot Measure 2}

The passing of this ballot measure requires additional oversight, regulation, filer education, and enforcement activities for the Alaska Public Offices Commission requiring an additional Associate Attorney I position {17A) (~\$91,500) and associated overhead costs including computer equipment, core services, and general supplies (~\$9,000). Approximately 50 programming hours will be required to design, test, and deploy additional disclosure forms within the agency's online filing program (-\$2,850).

Background: Ballot Measure 2 passed in the 2020 general election making changes to campaign disclosure reporting requirements. The measure will go into effect during the upcoming April 2021 Anchorage municipal election cycle and requires independent expenditure groups involved in candidate election activities to report to the Alaska Public Offices Commission within 24 hours of receiving a contribution. It also requires the contributor to report within 24 hours of contributing to a group. Provisions extend these same reporting requirements to Independent expenditure groups and their contributors involved in ballot measure campaign activities.

Vice-Chair Ortiz OBJECTED for discussion.

Mr. Steininger explained that the amendment was related to the implementation of Ballot Measure 2 and included \$2,900 in one-time costs associated with updating APOC's electronic system for collection of information.

Vice-Chair Ortiz WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment GA 216 was ADOPTED.

[10:02:32 AM](#)

Co-Chair Foster MOVED to ADOPT Amendment GA 217 (copy on file) [note: due to the length of the amendment it is not fully included, see copy on file for additional detail]:

Department of Natural Resources
Fire Suppression, Land & Water Resources
Mining, Land & Water
GA 217

Advancing State's Rights in Navigability and Revised
Statute 2477 (FY22-24)

Advancing State's Rights in navigability and RS2477
(Revised Statute 2477) is focused on maximizing
Alaskans' access to, and use of, the lands and natural
resources of our state. This strategy/Initiative will
advance state sovereignty by advocating for and
protection of the rights the State acquired at
statehood, review of federal land use plans and
rulemaking to ensure State projects and access to our
resources remain on track.

Co-Chair Merrick OBJECTED for discussion.

Mr. Steininger explained the amendment pertained to the
Department of Natural Resources (DNR) Division of Mining,
Land and Water in the amount of \$695,000 UGF for advancing
the state's rights for navigable waterways as well as
defense of state rights on resource development and other
lands related items. The temporary increment included three
PCNs [position control numbers] from FY 22 through FY 24.

Representative Josephson requested an "at ease."

[10:03:38 AM](#)
AT EASE

[10:07:21 AM](#)
RECONVENED

Co-Chair Foster noted the committee was considering GA 217.

Representative Wool noted that the amendment category
included fire suppression. He asked how fire suppression
pertained to the amendment.

Mr. Steininger replied that the first line of the amendment
"fire suppression, land and water resources" was the
appropriation the division allocation fell under. The
division shared an appropriation with fire suppression, but
the amendment did not pertain to fire suppression.

Representative Carpenter asked for more information on the relationship between the Public Access Assertion and Defense (PAAD) unit and the Office of History and Archaeology.

Mr. Steininger replied that the PAAD unit worked with the Office of History and Archaeology to do some of the necessary historical and archaeological work to defend the state's rights issues on management of its land and resources.

Co-Chair Foster asked to hear from DNR.

BRENT GOODRUM, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES (via teleconference), relayed that the PAAD unit did the heavy lifting for the department and state on navigable waters and RS 2477 access statewide. He elaborated that the PAAD unit had a working relationship with the Office of History and Archeology. He stated it was critically important in many of the RS 2477 works to go back in history to prove access across specific routes. He explained that the legislature had codified over 600 RS 2477s throughout the state. He detailed that the department generally funded the work via an RSA [reimbursable services agreement]. The effort looked to place a historian within the PAAD unit as the administration anticipated more litigation with the new federal administration on RS 2477 access rights that were critical in ensuring the state had full enjoyment and use of its rights gained at statehood.

[10:10:48 AM](#)

Co-Chair Merrick WITHDREW the OBJECTION.

Vice-Chair Ortiz OBJECTED.

Representative Josephson remarked that the issues were complicated, and he did not know how all Alaskans viewed them. He was concerned that the funding pitted the state against the federal government in an unnecessary and uncooperative way. He believed it impacted areas people want for wilderness without seeing the abuse of every easement. He recalled the Klutina Lake dispute the state engaged in with Native Alaskans in the Ahtna area north of Cordova and noted there had been a recent partial settlement. He saw that some of the funding in the proposed

amendment would go towards the Ambler Road. He stated that the proposed 200-mile road would kick up dust and impact subsistence. He had traveled to meet with people in the region, particularly in the Allakaket area, and had been unimpressed by the project. He stated the project was a great money maker for its benefactors and would provide some jobs; however, he noted it would leave some issues behind. He stressed that the benefit to the state treasury was de minimis. He highlighted that the project was strongly opposed by tribes in the area. He added that Doyon also had concerns, but it had reached a recent agreement. He did not support the funding.

Representative Rasmussen opposed the amendment. She stated that it did not seem like the tasks were best served by a full-time employee. She would be more comfortable looking at contracting to get some of the items accomplished without growing the number of permanent state positions.

Representative Carpenter MOVED to ADOPT a conceptual amendment to change the increment to a one-time expense.

Vice-Chair Ortiz objected for discussion.

Representative Carpenter sensed that the committee may not approve the amendment because it created full-time positions into the future. He was weary of creating full-time positions; however, he saw a need. He stated that the conceptual amendment was a compromise, and the legislature could decide whether it wanted to continue the expense during the next budget cycle.

[10:15:00 AM](#)

Co-Chair Foster was supportive of efforts to gain access to lands. He relayed there was a national park on the Seward Peninsula where residents would like to get through for recreational purposes. He supported the amendment.

Vice-Chair Ortiz asked if the \$695,000 would be spread out equally over three years.

Mr. Steininger explained that the increment would be \$695,000 per year for three years.

Representative Rasmussen asked if amending the amendment to a one-time increment would automatically eliminate the one

full-time position. She asked if it was necessary to specify the positions would be temporary.

Representative Carpenter explained the intent of the proposed conceptual amendment was to authorize \$695,000 and three permanent full-time positions for one year. The idea was to return the following year and decide whether to continue the funding.

Co-Chair Foster asked to hear from DNR.

Mr. Goodrum replied there was significant uncertainty about job security when recruiting a position funded as a one-time increment. He explained that the proposal was a three-year effort from FY 22 through FY 24. He stated that the next three years would be a "slog" at times with the federal government. He understood Representative Josephson's concerns that the issues were not necessarily fights the state wanted to pick; however, the administration felt it was critical to establish the state's rights inherited at statehood for current and future generations and afforded by the equal footing doctrine when the state entered the union. He was supportive of the three-year funding [in the original amendment]. He reiterated there were many challenges with a one-time increment including the ability to hire quality people in the positions.

[10:18:09 AM](#)

Representative LeBon appreciated the effort by Representative Carpenter to help move the program forward; however, he echoed Co-Chair Foster's comments about the importance of access and RS 2477 issues. He stated that the issues were worth protecting and funding on a three-year basis. He opposed the conceptual amendment and supported the original amendment.

Co-Chair Foster relayed that he was inclined to support funding for the full three years after hearing from Mr. Goodrum.

Representative Rasmussen asked if there were currently any funded unfilled positions within the division.

Mr. Goodrum replied there were some vacant positions within the Division of Mining, Land and Water. For example, the

department had the PAAD unit work for months to identify navigable waters, which the administration had recently unveiled on March 26. The department had put the public and federal agencies on notice about the navigable waters that went through Alaska National Interest Lands Conservation Act (ANILCA) and National Parks Service units and the Tongass, which were owned and should be rightfully managed by the state. He reported that in order to do the accelerated work, the department had to use about \$17,000 internally to get other assistance in creating the GIS [geographic information system] layer that was important to share with the public. He relayed resources had been tight and the PAAD unit had a deficit of about \$600,000 since FY 16. The department was trying to reconstitute some of the previous capacity in order to move forward on the important state's rights issues.

[10:20:29 AM](#)

Representative Edgmon believed Amendment GA 217 was twofold. First, he believed the amendment would take advantage of American Rescue Plan Act (ARPA) funds to offset the amount. Second, he interpreted the amendment as aiming to build a capacity in light of what the current federal administration would present in terms of the state's rights issue. He noted there was another amendment for \$4 million that appeared to tie into the same issue. He was concerned what the issue could mean for rural preference for subsistence rights. He thought the impact may be de minimis or not. He knew there was concern that the effort could bring the entire prospect up again, in terms of navigability. He asked whether Mr. Goodrum could allay some of his concerns.

Mr. Goodrum answered that the navigability initiative pertained to ownership rights the state received at statehood. He elaborated that the U.S. Supreme Court in the Sturgeon decision unequivocally ruled that the navigable waters, particularly in ANILCA units created after statehood in 1980, were not public lands to be administered by the federal government, but were in holdings; therefore, the state had the right and authority to help manage the lands. He deferred to the Department of Fish and Game (DFG) on issues related to subsistence and the management of fish and wildlife. He stressed that from a land ownership perspective, the state was the rightful owner; therefore,

it was the state that managed access and other things with regard to navigable waters.

Representative Edgmon believed that based on the response, the rural preference for subsistence went away given the transaction going from federal control to state control. He did not know to what degree, but it was a concern. He was not supportive of the amendment.

[10:23:17 AM](#)

Co-Chair Foster supported Representative Edgmon's statements and hoped the funds were not used in a way that was in opposition to subsistence. He clarified that his support for the amendment pertained to land access and the use of old historical trails that may route through a national park.

Representative Rasmussen noted there were many tough decisions facing the legislature when it came to limited funding for projects across the state. She thought the project appeared to be important and she hoped that the department would look at some of its vacant positions and potentially reprioritize.

Representative Carpenter WITHDREW conceptual Amendment 1.

Vice-Chair Ortiz MAINTAINED his OBJECTION to Amendment GA 217.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Carpenter, Johnson, LeBon, Merrick, Foster

OPPOSED: Ortiz, Rasmussen, Edgmon, Josephson, Wool

The MOTION PASSED (6/5). There being NO further OBJECTION, Amendment GA 217 was ADOPTED.

[10:25:47 AM](#)

Co-Chair Foster relayed there was no Amendment GA 218. He shared that Amendments GA 219 and GA 220 were both related to oil and gas tax credits. Additionally, there was a committee member amendment on the topic in the amendment packet. He informed the committee that the amendments would be considered later in the meeting.

10:26:41 AM

Co-Chair Foster MOVED to ADOPT Amendment HLS, 132-GH1509\N.26 (Marx, 4/28/21) (copy on file) [note: due to the length of the amendment it is not included in its entirety, see copy on file for complete detail].

Description:

Technical Amendment

Ensure all supplementals and reappropriations have appropriate effective dates

Sections 4 through 27 should have an immediate effective date, with the exception of the following reappropriations that should have a 6/30/21 effective date:

Sec. II

Sec. 20

Sec. 34(h), RPLs for community direct payments

Sec. 35 DOC federal man-day carryforward

Sec. 36(b) DEED grants to educational entities and nonprofit and nongovernment organizations

Sec. 45(m)(2) Medicaid reappropriation for School Bond Debt

Sec. 47(i) Medicaid reappropriation for REAA

Add supplemental section for Insurance (matches Sec. 6 from the Governor's fast-track supplemental HB 68).

Change Section 26 (Community Block Grants) to an estimate and match the Governor's request (instead of "not to exceed")

Add section 7 (supplemental capital section) to capital lapse section

Remove erroneous transfer of \$47,200 from numbers section associated with DHSS split

Remove inadvertent double funding of Blood Bank Grant (\$2,300 UGF from Numbers section)

Corrected AHFC Dividend funding in FY21 to avoid \$16,100 over-appropriation

Co-Chair Merrick OBJECTED for discussion.

Mr. Painter explained that the amendment had several parts and was a series of technical fixes to the CS identified by LFD and Legislative Legal Services. He relayed that the first page of the amendment [shown above] provided a summary of the proposed changes. He explained that most of the changes were to effective dates to ensure all of the supplementals had the correct dates. He detailed that the reappropriation items had a June 30, 2021 effective date to allow the reappropriation to be effective when the funding was available. He elaborated that all of the other supplemental items had an immediate effective date under the amendment. He noted previously some of the items had a June 30 effective date, which could cause delays.

Mr. Painter explained that the next item added a supplemental section for insurance. He detailed the provision was typically included in the capital budget, but it had been inadvertently left out the prior year when the capital bill was rolled into the operating bill. The item would allow funding received by the state from insurance claims to be spent by agencies. The next item was a technical fix to Section 26, community block grants. He expounded that the section had inadvertently included the language "not to exceed," however, it should be an estimate, which was corrected by the amendment. The next item added the supplemental capital sections to the capital lapse section of the bill, ensuring the projects would lapse as capital projects.

Mr. Painter relayed there had been an erroneous transfer item left in from the governor's DHSS split that transferred funding. He explained that most of the items had not been accepted because the item was not moving forward. He elaborated that one of the items had been inadvertently copied forward and caused an issue of \$47,200. Additionally, there had been inadvertent duplicate funding of \$2,300 for the Blood Bank grant in the numbers and language sections of the bill. The amendment removed \$2,300 from the numbers section; the amount remained in the language section. The amendment also corrected the Alaska Housing Finance Corporation (AHFC) dividend usage in FY 21.

There had been an inadvertent over appropriation of the dividend by \$16,100.

10:29:41 AM

Co-Chair Foster explained that the amendment was technical in nature.

Co-Chair Merrick WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment HLS 1 was ADOPTED.

10:30:40 AM

AT EASE

10:38:55 AM

RECONVENED

Co-Chair Foster MOVED to ADOPT Amendment HLS 2 (copy on file).

Representative Rasmussen OBJECTED. She WITHDREW Amendment HLS 2 and relayed her intent to address the item in the capital budget.

Co-Chair Foster noted that Amendment HLS 2 was an FY 21 supplemental for \$5 million for an energy study that would be taken up during the capital budget process.

Representative Rasmussen MOVED to ADOPT Amendment HLS 3 (copy on file):

Fiscal Year: FY 21 Supplemental
Department: Department of Environmental Conservation
Appropriation: Environmental Health
Allocation: Environmental Health

Add: 457.7 UGF (1004)
Delete: 457.7 CPVEC (1166)

Explanation: The current use of the CPVEC for shellfish testing is not a designated use of the fund. Shellfish and shellfish growing waters would require testing whether or not there was a cruise ship industry, and the tests are required regardless of whether there is nearby cruise ship activity.

Co-Chair Foster OBJECTED for discussion.

Representative Rasmussen explained she had learned the item was not a designated use of the CPVEC [Commercial Passenger Vessel Environmental Compliance] fund. She elaborated that the Department of Law (DOL) and Legislative Legal Services had indicated the use was not legal. The amendment would replace the CPVEC funding with \$457,700 UGF.

Co-Chair Foster clarified the amendment would be in the FY 21 supplemental and would replace the entire amount coming from the cruise ship head tax with UGF.

Vice-Chair Ortiz did not support the amendment. He stated that the use of CPV [commercial passenger vessel] funds had been used for shellfish for the past eight or nine years. He elaborated that the use had not been challenged during that time and was not part of the lawsuit brought forward in relationship to the way communities were using some of the CPV funds. He stated that it had never been an issue for anyone up to the current point. He questioned whether it would be a good use of UGF funds at a time when funds were limited.

[10:42:02 AM](#)

Representative Carpenter asked if there was someone available from Legislative Legal Services who could speak to the amendment.

Co-Chair Foster replied that there was not a representative from Legislative Legal present. He asked Mr. Painter to address the amendment.

Mr. Painter prefaced his remarks by stating he is not an attorney. He shared information based on his prior conversations with Legislative Legal Services on the topic. He detailed that under the federal constitution, taxes collected on interstate commerce could only be used on direct costs related to that item. For example, certain airport revenues could only be spent on airports. He explained that the attorneys thought the use of funds stretched a bit too far from being a direct cost of the passenger vessels because shellfish testing would be necessary with or without the presence of cruise ships.

Co-Chair Foster noted that amendments could always be set aside if the committee needed follow up by Legislative Legal Services.

Representative Carpenter thought it would be good to hear from Legislative Legal Services on the topic.

Representative Josephson referenced Vice-Chair Ortiz's remarks that there had never been litigation on the issue in the past. He observed that the cruise ship industry would litigate at any opportunity it wanted. For example, the industry had challenged the use of the funds for the humpback whale statue [located in Juneau]. He asked for verification that the industry had not challenged the shellfish testing monies.

Mr. Painter affirmed there had not been a legal challenge on the topic. He added that the [cruise ship] industry had broad legal challenges about local community spending but not on state spending.

Representative Josephson asked about the health of the fund given the absence of cruise ships in the past year.

Mr. Painter replied there had been a fairly healthy balance prior to COVID-19. He did not know the current balance of the CPV fund.

Representative Thompson asked if the shellfish industry contributed any money toward the testing.

[10:45:30 AM](#)

Mr. Painter replied in the negative. He detailed there was not currently a fee for the service. He expounded that DEC had done a study in the past about whether a fee structure could be established; the study had determined there would be minimal revenue that the industry could bear economically. He believed there was a related statute. He noted the topic had been discussed in subcommittee, but the industry did not currently pay fees. He added there had been a proposal to implement a fee by the governor in the past couple of years; however, it had been rejected by the legislature.

Vice-Chair Ortiz referenced a packet he had distributed to members on the topic [labeled "HB 69 Additional Info Ortiz

to Amendment HLS 3"] (copy on file). The packet included testimony submitted by an oyster producer specifying the cost of sending the samples for testing to Anchorage was \$20,000 annually. He remarked that it was possible to argue that protecting the public via restaurant inspections and other ways related to food consumption was one of DEC's duties. He stated that the testing requirement was a protection of the general public. He noted that the oyster farmer also testified that he supplied seven or eight cruise lines with his product. He reasoned in that sense the cruise ship passengers were directly being protected by the testing taking place. He concluded that while the industry did not contribute to the testing cost, there was a significant cost of providing the samples up to the testing facility.

10:48:09 AM

Representative Wool surmised the shellfish industry paid for the shipping but not the testing of the shellfish. He stated he had been in the restaurant business for many years and had been required by DEC to have his water tested regularly to protect the public. He stated that he had paid thousands of dollars per year for the testing. He understood that water was different than shellfish as it was easier to transport. He asked if there were other things the CPV fund was used for that could be considered a stretch as far as the use of the funds. He understood that cruise ship passengers ate shellfish and wanted to be protected.

Mr. Painter replied not that he was aware of. He relayed that at one point the state was using the funding source to pay for fish tissue monitoring, which had a nexus to the cruise ship industry but was not directly related. He stated that generally the funds were used for the cost of regulating the industry.

Representative Wool asked if the fish tissue study [funding] was discontinued due to pressure from the cruise ship industry claiming it was an inappropriate use of the funds. Alternatively, he asked if the fish tissue study had been deemed no longer necessary.

Mr. Painter answered it had been designed as a short-term program, but he could verify.

10:50:39 AM

Representative Rasmussen noted the cost breakdown provided by the oyster farmer [included in the packet provided by Vice-Chair Ortiz] was mostly operating costs for wages, fuel, and other related items. She observed that getting the test off appeared to be very expensive, but she believed much of the expense was operating cost incurred directly by the business.

Mr. Painter responded to an earlier question about the CPVEC fund balance. He reported that the fund balance was projected as slightly negative in FY 21 at approximately -\$149,000. He stated that without a cruise ship season the fund balance was projected to be -\$4 million in FY 22 due to the regular expenditures coming out of the fund.

Representative Rasmussen asked if the fund was currently in the negative.

Mr. Painter answered that if there were no cruise ships in FY 22 the fund balance would be -\$4 million. He elaborated that if there were cruise ships in the later half of the fiscal year, the fund could potentially make some of the money back.

Representative Rasmussen asked for detail on the deficit. She asked what would happen if the fund source for shellfish testing remained CPVEC and the balance of the fund for FY 21 was negative. She asked if the state would incur a greater deficit or be unable to release the funds.

Mr. Painter answered that the legislature would need to address the item as expenditures, which could not occur if there were no funds. He relayed that it would likely be an allowable use of ARPA funds to backfill lost revenue, but the legislature would need to appropriate the funding.

Representative Josephson asked if the CVPEC fund was the funding source for the ocean ranger program as well.

Mr. Painter replied, "Not directly." He elaborated there were two separate fees including the \$4 fee for ocean rangers and the sliding scale environmental compliance fee based on the size of vessels. He explained that the fees went into the same account but were tracked separately.

10:53:25 AM

Representative Josephson was sensing the amendment was imperative and not discretionary. He stated that the item could not be funded with deficit spending. He asked if the department could absorb the cost another way.

Mr. Painter believed the department would have to reduce expenditures.

Co-Chair Foster asked to hear from Legislative Legal Services on the legality of the use of CPV funds for shellfish testing.

MEGAN WALLACE, DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE (via teleconference), answered that tonnage clause and federal law required that money derived from state taxes or fees must be used for service to the vessel or to enhance the safety and efficiency of interstate commerce. The question about whether using the funds for shellfish testing was an appropriate use under federal restrictions was unresolved. She shared there was a district court case in Alaska in 2018 that reiterated any permissible tax or fee may only be expended for services to the vessel and may not used solely for the benefit of passengers. She stated it sounded like there were some potential creative arguments that the testing did benefit passengers; however, Legal Services saw some risk because the funds were not being used for services related to vessels or going directly to interstate commerce.

10:56:40 AM

Vice-Chair Ortiz asked if the particular use of the funds had not been challenged as of yet. He asked how long the funds had been used to pay for shellfish testing.

Ms. Wallace answered that she did not know how long the practice had taken place. She confirmed that the specific use of funds had not been contested. She advised there was some risk because it was unclear whether the use of funds was acceptable.

Representative Wool remarked that Mr. Painter had stated there was currently a small balance in the fund and the potential for a -\$4 million balance after FY 22. He asked

Mr. Painter to elaborate on other recurring expenses paid by the fund.

Mr. Painter answered that the other uses were related to the regulation of the cruise ship industry by DEC. While the state did not anticipate large cruise ship vessels in the current year, he did not believe the industry planned to layoff all of its employees because it would be difficult to lay them off for a year and bring them back. He added there were smaller vessels expected in the current year, but they tended to pay a lower fee on the sliding scale; therefore, revenue would be much lower.

Representative Wool asked for verification the same number of people would still have to be paid in the absence of large ships coming in.

Mr. Painter replied it was his understanding that DEC would not want to cease the program and restart it the following year.

Representative Carpenter MOVED to AMEND Amendment HLS 3 by changing the fund source to newly available federal funds (fund code 1269).

Representative Wool OBJECTED. He understood there was ARPA funding and UGF, but he thought it ultimately would all impact the bottom line and the money available. He thought it appeared to be a bit of a shell game.

[10:59:54 AM](#)

Representative Carpenter explained the intent and logic behind the conceptual amendment was to put a finite [funding] source toward a problem that needed to be resolved. He noted he would have a conceptual amendment following the current amendment. He elaborated that the state was trying to grow the shellfish industry and the problem [related to testing] was not going away. He stressed the need for a better solution for shellfish testing. He detailed that the second conceptual amendment would make it the intent of the legislature to require the department to come back to the legislature the following session with a way forward for the industry to make testing more cost effective and to lay out the options.

Representative Josephson stated his understanding that the conceptual amendment to Amendment HLS 3 would change the fund source from 1004 to 1269.

Representative Carpenter believed the fund code 1269 was new federal money coming in via ARPA.

Co-Chair Foster acknowledged that Mr. Painter confirmed fund code 1269 was the fund code associated with the ARPA money.

Representative Wool stated that ARPA had rules the legislature had not yet seen. He asked if the item would fall under lost revenue because cruise ship head tax had been paying for the testing and there had been a decline in the funding source.

[11:01:49 AM](#)

Mr. Painter answered that he believed the expense would be an allowable use of the federal ARPA funds. He noted there was uncertainty until the federal guidelines were received. He reasoned that to the extent the state was funding government services due to lost revenue, it would appear to be an eligible expense.

Representative Johnson referenced a later amendment by Representative Rasmussen and asked if it would change the fund source from CPVEC.

Representative Rasmussen stated that her next amendment related to the issue would split a receipt authority with designated funds and ask the industry and state to split the cost of the fees in FY 22. She clarified that the current amendment under discussion [Amendment HLS 3] pertained to FY 21.

Co-Chair Foster clarified that two amendments dealt with the same issue. The current amendment dealt with the FY 21 budget and would pay for shellfish testing with UGF. The proposed conceptual amendment would change the fund source to ARPA funds. The second amendment by Representative Rasmussen [not yet introduced] would split the fund source 50/50 between shellfish growers and UGF.

[11:03:57 AM](#)

Representative Thompson thought that \$30 million of the incoming federal funds was for small businesses. He asked if shellfish testing would be an allowable use of the funds.

Mr. Painter answered that the CS currently included \$630 million of flexible ARPA funds out of the \$1.019 billion to be received by the state. He elaborated that the \$30 million [referenced by Representative Thompson] was part of the \$630 million. The amendment would add an additional \$457,000 to the \$630 million.

Co-Chair Foster asked if the expenditure would be allowable under the small business portion of the ARPA funding.

Mr. Painter replied that the small business portion currently in the CS was specific to grants to small businesses. The shellfish testing would not fit within the appropriation; however, it was likely a broadly allowable use of the same fund source.

Co-Chair Foster surmised that perhaps the shellfish testing was not considered lost revenue; however, it could potentially be considered an eligible use of ARPA funds based on an earlier conversation.

Mr. Painter agreed that the item pertained to state lost revenue, not small business lost revenue, which had been referenced in a specific appropriation.

[11:06:05 AM](#)

Representative Rasmussen asked if it would be possible to get the conceptual intent language in writing to ensure the proposed language was clear.

Representative Carpenter would prefer to offer a second amendment in writing after the committee was finished discussing the first conceptual amendment.

Representative Wool remarked on Representative Thompson's comment about small business. He reasoned that because the shellfish industry was not currently paying for the testing, it was not an expense the industry incurred; however, it was a state expense coming from the lost revenue from the cruise ship industry. He would like to see a resolution to the testing issue going forward. He thought

it was a stretch to say the cost was legitimate because cruise ship passengers ate seafood. He asked if marijuana industry testing would be covered by the same fund source because tourists visited marijuana shops. He did not believe so. He supported moving the funding source to ARPA, especially due to the deficit in the CPVEC fund. He reiterated his desire for a resolution going forward. He WITHDREW his OBJECTION.

[11:08:01 AM](#)

There being NO further OBJECTION, conceptual Amendment 1 to Amendment HLS 3 was ADOPTED.

Representative Rasmussen requested to roll the amendment in light of a new amendment coming forward.

Representative Rasmussen WITHDREW her motion to ADOPT Amendment HLS 3 [note: the withdrawal of the amendment negated action on the previously adopted conceptual Amendment 1. The conceptual amendment was reoffered and adopted again at approximately 11:27 a.m.].

[11:09:10 AM](#)

AT EASE

[11:19:53 AM](#)

RECONVENED

Co-Chair Foster returned to the previous amendment.

Representative Rasmussen MOVED to ADOPT Amendment HLS 3.

Co-Chair Foster OBJECTED for discussion.

Representative Carpenter moved conceptual Amendment 2 to Amendment HLS 3 (copy on file):

It is the intent of the legislature that the Department of Environmental Conservation return to the legislature recommendations for how to reduce the cost of shellfish testing no later than January 19, 2022.

Co-Chair Foster OBJECTED for discussion.

Representative Carpenter read the above amendment language. He explained that hopefully the shellfish industry was

growing, and it was necessary to reduce the cost to the state and potentially to the farmer/fisherman.

Representative Wool appreciated the intent, but he thought the issue was about who paid for the testing and what funds were used. He noted that currently CPV funds were used to pay for the shellfish testing. He recognized the motion to change the fund source to either UGF or ARPA funding for the year. He thought there was likely a certain cost of shipping seafood to Anchorage for lab testing unless the economy of scale increased and made it feasible to have another testing site elsewhere. He thought the issue was more about how to pay for the service than the actual cost.

[11:22:16 AM](#)

Representative Carpenter stressed that to the small business owner it was all about cost. He explained it was the reason the argument was being made that the state needed to continue to cover the fee. He stated the issue was about economy of scale because there were a small number of farmers. He highlighted the cost would be spread across a greater number if there were many farmers, which could create cost savings and increase the affordability for farmers. In the long-term, he wanted the industry to have the ability to pay for its testing; however, \$20,000 [per year] was a significant problem for a small business. He supported continuing to subsidize testing with state funds for an industry that was working to get off the ground. He suggested that DEC report back to the legislature on how to reduce the cost in a sustainable way industry could afford.

Representative Rasmussen clarified that the \$20,000 referenced had been provided by Vice-Chair Ortiz as operating cost for a local farmer. She stated the amount reflected annual operating costs, not the per test cost.

Representative Carpenter remarked that he was using the numbers the committee had been using in the discussion. He stated he did not know the actual numbers. He remarked that from previous discussion in the last legislative cycle, the testing was cost prohibitive for farmers; therefore, the state had continued to pick up the tab.

Vice-Chair Ortiz stated that the \$20,000 was an annual cost, not a per testing cost. He clarified that the costs

outlined referred directly to the cost of getting samples to the state. He explained that the cost was not a part of the business's normal everyday operations; it reflected a cost to get the samples to the state. He detailed that the previous year the legislature had discussed the testing required for dairy industry products. He explained that while there were few dairy farms, their products were required to be tested. He informed the committee that the cost continued to be paid for by the state. He stated at a certain point it was necessary to decide whether the legislature would be supportive of industry by fostering jobs and bolstering the economy.

[11:26:12 AM](#)

Representative Edgmon appreciated the intent of the maker of the motion. He remarked that the committee could spend hours on the topic. He stressed that shellfish poisoning was a serious issue in Alaska and for cruise ship passengers. He supported the original amendment.

Representative Johnson also appreciated the amendment.

Representative Thompson asked for confirmation that conceptual Amendment 1 had been adopted.

Co-Chair Foster clarified that conceptual Amendment 1 to Amendment HLS 3 had been adopted; however, Amendment HLS 3 had subsequently been withdrawn and reoffered. He explained it would be necessary to revisit conceptual Amendment 1 [if it was the will of the committee].

Co-Chair Foster WITHDREW his OBJECTION to conceptual Amendment 2 to Amendment HLS 3.

There being NO further OBJECTION, conceptual Amendment 2 to HLS 3 was Adopted.

[11:27:55 AM](#)

Co-Chair Foster explained that the committee needed to revisit the first conceptual amendment if there was a desire to do so.

Representative Carpenter MOVED to ADOPT conceptual Amendment 1 to replace the UGF funding code 1104 to [ARPA] funding code 1269.

There being NO OBJECTION, conceptual Amendment 1 to Amendment HLS 3 was ADOPTED.

Co-Chair Foster WITHDREW his OBJECTION to Amendment HLS 3 as amended.

Co-Chair Foster summarized the amendment as amended. He explained that the amendment would fund the shellfish testing cost of \$457,000 per year with ARPA funds [instead of CPVEC funding]. The amendment had also been amended to include intent language.

Vice-Chair Ortiz asked for verification the amendment only related to FY 21.

Co-Chair Foster agreed.

Vice-Chair Ortiz stated he did not have an objection.

Representative Edgmon needed clarification. He asked for verification that the amendment would reduce that amount of offset funding available from ARPA by almost \$500,000 because it used the funds for a purpose that was not initially intended. He asked if it was the intent of the amendment.

Co-Chair Foster agreed. The amendment used ARPA funds instead of UGF or cruise ship head tax.

11:30:55 AM
AT EASE

11:34:08 AM
RECONVENED

Co-Chair Foster provided clarity on Amendment HLS 3 as amended. He explained that currently the budget allocated 70 percent of the \$1 billion in flexible ARPA funding for FY 21 and FY 22 and 30 percent for FY 23 or FY 23 and FY 24. The point had been made that spending approximately \$500,000 to ARPA funds on the shellfish testing would mean less available federal funding for capital expenditures in FY 22 or less funding available in FY 23.

Representative Wool realized there were some leftover funds that could go to the capital budget or the PFD. He stated

that the CPV fund would be in the red. He asked what would happen to the shellfish testing if there was no money in the fund to pay for it.

Representative Carpenter agreed it was a good question. He pointed out that if the attorneys decided the current funding source was illegal, the legislature would be faced with the decision of how to fund the service going forward. He hoped to have a better understanding from the department on how to reduce cost and make a good decision on how to fund the service going forward in the following year.

[11:37:14 AM](#)

Representative Edgmon OBJECTED to Amendment HLS 3 as amended.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Wool, Carpenter, Josephson, LeBon, Ortiz, Rasmussen, Merrick
OPPOSED: Edgmon, Johnson, Foster

The MOTION PASSED (8/3). There being NO further OBJECTION, Amendment HLS 3 as AMENDED was ADOPTED.

[11:38:38 AM](#)

Co-Chair Foster noted the committee would address amendments for the numbers section of the budget.

Representative Carpenter MOVED to ADOPT Amendment H DOA 1 (copy on file):

Department of Administration
Risk Management
H DOA 1 - Reestablish the Office of Enterprise Analytics and Associated Positions

Re-establish the Office of Enterprise Analytics and associated positions.

Representative Josephson OBJECTED.

Representative Carpenter explained the amendment would reestablish the Office of Enterprise Analytics and two

permanent full-time positions that had been removed in subcommittee.

Representative Wool shared that he had been on the Department of Administration (DOA) subcommittee that had removed the positions. He was uncertain the office had been removed. He stated that that Mr. [Russell] Rappel Schmid was still employed; therefore, he believed the office was still established. He wondered whether the aforementioned employee was still employed by the office.

[11:40:49 AM](#)

Co-Chair Foster asked who Representative Wool was referring to.

Representative Wool replied that Mr. Rappel Schmid had been hired to head the Office of Enterprise Analytics. He stated that the individual had come from the inspector general at the U.S. Postal Service in Washington, D.C., similar to Commissioner Tshibaka. He understood that Ms. Tshibaka had left her position as commissioner, and he did not know whether Mr. Rappel Schmid was still employed by the office. He restated his belief that the office was still open, but two employees that had been removed. He did not see the point in funding the office if Mr. Rappel Schmid was no longer there.

Representative Carpenter responded that in consultation with the administration, removing two of the employees presented a problem for getting the work done by one individual. He was not certain whether the individual was still with the office. He stated that the budget decision may impact whether the employees continued. He noted that the department was online and could speak to why the administration may want to retain the positions.

LESLIE ISAACS, ADMINISTRATIVE SERVICE DIRECTOR, DEPARTMENT OF ADMINISTRATION, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), confirmed that Mr. Rappel Schmid still held the position. He relayed that the [subcommittee] budget would reduce the Office of Analytics down to one PCN.

Representative Wool recalled that the subcommittee had tried to look up the PCN, but the position was exempt, and the salary information was not available. He surmised that

the subcommittee had deleted two positions, which the amendment would reinstate. He asked for verification that the office would have three positions if the amendment was adopted.

Mr. Isaacs responded in the affirmative.

[11:44:04 AM](#)

Representative Johnson asked how the two positions were funded.

Mr. Isaacs answered that the positions were currently funded in the Division of Risk Management.

Representative Johnson asked if the positions were funded with receipts from risk management.

Mr. Isaacs stated his understanding of the question.

Representative Johnson highlighted that the amendment stated the positions were funded with interagency receipts.

Mr. Isaacs confirmed that the funding source for the Division of Risk Management was interagency receipt authority.

Co-Chair Foster stated his understanding that the division billed agencies as the work was performed. He asked for clarification on Representative Johnson's question.

Representative Johnson noted that the funding source was not general fund receipts and she wondered about the origin of the receipts used. She asked what division receipts were used to fund the two positions.

Co-Chair Foster followed up with an example. He explained that if the Office of Enterprise Analytics performed work for the Department of Commerce, Community and Economic Development (DCCED), it billed DCCED. Likewise, if the office performed work for the Department of Corrections (DOC), it billed DOC. He surmised it just depended on where the work was being done. He asked if his understanding was accurate.

[11:46:17 AM](#)

Mr. Isaacs answered in the affirmative. The work would be done with an RSA [reimbursable services agreement].

Representative Carpenter stated that the Office of Data Analytics was somewhat new to the state and the Division of Risk Management. He explained that other departments had analysts looking for fraud, waste, and abuse. He elaborated that the employees and the capacity for what the division was able to do involved data analytics that looked for savings within the state budget. He highlighted that DOA touched all departments and the ability for risk management to find savings within the state made sense. He relayed that the office had already identified savings of approximately \$7 million that had been passed onto the appropriate agencies to deal with. He clarified that the office did not have authority to deal with what it found; it found proposed savings and sent the information to the appropriate agencies. He reiterated that the function had not previously existed, and the CS would eliminate the office after only one to two years of experience. He believed it was important to give it some time to show the state could find ways to improve within its agencies. He did not want to pull the rug out from underneath an office that appeared to be working before it really got underway.

[11:48:46 AM](#)

Representative Wool referenced that Mr. Rappel Schmid was a recent hire who had worked at USPS in Washington, D.C. with former Commissioner Tshibaka. He reported that the subcommittee had been unable to find a PCN for Mr. Rappel Schmid and could not find how much the individual made. He stated there was a lot of opacity the subcommittee had not been comfortable with. He was not claiming there was not potential for good work. He shared that the office had talked about savings but had been unable to identify any actual savings as of yet. He referenced fraud investigations and believed it had just been starting up. He remarked that the commissioner [Commissioner Tshibaka] had left to run for [U.S.] Senate and he did not know what direction the office would go. He did not know what the current commissioner or Mr. Rappel Schmid would do with the office. He was dubious of refunding a program that may be tenuous. He stated that without the transparency the subcommittee had been looking for, it had not been comfortable including the funding. He reiterated that Mr. Rappel Schmid did not have a PCN.

11:50:08 AM

Representative Johnson was trying to determine how much savings had been accomplished over the past year. She reasoned it was one thing to say receipts would come from another department just to hire someone to take a look at things. She stated it was another thing to say a person in a position was saving the state money and the position was in essence paying for itself.

Mr. Isaacs replied that in terms of identifying the amount of savings, areas of potential savings had been identified and were under review. He explained that the savings had not yet been confirmed. He stated that the department did not have a number in terms of savings achieved.

Representative Johnson asked how the department would suggest the accountability if the positions were added back in. She referenced transition in staff and was trying to identify how to move forward. Legislators had been told savings would be identified and evaluations were being made. She wondered if it was reasonable for the legislature to be asking for something more specific.

Mr. Isaacs answered that the process had brought the future of the Office of Enterprise Analytics to light. He shared that the positions provided data reporting and analysis services for DOA and other departments. He explained that the work performed by the office looked down the road into the future. He elaborated that the department was still trying to get the unit on a firm foundation. The department knew the benefits were there and could be realized, but it needed more time to mature the unit and have the clear definition the legislature was seeking. Some of the services the department was looking to provide in the future included the identification of cost savings, database management, automated business intelligence reporting, data governance and training, and the open data portal that would be supported by the unit. He stated that the robust nature of analytics was more than the narrowly defined scope discussed in the subcommittee process.

11:54:45 AM

Representative Johnson stated her understanding that the CS would remove two of three positions. She asked whether one

person was enough to do the job. She asked if the two positions were needed.

Mr. Isaacs replied that if two positions were removed, the workload would be in excess of what the one remaining PCN could cover.

Representative Thompson noted that the positions would be funded with interagency receipts. He asked if there were sufficient interagency receipts to cover the costs for the past year. He asked if there would be sufficient incoming interagency receipts in the future.

Mr. Isaacs answered that there had been one RSA implemented for approximately \$35,000. There had not been sufficient receipts to cover the full cost of the office. Moving into the future, the idea was to continue the development of the RSAs and find an equitable way use the interagency receipt process to cover the costs of the office. He reported that discussions on the issue were underway in the department and with OMB.

[11:57:21 AM](#)

Representative Carpenter stressed that as the world became smaller with advent of internet and all of the data systems, the concept of enterprise analytics became vital. He stated it was a confusing world with all of the different systems and difficult to manage. He believed the employees would be very important for efficiency in state government and bringing the state into the 21st century. He noted that Mr. Scott Jordan was available online and may be able to speak to the future of data analytics.

SCOTT JORDAN, DIRECTOR, DIVISION OF RISK MANAGEMENT, DEPARTMENT OF ADMINISTRATION (via teleconference), asked Representative Carpenter to repeat the question.

Representative Carpenter complied. He asked about the successes the data analytics office had achieved thus far. He asked Mr. Jordan to explain why savings identified were not yet actualized. Additionally, he asked about the future for the office.

Mr. Jordan replied that the office had identified \$7.2 million in savings; however, the office did not have the authority to realize the savings. The possible savings had

been brought to DOA's attention and pertained to the Department of Health and Social Services. He explained that DOA hoped the savings would continue to be identified and that more agencies would continue to use the data analytic services. The office currently had a single RSA that was with DHSS related to Medicaid.

Representative Carpenter asked if DOA expected to continue to grow or use the program as is.

Mr. Jordan confirmed that the department expected the program to grow. He did not know whether it would grow within risk management as it was not necessarily the risk management model. He elaborated that the office had originally been put under the division because of the intent to look at fraud, waste, and abuse within the workers' compensation program; however, about a year back the department discussed whether it was a good fit. The department continued to discuss the issue internally and with OMB about where the group would eventually land. He stated the program was beneficial and the usefulness of data analytics would continue to grow.

[12:01:17 PM](#)

Representative Edgmon believed the committee was taking a deep policy dive into an issue the subcommittee had already put forward. He stated there were a number of amendments that proposed to reduce government and eliminate positions, which he believed would be outside of the work done by the two positions. He shared that he had worked for the state, in the private sector, and as a legislator. He observed that when there was a desire to cut budgets and when it was needed, he did not believe significant analysis was necessary to do so. He understood the importance of the work being done by the positions. He had been at the table when the commissioner had come before the committee in February to lay out the multiyear endeavor. He added that the work had to have the full support of the commissioner and administration. He elaborated that the work involved automation and the elimination of positions and employees. He would continue to support the subcommittee's work and would not be supporting the amendment.

Co-Chair Foster relayed that he would take the last several questions.

Representative Wool concurred with Representative Edgmon. He highlighted that the two positions had been hired in recent months. He remarked that the fraud detected by the office related to Medicaid and had not been acted on or confirmed. He remarked that data was needed for analytics. He highlighted that the subcommittee had tried and was unable to determine Mr. Rapple Schmid's PCN, where it was located, and how much money he made. He stated the subcommittee had been unable to get transparency, honesty, and straightforwardness. He supported business analytics and intelligence, but he wanted to see transparency and a full debate and presentation on the topic. He stated the information provided to the subcommittee had left more questions than answers. He did not support the amendment.

[12:04:45 PM](#)

Representative Thompson asked if there was a mechanism in place where the legislature would receive a report on results found by the office. He understood the office could not reduce an agency's budget. He asked if a report would be received in order to allow the legislature to address the findings in the next budget cycle.

Mr. Jordan responded that he did not believe there was any requirement at present because the program was new; however, it had been the intent of the commissioner's office to require a report back to the legislature.

Representative LeBon supported the amendment. He looked at the issue from the perspective of the private sector. He explained that banks had internal auditors and operations that constantly looked at the bank's efficiencies to realize a more profitable business operation. He believed that to assume the state should not have a similar function would be naïve. He stressed that the function should be in place. He stated it was up to the DOA commissioner to oversee the office and provide fiscal oversight to ensure agencies were doing the best they could for all Alaskans. He stated that without the function in place, they would not be doing their complete job.

[12:06:47 PM](#)

Representative Carpenter provided wrap up on the amendment. He explained that the office could not currently claim successes because it did not have the authority to make the

changes it identified. The analysts were tasked with using data analytics to locate items in other departments needing scrutiny. He thought legislators could likely understand the dynamics and challenges that would apply within departments on whether the findings were acted upon. He reiterated the analysts were identifying things they could not force action on. He thought the issue may speak to a greater policy call of needing something like an inspector general who could have authority to force some changes.

Representative Carpenter emphasized that the office was necessary as things were increasingly digitized. He stated the work was used by other states, countries, and companies to keep in a straight line. He believed Alaska needed to be doing the work, which would enable it to be smarter with data systems. He found it disingenuous to say the service was needed, while cutting it instead of making improvements. He stated that the administration had testified it was still looking for the right place for the office. He recognized that perhaps the current location was not the correct spot, but he did not believe the office should be eliminated to find the right place.

Representative Carpenter reasoned that if the office had identified \$7 million in potential savings, he thought the legislature should be asking what happened to the recommendation. He thought perhaps the reason something may not have been brought to the legislature because there could be legal implications. He provided a hypothetical scenario where someone was facing legal implications that should not be discussed publicly. He thought it was possible when talking about locating fraud, waste, and abuse. He thought the legislature should be asking the aforementioned questions rather than pulling the rug out from under the office.

Co-Chair Foster MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, LeBon, Thompson, Merrick
OPPOSED: Wool, Edgmon, Josephson, Ortiz, Rasmussen, Foster

The MOTION to adopt Amendment H DOA 1 FAILED (5/6).

Co-Chair Foster recognized Representative Matt Claman in the audience.

Co-Chair Foster indicated the committee would recess until 1:10 p.m.

12:10:44 PM

RECESSED

2:26:27 PM

RECONVENED

Co-Chair Foster noted there had been some technical glitches. The public could currently not see the meeting online, but it was being recorded and posted after the meeting. He relayed that the phone lines were not currently available. He highlighted that Amendments 9, 10, and 11 had been added to the packets.

2:28:20 PM

Representative Josephson MOVED to ADOPT Amendment H DOA 2 (copy on file):

The state has statutory and constitutional obligations to provide legal counsel to defendants who are unable to pay for legal defense.

Increases in prosecutor staff in the Department of Law create corresponding increases in the workload of the Public Defender Agency.

The Governors FY22 budget request includes an increment of \$3 million UGF for 19 new prosecution positions to be focused on sexual assault and sexual abuse crimes. The House Finance Committee has included this increment in HB 69/HB 71.

This amendment provides Public Defender staff to handle the anticipated increased caseload resulting from the Department of Law increment.

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained that the Department of Law (DOL) had asked for \$3 million for 19 new prosecution positions to combat the state's worst position in the country on sexual assault and abuse. He had chaired the DOL subcommittee that had been eager to include the funds for

DOL as a show of support. He stated that based on his experience he expected that there would have been a similar budget request for the Public Defender Agency and Office of Public Advocacy in order to create some balance and parity. He was surprised there had not been a budget request in that regard. He characterized the channel for that funding as more ambiguous or opaque than the funds for DOL. The proposed amendment was a response to the situation.

Representative Josephson noted that on page 23, lines 16 through 20 of the CS, the subcommittee had included the following recommendation:

Any future requests for increase for increased appropriations for criminal prosecutors be accompanied by budgetary documentation that captures not just the costs to the Department of Law, but also to the Judiciary, Department of Corrections, Department of Public Safety, Department of Administration, and other impacted agencies.

Representative Josephson explained that the above language had been offered by minority members in the subcommittee and there had been considerable discussion from minority members about the need to create balance. He stated that frequently prosecutors could not move forward faster because the defense was not prepared. He noted that the defense was not required to be prepared all that rapidly. He referenced the 120-day speedy trial rule. He detailed that the rule was only exercised in the exception due to the need for discovery and other things. The amendment was for public defenders.

[2:30:56 PM](#)

Co-Chair Foster WITHDREW the OBJECTION.

Representative Rasmussen OBJECTED.

Representative Wool appreciated the amendment. He had been on the Department of Administration subcommittee where they had heard from the Office of Public Assistance [Advocacy] that performed a similar job to public defenders. He remarked that not everyone charged with a crime used the public defenders; some people had private lawyers. He stated that although \$3 million had been added for prosecutors, it did not necessarily mean the exact same

number of public defenders were needed. He could see lowering the number or using some of the funding for the Office of Public Advocacy.

[2:32:25 PM](#)

Representative Rasmussen MAINTAINED the OBJECTION.

Representative Carpenter MOVED to AMEND Amendment H DOA 2 to cut the proposed funding and permanent full-time positions in half.

Representative Rasmussen OBJECTED. She stated that without an offsetting decrement somewhere else or knowing how the workload would change for the public defenders, she would be more open to a supplemental in the following year if additional help was needed [financially]. She did not believe it was responsible to add close to \$1.5 million and seven or eight new positions to the state budget.

Representative Josephson supported conceptual Amendment 1 to Amendment H DOA 2.

Representative Rasmussen highlighted that the original amendment included 15 new positions. She asked if the conceptual amendment would reduce the number to seven or eight.

Representative Carpenter stated that the conceptual amendment included seven positions.

Representative Rasmussen MAINTAINED her OBJECTION to conceptual Amendment 1 to Amendment H DOA 2.

Co-Chair Foster clarified that the conceptual amendment would cut the funding in the original amendment in half and would reduce the new positions to seven.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Edgmon, Johnson, Josephson, LeBon, Ortiz, Thompson, Wool, Foster, Merrick
OPPOSED: Rasmussen

The MOTION PASSED (10/1). There being NO further OBJECTION, conceptual Amendment 1 to Amendment H DOA 2 was ADOPTED.

Co-Chair Foster WITHDREW the OBJECTION to Amendment H DOA 2 as amended.

Representative Rasmussen OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Johnson, Josephson, LeBon, Ortiz,
Thompson, Wool, Carpenter, Merrick, Foster
OPPOSED: Rasmussen

The MOTION PASSED (10/1). Amendment H DOA 2 as amended was ADOPTED.

[2:37:10 PM](#)

Representative Thompson WITHDREW Amendment H DOA 3 (copy on file).

[2:37:33 PM](#)

Representative Josephson MOVED to ADOPT Amendment H DOC 1 (copy on file):

Department of Corrections
Administration and Support

Recruitment of Correctional Officers

Wordage

It is the intent of the legislature that the Department uses a portion of the funds in this allocation for temporary duty assignments of Correctional Officers to work with the Recruitment and Retention unit on development of Correctional Officer recruitment strategies and materials, outreach to potential Correctional Officer applicants, and communication and assistance during the application process.

It is also the intent of the legislature that the Department submits a report to the Co-Chairs of Finance and the Legislative Finance Division no later than December 1, 2021, detailing the Correctional Officer recruitment activities and results achieved with the \$400.0 UGF increment included in the FY21 and FY22 operating budgets, as compared to the recruitment

activities and results in FY15-FY20, and documenting the involvement of Correctional Officers in FY21 and FY22 recruitment efforts.

Co-Chair Foster OBJECTED for discussion.

[2:37:58 PM](#)

AT EASE

[2:38:23 PM](#)

RECONVENED

Representative Josephson explained the amendment. He detailed that corrections officers continued to have dire recruitment and retention challenges. He was hopeful some of the problem would be solved by separate legislation (HB 55) that had been heard by the committee several times. He highlighted that the House had helped establish a recruitment unit the previous year funded with approximately \$850,000, which had been reduced in conference committee to \$400,000. He detailed that the recruitment unit had been filled by two people who had not previously worked for the department. Additionally, a half-time position had either recently been filled or was still open (classified as a temporary duty assignment). He hoped the hire would come from the correctional officer ranks. The intent of the amendment was to urge the Department of Corrections (DOC) to hire the position from within. Additionally, the amendment asked the department to give an update to the House Finance Committee co-chairs on December 1. He stressed that the situation was a recruitment crisis.

Representative Carpenter asked for verification that the backup following the amendment in the packet included the wordage for Amendment H DOC 1.

Representative Josephson agreed.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment H DOC 1 was ADOPTED.

[2:40:57 PM](#)

Representative Josephson asked to hear Amendments H DOC 2 and H DOC 3 together. He MOVED to ADOPT Amendment H DOC 2 and Amendment H DOC 3 (copy on file):

Department of Corrections
Population Management
Amendment H DOC 2
Correctional Officer Recruitment

Create 1 PFT Correctional Officer IV position in the Correctional Academy that will work with the Recruitment and Retention unit in the Administration and Support Appropriation by developing and implementing recruitment strategies and assisting hiring managers by coordinating and participating in the Correctional Officer hiring process.

Department of Corrections
Population Management
Amendment H DOC 3
Correctional Officer Recruitment and Training

The department has a significant Correctional Officer vacancy problem that results in excessive overtime expenditure and security challenges, which also contribute to morale and retention difficulties.

The addition of an experienced Correctional Officer to the Recruitment and Retention team will contribute significantly to recruitment success.

The legislature created the Recruitment and Retention unit in FY21 with three positions which the department filled as an Administrative Officer and an Administrative Assistant with the remaining \$65.0 Personal Services funds directed to revolving, temporary duty assignments of Correctional Officers, Probation Officers, healthcare and other staff to assist with job fairs and outreach to those applicant groups.

This amendment is proposed in the belief the team will benefit from the addition of a Correctional Officer who has personal experience working in Alaska institutions. If the position description and classification process prevent use of a Correctional Officer in this role, the purpose of the increment

will not be achieved and the \$137.0 UGF funding should lapse.

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained the amendment. He referenced a document from the Alaska Correctional Officers Association [dated April 5, 2021] provided to committee members (copy on file). He highlighted DOC was losing about 120 of its correctional officers per year. He believed there were approximately 1,000 correctional officers. He reported that DOC currently had 129 vacant correctional officer positions. The department needed to fill 75 positions in order to reopen the Palmer Correctional Center. He stressed there was a massive problem with officer burnout. He elaborated there was mandatory overtime, which may work well for a single person, but it was not good for a family person. He referenced a "CGL staffing study" commissioned by the department outlining the number of staff needed in prisons for safety and efficiency. The department was short about 207 individuals based on the recommendations in the study.

Representative Josephson stressed that the overtime was costing the state \$10.3 million. The department requested \$137,000 to hire a person with experience as a corrections worker. He referenced studies showing it was best if recruits talked to corrections officers. He shared that his staff had spent time talking with DOC's administrative services director and classifications. His office had concluded that if the new hire was drawn from the pool of instructors at the corrections academy, they would be classified as a corrections officer and could be seconded to the recruitment unit.

Representative Josephson thought the amendment reflected a win-win. He highlighted that the Department of Public Safety spent \$1.3 million for 871 positions, while, within DOC there was a \$400,000 recruitment for over 2,000 positions. He stated that DOC would love to be treated like DPS, but he stated the position was diminished relative to DPS's efforts. He reminded committee members that the amendment would bring the cost of the overall unit to \$537,000. He pointed out that the House stood by \$850,000 the previous year, but it had been reduced. He stated the proposal was consistent with action taken by the House the prior year.

2:45:47 PM

Representative Johnson observed that the troopers had two positions in the recruitment and retention unit. She referenced a document specifying the remaining \$65,000 was for personal service funds to temporary duty reassignments of correctional officers. She asked if the information was currently accurate.

Representative Josephson replied in the affirmative, but the corrections officers would note that the TDY person could be representing recruitment for medical professionals and probation officers. He explained there was some concern that the units experiencing a dearth of recruits would not be satisfied and the problem would fester. He added that the troopers' recruitment had two full-time staff and eight retired troopers. He expounded that DPS used people who knew about trooper life to interview recruits.

Representative Johnson appreciated the intent of the amendment. She stated her understanding there had been adequate staffing levels within DOC when the Palmer facility had closed and there had still been overtime. She was inclined propose dividing the amount in the amendment in half for one full-time position. She observed it appeared there was currently half a position based on the \$65,000. She intended for the person or multiple people to rotate on and off like the troopers. She stated her understanding the troopers had two people who rotated on and off the recruitment unit.

Representative Johnson MOVED conceptual Amendment 1 to Amendment H DOC 2 and Amendment H DOC 3 to divide the proposed \$137,000 in half to fund one full-time position.

Representative Josephson requested an "at ease."

2:49:38 PM

AT EASE

2:50:17 PM

RECONVENED

Representative Josephson OBJECTED to the conceptual amendment. He appreciated the conceptual amendment; however, he clarified that the \$65,000 was a rotation of

several people. He reminded members the amount pertained to temporary duty (TDY). Additionally, there was no guarantee the workers would come from the corrections ranks (they included dentists, doctors, and probation officers). He referenced Representative Johnson's statement that the situation was like DPS. He clarified that was not the case. He referenced a DPS organizational chart showing eight individuals who were retired state troopers. He elaborated there was a squad of people working on recruitment for troopers. He underscored that the corrections officers merely wanted a small sample size of the amount troopers had.

Representative Wool shared that the previous year he had been on the DOC subcommittee and had worked on the recruitment unit topic. He had advocated for \$800,000, but it had been reduced to \$400,000. He stated there were currently three full-time positions. He believed the TDY position was full-time. He thought the funding had been split between two different offices or divisions. He clarified there were two administrative staff and a full-time corrections officer. He elaborated that the person would rotate out. He explained that in a year the individual may be swapped out with a probation officer or someone in healthcare, but the department could keep it as corrections. He stated that cutting a position in half would not combine to make a full position. He clarified the position would be a fourth person from the academy who was a corrections officer full-time.

Representative Wool did not support the conceptual amendment. He recognized there was a recruitment problem. He stated the recruitment unit had just been implemented; therefore, they did not currently know the results. He remarked that the comparison to troopers was not apples-to-apples. He elaborated that there was substantial background work when hiring troopers. He stated that troopers carried guns in public and were responsible for enforcing laws. He stressed it was a different job and recruitment. He reiterated his opposition to the conceptual amendment.

[2:53:30 PM](#)

Representative LeBon recalled the discussion the prior year that corrections officers needed a dedicated recruitment effort with a team of recruiters. He asked if the team had been put in place in error. Alternatively, he wondered if

more help had been needed to the overwhelming aspect of the problem. He asked for verification there were two administrative positions and one recruiter. Additionally, he asked if the recruiter was not a correctional officer and therefore, did not know how to recruit a correctional officer.

Representative Josephson replied that Representative LeBon was largely correct. He detailed that one of the individuals had been hired from DPS. One of the positions was titled recruitment officer/administrative assistant II and another was an administrative assistant II. He noted it was a unit of 2.5 or 3 positions. He remarked that the correction union and its workers wanted actual corrections officers doing recruitment, but that had not taken place. He recognized the department may be doing so with the TDY position; however, the results had not been impressive thus far. He stressed that the amendment hammered the concept home to the administration. He explained that the amendment asked DOC to not hire anyone for the position if the department did not fill it with a correctional officer.

Representative LeBon thought it sounded like a failure to communicate problem. He was in disbelief the legislature was trying to fix a failure to communicate problem with the union and DOC by adding more money and another position to the budget. He opposed the amendment.

Representative Wool clarified that the recruitment unit was only recently fully staffed; therefore, there were no results in yet. He elaborated that DOC had hired a director, administrative assistant, and a TDY corrections officer. He explained that the situation had taken longer than expected. He agreed that an added correctional officer would help; however, he noted that recruitment officers did not always perform the same job they were recruiting for. For example, a hospital recruiter was not necessarily a doctor even though they were hiring doctors. He stated that the recruiters were human resources professionals. He confirmed the person hired had come from DPS. He stated that adding another person who was a dedicated correctional officer may help. He agreed the department needed to build the numbers up.

[2:57:21 PM](#)

Representative Rasmussen asked if they were speaking specifically to the amendment to the amendment.

Co-Chair Foster clarified they should be speaking to conceptual Amendment 1, which would cut the proposed amount in half.

Representative Rasmussen asked to vote on the issue.

Representative Josephson clarified that the proposed conceptual Amendment 1 would cut the \$137,000 in half.

Co-Chair Foster agreed.

Representative Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on conceptual Amendment 1 to Amendment H DOC 2 and Amendment H DOC 3.

IN FAVOR: Johnson, Carpenter

OPPOSED: Josephson, LeBon, Ortiz, Rasmussen, Thompson, Wool, Edgmon, Foster, Merrick

The MOTION to amend Amendment H DOC 2 and Amendment H DOC 3 FAILED (2/9).

Representative Rasmussen believed there could be contributing factors to recruitment challenges. She highlighted a current bill sponsored by Representative Josephson that could help the situation. She stated that because the program had just been implemented, she was struggling to add another position before success of the program had been determined.

[3:00:15 PM](#)

Representative Thompson referenced the \$10.3 million in overtime highlighted by Representative Josephson. He asked if the cost reflected the overtime only portion above the base wage.

Representative Josephson believed the answer was yes based on the document he had provided to the committee. The document showed increasing total correctional officer overtime. He relayed that in FY 15, the state had spent \$3.4 million on overtime compared to the current \$10.3 million. He stressed that many correctional officers were

working 16-hour days and morale was devastated. He asked the committee to spend \$137,000 on a correctional officer to interview future correctional officers to try to reduce the \$7 million growth in overtime.

Representative Carpenter understood there was an issue with recruiting and the number of correctional officers. He asked if the administration was supportive of the measure. Alternatively, he wondered if the legislature would be forcing something on the department that would not come to fruition because of a lack of support. He shared that his experience from military service there was a duty on soldiers, sailors, and other service members to do their duty as recruiting agents for a number of years. He explained that the individuals were sent to recruiting school. He did not believe a correctional officer, a mechanic, or an infantry soldier would necessarily be a good recruiter without training. He valued the idea that a person considering a correctional officer position would want to speak with a correctional officer. He believed the issue was likely a larger systemic problem than merely hiring additional recruitment staff. He thought the amendment was the wrong solution.

[3:04:12 PM](#)

Representative LeBon believed the legislature had provided the tools for the commissioner's office and the union leadership to work together to solve the problem. He stated the issue was about the will of working together. He continued that if the administration agreed a correctional officer should be in a lead position, the administration should make it happen. He did not know whether there was an internal structure that did not allow for flexibility in the situation. He believed the legislature had sufficiently funded DOC for the work. He noted that the legislature had increased the DOC budget for recruitment efforts the previous year. He thought the two entities needed to work together and include correctional officer input. He did not support another \$137,000 in the budget for the two entities to work better together.

Representative Rasmussen asked what happened with the lapsed funds from unfilled positions in the previous year.

Representative Josephson responded that he did not know the answer.

Representative Rasmussen asked to roll the amendment until the committee could hear from the department. She would be supportive of using lapsed funds in place of general funds to fill the position or to use one of the current vacant PCNs to fill the need if it was important to the department.

Co-Chair Foster asked to hear from Mr. Painter.

Mr. Painter clarified his understanding of the question. He relayed that some of the lapsed DOC funding would be covered with overtime because the time needed to be filled. He elaborated that any lapsed funds would go to the general fund at the end of the fiscal year. He explained that lapsed funds would not be a reliable ongoing fund source for a position because the legislature would have to reappropriate the funds at the end of the year, and they would not be available the following year.

[3:07:13 PM](#)

Representative Rasmussen clarified she wondered about the amount of lapsed funds from the prior year.

Mr. Painter replied that he did not have the number on hand. He reported the amount had been substantial, primarily due to COVID-19 and the use of federal funding in place of general funds. He elaborated that the amount lapsed due to unfilled positions versus systemic changes due to COVID-19 would be difficult to answer.

Representative Rasmussen requested the last three years of lapsed funds for vacant positions in DOC.

Mr. Painter answered that the legislature did not budget by line items by fund source; therefore, LFD would not necessarily know what portion of the lapsed funds were due to vacant positions or other factors. He noted that the department may have the information.

Co-Chair Foster asked if Representative Rasmussen would like to roll the amendment to hear from the department.

Representative Rasmussen replied affirmatively. She stated it was alarming if there was not a breakdown of the lapsed funds.

3:09:10 PM

Representative Thompson recalled that when the Palmer Correctional Center had closed, the corrections officers had been transferred to other prison institutions in Alaska. He stated that overtime had increased even with the availability of numerous corrections officers. He remarked that overtime had been as high as \$8 million to \$10 million for several years. He did not believe the unit could help retain corrections officers. He highlighted that the troopers had a full recruiting unit and did not have complete success. He believed part of the difficulty recruiting was due to the nature of the work.

Representative LeBon appreciated the desire for more information, but he preferred to vote on the amendments. He was amenable to a deeper discussion in the future if the budget item was needed. He believed the department had the necessary internal resources from work done by the legislature the previous year, in order to accomplish what was needed with recruitment.

Representative Josephson appreciated Representative Rasmussen's desire to be thorough and consider options, but he was ready to address the amendments with a vote and move forward.

Representative Josephson provided wrap up on the amendments. He responded to Representative LeBon's statements and questioned whether DOC had the necessary resources. He thought Representative Wool must have made a good case that the department needed \$850,000 because it had passed the House unanimously [the previous year]. He noted the amount had been reduced to \$400,000 in conference committee. He informed the committee there had been no correctional officer hired to do the job. He believed the funding in the amendment was an investment worth making. He agreed with Representative Thompson that it was not sustainable to require people to work 16-hour days indefinitely.

3:12:01 PM

Co-Chair Foster WITHDREW the OBJECTION.

Representative Rasmussen OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, Ortiz, Edgmon, Johnson, Foster
OPPOSED: LeBon, Rasmussen, Thompson, Wool, Carpenter,
Merrick

The MOTION to adopt Amendments H DOC 2 and H DOC 3 FAILED
(5/6).

[3:13:08 PM](#)

Representative Rasmussen MOVED to ADOPT Amendment H DEC 3
(copy on file):

Department of Environmental Conservation
Environmental Health
H DEC 3 Fund Change for Shellfish Funding

Replace Commercial Passenger Vessel Environmental
Compliance (CPVEC) fees with a combination of
Undesignated General Fund and Designated General
Funds.

This proposal recommends a 50/50 split between GF and
DGF.

The current use of the CPEVC for shellfish testing is
not a designated use of the fund. Shellfish and
shellfish growing waters would require testing whether
or not there was a cruise ship industry, and the tests
are required regardless of whether there is nearby
cruise ship activity.

Vice-Chair Ortiz OBJECTED.

Representative Rasmussen MOVED to AMEND Amendment H DEC 3.
The conceptual amendment would change from a 50/50 split to
an 80/20 split between state UGF and the shellfish
industry, respectively, until a better solution was found.
She estimated it was roughly \$1,200 in designated general
funds in receipt authority and the state would maintain its
partnership with the industry.

There being NO OBJECTION, conceptual Amendment 1 to
Amendment H DEC 3 was ADOPTED.

Vice-Chair Ortiz MAINTAINED the OBJECTION to Amendment H DEC 3 as amended.

Representative Wool asked if the committee had heard the amendment earlier.

Co-Chair Foster clarified that the earlier amendment was for FY 21, whereas the current amendment pertained to FY 22. He explained that the committee had elected to use ARPA funds to cover the cost in FY 21.

Co-Chair Foster clarified that the current amendment would use 80 percent UGF and 20 percent DGF from businesses [to pay for shellfish testing in FY 22].

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Rasmussen, Thompson, Carpenter, Johnson, Merrick

OPPOSED: Ortiz, Wool, Edgmon, Josephson, Foster

The MOTION PASSED (6/5). There being NO further OBJECTION, Amendment H DEC 3 was ADOPTED.

[3:16:45 PM](#)

AT EASE

[3:17:20 PM](#)

RECONVENED

Vice-Chair Ortiz MOVED to ADOPT Amendment H DFG 1 (copy on file):

Department of Fish and Game
Sport Fisheries
H DFG 1 - Funding for Crystal Lake and DIPAC
Hatcheries.

Crystal Lake hatchery is contracted by the Department of Fish and Game. It previously received a portion of funds generated by the sport fish license surcharge that was created to pay off the bond debt obligation for the construction and maintenance of two state owned hatcheries. This surcharge sunset in 2020 and a new bill to reinstate it is making its way through the Legislature. The Department reports that this legislation, if passed this year, could potentially

generate over \$5 million in additional Fish and Game fund revenue for Sport Fish in FY22.

DIPAC Hatchery suffered considerable loss of stock due to system failures caused by storms this past winter. Of this funding, \$150.0 is intended for DIPAC to help recoup any additional operating expenses they incurred because of this.

There is an ample amount of funds in the Fish & Game fund to cover this one time increment.

Representative Rasmussen OBJECTED for discussion.

Vice-Chair Ortiz explained that the Crystal Lake Hatchery was contracted by the Department of Fish and Game. The hatchery had previously received a portion of funds generated by the sportfish license surcharge created to pay off the bond debt obligation for the construction and maintenance of the two state-owned hatcheries. He informed members the surcharge had sunset in 2020 and a new bill to reinstate the fee was currently making its way through the legislature. He noted the committee had previously heard the bill. He emphasized that even if the bill passed in the current year, it would not impact the FY 22 budget. He relayed that the funds were necessary for in order for Crystal Lake Hatchery to continue producing king salmon in Petersburg. Additionally, \$150,000 was needed by DIPAC hatchery [in Juneau], which suffered considerable loss of stock due to system failures caused by winter storms. He detailed that a small one-time increment of \$150,000 was meant to help recoup any additional operating expenses DIPAC incurred due to the system failures. He relayed there was an ample amount of funding in the Fish and Game Fund to cover the one-time funding DGF increment. He understood there was \$7.6 million in the Sportfish Division section of the Fish and Game Fund and \$11 million in the fund overall.

Representative LeBon asked how the hatcheries in Fairbanks and Anchorage interfaced with the amendment.

Vice-Chair Ortiz replied that the amendment did not pertain the hatcheries in Fairbanks and Anchorage.

Representative LeBon asked for verification that the Crystal Lake Hatchery had been part of the funding in the past.

Vice-Chair Ortiz agreed that Crystal Lake Hatchery had received funding from a surcharge put on licenses.

Representative LeBon stated that the Fairbanks and Anchorage hatcheries were also beneficiaries of the funding through their bonded indebtedness. He recalled back to a debate on the legislation pertaining to the subject. He asked for verification that the amendment solidified the "piece of the pie" for the Crystal Lake Hatchery.

[3:20:50 PM](#)

Vice-Chair Ortiz stated that whether separate legislation passed would not solve the problem for the Crystal Lake Hatchery in the current year. He explained that the collection of the funds had been suspended in 2020. He emphasized that the impact of the separate bill on funding for the Crystal Lake Hatchery, DIPAC, or the hatcheries in Anchorage and Fairbanks was a different issue. The amendment made sure staff at the Crystal Lake Hatchery knew beginning FY 22 there were funds in place to raise king salmon in August 2021.

Representative LeBon remarked that the hatchery had been around for a while and had a fairly well established funding stream for a given number of budget cycles. He asked for verification that the legislature needed to tap a different funding source for the current budget cycle.

Vice-Chair Ortiz replied in the negative. He clarified that the funding source of approximately \$500,000 came from the fish license surcharge that paid for the debt service on the bonds for the two other hatcheries. He explained that the source had been suspended in 2020. He noted it may be reinstated in the future, but it did not solve the problem for Crystal Lake in the coming summer.

Representative Thompson stated there was no guarantee the separate legislation would pass. He noted that the bill specified the department would decide where the money was needed. He clarified that the legislation did not designate a given amount to each hatchery on an annual basis. He thought that letting the department decide would make more sense than designating a specified amount to various hatcheries. He thought the issue should be left up to the department to decide which hatcheries needed money in the

coming year. He did not like designating funds to one hatchery and overriding what the DFG may want. He was not in favor of the amendment.

[3:24:14 PM](#)

Representative Carpenter was not familiar with the DIPAC hatchery. He noted the amendment indicated the Crystal Lake Hatchery was contracted. He asked if the entities were private businesses contracted by the state.

Vice-Chair Ortiz asked for a repeat of the question.

Representative Carpenter noted the amendment indicated the Crystal Lake Hatchery was contracted. He surmised it was a private business. He asked if DIPAC was also a private business.

Vice-Chair Ortiz confirmed that DIPAC was not a state-owned hatchery.

Representative Carpenter asked if the business had insurance protection against loss of stock that would have kicked in under the circumstances.

Vice-Chair Ortiz replied that he did not know. He added that he had spoken to the operator of the DIPAC hatchery and there was no question the hatchery needed the funds.

Representative Rasmussen asked if the \$150,000 intended for DIPAC was the amount needed to keep the hatchery from a dire situation. Alternatively, she asked if the entire \$650,000 was a dire need.

Vice-Chair Ortiz responded that he knew the issue had to be addressed at Crystal Lake, but he also knew that DIPAC received some of the money distributed out of the surcharge funds on a regular basis. He elaborated that he had contacted DIPAC prior to writing the amendment and the manager had been definitive on the need for the money in order to continue operations. He noted it was a different situation than things discussed by Representative LeBon such as maintenance. The money was needed to enable the hatcheries to continue raising king salmon for the sportfish industry and commercial fishing in Southeast Alaska.

[3:27:34 PM](#)

Representative Rasmussen asked for the significance of the breakout of \$150,000 versus the total expenditure.

Vice-Chair Ortiz answered that the \$150,000 was for DIPAC and the \$500,000 was for Crystal Lake.

Representative Rasmussen asked if there had been a system failure at the Crystal Lake facility as well that caused the need for the \$500,000. Alternatively, she wondered if the hatchery had been receiving the \$500,000 for a given period of time.

[3:28:15 PM](#)

AT EASE

[3:39:38 PM](#)

RECONVENED

Co-Chair Foster noted there was a handout from Vice-Chair Ortiz [titled "Table 1. - Revenue and payments of Hatchery Bond surcharge by fiscal year." from the Legislative Finance Division (copy on file)].

Vice-Chair Ortiz explained the handout showed the history of revenue collected with the surcharge on fish licenses (discussed with HB 80). He pointed to the left showing the amount of money taken in over the years under surcharge revenue. The document showed the amount put towards Southeast Alaska king salmon enhancement primarily at Crystal Lake and a smaller amount at DIPAC. He explained the potential passage of HB 80 would not solve the problem for the two locations for the upcoming fiscal year. He referenced earlier questions about the other hatcheries and explained that the state paid for the Anchorage and Fairbanks hatcheries in the operating budget, which it did not do for Crystal Lake or DIPAC.

Representative LeBon thanked Vice-Chair Ortiz for the additional information. He remarked that he supported the separate legislation Vice-Chair Ortiz had been working on. He noted the one-time increment proposed by the amendment and asked if the legislature would have to address the issue again the following session if the separate legislation did not pass.

Vice-Chair Ortiz responded affirmatively.

Representative LeBon expressed his support for the amendment.

Representative Thompson asked whether the two Southeast hatcheries that contracted with the state had requested the funding.

Vice-Chair Ortiz replied in the affirmative.

Representative Thompson asked if DFG supported the amendment.

Vice-Chair Ortiz shared that he had spoken to the DFG commissioner who had communicated that the funding for Crystal Lake was not taken care of for the coming year.

Representative Thompson asked if the amendment funding pertained to upgrades.

Vice-Chair Ortiz clarified that the amendment did not pertain to any upgrades. The amendment would assist the hatcheries in the ability to raise king salmon. He reiterated that the funding was not related to upgrading facilities; it would pay for the cost of raising king salmon in the coming summer.

Representative Thompson asked for verification that DIPAC had been negatively impacted by a storm.

Vice-Chair Ortiz replied in the affirmative.

Representative Thompson asked if the amendment would direct \$150 million to DIPAC.

Vice-Chair Ortiz clarified that the increment was \$150,000.

Representative Thompson asked if the repair from storm damage should be in the capital budget.

Vice-Chair Ortiz answered that \$150,000 was for unexpected costs caused by the windstorm. He relayed that DIPAC had lost its king salmon and coho brood in the past year. He explained that the funds would go directly to one-time costs incurred as a result of the storm. He stated that capital budget was more about maintenance, runways, and

other similar things. He clarified that the amendment pertained to a one-time fiscal loss that caused the hatchery to lose its entire king salmon brood in the past year and ensured the hatchery's ability to raise the king salmon in the current year. He reminded committee members the funds would come from the sportfish portion of the Fish and Game Fund with a balance of \$7.6 million and a total fund balance of \$11 million. Additionally, when the license program was suspended, there had been \$3.5 million. He had not yet been able to track where the funding was, but it was his understanding that \$3.5 million should be added to the Fish and Game Fund.

Representative Thompson was supportive of the surcharge and hoped the separate legislation passed.

[3:46:09 PM](#)

Representative Rasmussen WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment H DFG 1 was ADOPTED.

Co-Chair Foster recognized Representative Sara Hannan in the audience.

[3:46:59 PM](#)

Representative Carpenter MOVED to ADOPT Amendment H HSS 1 (copy on file):

Department of Health and Social Services
Behavioral Health
H HSS 1 Reduce authority for Sobering Centers
Transitioning to Medicaid 1115 Waiver

Agencies that provide alternatives for seriously mentally ill adults or adults experiencing substance use disorders are transitioning to more clinically managed services that are eligible for payment through the 1115 demonstration waiver under Medicaid. As a result, can be reduced due federal reimbursement of services.

Representative Josephson OBJECTED for discussion.

Representative Carpenter read the amendment description [shown above].

Representative Josephson disagreed. He detailed that the Department of Health and Social Services (DHSS) testified that the facility located in Bethel serving the Yukon Kuskokwim Corporation (YKC) could not use the 1115 waiver to recoup needed funds. He elaborated that the facility provided safe shelter for inebriants in the Bethel area who would otherwise pass through jail or the local hospital emergency room. He shared that the facility had been created as a joint effort between DHSS, YKC, the City of Bethel, and the Alaska Mental Health Trust Authority (AMHTA). He relayed that his subcommittee had been very supportive of the program. He stated that DHSS characterized the 1115 waiver as something like a cure-all, which he did not agree with. He relayed that DHSS had conceded the point on the specific issue [pertaining to the Bethel facility]. He believed the cut was not warranted.

Representative Carpenter provided wrap up on the amendment. He stated the amendment would delete a \$200,000 increment for YKC. He highlighted that YKC had received about \$600,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. He stated that YKC had sufficient funding, and no one would be without a roof over their head due to the amendment. He reasoned that in a time of limited funds, it was not necessary to spend the money at present.

Representative Josephson had been told by Representative Tiffany Zulkosky that the \$600,000 in CARES Act funding was not for the Bethel facility. He had been told the funding was a 23-hour COVID-19 quarantine location operated by YKC in another facility.

Representative Carpenter replied that he only had the information from the administration. He thought perhaps the conflict should be solved.

Co-Chair Foster asked if Representative Carpenter was suggesting hearing from the administration. He noted that the phone lines were still down. He asked Representative Carpenter if he wanted to withdraw the amendment and take it up at a later time.

[3:51:33 PM](#)
AT EASE

4:03:22 PM

RECONVENED

Co-Chair Foster reported the committee was trying to reach someone from DHSS on the amendment.

Representative Carpenter WITHDREW Amendment H HSS 1 with intent to offer it at a later time [note: Amendment H HSS 1 was taken up again at approximately 4:55 p.m.].

Co-Chair Foster noted that DHSS amendments would be held until a later time when the department was available.

4:04:20 PM

Representative Carpenter MOVED to ADOPT Amendments H DOL 2, H DOL 7, H DOL 9 (copy on file):

Department of Labor and Workforce Development
Commissioner and Administrative Services
H DOL 2 - Delete Vacant Research Analyst Position

Delete vacant Research Analyst position located in Juneau

Department of Labor and Workforce Development
Labor Standards and Safety
H DOL 7 Delete Vacant Office Assistant Position

Delete vacant Office Assistant position in Anchorage. This position has been vacant for more than 12 months. Essential job duties have been distributed to other staff with little Impact to service.

Department of Labor and Workforce Development
Labor Standards and Safety
H DOL 9 - Delete Vacant Administrative

Delete Administrative Assistant position located in Anchorage. This position has been vacant for more than 12 months. Essential job duties have been distributed to other staff with little impact to services.

Representative Josephson OBJECTED.

Representative Carpenter explained the amendments related to vacant positions. He elaborated that the position under Amendment H DOL 2 had been vacant since 2018, the position under H DOL 7 had been vacant since January 15, 2020, and the position under H DOL 9 had been vacant since April 15, 2020. He stated that the administration did not need the vacancies and had requested their removal from the budget.

Co-Chair Foster asked if the amendment pertained to a proposal by the administration that had been rejected by the subcommittee.

Representative Carpenter answered that he did not know.

Representative Wool recalled that the reductions had been rejected by the Department of Labor and Workforce Development (DLWD) subcommittee. He did not remember the explanation and had not been aware of the vacancy times.

Co-Chair Foster stated his understanding that the items had been part of the governor's proposed budget and had not been accepted by the subcommittee.

Representative Wool believed they were budget action items that were rejected. He did not recall with 100 percent surety.

Representative Wool remarked that the money was not spent if the vacancies were not filled. He reasoned that in some ways there was no harm in leaving a vacant position if a department was merely looking for the right person or if it was a recruitment problem.

Representative Rasmussen stated she did not understand why the legislature would keep funding a position that had been vacant for three years with over \$100,000 General Fund liability if the position were to be filled. She did not know what the justification would be for keeping a position the department had been operating without for three years.

[4:07:55 PM](#)

Representative Josephson MAINTAINED the OBJECTION.

Representative Carpenter provided wrap up on the amendments. The first vacancy was a research analyst position that had been unfilled since 2018, the others were

a vacant office assistant position and administrative assistant position within the Division of Labor Standards and Safety. He reported that the department was working through consolidation efforts and did not need the positions. He would understand if there were recruitment efforts that may warrant keeping a vacancy open; however, the department did not want the positions and did not want to recruit for them. He stated the reduction was a way the department could continue to perform its work without eliminating employees. The amendment would mean vacant positions would not be funded.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Thompson, Carpenter, Johnson, LeBon
OPPOSED: Edgmon, Josephson, Ortiz, Wool, Merrick, Foster

The MOTION to adopt Amendments H DOL 2, H DOL 7, and H DOL 9 FAILED (5/6).

4:10:30 PM

Representative LeBon MOVED to ADOPT Amendment L H LAW 1, 32-GHJ509\N.13 (Marx, 4/27/21) (copy on file):

Department of Law
Civil Division Except Contracts Relating to
Interpretation of Janus v AFSCME
L H LAW 1 - Statehood Defense Outside Counsel and
Expertise (FY2021-2025)

This funding would support the Dept. of Law, Civil Division's efforts to defend the State's right to develop and protect the State's natural resources, access to lands, and the management of fish and wildlife resources for FY21-FY25. Funding for this program was included in HB 68 (the Governor's Fast-Track Supplemental), but not included in HB 69.

Representative Josephson OBJECTED.

Representative LeBon explained the amendment would restore \$4 million in UGF for the Department of Law as requested in the governor's budget to support the efforts by the Civil Division to defend the state's right to develop and protect its natural resources. He elaborated that the amendment would help with the access to lands and the management of

fish and wildlife resources. He detailed that the amendment would give the department the option to seek outside counsel related to the aforementioned issues. He stated that the federal pushback the state was experiencing related to its rights to develop its own resources may require more specialized legal representation. He shared that when he had worked as a banker, there were times outside legal counsel had been sought if the nature of the legal question had warranted more specialized legal assistance.

Representative Josephson MOVED to AMEND Amendment L H LAW 1 to reduce the expenditure to \$1 million.

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained the amendment to the amendment. He relayed that he had chaired the DOL subcommittee, and the subcommittee had heard from the deputy attorney general Cori Mills that the amount was for four years of expenditure. He did not see the harm in funding one year with the intent to revisit the topic in January 2022.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, conceptual Amendment 1 to Amendment H LAW 1 was ADOPTED.

[4:13:21 PM](#)

AT EASE

[4:14:33 PM](#)

RECONVENED

Co-Chair Foster asked his staff and Mr. Painter to speak to the timing on the amendment. He noted that the committee had not specified which year the conceptual amendment pertained to and what the ramifications were.

Mr. Painter explained the original amendment was multiyear, FY 21 through FY 25. The amendment to the amendment had changed it to a one year item in FY 21 only. He posed the question as to whether the item should be for FY 21 and FY 22.

Co-Chair Foster believed Representative Josephson had intended the conceptual amendment to apply to FY 22. He stated his understanding the intent was for the legislature to assess (at the end of FY 22) whether the funds had been used in the way the committee had in mind. He thought there were some concerns about not wanting to use funds to do things that may be averse to subsistence, for example.

Representative Josephson was willing to withdraw his past amendment. He clarified his intent for the conceptual amendment to apply to FY 22. He stated it was fine if the amendment applied to the next two months and FY 22.

Representative Carpenter MOVED to RESCIND previous action on Amendment H LAW 1.

There being NO OBJECTION, it was so ordered.

Representative Josephson MOVED to AMEND Amendment H LAW 1 to reduce the amount to \$1 million for use in the remainder of FY 21 through FY 22.

Representative LeBon OBJECTED to conceptual Amendment 1. He suggested a \$2 million appropriation.

Representative Rasmussen did not believe the committee could add a conceptual amendment to a conceptual amendment. Co-Chair Merrick called for an "at ease."

[4:18:03 PM](#)

AT EASE

[4:18:38 PM](#)

RECONVENED

Co-Chair Foster clarified that conceptual Amendment 1 would reduce the appropriation [from \$4 million in the original amendment] to \$1 million for FY 21/FY 22.

Representative LeBon withdrew his proposal to the conceptual amendment. He did not support the proposed reduction down to \$1 million in conceptual Amendment 1. He expressed his intent to offer a conceptual amendment to change the funding to \$2 million following a vote on conceptual Amendment 1.

Representative LeBon MAINTAINED the OBJECTION to conceptual Amendment 1.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Wool, Edgmon, Johnson, Josephson, Ortiz, Merrick, Foster
OPPOSED: Thompson, Carpenter, LeBon

The MOTION PASSED (8/3). There being NO further OBJECTION, conceptual Amendment 1 to Amendment H LAW 1 was ADOPTED.

[4:21:03 PM](#)

Representative LeBon stated that he did not know whether conceptual Amendment 2 would apply after the adoption of conceptual Amendment 1. He MOVED to AMEND Amendment H LAW 1 as amended to \$2 million.

Co-Chair Merrick OBJECTED.

Representative LeBon spoke to conceptual Amendment 2. He believed \$1 million was light for the intended purpose. Additionally, the original timeline in Amendment H LAW 1 was the better part of five years. He noted the previously adopted conceptual amendment reduced the timeline to 1 year and \$1 million. He thought if the committee was going to adjust the dollar amount by 75 percent to \$1 million, it should adjust the timeline to 2 years. He believed \$2 million was a better number.

Co-Chair Foster asked for clarification on the timeframe.

Representative LeBon replied the \$2 million was for the remainder of FY 21 through FY 22.

Co-Chair Merrick MAINTAINED the OBJECTION.

Representative Johnson stated her understanding that conceptual Amendment 2 would change the total amount to \$2 million.

Representative LeBon agreed that the conceptual amendment could add an additional \$1 million or a new number of \$2 million. He added that if the amendment failed, the amount would default to \$1 million.

Representative Wool highlighted that the funding was for statehood defense for the DOL Civil Division that already had numerous attorneys. He remarked that the funding was for things that may or may not arise. He added that the original amendment included a timeframe of multiple years beyond the current administration. He pointed out that if there was a new administration, the legislature did not know what that administration would want to do. He believed \$1 million was sufficient.

Representative Johnson remarked that there was a new [federal] administration and she thought it appeared the state was faced with defending its lands and resources more than ever. She believed there should be additional funding for use defending Alaska's statehood rights. She shared that when she had worked for the city, it often had to hire outside counsel. She pointed out that when dealing with the federal government, sometimes it was necessary to hire counsel that worked with the federal government regularly. She noted it was sometimes necessary to hire counsel out-of-state. She thought the funding was a good insurance against what the state may have to do. She noted the appropriation did not mean the department had to spend all of the funding.

Representative LeBon asked to hear from Mr. Steininger with the Office of Management and Budget.

[4:25:13 PM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, asked Representative LeBon to clarify the question.

Representative LeBon asked Mr. Steininger to provide background on the benefit of the funding that would enable Alaska to defend its interests for resource development, fish and wildlife, and other.

Mr. Steininger answered that the original funding request of \$4 million over several years was relatively constrained from what the administration thought it may need. He elaborated that over the last several months there had been between 10 and 15 cases where the state had to join a case, file suit, or take some other action with DOL to defend statehood rights. He highlighted areas particularly impacting natural resources through the Department of Fish

and Game, the Department of Environmental Conservation, and the Department of Natural Resources on lands access issues. The money would also be used to partner with organizations representing other legal defense of lands rights. He used Voice of the Arctic as an example and explained the organization collaborated with communities, tribal entities, and Alaska Native Claims Settlement Act (ANCSA) organizations to defend interests in their regions. He concluded that the administration viewed the \$4 million as the beginning of what may be a larger need throughout the course of the current presidential administration.

Representative LeBon appreciated the input from Mr. Steininger.

Representative Thompson thought it was an important issue facing the state, especially in light of the new federal administration. He stated that DOL was anticipating many cases arising in the near future. He remarked that the funding would ensure the department had the financial resources needed to pursue the cases.

Representative Edgmon did not want to get into a deep philosophical discussion about being in favor or against resource development. He did not believe it was warranted. He pointed out that the amendment included forward funding because it went into the future, which the [state] administration had looked askance in other areas. Additionally, he noted the amendment perceived there would be forthcoming issues. He did not believe the issues were currently at the table. He underscored his belief that \$1 million for one year was ample funding when the state had a \$1.2 billion deficit. He remarked that 70 percent of Alaska was locked up in federal land, which was not desirable. He stated the desire to increase resource development and to work with the Biden Administration. He stated the Biden Administration was being characterized as the boogie man from the start, while at the same time, the state was receiving billions of [federal] dollars. He thought \$1 million was fine and he was prepared to support \$1 million the following year. He stressed that he wanted to start forward funding other areas of the budget as well if the full funding was adopted. He thought it was only fair.

Representative Edgmon did not know how far \$1 million would go towards attorney costs. He speculated that fees of \$500 to \$600 per hour likely would lead to another \$1 million.

He stressed that court cases went on forever. He shared that he had been in the Capitol Building when the Hickel Administration had spent \$29 million fighting the statehood compact. He stated the expenditures had gotten the state nowhere other than possibly some legal precedence. He emphasized that he was a pro-resource development as anyone else at the table and he likely would join in the spirit of some of the administration's law suits. However, in the spirit of being fiscally prudent, \$1 million would get the job done. He elaborated that the issue should be taken up again the following session on an as needed basis if \$1 million or \$2 million more was needed in the coming year due to a lawsuit with the 9th circuit court or something that needed to go to the supreme court.

[4:30:11 PM](#)

Representative Rasmussen aligned herself with the comments made by the prior speaker. She acknowledged the importance of the issue and reasoned there were supplemental budgets in place if needed. She agreed that \$1 million was sufficient funding. She opposed the conceptual amendment.

Co-Chair Merrick and Representative Josephson MAINTAINED the OBJECTION to conceptual Amendment 2 to Amendment H LAW 1.

Representative LeBon suspected the amendment to increase the amount to \$2 million would fail. He expressed appreciation for support for the \$1 million.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Carpenter, Johnson, LeBon
OPPOSED: Wool, Edgmon, Josephson, Ortiz, Rasmussen, Merrick, Foster

The MOTION to adopt conceptual Amendment 2 to Amendment H LAW 1 FAILED (4/7).

[4:32:08 PM](#)

Co-Chair Foster returned to Amendment H LAW 1 as amended at \$1 million.

There being NO OBJECTION, Amendment H LAW 1 was ADOPTED as AMENDED.

[4:32:44 PM](#)

Representative Carpenter MOVED to ADOPT Amendment H LAW 3 (copy on file):

Department of Law
H LAW 3 - Add Back Funding to Maintain Agency Core Operations
Offered by Representative Carpenter

Adds back funding to maintain the agency core operations that were deleted by the subcommittee.

Representative Josephson and Representative Rasmussen OBJECTED.

Representative Carpenter explained the amendment. He explained that the amendment would restore funding to maintain core agency operations deleted by the subcommittee.

Representative Josephson communicated that the DOL subcommittee had looked at the department's budget very carefully. The subcommittee had determined the department could withstand a cut in a component called contractual services within the Labor and State Affairs Section. He elaborated that the subcommittee had found the department to be violating the law on outside contracts. He detailed that the subcommittee had found evidence, which he had on hand, that DOL had spent \$199,000 on what the legislature had said was a prohibited contract. He pointed out that the governor had signed the bill, which he believed had been HB 205. The subcommittee had communicated to the department that it was not respecting the legislature's appropriation authority. The subcommittee had also told DOL that the department did not need the funds and should not have it for the purpose it had been used for. He relayed that for the aforementioned reasons, the subcommittee had deemed the funding unnecessary.

Representative Rasmussen MAINTAINED the OBJECTION.

Representative Carpenter provided wrap up on the amendment. He stated that he would take it very seriously if someone was violating the law and there was a process that should be followed. He stated that punitive action by the

legislature in cutting budgets was not one of the actions that should be taken. He thought that because the administration and department could move money around, the amendment really meant the \$200,000 would eliminate one attorney position at a time when attorneys were needed in the department. He stated that the funding would have an impact on Child in Need of Aid cases, statehood defense, revenue protection, elections, unemployment matters, ethics, labor, and labor negotiations.

A roll call vote was taken on the motion.

IN FAVOR: Johnson, LeBon, Rasmussen, Thompson, Carpenter

OPPOSED: Wool, Edgmon, Josephson, Ortiz, Merrick, Foster

The MOTION to adopt Amendment H LAW 3 FAILED (5/6).

[4:36:32 PM](#)

Representative Carpenter MOVED to ADOPT Amendment H LAW 4 (copy on file):

Department of Law
Administration and Support
H LAW 4 - Restores one position and UGF equal to position cost

This amendment would restore one position and UGF funding that was deleted by the House Subcommittee. This position is currently funded with Inter-Agency Receipt Authority, so the Subcommittee's UGF reduction would force the agency to take the UGF from another position within the appropriation. This amendment would restore proper funding to the Department of Law's Administration and Support Division, which is one of the smallest in the executive branch.

Representative Rasmussen and Representative Josephson OBJECTED.

Representative Carpenter explained the amendment would restore one position and UGF funding that had been deleted by the subcommittee. He read the amendment explanation above.

Representative Josephson opposed the amendment. He explained that the position in question was the chief of

staff to the attorney general. He detailed that the position had not existed in 2018. The position had been first filled by Ed Sniffen (a one-time attorney general nominee). He stated that the position had historically been unnecessary and was currently unfilled. Additionally, the department would not need a UGF decrement elsewhere. He elaborated that the Civil Division and the Criminal Division had both contributed towards the funding of the position. He stated that without the position the funds would go back where they came from and there was no prejudice to the two main divisions. He relayed that if the department wanted a deputy chief of staff, it could fund the position with increased interagency receipts.

Representative Rasmussen opposed the amendment. She stated that Alaska's fiscal reality could not support every position.

Representative Johnson recalled that the attorney general had testified to the committee about the need for the positions to help fight the state's sexual assault problem. She supported the amendment because she wanted to help the attorney general succeed with the mission.

Representative Josephson MAINTAINED the OBJECTION.

Representative Carpenter provided wrap up on the amendment. He stated DOL had taken a PCN from one of the divisions and reclassified it to create the chief of staff position. He explained that the subcommittee had deleted general funds; however, the position was funded with interagency receipts. He clarified that the decreased funding actually cut the executive assistant or special assistant position that were funded with general funds. He thought there was confusion about what was happening in regard to the cut of general funds. He elaborated that the new attorney general had stated the department did not need a chief of staff position and that it would be reclassified. He highlighted that the department wanted the position to go back to combatting the state's high rates of sexual assault and domestic violence. He thought it would be a mistake to eliminate the funding and position. He encouraged members to support the amendment.

[4:40:50 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, LeBon, Thompson
OPPOSED: Edgmon, Josephson, Ortiz, Rasmussen, Wool,
Merrick, Foster

The MOTION to adopt Amendment H LAW 4 FAILED (4/7).

[4:41:44 PM](#)

Representative Josephson MOVED to ADOPT Amendment H MVA 1
(copy on file):

Department of Military and Veterans Affairs
H MVA 1 - Restore Civil Air Patrol Funding

In FY21, the legislature funded the Civil Air Patrol at \$250.0 UGF, which was a decline from \$500.0. The Governor vetoed all FY21 funding. This amendment would restore the legislature's support for the Civil Air Patrol.

The Civil Air Patrol (CAP) is a nonprofit, volunteer organization and the official auxiliary of the United States Air Force whose primary purpose is search and rescue operations.

When conducting search and rescue as an asset of the Air Force or other federal agencies. the costs for the CAP missions are paid by those agencies.

The state appropriation will pay for utilities and insurance at facilities where CAP aircraft are stored and fuel for nonemergency operations such as proficiency flights for pilots and crew.

The Civil Air Patrol locates emergency beacons and assists in dozens of search and rescue missions in Alaska each year. CAP aircrews from the Alaska Wing provided aerial support and transport platforms to the U.S. Coast Guard during the Covid pandemic.

The relatively small amount of state funding provided through this amendment will support a significant volunteer contribution to the safety of Alaskans.

Representative Rasmussen OBJECTED for discussion.

Representative Josephson explained the amendment. He shared that he had a constituent who cared immensely about the Civil Air Patrol. He found it hard to imagine not being supportive of the organization. He cited an Anchorage Daily News article dated July 2019 specifying that the Civil Air Patrol had conducted six search and rescue missions and located 34 emergency beacons that lead to six lives being saved. He highlighted that the governor had vetoed the funding. He did not support the cut and wanted to communicate to the administration that the legislature's values were to save the six lives and its willingness to spend \$250,000 to do so.

Representative LeBon supported the amendment. He shared that he had chaired the Department of Public Safety subcommittee the past two budget cycles. He had included the funding in both budgets, but the funding had not survived the red pen [the governor's vetoes]. He thought perhaps three times was the charm. He thanked Representative Josephson for bringing the amendment forward.

Representative Rasmussen WITHDREW the OBJECTION.

Co-Chair Merrick OBJECTED.

Representative Josephson provided wrap up on the amendment. He relayed that in 2018 the funding had been \$500,000. He explained that the proposed funding in the amendment was not overly generous. The funding would help with things like the cost of fuel and related expenses. He concluded that the funds would help make Alaska's skies safer and rescue fellow Alaskans in distress.

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Johnson, Josephson, LeBon, Ortiz,
Rasmussen, Thompson, Wool, Foster
OPPOSED: Carpenter, Merrick

The MOTION PASSED (9/2). There being NO further OBJECTION,
Amendment H MVA 1 was ADOPTED.

[4:45:31 PM](#)

Representative Josephson MOVED to ADOPT Amendment H DNR 2
(copy on file):

Department of Natural Resources
Division of Agriculture
H DNR 2 - Report to Legislature

The Division of Agriculture's mission is to promote and encourage development of an agriculture industry in the State, which will improve local food security and state independence.

In recent years, the department has endured significant budget cuts and disruptions in staffing, but a renewed interest from the administration in prioritizing Alaska agriculture is a welcome and exciting change.

This intent language is designed to support robust reporting and accessibility, planning for the future, and an understanding of the impacts of the new 2021 Alaska Micro-Grants for Food Security Program so that similar subsequent opportunities can be optimized.

Representative Carpenter OBJECTED for discussion.

Representative Josephson read the last paragraph of the amendment explanation above. He explained that the intent language would also ensure reports for program participants were available online. He noted that some of the information was available, but some of the information was opaque or inaccessible.

[4:46:37 PM](#)

AT EASE

[4:50:56 PM](#)

RECONVENED

Representative Carpenter WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment H DNR 2 was ADOPTED.

[4:52:14 PM](#)

Co-Chair Foster noted the committee would return to amendments for the Department of Health and Social Services (DHSS).

Representative Carpenter MOVED to ADOPT Amendment H HSS 1 (copy on file):

Department of Health and Social Services
Behavioral Health
H HSS 1 - Reduce authority for Sobering Centers
Transitioning to Medicaid 1115 Waiver

Agencies that provide alternatives for seriously mentally ill adults or adults experiencing substance use disorders are transitioning to more clinically managed services that are eligible for payment through the 1115 demonstration waiver under Medicaid. As a result, can be reduced due federal reimbursement of services.

Representative Josephson OBJECTED.

Representative Carpenter requested to have subject matter experts address the committee. He asked about the administration's intent in regard to moving the funding to the 1115 waiver.

Mr. Steininger apologized that no one from DHSS was available to testify due to technical difficulties. He answered that the intent was to move the services, including sobering centers into 1115 waiver covered services, which allowed for claiming and federal cost sharing under Medicaid. He explained that the services could be claimed under Medicaid via the waiver. He elaborated that the department had a regulations package currently in effect that covered the services. He stated that the providers should be able to transition over to claiming through Medicaid.

Representative Josephson asked if his memory was accurate that testimony in subcommittee had stated the 1115 waiver could not fully cover the cost of the program.

KELLY CUNNINGHAM, ANALYST, LEGISLATIVE FINANCE DIVISION, answered in the affirmative. She elaborated that the subcommittee had been told the program could not bill under Medicaid because sobering was not a medical service.

Representative Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Johnson, Carpenter, Thompson, Rasmussen

OPPOSED: Josephson, LeBon, Ortiz, Wool, Edgmon, Merrick, Foster

The MOTION to adopt Amendment H HSS 1 FAILED (4/7).

[4:56:00 PM](#)

Representative Carpenter MOVED to ADOPT Amendment H HSS 2 (copy on file):

Department of Health and Social Services
Behavioral Health
H HSS 2 - Reduce Behavioral Health Treatment and Recovery Grants

Per the Department these funds are not needed. The Grants have been reduced over time as support for these types of activities has shifted to the Medicaid 1115 Waiver. Additionally, the funding in the Marijuana Education and Treatment Fund is unlikely to be available in future years.

Representative Josephson OBJECTED.

Representative Carpenter read the amendment explanation above. He thought funding behavioral health grants was likely an inappropriate use of the Marijuana Education and Treatment Fund [MET].

Representative Josephson believed the grants were an appropriate use of the MET funds. He stated that the MET funds itemized eligible expenditures and behavioral health grants were included on the list. He referenced a letter from Volunteers of America describing how the 1115 waiver did not fully work for certain behavioral health programs. He referred to a conversation with Ms. Ripley of the Mat-Su Health Foundation about Nugent's Ranch. He shared that he had first heard about Nugent's Ranch as a state prosecutor. He stated that the term was heard constantly in criminal court. He explained that the ranch was a farm in Mat-Su where people could get treatment. He thought program participants contributed to operation of the facility. He expounded that the program provided more than 28 days of inpatient treatment. He highlighted that the 1115 waiver

only provided 28 days. He pointed out that the 1115 waiver included a bed limit of 16; however, Nugent's Ranch had more than 16 beds. He agreed that was great and saved money for the state, but expenditure for behavior grants in actual dollars had dropped.

Representative Josephson relayed that he had letters from Tom Chard with the Alaska Behavioral Health Association describing the same thing - there was an adjustment period to get to the 1115 waiver and to match programs to the 1115 waiver, if possible. Additionally, he had a letter from Jim Myers, CEO of Alaska Behavioral Health describing the same thing. He highlighted a letter from John Regitano, the executive director of Family Centered Services of Alaska. He referenced repeated comments how the 1115 waiver could be a square peg in a round hole. He shared that his subcommittee had looked at the issue and had found interesting and creative, lawful, and transparent ways to fund an increase without increasing the UGF spend in the department overall. He stated that sometimes the department got ahead of itself in its excitement. For example, the subcommittee had heard testimony about how the department felt it could go to a paperless Division of Public Assistance application profile; however, the department's fiscal note stated that the goal had not yet been achieved. He believed the topic under discussion was another example of the department getting ahead of itself. He opposed the amendment.

[5:00:20 PM](#)

Representative Wool asked for verification that sobering was not an eligible Medicaid service. He was trying to work out the different statements by Mr. Steininger and Ms. Cunningham.

Mr. Steininger qualified that he was not an expert in the 1115 waiver. He stated his understanding the department that the types of services being delivered became eligible under the 1115 waiver. He stated the department was seeking to transition the services and needs through the 1115 waiver.

Ms. Cunningham added the department was currently working on a program called Crisis Now. Once the program was implemented, it would be possible to bill for the services under the 1115 waiver.

Representative Josephson MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Rasmussen, Thompson, Carpenter, Johnson
OPPOSED: Josephson, Ortiz, Wool, Edgmon, Merrick, Foster

The MOTION to adopt Amendment H HSS 2 FAILED (5/6).

[5:03:01 PM](#)

Representative Carpenter MOVED to ADOPT Amendment H HSS 7
(copy on file):

Department of Health and Social Services
Children's Services
H HSS 7 - Removes inappropriate funding of activities
not in support of recidivism reduction.

The department is currently negotiating with tribes
regarding the compact; adding this funding now is
premature while negotiations are ongoing.

Representative Josephson OBJECTED.

Representative Carpenter read the amendment description
above.

Representative Josephson spoke to his objection. He noted
that there had already been discussions and negotiations
with tribes would continue in May and June. He explained
that money may be needed to continue the result. He
detailed that Representative Zulkosky who was the chair of
the House Tribal Affairs Committee and co-chair of the
House Health and Social Services Committee had brought the
issue to the subcommittee and had indicated there was
already funding for a portion (something less than the \$3.4
million) of the funding. He stated he was not an expert on
the Office of Children's Services (OCS), and he was not
always sure how he felt about the delegation of state
authority to tribes; however, it was understood there was a
problem and that current models were not always working. He
noted it was not due to the OCS social workers in his view.
He explained that the budget item was an effort to try
something different to see if tribes could help take care
of children in need of aid in participation with the state.

[5:05:17 PM](#)

Representative Edgmon referenced the Alaska Tribal Child Welfare Compact implemented in 2017. He drew attention to a previous amendment that allocated \$1 million for the state to defend itself under the presumption more wealth would be generated. He highlighted the power and potential of the compact in its short existence from 2017 to 2018 in the latter stage of the Walker Administration. He elaborated that Alaska Natives comprised 15 percent of the population statewide and accounted for 60 to 70 percent of the children in state custody, which was extremely disproportionate. He expounded that try as it might, OCS had many misses along with its hits. He believed putting a small amount of money forward at present could save a tremendous amount of money and get local tribes involved in the vexing and unsolvable problem at many levels. He stated the problem continued to plague rural Alaska in epidemic numbers.

Representative Edgmon believed the funding could save the state a substantial amount of money in the criminal justice system. He referenced the Department of Corrections and the disproportionate number of young Alaska Native males in the system. He stressed the importance of getting local villages involved. He believed tribal compacting was the only way out there. He was disappointed that the money was not automatically in the budget, but he was very confident the money would be well spent. He believed the discussions had produced legitimate negotiations. He underscored that the compact would result in fewer Alaska Native children in foster homes, OCS, and in the justice system. He strongly supported keeping the funding intact. He opposed the amendment.

Co-Chair Foster opposed the amendment that would remove funding for a child welfare compact. He aligned his comments with Representative Edgmon.

Representative Josephson MAINTAINED the OBJECTION.

Representative Carpenter provided wrap up on the amendment. He highlighted that \$1 million was a significant amount of money. He relayed that \$1.6 million in the OCS budget was already funded for the compact. He thought taking \$3.4 million from the recidivism fund (a fund with its own

purpose) for a compact that had not yet been fully agreed to seemed like putting the cart before the horse. He recognized the need that needed to be addressed. He believed the legislature needed to be good stewards of the state's money and ensure agreement was reached with all parties on the amount of money that needed to be appropriated. He stated there was a process underway, including seed money of \$1.6 million that had already been appropriated for the purpose. He did not believe the additional \$3.4 million should be appropriated until an agreement had been reached.

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Thompson, Carpenter, Johnson, Merrick
OPPOSED: Ortiz, Rasmussen, Wool, Edgmon, Josephson, Foster

The MOTION to adopt Amendment H HSS 7 FAILED (5/6).

[5:11:19 PM](#)

Representative Rasmussen MOVED to ADOPT Amendment H HSS 8 (copy on file):

Department of Health and Social Services
Children's Services
H HSS 8 - Recruitment and Retention Intent Language

Funding was added in the HSS Subcommittee process to address critical and longstanding problems with recruitment and retention of caseworkers in the Office of Children's Services by adding targeted funding for retention bonuses, behavioral health support, and tuition reimbursement for caseworkers. This funding and corresponding Intent language will help ensure longevity within the Office of Children's Services and provide the necessary sidebars to protect both the agency and employees.

For example, before receiving a recruitment or recruitment incentive, an employee must sign a written agreement to complete a specified period of employment with the agency. The service agreement must specify the length, commencement, and termination dates of the service period; the amount of the incentive; the method and timing of incentive payments; the conditions under which an agreement will be terminated

by the agency; any agency or employee obligations if a service agreement is terminated (including the conditions under which the employee must repay an incentive or under which the agency must make additional payments for partially completed service); and any other terms and conditions for receiving and retaining a recruitment incentive. The agency may not commence a recruitment incentive service agreement while an employee receives retention Incentive payments without a service agreement or during the service period established by an employee's relocation or retention incentive service agreement.

Representative Josephson OBJECTED for discussion.

Representative Rasmussen explained the amendment added intent language for recruitment and retention funds added in the subcommittee process. She detailed that the language would require the department to establish an incentive plan and adopt a termination of service agreement. She elaborated that the amendment would provide necessary sideboards to protect the employees and the department.

Representative Josephson explained that the subcommittee had learned from DHSS there were already \$1,000 bonuses that had been agreed to with the unions serving the specific class of workers addressed by the amendment. He relayed the subcommittee had been moved by testimony from the OCS director who presented on the severity of the problem retaining workers. The proposal had been that social workers had to work two years. He highlighted that Representative Rasmussen's amendment language was a little more intense, but he did not find it objectionable.

Representative Josephson WITHDREW the OBJECTION.

Representative Wool recalled when the initial amendment had passed, and the committee had heard about the incentive bonus pay that came after two years. He thought it seemed like a long time. He referenced Amendment H HSS 8 language specifying that "the service agreement must specify, the length, commencement, and termination dates of the service period." He did not think it was necessary to specify the length. He thought that if an employee had been there two years, they would get a bonus. He was not familiar enough with the initial bonus structure to implement sideboards. He remarked that given the high turnover and stress, the

workers should likely get paid a little more, which may help retain employees. He did not think it was possible in the subcommittee due to too many budget constraints but was enough to give a small bonus after a given period of time. He thought making the details too specific seemed onerous.

[5:14:39 PM](#)

Representative Rasmussen stated her understanding that a major reason for the additional funding was for retention. She explained that the intent language would clarify there was a service agreement in place if an employee were to leave on the two year and first month mark of employment and receive the bonus. The goal was to effectively encourage retention beyond two years.

Representative Wool thought an employee should earn a bonus at the two year mark even if they quit a month later. He imagined the pay was not extremely high. He understood the burnout period occurred much sooner than the two year mark.

Representative Wool OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Rasmussen, Thompson, Carpenter, Edgmon, Johnson, Josephson, LeBon, Merrick, Foster
OPPOSED: Wool

The MOTION PASSED (10/1). There being NO further OBJECTION, Amendment H HSS 8 was ADOPTED.

[5:16:55 PM](#)

Representative Johnson MOVED to ADOPT Amendment H HSS 10 (copy on file):

Department of Health and Social Services
Juvenile Justice
H HSS 10 - Delete Program Coordinator

This amendment deletes a Program Coordinator position in Fairbanks and the associated funding. The department indicates the work performed by this position will be performed by probation staff and that there will be no reduction in services.

Representative Josephson OBJECTED.

Representative Johnson explained the amendment that would delete a program coordinator position in Fairbanks and the associated funding. She explained that the department had requested the deletion of the position and indicated it had probation staff to take on the work. She relayed that the position had been vacant for over one year.

Representative Josephson relayed that the subcommittee had opposed contraction of the specific field office and others and the delivery of services to youth by computer in support of a physical presence. He thought the department should try harder to fill the position. He MAINTAINED the OBJECTION.

Representative Johnson thought it made sense to have a budget reflecting true costs. She believed having vacant positions on the books clouded the staffing levels. She stated the amendment provided cleanup.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Thompson, Carpenter, Johnson, LeBon, Merrick

OPPOSED: Wool, Edgmon, Josephson, Ortiz, Foster

The MOTION PASSED (6/5). There being NO further OBJECTION, Amendment H HSS 10 was ADOPTED.

[5:20:22 PM](#)

Representative Thompson MOVED to ADOPT Amendment H HSS 11 (copy on file):

Department of Health and Social Services
Juvenile Justice
H HSS 11 - Delete Juvenile Justice Officer 1/1 in Nome

This position has been vacant since July 2019. The Division has identified other staff to take over the occasional transport that is needed without any reduction in services.

Co-Chair Foster OBJECTED for discussion.

Representative Thompson explained the amendment that would delete a position in Nome that had been vacant since July 2019. He read the amendment description above.

Co-Chair Foster confirmed that the position had been vacant for close to two years. He elaborated that the Nome Youth Facility funding had been vetoed several years back, which had resulted in the facility's closure. He explained that youth were now spread across facilities throughout the state and occasionally there was a need to bring them back to Nome to attend court hearings or other, which required staff for transportation. He relayed there were other staff available currently undertaking the work. He noted that if a need arose for staff to provide transport, it would be possible to do a supplemental in the future or he could request the funding the following year.

Co-Chair Foster WITHDREW the OBJECTION.

Representative Josephson OBJECTED for discussion. He saw the trend towards centralization of important services. He imagined a juvenile probation officer being present and known by the community who could act as a mentor. He WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment H HSS 11 was ADOPTED.

Co-Chair Foster relayed the committee would take a break for dinner.

[5:23:18 PM](#)

RECESSED

[6:37:57 PM](#)

RECONVENED

Co-Chair Foster highlighted that the committee would continue hearing DHSS amendments.

Representative LeBon MOVED to ADOPT Amendment H HSS 12 (copy on file):

Department of Health and Social Services
Juvenile Justice
H HSS 12 - Reduce Early Intervention/Diversion Program
to align with referrals

Referrals from the Division of Juvenile Justice to the Early Intervention/Diversion Program are significantly lower than they were when the program started. Youth Courts are an early intervention/diversion program which is used by the Division of Juvenile Justice for first time misdemeanor offenders and occasionally the Alaska Court System for Minor Consuming citations. They also afford a pro-social activity in which youth can volunteer and learn about the justice system through roles as attorneys, judges, etc.

Representative Josephson OBJECTED.

Representative LeBon explained that the amendment would reduce funding for youth courts by about \$88,000. He clarified that the proposal was not a negative comment about the program's value. He believed the program was important. He explained that the authorized budget for the youth courts had been about \$531,000 over the last four or five years, while the actual program spend had been about \$75,000 to \$85,000 per year below the authorized amount. He pointed out that referrals to the program had also been on decline. He detailed that in FY 15 there had been 311 referrals compared to 141 referrals in FY 20. He reported budgeting had remained steady at about \$530,000, but the actual money spent was in decline. The amendment aligned the budgeted amount with the actual experience of the program.

Representative Josephson spoke to his objection. He communicated his understanding that the youth court reduction was a reflection of the COVID crisis and could explain the reason costs were down. For example, there had been no training conference for youth in the past year. He stressed that decreasing referrals was temporary, not permanent. He discussed the usefulness of the youth court program, which diverted young people getting in trouble for the first time from the Division of Juvenile Justice criminal justice system. He expounded that once young people got into the juvenile justice system it could be difficult to extricate from the system. He stated that youth court was an inexpensive way to address youth misdemeanor gateway crimes such as shoplifting and minor consuming in a way that reduced the financial and human cost of time in the adult correctional system, which could otherwise be the eventual outcome. He thought the reduction

was attributable to COVID and the program funding should be continued at its current level.

6:41:32 PM

Vice-Chair Ortiz shared that he had called a youth court program director in Ketchikan regarding the amendment. He had learned that a couple of communities were having a challenging time recruiting program directors, which may help explain the decrease in referrals. Some of the communities did not have program directors, but it did not mean the youth could not be better served with the program. He remarked that if the programs were available, youths would be more likely to stay away from the formal juvenile justice system and further heartache. He had spoken to the director of the court system who had spoken very favorably of the program, the need to maintain it, and how it saved the overall court system money. He explained that if there was no program available, there was no other alternative for juveniles to go forward other than the formal system, which involved prosecutors and lawyers for the defense. He stated that while there may have been a temporary reduction in referrals, it did not mean the trend would continue.

Representative Wool did not believe anyone was debating the importance of the youth courts. He stated the drop in referrals was concerning and he thought the decline may be more than one year. He believed Representative LeBon had given statistics back to 2015. He thought it sounded like the program was underutilized. He asked if the funds lapsed if they were not used. He remarked that minor consumption and other similar cases should not go to the full court system. He believed it would be a complete waste of resources.

6:45:04 PM

Ms. Cunningham stated her understanding of the question. She shared that the unspent money lapsed; however, the department would likely use the general funding for another activity.

Representative Josephson MAINTAINED the OBJECTION.

Representative LeBon provided wrap up. He detailed that in 2019, the authorized budget was \$531,000, while the actual spend was \$438,000. He listed the number of referrals at

154 down from a peak of 311 in 2015. He clarified that he would not be proposing the amendment if he was only looking one year back. He stated it was an opportunity to realize a modest cost cut without impacting the program in a material way. He relayed the funding request was equal to the spend and based on a historical average of six years, not one year.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Carpenter, Johnson, LeBon, Rasmussen
OPPOSED: Edgmon, Josephson, Ortiz, Wool, Merrick, Foster

The MOTION to adopt Amendment H HSS 12 FAILED (5/6).

[6:48:12 PM](#)

Representative Johnson MOVED to ADOPT Amendment H HSS 13 (copy on file):

Department of Health and Social Services
Public Assistance
H HSS 13 - Delete 68 positions and associated funding.

The department indicates the positions are no longer needed due to telework and advancing technology related to Electronic Document Management (EDM). The division is processing incoming work more efficiently.

1002 Fed Repts (Fed)	-2,396,8
1003 GF/Match (UGF)	2,300,0

Representative Josephson OBJECTED.

Representative Johnson explained that originally the department had asked for the deletion of 101 vacant positions. She detailed that the subcommittee had retained 68 of the positions. She shared that 80 percent of the 101 positions were currently vacant; however, there were 100 vacant positions total. She elaborated that the positions would be eliminated by attrition and no layoffs would occur. She explained that the vacancies were a result of the electronic submission of documents and benefits. She highlighted that HB 168 had recently been passed and added more credence to the situation. She elaborated that when HB 168 had been introduced, one of the reasons it did not have a fiscal note was because the department was already doing

the things that were intended in the bill. She believed the decrement in the amendment was reasonable because it was substantiated by a plan. She stated that the amendment was associated with a plan by the department for attrition. She added there was a viable reason as to why the positions were unnecessary.

Representative Josephson shared that the subcommittee had looked at the issue and had learned there had been 1,700 seniors who had not received their benefits due to a delay in processing during COVID. He referenced a single fiscal note associated with HB 168 specifying that the bill required the department to provide online applications for public benefits. He stated the department was currently in the process of establishing an online application format for programs administered by the division. The department had said there was no fiscal impact. The subcommittee had deleted one-third of the vacancies rather than the entire amount. He did not believe the system was ready.

[6:52:36 PM](#)

Representative Wool thought it seemed the positions would not need to be cut if they would be lost through attrition. He asked if the positions were vacant or would be lost via attrition.

Representative Johnson answered that 20 of the positions were not vacant. There were currently 100 vacant positions. She explained that 20 positions in the original 101 were filled. The intent was to allow the 20 filled positions to be eliminated via attrition or redistribution. She elaborated that the 100 vacant positions were not necessarily the 101 vacancies, but 80 percent of the 1001 positions were vacant. She relayed that some shifting would take place to make sure people did not lose their jobs.

Representative Josephson MAINTAINED the OBJECTION.

Representative Johnson provided wrap up on the amendment. She explained the intent was not to have layoffs. The intent was to eliminate the positions via attrition. She added that most of the positions were currently vacant.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, LeBon, Rasmussen, Thompson, Merrick

OPPOSED: Wool, Edgmon, Josephson, Ortiz, Foster

The MOTION PASSED (6/5). There being NO further OBJECTION, Amendment H HSS 13 was ADOPTED.

[6:55:44 PM](#)

Representative Carpenter MOVED to ADOPT Amendment L H SAP 2, 32-GH1509\N.28 (Marx, 4/28/21) (copy on file):

Special Appropriations
Extra Contributions to Retirement Trust Funds
L H SAP 2 - Reduce PERS Unfunded Liability Inc
1.000.000.0

Based on current projections this contribution will result in a funded ratio of 90.5 percent by the beginning of FY2031 for the PERS Trust.

Representative Josephson and Representative Rasmussen OBJECTED.

Representative Carpenter stated he was excited to talk about an opportunity to implement one part of what may come together as a long-term plan to address the budget deficit. He explained the amendment would transfer \$1 billion from the Permanent Fund Earnings Reserve Account (ERA) to the Public Employees' Retirement System (PERS) account. He stated that PERS had an unfunded liability that cost the state annually. He detailed that the transfer of \$1 billion would reduce the cost to the budget annually. He stated the amendment would help fill the gap between revenue and expenditures. He referenced an actuarial analysis from the Division of Retirement and Benefits (copy on file) that showed a 7.38 percent estimated market return for FY 21. He stated a second document (copy not on file) showed an 18 percent market return for FY 21. The documents showed the current situation and three columns showing a contribution of \$1 billion in FY 22, \$2 billion in FY 22, or \$3 billion in FY 22 to give an example of what would take place when money was moved into the PERS account.

Representative Carpenter recalled from previous discussions in a previous legislature that it was not necessarily desirable to reach a 100 percent funding level in the

accounts because there were fluctuations in investments between the present and ten years in the future. He reported that a \$1 billion transfer [to PERS] at a ratio of 80 percent funded would reduce the annual unfunded liability from \$196 million to \$140 million. He explained it would reduce the expenditure by approximately \$56 million. He elaborated that every following year, there would be savings between \$50 million and \$70 million, assuming average market returns.

Representative Carpenter looked at the second document showing an 18 percent market return. He noted there it had been a banner year in the stock market. He stated the figures on the second document reflected what the end of FY 21 may look like; however, planning for a 7 percent return may be the wiser thing to do. He shared that a return somewhere between 7 and 18 percent with a \$1 billion transfer would result in \$56 million in savings in FY 23. He pointed out that the PERS system was currently about 82 percent funded. He explained that the Teachers' Retirement System (TRS) was about 86 percent funded, which was fairly close to the goal of 90 percent. He suggested focusing on PERS and leaving TRS alone.

[7:00:55 PM](#)

Representative Josephson asked if there were two documents.

Representative Carpenter clarified there were two documents, one had just been handed out and one was in members' packets.

[7:01:33 PM](#)

AT EASE

[7:02:58 PM](#)

RECONVENED

Co-Chair Foster asked to hear from Mr. Painter.

Mr. Painter asked for a repeat of the question.

Representative Rasmussen asked how much the Permanent Fund lost annually when the annual draw included an additional \$1 billion.

Mr. Painter answered that the Permanent Fund's current long-term earnings assumption was 6.75 percent, and a \$1 billion draw would reduce earnings by \$67.5 million per year. He explained that the \$1 billion draw would not impact the percent of market value (POMV) draw in the coming year due to the five-year average and delay, but it would impact the POMV draw in future years.

Representative LeBon considered the earnings of the Permanent Fund at 6.75 percent. He asked for the projected long-term earnings on the PERS investment.

Mr. Painter answered that the current long-term assumption was 7.38 percent. He elaborated that the Permanent Fund and retirement may go down in the future. He relayed that generally over the long-term the accounts had earned comparable returns.

Representative LeBon estimated it would be an overdraw of the ERA by around 1.3 percent when looking at the current value of the fund in relationship to the \$1 billion. He stated that what made the proposal something to consider as a long-term strategy was not Mr. Painter's statement that the Permanent Fund and PERS earnings were comparable, but the annual budget savings. He reasoned it was an investment into the future and under the current case he suggested it may be worth considering the overdraw.

Co-Chair Foster shared that he had heard earlier in the day that the ratings agencies had bumped Alaska's rating up a bit recently. He stated it seemed every time ratings were discussed, the issue of potentially overdrawing the ERA and POMV was an issue and there was always a warning that an overdraw would result in decreased ratings for the state. He remarked it was one of many factors.

Representative LeBon believed one of the reasons the state's rating would go down was an overdraw of the ERA and how the money was utilized. He suspected a ratings agency would not punish the state if the funds were used to cover an unfunded liability.

[7:06:40 PM](#)

Representative Edgmon thanked the amendment sponsor for his creative thinking. He had not seen the full analysis to currently be comfortable with the proposal. However, it

made him think that in a very good market year, it could be argued that the Permanent Fund's asset allocation or the fact that 30 to 36 percent of the fund was equities, the \$1 billion would do better and it could be the inverse in a bad year. He stated he would have to "dust off" quite a few numbers to feel comfortable with the proposal. He discussed that in 2013/2014, \$3 billion had been taken from the Constitutional Budget Reserve (CBR) and invested in PERS and TRS. He recalled the topic had consumed the House Finance Committee for many days. He believed the proposal was a creative take at saving money, but he would need more analysis before being able to support it.

Vice-Chair Ortiz considered the projections of the earnings on the money in the ERA portion of the Permanent Fund compared to savings that would result from reducing an interest payment by paying on the PERS unfunded liability. He asked what the average net gain would be to the state if the amendment passed.

Representative Carpenter answered that the net gain to the state occurred in FY 23 with approximately \$55 million to \$56 million less in unfunded liability paid out annually. He explained the current spend projection for FY 23 was \$196 million on PERS. He elaborated that contributing \$1 billion to PERS in the current year would reduce the unfunded liability spend to \$140 million. He referenced another recent compact with a payment of \$20 million each year [a compact agreed to between the governor and the University of Alaska] and the angst over the arrangement. He stated the amendment was an opportunity to obtain similar savings without much pain. He reasoned the amendment would mean transferring money from one savings account to another that were comparable in earnings.

[7:10:40 PM](#)

AT EASE

[7:19:49 PM](#)

RECONVENED

Representative Johnson relayed that in 2014 she was on the Alaska Conference of Mayors and had lobbied for the \$3 billion transfer to PERS. She highlighted there were a couple of things that were not obvious in the presentation, including the value to local governments. She elaborated that local governments tied into the same rates with PERS

would also see the value moving forward for local municipalities. Additionally, the unfunded liability had an impact on the state's bond rating. She elaborated that paying the unfunded liability down made a difference in the state's borrowing capacity.

Representative Wool stated that they were only several years into the SB 26 era POMV draw of 5.25 percent that would decrease to 5 percent. He wanted to stick with the plan [under SB 26]. He thought the concept proposed by Representative Carpenter had merit and was stimulating conversation; however, he would not vote to overdraw SB 26 based on a 15 minute conversation.

Representative Rasmussen asked if the issue could be addressed in a single appropriation bill later on.

Co-Chair Foster replied in the affirmative.

Representative LeBon shared that he had been a supporter of the POMV concept under SB 26. He highlighted the draw began at 5.25 percent for several years and had decreased to 5 percent. He referenced the lookback average value of the Permanent Fund ERA and principal. He remarked that the effective draw was about 4.5 percent. He reasoned if there was ever time to consider the proposal in the amendment, the market value was currently up on the Permanent Fund. He stated it would still hold to the POMV draw to about 4.5 percent. He thought if there was ever a time to look at a way to save money in the budget going forward without a material impairment to the Permanent Fund, taking advantage of the good market days [made sense]. He pointed out the funds would be transferred from one savings account to another. He stated it was a compromise to help the state into the future. He pointed out it was an exciting concept to think about how soon PERS would be properly funded, which would increase the state's savings.

[7:24:47 PM](#)

Representative Edgmon stressed that the amendment was a huge policy issue. He believed he and Representative LeBon had likeminded thinking when it came to the POMV and overdrawing; however, he considered the committee's responsibility to take the same approach a trustee would for the Alaska Permanent Fund Corporation (APFC) in terms of their investor role. He asked to hear from Mr. Painter

and Mr. Steininger regarding the various viewpoints including actuarial analysis the committee should examine. He added there were amendments dealing with the Permanent Fund Dividend that would overdraw the ERA. Additionally, there was the POMV draw that would be taken from the ERA. He asked Mr. Painter how he would see a well-rounded examination of the proposal unfolding.

Mr. Painter believed there were a few factors to consider. First, the governor had a bill that would shift the way the state paid for its PERS contribution (SB 55). There was also the potential to make other changes that would cause a transfer to have an even larger impact. For example, when the transfer had occurred in FY 15, it had been paired with a substantive bill that changed the repayment timeline. The Alaska Retirement Management Board (ARMB) was currently facing the fact that the pension system was underfunded but the healthcare system was overfunded. He elaborated that ARMB was potentially trying to resolve the issue by allowing money to move from one to the other, which could help increase the funding level total. He explained that through the other changes proposed by the governor and other things, there was ability to make a transfer have an even greater impact than merely a simple transfer. He clarified he was not saying a simple transfer was necessarily a bad idea, but there was a potential for even greater savings when coupled with legislative changes.

Mr. Painter relayed there was a timing aspect as well. He explained the POMV draw was based on a five-year draw with a lag; therefore, the impact to revenue would not be fully felt, but the impact to the budget would be fully felt immediately. He expounded that to some degree there may be an advantage of doing a transfer in the current year and lowering the budget in FY 23, while revenue would not be impacted until FY 24. There was a short-term benefit aside from all of the other things he had discussed.

[7:28:30 PM](#)

Representative Edgmon appreciated the perspective and believed it just scratched the surface in terms of the analysis the legislature may do to look at all of the different factors including the participation rates in the defined benefit plan. He added there was legislation, HB 55 [HB 75/SB 55], that would be part of the trend analysis he would like to look at. He impressed upon the committee that

in order to vote for the amendment he needed much more information.

Representative Josephson MAINTAINED the OBJECTION.

Representative Carpenter provided wrap up. He appreciated the dialogue. He thought the conversation was missing a couple of things. He recognized it was a large policy call, but it was what solving the structural problem would require. He stated they were missing the conversation about what happened with the PFD, taxes, reductions in spending, and other. He remarked the items were all political positions/policy calls various members in the legislature had. He stated the amendment was part of what could be a comprehensive plan to address the structural deficit. He reasoned that if nothing else, a conversation had been started about things the legislature could do to build a comprehensive plan to solve the deficit problem plaguing the state for 10 or more years.

Representative Carpenter pointed to the actuarial document and explained that transferring \$2 billion [to PERS] would save \$125 million in FY 23. He asked if it was politically or fiscally possible to achieve the savings elsewhere. He relayed that a \$2 billion transfer would result in a \$70 million payment in FY 23 to the unfunded liability with a funded ratio of 88 percent. He explained the level would reach 90 percent within four years after that, which was where the legislature had heard the level should be in the past. He clarified he was not suggesting the \$2 billion transfer. He believed the legislature could address its fiscal problem and merely needed the will to do so.

[7:31:50 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, LeBon, Rasmussen, Thompson
OPPOSED: Edgmon, Josephson, Ortiz, Wool, Merrick, Foster

The MOTION to adopt Amendment L H SAP 2 FAILED (5/6).

[7:32:58 PM](#)

Co-Chair Merrick MOVED to ADOPT Amendment L H FND 2, 32-GH1509\N.6 (Marx, 4/26/21) (copy on file):

Fund Capitalization

No Further Appropriation Required

L H FND 2 - Add \$54 million UGF for oil and gas tax credits

This amendment provides the additional funding to meet the statutory requirement to pay oil and gas credits.

Representative Rasmussen OBJECTED for discussion.

Co-Chair Merrick explained the amendment. She explained that originally the governor's budget proposed to pay \$60 million for oil and gas tax credits with Alaska Industrial Development and Export Authority (AIDEA) receipts. She explained that with the decrease in oil prices, the forecasted minimum was \$114 million, which the governor had recently proposed to pay entirely with UGF. The amendment would use AIDEA receipts of \$60 million and UGF for the remaining \$54 million to equal the \$114 million spring forecast statutory minimum. She elaborated that the state no longer offered refundable oil and gas tax credits and no payments had been made in FY 20 or FY 21. She stated that the balance of outstanding credits owed was significant, estimated at \$744 million in the Department of Revenue spring forecast.

Co-Chair Merrick highlighted that as mentioned in the AIDEA presentation on March 9, the entity had nearly \$400 million in capital reserves. Additionally, AIDEA had supported the governor's original budget with a resolution. She stated that whether or not a person agreed with the state tax credit program was not the question for the day. She emphasized the most critical issue was whether the state should follow through with its prior commitments and the impact of not doing so. She elaborated that the spring forecast showed oil revenue was recovering from its drastic decline and future projections looked bright. She relayed the amendment was a one-time fix. She was grateful AIDEA had the assets to help during the fiscally difficult time. She stressed the importance of fulfilling the state's obligations to send a message that Alaska was open for business and encourage future investments in resource development.

Representative Rasmussen WITHDREW the OBJECTION. She supported the amendment. She supported efforts the state could make to bring more confidence back to the private

sector to increase investment and make Alaska more competitive for capital dollars. She believed it could be a major decision for the legislature to make the commitment to try to earn capital dollars from the oil and gas industry again.

[7:35:59 PM](#)

Representative Edgmon supported the amendment. He stated it was not lost on him that numerous Native regional corporations had debt obligation involved in the \$800 million oil tax credits the state had to pay out. He discussed that the legislature had passed HB 331 in 2018 that created a bond debt type of arrangement, which the court had struck down. He highlighted that the state was left with presumably no other avenue but to pay the credits off year in and year out.

Representative LeBon spoke in favor of the amendment. He stated he was okay that AIDEA was okay with using some of its receipts for the obligation. He advised that paying off the oil and gas tax credits was not AIDEA's primary purpose. He cautioned that the particular source could be tapped too often. He viewed use of the \$60 million in AIDEA receipts as a one-time event. He stated the payment would be due again the following year to retire the oil and gas tax credits. He hoped people realized that AIDEA was not a piggy bank to dip into annually.

Vice-Chair Ortiz supported the amendment. He pointed out that the original oil tax credits were to incentivize the cost of doing business in Alaska by picking up one-third of the exploration costs etcetera. He stated the assistance had been a significant contribution from the state to the industry. He believed dedicating \$114 million would lower the state's obligation below \$600 million. He pointed out that the committee had argued about subsidizing industry with around \$500,000, while the increment for oil and gas tax credits was \$114 million. He remarked that the state had been in the business of subsidizing industry.

Representative Rasmussen pointed out that over the past several decades the oil and gas industry had provided billions of dollars to the state coffers. She did not believe the prior comparison was apples-to-apples.

Representative Rasmussen WITHDREW her OBJECTION.

There being NO further OBJECTION, Amendment L H FND 2 was ADOPTED.

7:40:04 PM

Representative LeBon WITHDREW Amendment L H FND 3, 32-GH15091N.4 (Marx, 4/26/21) (copy on file).

Co-Chair Foster recognized Representative Cathy Tilton in the room. He referenced two amendments from the governor. He relayed that the governor had included \$60 million in AIDEA funds in his initial budget. He elaborated that at the time, oil prices had been lower. Subsequently, the governor had reduced the amount being taken from AIDEA and had included an amendment for \$114 million UGF to pay the credits. He explained the amendments [GA 219 and GA 220] would be set aside because they had been dealt with in Amendment L H FND 2.

7:41:43 PM

Co-Chair Foster stated there were two amendments pertaining to the Permanent Fund, both by Representative Johnson.

Representative Johnson MOVED to ADOPT Amendment L H PFD 1, 32-GH1509\N.1 (Marx 4/24/21) (copy on file):

Permanent Fund
Permanent Fund Dividends
L H PFD 1 - Amendment lo provide for a Permanent Fund Dividend.

This amendment provides for a full statutory Permanent Fund Dividend.

1041 PFERA(UGF) 2,024,200.0

Representative Rasmussen OBJECTED for discussion.

Representative Johnson explained the amendment would provide a full statutory PFD. She noted she had two additional amendments to follow related to funding sources. She asked if she should speak to the amendments together or separately.

Co-Chair Foster stated he was under the impression Representative Johnson had one amendment proposing to pay

the full PFD using ERA funds and one amendment paying for a full PFD with American Rescue Plan Act (ARPA) and lapsing Medicaid funds. He asked if Representative Johnson had two separate PFD amendments.

Representative Johnson agreed but did not see the other amendment.

7:43:38 PM

AT EASE

7:51:50 PM

RECONVENED

Co-Chair Foster asked to hear from Representative Johnson's staff.

REMOND HENDERSON, STAFF, REPRESENTATIVE DELENA JOHNSON, detailed there were two separate amendments dealing with the Permanent Fund Dividend. He elaborated that one amendment called for a full statutory PFD with all of the funding coming from the ERA. The other amendment called for a full statutory PFD with a portion of the funding coming from the ERA and a portion coming from ARPA funding. He stated that the portion of the PFD would amount to about \$383 million. He highlighted a document titled "Impact of FY22 Overdraws on ERA Balance" (copy on file). The green bar showed the projected ERA balance out to FY 30 with the current 13.89 percent earnings and without a POMV draw. The yellow bar showed what the orange bar showed the ERA balance with the 6.48 percent return and without a draw until FY 30. The blue bar showed the ERA balance with a 13.89 percent earnings in FY 21 with 6.2 percent earnings over the subsequent nine years. Lastly, the purple bar showed the ERA balance based on a 6.40 percent return in FY 21 through FY 30. He highlighted a decline beginning in FY 24 when inflation proofing came into play.

7:56:04 PM

Representative LeBon asked for verification the chart assumed sticking with the 5 percent POMV draw in each of the years.

Mr. Henderson answered in the affirmative. He noted the chart had been prepared by the Legislative Finance Division.

Representative LeBon observed there was not information showing a projected value of the entire fund attached to the amendment. He asked if there was a reason.

Mr. Henderson replied that it had been an oversight.

Representative Rasmussen MOVED to AMEND Amendment L H PFD 1. Conceptual Amendment 1, 32-GH1509\N.30 (Marx, 4/29/21) (copy on file):

Page 2, following line 6 of the amendment:

Insert new material to read:

"Page 105, following line 17:

Insert a new bill section to read:

"*Sec. 57. CONTINGENCY. The appropriation made in sec. 32(d) of this Act is contingent on the passage by the Thirty-Second Alaska State Legislature and enactment into law by October 1, 2021, of a bill changing the amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation to the dividend fund (AS 43.23.045(a))."

Renumber the following bill sections accordingly.

Page 105, line 21:

Delete "secs. 57-59"

Insert "secs. 58-60"

Representative Rasmussen elaborated that the amendment would include intent language that the appropriation for the full dividend was contingent on passage of legislation enacted into law by October 1 changing the authorized amount under AS 37.13.145(b) for the transfer by the Alaska Permanent Fund Corporation to the Dividend Fund.

Representative Thompson OBJECTED.

Co-Chair Foster clarified that the amendment was conceptual Amendment 1 to Amendment L H PFD 1. He explained the main amendment would pay a full PFD using ERA funds only.

Representative LeBon asked if AS 37.13.145(b) was the 1982 formula law on paying out the PFD.

Representative Rasmussen replied affirmatively.

[7:58:43 PM](#)

AT EASE

[8:00:25 PM](#)

RECONVENED

Co-Chair Foster clarified that conceptual Amendment 1 applied to Amendment L H PFD 1 by Representative Johnson.

Mr. Henderson clarified that Amendment L H PFD 1 was N.1 [Legislative Legal Services drafting number 32-GH1509/N.1].

Representative Edgmon asked to hear from Legislative Legal Services. He noted the maker of the conceptual amendment referred to it as intent language. He asked if the language was codified as opposed to intent language.

MEGAN WALLACE, DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE, replied that the conceptual amendment to Amendment L H PFD 1 would add a binding contingency clause to the full dividend appropriation that would require a statutory change prior to October 1, 2021 before a PFD could be expended. She clarified that the conceptual amendment was not intent language.

Representative Edgmon remarked that former Representative Paul Seaton had done something similar in the past with the marrying up of a policy item with a budget item in an appropriation bill. He asked Ms. Wallace if that was the case.

Ms. Wallace answered there could be a legal issue if contingency language was added that did not correspond with the appropriation. She elaborated that because the conceptual amendment was a contingency clause requiring action on the PFD formula and the contingency was attached to the PFD appropriation, while there was never a 100 percent guarantee, she did not believe it would have any legal issues.

Representative Edgmon asked Ms. Wallace to address the severability clause in the event litigation was to occur. He provided a hypothetical scenario where the courts found the provision unlawful. He asked what the situation would do to an underlying full PFD.

Ms. Wallace answered that it was difficult to predict what may happen in litigation or what a court may decide. She relayed there was generally a severability provision that the courts would honor. She explained it was a possibility that if the contingency clause were to be challenged and a court determined it was invalid or unconstitutional, the court could sever the single provision and leave the full PFD appropriation intact, which would allow the full PFD to be paid without contingency.

[8:05:14 PM](#)

Representative Edgmon stated that the contingency clause was tied to Title 37. He recalled asking Ms. Wallace about the Wielechowski case in a March committee meeting. He had asked about the subservience of Title 37 to the supreme court decision that ruled the legislature's power to appropriate rose above statute. He asked what role it played in the contingency language.

Ms. Wallace responded that the Wielechowski case affirmed that the legislature maintained the power to appropriate from the ERA in whatever amount it deemed appropriate. The contingency clause did not prevent the legislature from making the appropriation. She detailed that the legislature was identifying certain conditions that must be met before the full proposed PFD could be expended. She agreed the cases related; however, she did not foresee the Wielechowski case foreshadowing any kind of legal issue in terms of the contingency clause. She believed the issues were separate. She thought the contingency clause was likely okay.

Representative Edgmon stated that the legislature would be within its power to appropriate if the legislature did not follow the contingency clause. He provided a hypothetical example where the legislature appropriated a \$1,000 PFD for a total of \$600 million to \$700 million. He asked for verification that the legislature would be within the powers of its ability to appropriate.

Ms. Wallace replied if the legislature were to pass and enact into law the appropriation with the contingency language, it would become law that the administration would be constitutionally required to execute. She elaborated that the administration would not be able to pay out the full PFD until the contingency was satisfied. The

legislature on the other hand would retain its power of appropriation to amend or change the appropriation it previously passed with the contingency. For example, if there were a special session and the legislature were to consider a dividend issue and amended the appropriation as a statutory change, the legislature would retain the constitutional power to change or amend its appropriations. She clarified that the contingency language would not restrict the legislature from modifying the appropriation in the future.

[8:08:32 PM](#)

Representative Josephson asked about the language in the conceptual amendment "a bill changing the amount." He asked what amount the amendment sponsor was referring to.

Representative Rasmussen answered that the language in the conceptual amendment intended to leave broad power to the legislature to change to whatever amount it saw fit. She noted a formula change would be necessary to achieve a full statutory dividend for the current year.

Representative Wool surmised that under the amendment, paying out a full statutory dividend required changing the [formula] amount. For example, the legislature could decide that 85 percent of the statutory formula would be an amount change and the legislature could pay out the full PFD in the current year. He thought it seemed nebulous.

Representative Rasmussen believed it would be difficult to come to consensus in both bodies and have the executive branch sign a bill into law that made a minimal change to the current formula. She thought a larger conversation about the formula was in order for the state's future.

Representative Carpenter provided a scenario where the conceptual amendment, the underlying amendment, and the budget passed. He asked how the appropriation would be impacted if there was a constitutional amendment change. He noted the governor had a couple of pieces of legislation proposing constitutional amendments. He remarked that the timing of the passage of a constitutional amendment would require a vote of the people. He asked if the amendment would impact a constitutional amendment or vice versa.

Ms. Wallace responded that a constitutional change would not satisfy the contingency in the conceptual amendment; however, it was something the legislature would want to be cognizant of. She elaborated that if the discussion surrounding a change to the formula shifted from a statutory change to a constitutional amendment, the legislature would have to amend the conceptual amendment language to allow a dividend to be paid. Alternatively, the legislature would have to understand that if the legislature passed a constitutional amendment, it would not be eligible to be voted on by the people until the next general election in 2022 and it would not have the effect of satisfying the contingency language. She stated there were various ways the legislature could address the problem, but it would add another action the legislature would have to take to complete the package to ensure the payment of whatever dividend the legislature wanted to pay in the current year.

[8:12:47 PM](#)

Representative Rasmussen asked whether a constitutional amendment would require repealing the current formula provision in law. She believed it would be considered a bill changing the amount authorized.

Ms. Wallace replied that a constitutional amendment would be accomplished by a joint resolution, which would not make statutory changes; it would only change provisions of the constitution. She explained that with a constitutional change, there would be necessary statutory changes that would eventually need to be clarified or potentially amended or repealed by the legislature. To the extent a constitutional amendment was to pass and obtain voter approval, the provision would trump whatever statutes remained on the books. She believed while it would be recommended for the legislature to also make statutory changes, she could foresee a circumstance where the actions may not happen simultaneously.

Representative Rasmussen asked for verification that nothing barred the legislature from passing something simultaneously with the two provisions.

Ms. Wallace responded in the affirmative.

Representative LeBon asked if the governor would be able to line item veto the language in the amendment.

Ms. Wallace answered that she did not believe the language would be subject to a governor's veto. She shared that the issue had been litigated in the past under the Knowles Administration. She relayed there was caselaw from the Alaska Supreme Court stating that something had to be a sum of money dedicated to a particular purpose to be subject to the governor's veto power. She explained that the conceptual amendment was a language contingency item. She shared it was the opinion of Legislative Legal Services that the type of language was not subject to veto. She noted that considering the subject matter, it may be a gray area the state supreme court had not specifically addressed, which could potentially lead to litigation if it was vetoed and not overridden by the legislature.

[8:15:24 PM](#)

Representative LeBon asked about the proposed sunset date of October 1, 2021. He asked for verification the contingency language would disappear and revert back to the original statutory PFD law if no action was taken by the specified date.

Ms. Wallace responded that the date in the contingency clause would require the legislature to pass a bill into law before that date. She stated that the date corresponded with the current statutes outlining the time by which the amount of the PFD needed to be announced. She explained that if the contingency were not met, the dividend would not be paid. She noted the issue would not impact statutes substantively in any way.

Representative LeBon asked for verification that the language would not be valid without a date.

Ms. Wallace replied that if the October 1, 2021 was deleted, the language would still require passage by the 32nd legislature. She added that not only did the language have to be passed by the current legislature, it had to be passed by the specified date.

[8:17:18 PM](#)

Representative Wool MAINTAINED the OBJECTION to conceptual Amendment 1 to Amendment L H PFD 1.

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Rasmussen, Merrick

OPPOSED: Edgmon, Johnson, Josephson, Ortiz, Thompson, Wool, Carpenter, Foster

The MOTION to adopt conceptual Amendment 1 to Amendment L H PFD 1 FAILED (3/8).

[8:18:43 PM](#)

Co-Chair Foster returned to the main amendment and asked if the sponsor had any comments.

Representative Johnson noted that the proposed fund source for the full PFD was the ERA.

Representative Rasmussen stated that she could not support the amendment without the contingency language she had proposed. She was concerned that without a vehicle to enact change, the state would not be able to sustain overdrafts of the magnitude proposed in the amendment for more than six to eight years. She believed it robbed future generations. She was willing to have the conversation about a one-time last full statutory PFD, but without the language she could not support it.

Representative LeBon was concerned about overdrawing the ERA and the long-term impact on the Permanent Fund. He appreciated the information showing how an overdraft on the ERA would impact the fund over a ten-year period. He noted the impact to the fund principal was missing from the information. He remarked there was a need to understand the impact to the principal and the total growth of the fund. He reasoned that sticking with the 5 percent POMV from SB 26 in addition to the PFD statutory draw of about \$2 billion, equaled a total draw of about \$5 billion per year. He reasoned it would require an annual return of approximately 12 percent in order to sustain the draw, while continuing to grow. He stated it would be naïve for the legislature to believe APFC would achieve double digit earnings year after year to accommodate annual draws upwards of \$5 billion. He did not support the amendment.

Representative Johnson asked Mr. Henderson whether he was finished with his remarks on the chart provided.

Mr. Henderson clarified that the amendment did not include a \$5 billion draw each year. He explained that the amendment proposed a one-time POMV draw above the standard draw. He directed attention to the ERA projection in FY 21 of approximately \$15 billion. He looked at FY 30 and noted the ERA balance was approximately \$14 billion. He explained that the impact of the one-time draw would not significantly reduce the ERA balance and did not have the same impact as draws from the CBR. He suggested that Mr. Painter could possibly speak to the impact the proposed draw would have on the fund principal.

[8:23:46 PM](#)

Mr. Painter stated that the balance of the principal was not impacted by draws from the ERA because it consisted of royalty deposits and inflation proofing on the deposits.

Representative Rasmussen did not know why the proposal was being pitched as a one-time overdraw if the legislature was not willing to change the statutory PFD formula. She was trying to understand what may change the following year that would not require an additional overdraw without changing the statutory formula.

Representative Wool remarked that the chart showed how a one-time overdraw impacted future years. He asked what would prevent the legislature from repeatedly overdrawing the fund. He stated the committee had considered another bill that involved an overdraw. He thought the bill was worthy of further discussion, but he did not want to vote to overdraw on that in the current meeting. He did not want to overdraw for the PFD or anything else. He wanted to stick to the 5 percent draw. He would vote against any overdraw proposal.

[8:26:01 PM](#)

Mr. Henderson agreed with the fact that Representative Rasmussen did not want to continue overdrafts and her concern over what would stop it from continuing. He stated that the good thing about using the method at present was due to the earnings that had been achieved and would be

achieved in FY 21. He confirmed it would not be a desirable option to undertake annually.

Representative Rasmussen was trying to understand why members should believe it would be a one-time overdraw when there was a lack of willingness to address the formula.

Co-Chair Foster supported the amendment to pay a full PFD. He stated that individuals with lower incomes relied on the PFD to pay for food, heating oil, and electricity. He remarked that the legislature had tried to spread the burden of the existing fiscal issue facing the state, but he believed they had spent the past several years further placing the burden on lower income individuals. He could not keep doing that to individuals who had to bear the burden.

[8:28:13 PM](#)

Representative Edgmon thanked Representative Johnson for bringing the amendment forward to discuss the topic, which was the proverbial elephant in Alaska politics for many years. He thanked Representative Rasmussen for her conceptual amendment to address the inevitability of needing to address the 1982 statute determining the annual PFD. He noted that legislators all knew the topic would have to be addressed at some point, which would be very difficult. He could not support the amendment.

Representative Edgmon believed if the legislature overdrew the ERA in the current year, it could be overdrawn in the next year. He shared that there had been many hearings in his rural district on the topic over the years. He highlighted various individuals who had come to his district to speak on the topic including Pat Pitney, Randall Hoffbeck, and David Teal. He was not claiming he had full buy-in from his constituents. He elaborated that like Co-Chair Foster, he had constituents who depended on a PFD and would give up anything to get a full PFD. He also had numerous community leaders and constituents who understood that a full PFD came with tradeoffs. He stated constituents would not believe him if he promised a full PFD and no cuts to schools, public safety, transportation, Village Public Safety Officers (VPSO), and Power Cost Equalization (PCE). He thought the conversation needed to happen. He would not be able to support the amendment and he was prepared to have the discussion with his

constituents. He could not consider cutting teachers and others down the road without a balanced approach. He understood a sustainable PFD was very important to villages, as were schools and PCE.

[8:30:59 PM](#)

Representative Rasmussen MAINTAINED the OBJECTION.

Representative Johnson provided wrap up. She stated that an overdraw could be any number of things, it just happened the legislature had chosen to make the PFD "the caboose on the train," which made it appear to be the last thing overdrawing funding. She believed that not paying the full statutory PFD had allowed the legislature to kick the can down the road. She stressed it was difficult to take on the problem and fix it in order to avoid an overdraw. She highlighted the governor's proposed constitutional amendments. She detailed that the governor had communicated his priority for a constitutional amendment for a POMV 50/50 draw. She stated that a full PFD was the law, and the conversation was needed. She believed every time legislators had the conversation it got them closer to a solution for the future. She thought legislators all knew structural changes were needed. She appreciated the conversation.

[8:33:21 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Johnson, Carpenter, Foster

OPPOSED: Josephson, LeBon, Ortiz, Rasmussen, Thompson, Wool, Edgmon, Merrick

The MOTION to adopt Amendment L H PFD 1 FAILED (3/8).

[8:34:21 PM](#)

Representative Johnson MOVED to ADOPT Amendment H PFD 2, 32-GH1509\N.21 (Marx, 4/28/21) (copy on file):

Page 20, line 9:
Delete "2,336,917,700"
Insert "2,304,917,700"
Delete "564,729,200"
Insert "532,729,200"

Page 20, line 18:
Delete "2,309,913,200"
Insert "2,277.913,200"

Adjust fund sources and totals accordingly.

Page 78, following line 23:

Insert a new subsection 10 read:

"(d) The amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation on June 30, 2021, estimated to be \$2,024,200,000, is appropriated 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 30, 2022, from the following sources:

- (1) \$267,000,000 from the general fund;
- (2) The amount necessary, after the appropriation made in (1) of this subsection, estimated to be \$1,757,200,000, from the earning reserve account (AS 37.13.145)."

Reletter the following subsection accordingly.

Page 105, line 9:
Delete the first occurrence of "and(d)"
Insert "(d), and (c)"

Representative Rasmussen OBJECTED.

Representative Johnson explained the amendment would fund a full statutory PFD from UGF savings achieved by using ARPA funds for revenue replacement. She clarified that the action would not use all of the ARPA revenue replacement funding. The amendment prioritized the payment of the PFD using some of the ARPA funding, while leaving a substantial portion of the funding to pay for state services including capital projects. She stressed the legislature could not continue to fund state services first, while saying that the PFD created a larger deficit.

Representative Rasmussen stated that she opposed the amendment in the absence of any mechanism to guide the legislature in the tough decisions it was facing and without a measure in place to assure her constituents that no income tax would be implemented to pay a larger dividend.

Representative Rasmussen MAINTAINED the OBJECTION.

[8:36:23 PM](#)

Representative Johnson clarified that a portion of the funding would come from the ERA and the other portion would come from revenue replaced funds. She pointed out that the amendment only pertained to a statutory PFD and did not deal with an income tax in any way.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Johnson, Foster

OPPOSED: Josephson, LeBon, Ortiz, Rasmussen, Thompson, Wool, Edgmon, Merrick

The MOTION to adopt Amendment H PFD 2 FAILED (3/8).

[8:37:33 PM](#)

Representative Carpenter MOVED to ADOPT Amendment HLS 4 (copy on file):

Department: Department of Law

Fiscal Year: FY 22

Appropriation: Civil Division Except Contracts
Relating to Interpretation of Janus v AFSCME

Structure: Restore title of Civil Division
appropriation to "Civil Division"

Explanation: The agency has indicated that it is unlikely to expend substantial additional funds on outside contracts in relation to the interpretation of Janus v. AFSCME, so it is unnecessary to maintain this modified structure title.

Representative Josephson OBJECTED.

Representative Carpenter explained that the amendment would restore the title of the Civil Division appropriation from "Except Contracts Relating to Interpretation of Janus v AFSCME" to the original "Civil Division."

Representative Josephson spoke to his objection. He discussed that March 28, 2020, had been the legislature's quasi adjournment until it had returned in May. He stated

that at the time of the recess, the legislature had approved the division of the Department of Law's Civil Division into two pieces. He stated that 2020 testimony in subcommittee, the House Finance Committee, and on the House floor was that the Department of Law was spending \$600 per hour on a contract out of Arlington, Virginia with a firm called Consovoy. He elaborated that the legislature thought it was reckless spending and opted to prohibit that type of spending, particularly when making legal assertions no other attorney general was making. The legislature had invited the department to use Alaska attorneys general to litigate. The state could save money by not allowing what the legislature had determined to be frivolous spending. He stated that the governor had signed the bill and struck one of the two sections the legislature had created.

Representative Josephson elaborated that the governor arguably should not have vetoed the language he struck. What had remained was a Civil Division entitled "Civil Division Except Contracts Relating to Interpretation of Janus v AFSCME." He remarked that it was an appropriation and structure in black bold. He stated it was where legislators, as appropriators, were at the height of their power. The only way to direct or guide appropriation expenditures was through an appropriation structure. For example, he had wanted another recruiter in the Department of Corrections (DOC). He explained that if the committee had supported the funding, the money could have been used in an entirely different way within the section of appropriations of DOC and there was not much the legislature could do about it. He stated that if there was desire to control and direct spending and to use the legislature's authority at its height, an appropriation structure was required.

Representative Josephson had learned in October 2020, that the administration was ignoring the structure the legislature had created. When he had asked the administration if it was ignoring the structure, he had been told yes. He had learned that the administration was ignoring the structure in cases in Alaska district court in Anchorage, in federal district court (generally in San Francisco or Seattle), and in Alaska superior court. He had brought the issue to the Legislative Budget and Audit Committee and an audit had been ordered and was ongoing. Additionally, he had brought the issue to Legislative Council; a letter had been issued and there had been some

follow-up. He intended to bring the issue up with Legislative Council again. He shared that he had tried to get on the Legislative Council docket earlier, but it had been filled primarily with mitigation regarding COVID.

Representative Josephson had asked Ms. Wallace for a legal opinion, and she had responded on November 24, 2020. He found Ms. Wallace's legal opinion to be very persuasive that the attorney general had violated the law and the constitution. He quoted from page 5 of the opinion (copy not on file):

To use those funds to outsource litigation on matters relating to the interpretation of Janus is a blatant violation of the purpose identified by the legislature in making those appropriations. Moreover, despite the Department of Law's assertions, nothing in the appropriation at issue prevents the Department of Law or attorney general from fulfilling its duties as head legal adviser and litigator. In fact, the Department of Law could internally pursue matters relating to the Janus decision without running afoul of the appropriation language at issue. Thus, the restriction on contracts in no way restricts the governor's power or ability to initiate court action on the Janus matter or any other issue. It will be difficult for the governor to argue that the legislature was impermissibly administering a program of expenditures when the legislature specifically appropriated funds for the expenditure at issue, but the governor vetoed that nominal appropriation.

Representative Josephson stated that one of the ironies of the situation was that the legislature had specified the administration could not spend on the litigation, with the exception of \$20,000 in one appropriation. He stated that the governor had struck the language and thus had effectively indicated he would not spend anything on Janus outside counsel litigation. He shared that once he had read the Knowles v Legislative Council decision of 2001, he had realized there was something far more serious at play rather than being hung up on the meaning of the Janus decision and labor v management. He highlighted that the case the administration cited in its favor was Legislative Council v Knowles; however, the decision largely favored the Legislative Council. He remarked on the complexity of the decision. He stressed that if the legislature could not

direct the appropriation, any administration could ignore an appropriation structure. He provided an example related to sportfishing and commercial fishing expenditures. He reported that the remainder of the structure was currently included in the budget. He planned to ask Legislative Council to test the situation and bring it to a head. He highlighted that Ms. Wallace's opinion suggested there was a serious violation of the legislature's authority.

[8:47:16 PM](#)

Representative Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Thompson, Carpenter, Johnson

OPPOSED: Ortiz, Wool, Edgmon, Josephson, Rasmussen, Merrick, Foster

The MOTION to adopt Amendment HLS 4 FAILED (4/7).

[8:49:26 PM](#)

AT EASE

[8:55:02 PM](#)

RECONVENED

Representative Carpenter MOVED to ADOPT Amendment HLS 6, 32-GH1509\N.19 (Marx, 4/28/21) (copy on file):

Page 39, line 3:
Delete "29,147,000"
Insert "27,252,000"
Delete "29,214,400"
Insert "27,219,400"

Page 39, line 4:
Delete "8.434.900"
Insert "6.439,900"

Adjust fund sources and totals accordingly.

Page 100, following line 7:
Insert a new bill section to read:
"* Sec. 50. LEGISLATIVE OPERATING BUDGET. The amount necessary, not to exceed \$1,995.000, to pay members or the legislature per diem during legislative sessions

is appropriated from the general fund to the legislative operating budget for the fiscal year ending June 30, 2022."

Renumber the following bill sections accordingly.

Page 105, line 9:
Delete "50(a)-(c)''
Insert "51(a)-(c)"

Page 105, line 18:
Delete "Section 56"
Insert "Section 57"

Page 105, line 21:
Delete "secs. 57 - 59"
Insert "secs. 58 - 60"

Vice-Chair Ortiz OBJECTED for discussion.

Representative Carpenter explained the amendment would appropriate only four months of per diem for FY 22 for legislators.

Representative Thompson asked if the amendment pertained to the regular session only or special sessions as well.

Representative Carpenter replied that it applied to four months only. He wanted the legislature to get its business done.

Co-Chair Foster remarked that the issue was typically addressed by Legislative Council; however, it did not mean the committee could not address it.

Representative Rasmussen MOVED to AMEND revise the timeline to three months.

There was an OBJECTION.

Vice-Chair Ortiz asked for a repeat of the conceptual amendment.

Representative Rasmussen replied that the conceptual amendment would limit per diem to three months rather than four.

Representative Johnson opposed the conceptual amendment, but not the underlying amendment. She noted there was a constitutional provision for a 120-day session, she found it appropriate to have per diem to cover the entire timeframe.

Co-Chair Foster noted the issue had come up in the past. He had heard the argument that reducing the number of per diem days encouraged legislators to speed up the process. He stated that sometimes a more deliberative process was desired. He had also heard the argument that young families coming to Juneau did not have a lifetime of earnings to fall back on. He spoke about trying to encourage individuals who were just starting out in life to have the ability to be involved in legislative service. He clarified he was not advocating one way or another and had not yet made up his mind.

Co-Chair Merrick supported the conceptual amendment. She thought it would be motivation for the bodies to organize in less than 30 days.

Representative Rasmussen spoke to her conceptual amendment. She appreciated the points brought up by Co-Chair Foster. She spoke about young families and trying to create an environment that allowed for diversity and removed barriers for younger legislators. She shared that her family incurred almost the entire per diem stipend not including the mortgage they paid back home during session. She relayed that a \$3,000 monthly salary was eaten up mostly by her mortgage. She WITHDREW her conceptual amendment. She highlighted that there were some serious challenges facing the legislature if it was not willing to implement taxes or find cuts to the budget.

Representative Wool stated that they were approaching 120 days in a couple of weeks, and he really wanted to go home. He stated that if the legislature was called to Juneau for special session during August or September to deal with a multibillion infrastructure bill or other, he would need per diem to pay for a hotel. He did not think it was an incentive to cut off per diem. He clarified that he was not interested in spending the entire summer in Juneau.

[9:01:21 PM](#)

Vice-Chair Ortiz MAINTAINED the OBJECTION.

Representative Johnson spoke to the amendment. She stated that [in the past] she had a bill that would limit per diem to 120 days. She felt strongly about the topic. She shared that cutting per diem did not always make the legislature work faster. She thought it may be time to revisit the bill.

Representative Carpenter provided wrap up. He stated that adversity revealed character. He did not think forcing the issue would make people do the right thing. He did not believe it could hurt.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Carpenter, Edgmon, Johnson, LeBon, Merrick, Foster

OPPOSED: Ortiz, Thompson, Wool, Josephson

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment HLS 6 was ADOPTED.

[9:04:01 PM](#)

Representative Johnson MOVED to ADOPT Amendment HLS 7, 32-GH1509\N.20 (Wallace/Marx, 4/28/21) (copy on file):

Page 68, line 11, following "ADMINISTRATION.":

Insert "(a)" 3

Page 68, following line 16:

Insert a new subsection to read:

"(b) The amount of fees collected under AS 28.10.421(d)(21) during the fiscal year ending June 30, 2021, for the issuance of special request National Rifle Association plates, estimated to be \$8,773, is appropriated from the general fund to Alaska SCTP for maintenance of scholastic clay target programs and other youth shooting programs, including travel budgets to compete in national collegiate competitions for the fiscal year ending June 30, 2021."

Page 105, line 8:

Delete "secs. 11"

Insert "secs. 11(a)"

Representative Rasmussen OBJECTED for discussion.

Representative Johnson explained that she had been asked to carry the amendment for a non-finance member. The amendment specified the amount left over from the National Rifle Association license plate purchases, after cost to issue, would be used to maintain the Alaska SCTP for maintenance of scholastic clay target programs and other youth shooting programs.

Representative Wool asked what typically happened with money collected for specialty license plates after the cost of the plate was covered. He asked if the money went to the specific group.

Representative Johnson replied that she believed so. She stated the money was available for appropriation. She shared that the request had been made by someone instrumental in having the NRA plates made put into statute. She did not know whether the funds automatically went to the organization in question. She noted she was not up on all of the income from other plates.

Representative Wool used the University of Alaska specialty plates as an example and believed the proceeds went to the university. He understood there were scores of other kinds of unique plates. He was interested to know if the money was dedicated to the group or up for grabs.

[9:06:38 PM](#)

Mr. Painter replied there was a statute for license plates with added costs directing where the costs should go; however, the legislature had to appropriate the money and often did not. He elaborated that the revenue from the NRA license plates had often lapsed to the General Fund instead of going to the targeted group. He explained that individuals paid extra for the license plate thinking the funds would go to the specific group; however, the extra funding was actually going to the General Fund. He used the appropriation in the budget to the Blood Bank as an example of what was designated in statute to happen with the plates.

Representative Wool surmised that each time someone bought a license plate for a specialty group, the revenue needed to be separately appropriated by the legislature to the group. He stated his understanding that in the case of the amendment, the recipient would be the NRA, but the

amendment would direct the funding to the other specified programs.

Mr. Painter clarified the amendment pertained to the NRA special request plate, but the statutory funding recipient was Alaska SCTP, not the NRA.

Representative Wool surmised that the Alaska SCTP would be the recipient of the funds if the amendment passed. He stated his understanding that otherwise, lacking another statute, the funding would go to the General Fund. He believed the legislature would have to pass a statute to direct the funding to any specialty group. He understood the funding would lapse to the General Fund if the amendment did not pass.

Mr. Painter replied in the affirmative. He confirmed that the legislature had to appropriate the funding annually to ensure it went to the correct group.

Representative Carpenter asked for a point of clarification. He asked for verification that the amendment did not send any money to the NRA.

Mr. Painter agreed. He clarified that the funding would go to the Alaska SCTP. The license plate was an NRA plate; however, the funds went elsewhere.

Representative Rasmussen WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment HLS 7 was ADOPTED.

[9:09:42 PM](#)

Representative Wool MOVED to ADOPT Amendment HLS 8, 32-GH1509 (Marx, 4/28/21) (copy on file):

Page 73, lines 20 - 29:

Delete all material and insert:

"* Sec. 21. SUPPLEMENTAL UNIVERSITY OF ALASKA. The amount of federal receipts received from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) and from the American Rescue Plan Act of 2021 (P.L. 117-2) for higher education and minority-serving institutions in the fiscal years ending June 30, 2021, and June 30,

2022, estimated to be \$62,742,800, is appropriated to the University of Alaska for the fiscal years ending June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024, for the following purposes and in the following estimated amounts:

PURPOSE

University of Alaska higher education emergency relief funds II and III, institutional portion
ESTIMATED AMOUNT: \$42,757,600

PURPOSE

University of Alaska higher education emergency relief funds II and III student aid portion"
ESTIMATED AMOUNT: \$19,985,200

Representative Rasmussen OBJECTED for discussion.

Representative Wool explained the amendment was receipt authority to allow the University of Alaska to receive federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funds. He elaborated that federal funding from both of the acts was going directly to the university for the institution and student aid. He explained that the amounts in the amendment were updated to reflect current incoming funding. The amendment included the allowable dates of 2021/2022 for CRRSAA and 2023/2024 for ARPA.

Co-Chair Foster added that Representative Wool worked with the university on the amendment language. He shared that he had seen some of the emails on the topic. He highlighted that the amendment did not use UGF, it was merely receipt authority to enable the university to accept federal and other funds.

Representative Wool confirmed that the amendment contained no UGF or DGF funding; the funding was coming directly from the federal government. He expounded that the amendment also contained the language "higher education and minority serving institutions," a category the University of Alaska was included in. He noted that as the committee had seen in a presentation a couple of weeks earlier, much of the money coming from the federal government had different conditions. One of the conditions being that the university was a minority serving institution. The amendment

formalized that the university is a minority serving institution in writing.

Representative Rasmussen asked if the receipt authority was tied to funds designated directly to the university.

Representative Wool replied in the affirmative. He clarified that the funding was preordained for the university and gave it the authority to accept the funds.

Representative Rasmussen WITHDREW her OBJECTION.

There being NO further OBJECTION, Amendment HLS 8 was ADOPTED.

Representative Carpenter MOVED to ADOPT Amendment HLS 5 (copy on file).

Co-Chair Foster OBJECTED for discussion.

[9:12:34 PM](#)
AT EASE

[9:13:04 PM](#)
RECONVENED

Representative Carpenter MOVED Amendments HLS 5 and HLS 5.1 through HLS 5.7 (copy on file):

Amendment HLS 5, 32-GH1509\N.S (Marx, 4/26/21)

Page 80, line 19:

Delete "power cost equalization endowment Fund (AS 42.45.070(a))"

Insert "general Fund"

Page 80, lines 27 - 28:

Delete "civil legal services fund (AS 37.05.590)"

Insert "general fund"

Page 93, line 18:

Delete "sec. 47(i)"

Insert "sec. 47(h)" 12

Page 95, line 29, through page 96, line 1:

Delete all material and insert:

"(g) The sum or \$30,000,000 is appropriated from the general fund to the community assistance fund (AS 29.60.850)."

Reletter the following subsections accordingly.

Page 96, line 8:
Delete "(i)"
Insert "(h)"

Page 103, lines 25 - 26:
Delete "proceeds of the aviation fuel tax or surcharge levied under AS 43.40"
Insert "general fund"

Page 104, following line 31:
Insert a new subsection to read:
"(b) The sum of \$195,957,400 is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)."

Reletter the following subsections accordingly.

Page 105, line I, following "Act":
Insert "and (b) of this section" 14
Page 105, line 6:
Delete "(a) and (b)"
Insert "(a) - (c)"

Amendment HLS 5.1

Department of Commerce, Community and Economic
Development
Community and Regional Affairs

HLS 5.1 Fund source change pursuant to Art.9,
Sec. 17(d) of the State Constitution.
Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art.9, Sec. 17(d) of the State
Constitution.

1004 Gen Fund (UGF)	311.6
1221 Legal SBIV (DGF)	311.6

Amendment HLS 5.2

Department of Commerce, Community and Economic
Development
Alaska Energy Authority
HLS 5.2 Fund source change pursuant to Art.9,
Sec. 17(d) of the State Constitution.

Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art9, Sec. 17(d) of the State
Constitution.

1004 Gen Fund (UGF)	381.8
1169 PCE Endow (DGF)	-381.8

Amendment HLS 5.3

Department of Commerce, Community and Economic
Development
Alaska Energy Authority
HLS 5.3 Fund source change pursuant to Art.9,
Sec. 17(d) of the State Constitution.

Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art9, Sec. 17(d) of the State
Constitution.

Gen Fund (UGF)	32,355.0
1169 PCE Endow (DGF)	-32,355.0

Amendment HLS 5.4

Department of Corrections
Community Residential Centers
HLS 5.4 Fund source change pursuant to Art.9,
Sec. 17(d) of the State Constitution.

Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art.9, Sec. 17(d) of the State
Constitution.

1004 Gen Fund (UGF)	1,000.0
1246 RcdvsmFund (DGF)	-1,000.0

Amendment HLS 5.5

Department of Corrections
Health and Rehabilitation Services
HLS 5.5 Fund source change pursuant to Art.9,
Sec. 17(d) of the State Constitution.

Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art.9, Sec. 17(d) of the State
Constitution.

1004 Gen Fund (UGF) 2,103.6
1246 RcdvsmFund (DGF) -2,103.6

Amendment HLS 5.6

Department of Corrections
Health and Rehabilitation Services
HLS 5.6 Fund source change pursuant to Art.9,
Sec. 17(d) of the State Constitution.

Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art.9, Sec. 17(d) of the State
Constitution.

1004 Gen Fund (UGF) 2,000.0
1246 RcdvsmFund (DGF) - 2,000.0

Amendment HLS 5.7

Department of Corrections
Health and Rehabilitation Services
HLS 5.7 Fund source change pursuant to Art.9,
Sec. 17(d) of the Slate Constitution.

Fund source change from DGF to UGF ensuring
continuity of service when funds are swept
pursuant to Art.9, Sec. 17(d) of the State
Constitution.

1004 Gen Fund (UGF) 175.0
1246 RcdvSmFund (DGF) -175.0

Co-Chair Foster OBJECTED for discussion.

Representative Carpenter explained that the first page of
the amendments made an appropriation from the
Constitutional Budget Reserve (CBR) to the General Fund in
the amount of \$195 million. He detailed that the remainder

of the amendment documentation changed fund source codes for important programs from DGF to UGF. He elaborated that the amendments applied to all of the programs funded with DGF funds that were subject to the sweep (the constitutional provision requiring funds remaining in the General Fund to be swept into the CBR at the end of the fiscal year). The balance of the accounts would be swept into the CBR at the end of the fiscal year. He relayed that except for the amendment that changed the fund source code from DGF to UGF, each of the programs would continue to be funded when the sweep occurred.

Representative Carpenter highlighted agencies encompassed in the amendment including Community and Regional Affairs, Legal Services, Rural Energy Assistance, Power Cost Equalization, Community Residential Centers, substance abuse treatment programs, sex offender management programs, domestic violence programs, education for offender rehabilitation, vocational programs, recidivism reduction grants, education and early development funding for student and school achievement through Alaska Vocational Technical Center (AVTEC), libraries, archives, and museums, library operations, live homework help, program administration for postsecondary education through the Higher Education Fund, Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) medical education funding, environmental conservation, oil hazard fund and vessel fund for administrative services, and more.

Representative Carpenter stated there were many programs funded through DGF that would stand to be unfunded if the legislature failed to do its due diligence and ensure the items remained funded by adhering to the constitutional requirement of repaying the balance of the CBR. He stated it was a significant balance the legislature was constitutionally required to pay. He concluded that the amendment would ensure programs were funded. He stated that in the context of having larger discussions, the issue was important. He detailed that the balance of the funds included was around \$1.5 billion. He asked Mr. Painter for an estimate of the current balance.

Mr. Painter answered that the current balance of sweepable funds was estimated at about \$1.6 billion due to the higher investment returns on PCE and so forth.

Representative Carpenter stated that about \$1.6 billion would be in the CBR. He elaborated that as the legislature was deciding what to do with federal funds, very little of the conversation thus far had been about how to use the funds to bridge a gap to some sort of structural change. He believed the legislature was going to spend the federal funding on programs members thought were important without considering the long-term implications. He stated it meant the funds had to be spent by 2024. He asked what would happen in 2025 when the structural problem had yet to be fixed. He reasoned that some type of bridge would be needed. He stated that luckily there would be several billion dollars available in the CBR that would enable the legislature to deal with the structural deficit in the future. He stated the amendment action was important in the long-term.

[9:19:00 PM](#)

Co-Chair Foster asked for verification that one of the included funds was the Alaska Marine Highway System (AMHS) Fund.

Mr. Painter confirmed that it was a sweepable fund.

Co-Chair Foster relayed that the CS included 18 months of forward funding for AMHS. He stated that if the amendment were to pass, everything from the PCE Fund to the Higher Education Fund to the AMHS Fund would not be funded if the reverse sweep was not achieved.

Mr. Painter answered that in the current CS, there was no use of the AMHS Fund in FY 22; therefore, there would be no impact on the specific fund. He added there was a projected negative balance in the fund for the end of FY 21. He stated the AMHS Fund would not be impacted by the amendment.

Co-Chair Foster asked if the 18 months of forward funding would be impacted.

Mr. Painter replied in the negative. He explained the 18 months of service were not funded with the AMHS Fund. The funding for the service included federal and general funds.

Co-Chair Foster stated his understanding of the amendment. He believed if hypothetically the legislature did not

achieve the three-quarter reverse sweep vote, all of programs would still be paid, but with UGF. For example, the PCE Fund had a \$1 billion balance. He provided a hypothetical scenario where the PCE Fund earned \$50 million in a year and paid the total out to all of the communities under PCE. He summarized his understanding that under the amendment, the state would still pay the cost, but it would be straight from the General Fund. He stated the problem was the PCE Fund would no longer be capitalized, and it may be more in peril in future years. He remarked that it was a policy call for the legislature as to whether PCE was funded from the General Fund in the future. He expressed great hesitation at defunding the accounts for PCE, higher education, vocational education, recidivism, WWAMI, and other things if the reverse sweep did not occur. He could not support the amendment. He asked if his statements were accurate.

Mr. Painter agreed with the explanation.

[9:21:58 PM](#)

Representative Edgmon thought the award for the night for the big picture thinking went to Representative Carpenter. He hoped the sponsor offered the amendment on the House floor because he thought it illustrated the importance of the reverse sweep and what it meant for funds if the three-quarter vote was not obtained. He could not support the amendment but hoped to have the discussion on the floor because it would help educate many members about the topic.

Representative Josephson strongly opposed the amendment. He shared that he had spent significant time thinking about the reverse sweep and trying to reform it. He had a bill that addressed which of the accounts had to be swept and which need not be swept. He took Representative Edgmon's point that the amendment could be a teaching moment; however, the result would be hollow statutes with grand ideas but no money to fund them. He stated the situation would create great consternation and anxiety for different stakeholders in different ways. He highlighted students as an example. Additionally, the CBR indebtedness bore no interest and no penalty. He stated the money was something "we owe ourselves." He characterized the situation as an oddity. He remarked that even if the legislature could save \$1.5 billion in the CBR, it was still not enough for a fiscal plan. He pointed out there had just been an

amendment proposed that would have spent the entire amount. He referenced discussion about how the legislature could have used ARPA funding better for structural change. He countered that much of ARPA funding had restrictions on the way funds could be used. He stressed that hollow statutes that could potentially result from the amendment reflected decades of passion, caring, zeal, and ingenuity. He underscored the accounts were not to be dispensed with in that way.

[9:24:59 PM](#)

Representative Thompson stated that several years back there had been fuel tax legislation. He thought he recalled that aviation fuel tax had to be spent on airports. He asked Mr. Painter if that was the case.

Mr. Painter agreed there was a federal restriction on how the money could be spent.

Representative Thompson asked if the funding would be part of the sweep. He wondered if the funding had to be spent on airports.

Mr. Painter replied that the fund appeared on the administration's sweep list. He believed Mr. Steininger may be able to speak to the reason it had been included on the list.

[9:26:17 PM](#)

Representative Thompson restated his previous question. He relayed that when the legislature had worked on fuel taxes in the past, the legislature had learned the aviation fuel tax had to be spent on airports as specified by federal regulation.

Mr. Steininger responded that it was his understanding.

Representative Thompson asked why it would be included in the sweep.

Mr. Steininger answered that he would have to go back to determine whether it had been included on the administration's list. He stated that based on the funding restriction for use on airport purposes, he did not believe

the item would be included on the list. He would have to take a look.

Co-Chair Foster MAINTAINED the OBJECTION.

Representative Carpenter provided wrap up. He appreciated the comments and the history behind the current situation. He remarked on all of the zeal that went into spending billions of dollars out of the state's savings account without addressing the structural deficit. He protested and asked why all of the spending took precedent over maintaining a stable fiscal structure. He asked why it came to having the current conversation where the committee was talking about forcing amendments on PFD discussions and funding programs and sweeping funds into accounts to get things done.

Representative Carpenter stated a conversation about big picture thinking and solving the state's deficit would have to include some amount of savings that bridged the gap going forward, in addition to taxes, spending cuts, or some type of reduction. He remarked that the committee had chosen not to do those things during the current meeting. He thought perhaps they would do so in the future. He furthered that all of the items were parts and pieces of the puzzle. He remarked that if money was taken out of an account in the current year, it could be put back in the following year. He stated it was possible to pull money out of the PCE account that achieved a greater return on investment than the CBR. He reasoned the legislature would not want to do so in the long-term. He questioned why the legislature would put \$13 billion in the CBR for a small return on investment.

Representative Carpenter underscored that the amendment was merely a tool in a larger plan that legislators all needed to participate in, in righting the state's structural problem. He emphasized that doing nothing would result in continuing down the same path. He thought it was necessary to have the courage to make structural changes and do difficult things to achieve a different result.

[9:30:03 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Carpenter

OPPOSED: Thompson, Wool, Edgmon, Johnson, Josephson, LeBon, Ortiz, Rasmussen, Merrick, Foster

The MOTION to adopt Amendments HLS 5 and HLS 5.1 through HLS 5.7 FAILED (1/10).

[9:31:40 PM](#)

AT EASE

[9:34:49 PM](#)

RECONVENED

Co-Chair Foster noted there was a technical issue with Amendment HLS 6. He noted that the amendment pertained to per diem.

Representative Carpenter MOVED to RESCIND action on Amendment HLS 6. [Note: full discussion on Amendment HLS 6 began at 8:55 p.m.]

Representative Wool OBJECTED.

Representative Carpenter relayed that it had been brought to the committee's attention by Legislative Legal Services that the drafted language did not achieve the intended outcome. He clarified that the amendment would be taken up at a later date.

Representative Wool WITHDREW the OBJECTION.

There being NO further OBJECTION, action on Amendment HLS 6 was RESCINDED.

[9:37:06 PM](#)

Representative Wool MOVED to ADOPT Amendment LS 9 (copy on file):

Department of Commerce, Community and Economic
Development
Community and Regional Affairs
Named recipient grant to Tanana Chiefs Conference
Sobering Center

The appropriation that supported this program between FY 18-FY 21 is expiring and this amendment continues partial funding through FY 22.

Representative Rasmussen OBJECTED for discussion.

Representative Wool explained the amendment would partially fund the sobering center in Fairbanks. He shared that the center had opened in 2018 and had been very successful. He detailed that Fairbanks had a problem with homelessness and chronic inebriates, which had been taxing for the hospitals and corrections system. He pointed out that neither of the places were suitable. He elaborated that there had been a few deaths at the corrections facility because staff was not really trained for numerous people under these conditions. He furthered that since the opening of the sobering center the admits to the hospital had decreased significantly. Additionally, the Title 47 holds at the Fairbanks Correctional Center had also decreased substantially. He highlighted that the number of stays at the sobering center had increased more than the reduction at the other two facilities.

Representative Wool informed the committee that the 1115 waiver did not currently apply to sobering facilities. He stated that it cost money to run the facility. Previously, there had been a grant from the Department of Health and Social Services that had funded the facility at its inception along with another center in Bethel. He relayed that he had been contacted by the Tanana Chiefs who operate the sobering center. He believed the annual cost was slightly over \$1 million. The amendment would provide \$350,000, which accounted for approximately one-third of the annual cost. He had expressed his desire for the Tanana Chiefs to also find funds internally or from other entities such as the Native corporation Doyon in Fairbanks, Fairbanks Native Association, the City of Fairbanks, and the Borough of Fairbanks. He stated that all of the parties had an interest in keeping the sobering center open and the amendment was a good start. He wanted the sobering center to come up with a plan for the future, so Tanana Chiefs did not have to come back to the legislature to ask for funding.

[9:40:08 PM](#)

Representative LeBon spoke in support of the amendment. He shared that it was a critical service provided in his district in Fairbanks. He shared that he had experience

with the program through his service on the Downtown Association. He elaborated that the community service patrol helped transport individuals to safe locations for treatment at the Fairbanks Memorial Hospital (in his district), the sobering center, Housing First, or other locations. He spoke to the need to care for the individuals. He stated the desire was to graduate the individuals into to get more permanent long-term assistance to help get their lives on track. He concluded that the service under the amendment was a critical first step.

Representative Rasmussen MAINTAINED the OBJECTION.

Representative Wool provided wrap up. He stated the sobering center was a benefit on many levels. He detailed that it was a better way to treat and care for individuals in need of sobering and other social services. He highlighted that it was superior and cheaper than a hospital or prison. He elaborated that the staff were trained for the service. The amendment would provide seed money to get the center on its way. He noted that hopefully the operator could sustain the facility through other means into the future. He did not want to see the center closed and it was currently scheduled to run out of funding June 30. He emphasized that the center was an essential service to Fairbanks.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Wool, Edgmon, Josephson, LeBon, Ortiz, Foster

OPPOSED: Carpenter, Rasmussen, Merrick

Representative Johnson was absent from the vote.

The MOTION PASSED (7/3). There being NO further OBJECTION, Amendment LS 9 was ADOPTED.

[9:43:23 PM](#)

Representative Thompson MOVED to ADOPT Amendment LS 10 (copy on file):

Department of Commerce, Community and Economic
Development
Alaska Gasline Development Corporation
Title: AGDC federal receipts

Type: Language

Explanation: Federal receipts received by the AGDC for the fiscal year ending June 30, 2022, is appropriated to the Alaska liquefied natural gas project fund.

Representative Rasmussen OBJECTED for discussion.

Representative Thompson explained that the amendment would enable the Alaska Gasline Development Corporation (AGDC) to receive federal funds of up to \$50 million should the money become available. He read from prepared remarks:

The amendment provides the receipt authority and federal funding for the development of phase I of the Alaska LNG project, which will be managed by a subsidiary of AGDC, to leverage federal funds to construct a natural gas pipeline from the North Slope to Fairbanks with first gas delivered in 2025. The authorization positions AGDC to respond quickly should federal funding from large infrastructure projects be released. Removing this authority will require legislative action prior to putting Alaskans to work.

Representative Thompson highlighted that the amendment brought no cost to the state. He elaborated that the funds would be deposited into the Alaska Liquefied Natural Gas Project Fund account. He reported that of the National Environmental Policy Act (NEPA) permits and state permits, with the exception of one from the Department of Environmental Conservation (DEC), had been approved and the project was shovel ready. He reiterated the amendment would give receipt authority to AGDC should the federal funding become available.

[9:45:12 PM](#)

Co-Chair Foster noted that the amendment used no state funds.

Representative Wool looked at Amendment LS 11, which he assumed was connected to the current amendment.

Representative Thompson replied that Amendment LS 11 would be next.

Representative Wool remarked that Amendment LS 10 did not include much language. He cited language from Amendment LS 11:

...authority for the Alaska Gasline Development Corporation to receive funding from private industry partners for advancing the commercial and technical work to move the project to the FEED stage.

Representative Wool thought the project was already at the FEED [Front End Engineering and Design] stage.

Representative Thompson agreed that the project was currently at the FEED stage. He relayed that Amendment LS 11 would advance the project beyond the FEED stage.

Representative Rasmussen WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment LS 10 was ADOPTED.

[9:46:38 PM](#)

Representative Thompson MOVED to ADOPT Amendment LS 11 (copy on file):

Department of Commerce, Community and Economic Development
Alaska Gasline Development Corporation
Title: Add receipt authority for the Alaska Gasline Development Corporation
Type: Language
Explanation: The amendment requests \$50,000,000 receipt authority for the Alaska Gasline Development Corporation to receive funding from private industry partners for advancing the commercial and technical work to move the project to the FEED stage. The funding from the private sector partners will be deposited in the Alaska Liquified Natural Gas Fund.

Co-Chair Merrick OBJECTED.

Representative Thompson explained that the amendment was very similar to Amendment LS 10. The amendment would enable AGDC to receive up to \$50 million from private industry partners for advancing the work to move the project to the FEED stage. The amendment gave receipt authority to AGDC

and the funds would be deposited into the Alaska Liquified Natural Gas Project Fund. He detailed that the Alaska LNG project had completed its NEPA reviews, the final impact statement had been published in the federal register in May 2020, all of the required federal permits were in place, and all state permits with the exception of one from DEC were in place. The amendment would enable AGDC to continue working with strategic partners and to advance the project through commercial negotiations and technical work to continue the FEED stage. He reiterated the amendment only pertained to receipt authority. He relayed that if there were private partners who wanted to invest, the money would be deposited into the Alaska Natural Gas Project Fund.

Co-Chair Foster remarked that Amendments LS 10 and 11 had both been included in the governor's budget and were not included in the CS. He supported the amendments.

Co-Chair Merrick WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment LS 11 was ADOPTED.

Co-Chair Merrick MOVED to REPORT CS HB 69(FIN) out of committee with individual recommendations and authorization for Legislative Finance Division and the Legislative Legal Services to make any necessary technical and/or conforming amendments.

There being NO OBJECTION, it was so ordered.

CSHB 69(FIN) was REPORTED out of committee with five "do pass" recommendations, five "no recommendation" recommendations, and one "amend" recommendation.

Co-Chair Foster addressed HB 71. He detailed that the governor had originally proposed using \$16 million in Alaska Mental Health Trust Authority reserves and the CS had switched the funding source to traditional funding sources including Alaska Housing Finance Corporation (AHFC) and UGF.

[9:50:12 PM](#)

Co-Chair Merrick MOVED to REPORT CSHB 71(FIN) out of committee with individual recommendations and authorization for Legislative Finance Division and the Legislative Legal

Services to make any necessary technical and/or conforming amendments

There being NO OBJECTION, it was so ordered.

CSHB 71(FIN) was REPORTED out of committee with eight "do pass" recommendations, two "no recommendation" recommendations, and one "amend" recommendation.

Co-Chair Foster reviewed the schedule for the following morning.

#

ADJOURNMENT

9:52:15 PM

The meeting was adjourned at 9:52 p.m.